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Part VI  
World Aid and Donor Reports

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# Shifting Trends: ODA, Global Security and the MDGs

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## **Major scaling up of aid**

Led by a significant increase in aid from the US, the net amount of Official Development Assistance (ODA) from the Development Assistance Committee (DAC) increased to an all time high of \$79.5 billion in 2004. Compared to the 2003 level, this figure represents a real increase (i.e., taking into account both inflation and exchange rate fluctuations) of 5.9%, or a modest year-on-year increase of \$4.1 billion.

The 2004 figure continued the upward trend in DAC ODA since the late 1990s, but which greatly accelerated after the 9/11 attack on the United States (US). The remarkable addition of more than \$20 billion in new resources for development assistance between 2001 and 2004 took place against the background of the US- led the “war on terrorism”.

As in recent years, relative to other donor countries the US disbursed the largest quantity

of aid in 2004 at \$19.7 billion – an 18.3% increase over 2003. However, overall performance of US ODA has changed little. As measured by its capacity to give based on the wealth of its economy, US ODA was only a mere 0.17% of its Gross National Income (GNI), vying with Italy for last place among the 22 donor countries. (See **Graph 14.**)

Of course, even before the attacks in New York and Washington, the international community led by the United Nations (UN) had already made important commitments to increasing aid to help ease poverty in the South. The Millennium Declaration issued by the UN a year before 9/11, for instance, called on all countries to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty.” In September 2005, the Special UN World Summit to review progress with respect to the Millennium Declaration reiterated the longstanding goal for the rich countries to devote 0.7% of their GNI to ODA.<sup>1</sup>

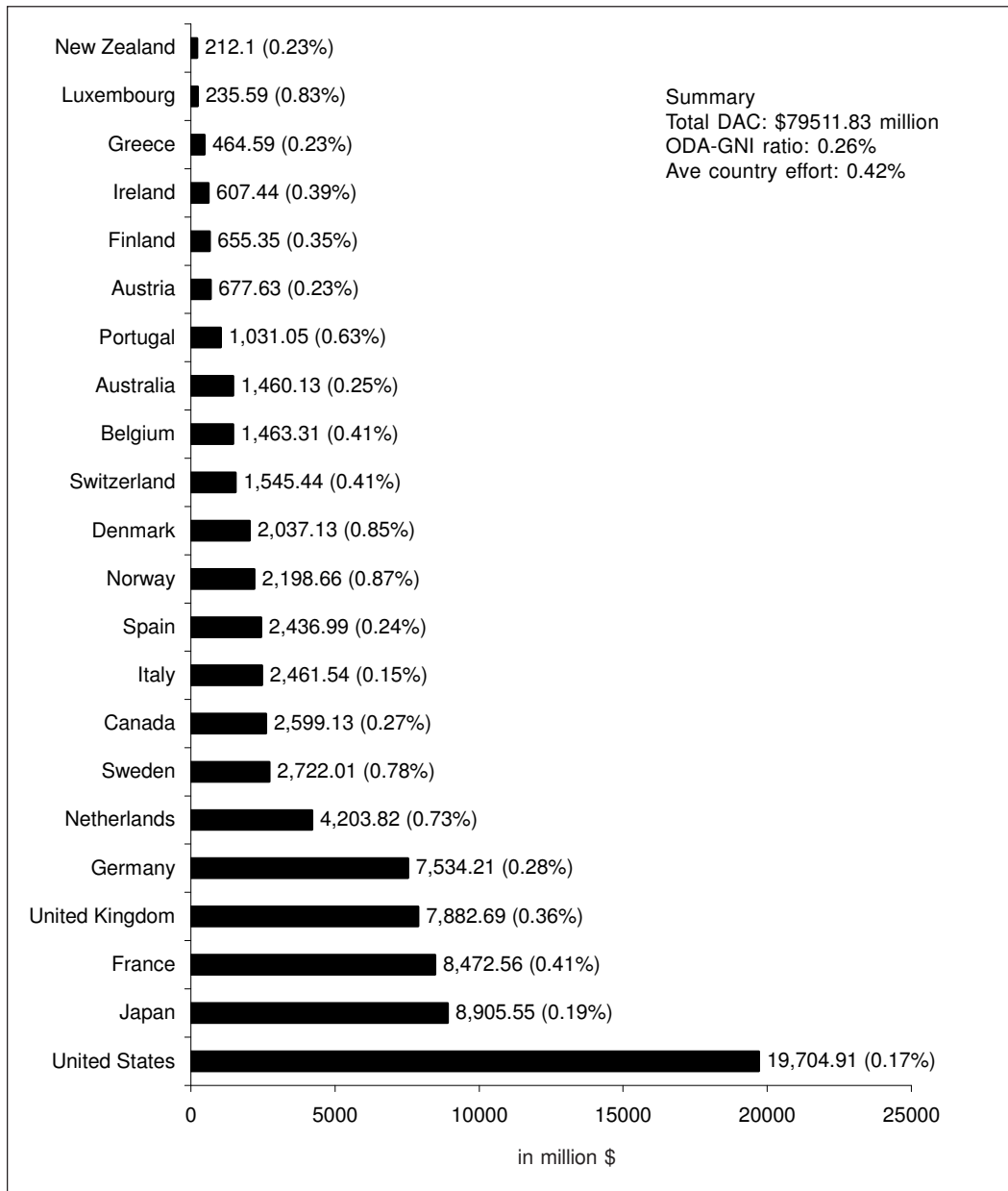
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This chapter is based on figures available through the OECD DAC up to 2004. Preliminary figures for 2005 became available in April 2006 and a short analysis can be found in an addendum to this chapter.

# World Aid Trends

The Reality of Aid 2006

**Graph 14. ODA net disbursement & GNI ratio, by donor, 2004**



Source: OECD-DAC

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DAC donors provided a mere 0.26% of their GNI to ODA in 2004, up slightly from 0.25% in 2003. The 2004 performance of the G7 donors – the world’s seven richest countries – was even worse at 0.22% of their combined GNI. Meanwhile, the average country effort<sup>ii</sup> for all DAC donors in 2004 was 0.42%, a little higher than 2003’s 0.41 percent. Note that the average donor country effort has been sustained largely by five European donors that have consistently achieved or exceeded the UN target.<sup>iii</sup>

In December 2005, the UN General Assembly agreed that pledges made at the 2002 Monterrey Consensus on Financing for Development would be reviewed in 2008. The Monterrey Consensus did not only launch new aid commitments by several donors (the European Union, the US, and Canada), but also committed UN member states to the Millennium Development Goals (MDGs).<sup>iv</sup> These goals aspire to bring greater poverty focus to ODA in efforts to halve the proportion of people living in absolute poverty and hunger as well as to achieve several social development goals by 2015.

Since the Monterrey Consensus, a number of donors have made long overdue commitments to the timetable to achieve the 0.7% target. In May 2005, the European Council decided on a new EU collective target of ODA to GNI ratio of 0.56% by 2010, which would result in an additional €20 billion a year in ODA.<sup>1</sup> At the 8 July 2005 Gleneagles Summit of the G8, donors also agreed to increase aid to developing countries, which the OECD calculated would reach around \$50 billion per year by 2010.<sup>2</sup> In September 2005, five donors stated their intent to reach 0.7% before 2015 while five European donors are planning to achieve 0.5% by 2010. Accepting these commitments at face value, the DAC expected overall DAC ODA/GNI ratio to reach 0.36% in 2010, finally exceeding the

ratios attained during the 1980s.<sup>3</sup> (See **Table 15** and **Graph 15**)

While recording these impressive promises, even the DAC Secretariat has registered caution about the will of donors to meet their own targets. As noted by the OECD, the projected “aid boom” in 2005-2006 is primarily due to debt relief for Iraq and Nigeria, and emergency aid to countries hit by the Indian Ocean tsunami in December 2004. By 2007, when the huge debt relief operations are already complete, donors need to increase other forms of aid by around 10% yearly, or double the rate of recent annual increases, to achieve the commitments they made in 2005.<sup>5</sup> And while increased aid is welcome, a closer look indicates alarming trends in post 9/11 foreign aid flows.

### Increasing aid is failing to close the gap

The international community has set some modest targets in the MDGs to be achieved by 2015 as measured against performance in 1990. The MDGs are important steps which would indicate progress in meeting the international community’s commitments to economic, social and cultural rights. In the lead-up to the September 2005 UN World Summit, the UN Millennium Project estimated the additional financing gap needed to achieve the MDGs to be \$46.6 billion for 2006, rising to \$73.5 billion by 2015.<sup>6</sup>

Both UN agencies and international civil society organizations (CSOs) have issued ambitious calls for global finance that current commitments will certainly fall short of. Millennium Goal 8 calls on donors to commit to “more generous aid for countries committed to poverty reduction.” Like the other MDGs, if measured against the benchmark of 1990, declining aid in the 1990s created a major financing gap that recent increases have so far failed to make up for.

The decline in aid during the 1990s, due to drastic cuts in the aid budgets of the G7

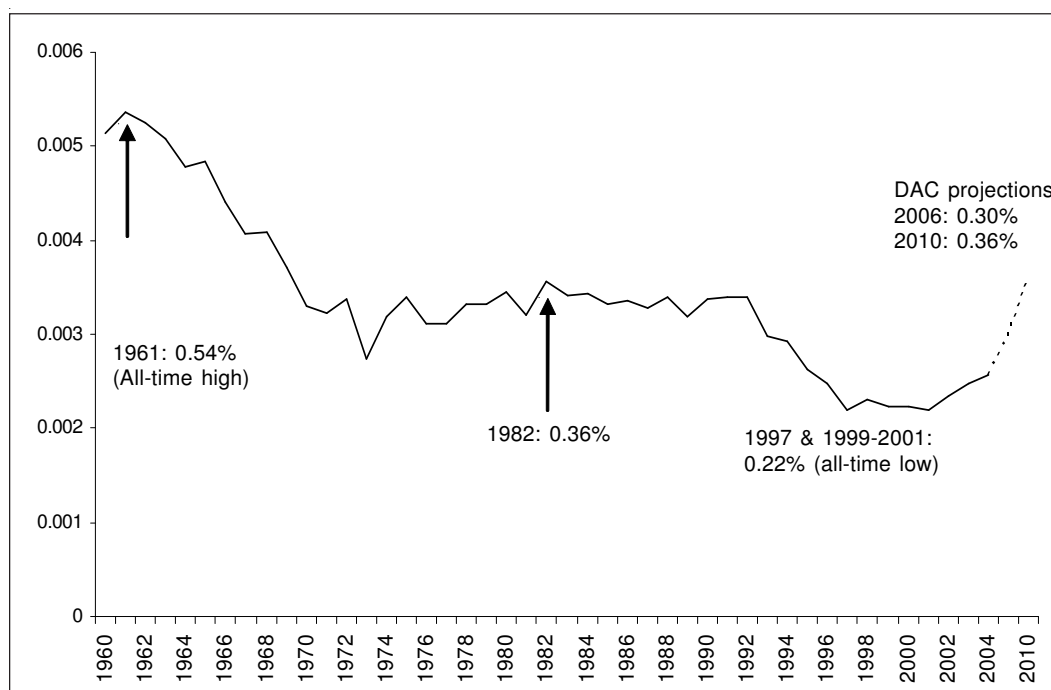
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**Table 15. DAC simulation of 2010 ODA based on recent donor commitments  
As 14 November 2005**

Donors	Actual 2004 GNI ratio	Commitment	Estimated 2010 net ODA (\$ million)	Estimated 2010 GNI ratio
Above 0.7%				
Norway	0.87%	1% over 2006-2009	2,876	1.00%
Denmark	0.85%	minimum 0.8%	2,185	0.80%
Luxembourg	0.83%	1% in 2009	328	1.00%
Sweden	0.78%	1% in 2006	4,025	1.00%
Netherlands	0.73%	minimum 0.8% 2004-2007 /a	5,070	0.80%
0.7% target				
Belgium	0.41%	0.7% in 2010	2,807	0.70%
France	0.41%	0.7% in 2012	14,110	0.61%
Ireland	0.39%	0.7% in 2012	1,121	0.60%
United Kingdom	0.36%	0.7% in 2013	14,600	0.59%
Finland	0.35%	0.7% in 2010	1,475	0.70%
Spain	0.24%	0.7% in 2012	6,925	0.59%
0.51% target				
Portugal	0.63%	0.51% in 2010 /b	933	0.51%
Germany	0.28%	0.51% in 2010	15,509	0.51%
Austria	0.23%	0.51% in 2010	1,673	0.51%
Greece	0.23%	0.51% in 2010	1,196	0.51%
Italy	0.15%	0.51% in 2010	9,262	0.51%
Other targets				
Australia	0.25%	0.36% in 2010	2,460	0.36%
New Zealand	0.23%	0.28% in 2007-2008	289	0.28%
No specific targets				
Canada	0.27%	/c	3,648	0.33%
Japan	0.19%	/d	11,906	0.22%
US	0.17%	/e	24,000	0.18%
Switzerland	0.41%	/f	1,728	0.41%
Total DAC	0.26%		128,128	0.36%
<p><b>Notes</b></p> <p>/a Netherlands's ODA in 2004 was below its 0.8% target due to India's repayment of all its outstanding Dutch aid loans.</p> <p>/b Portugal's ODA in 2004 was above trend due to exceptional debt relief for Angola.</p> <p>/c Canada intends to double its 2001 International Assistance Envelope (IAE) level by 2010 in nominal terms.</p> <p>/d Japan intends to increase its ODA volume by \$10 billion in aggregate over the period 2005-2009.</p> <p>/e DAC estimates \$5 billion annual increase in ODA from 2005 based on Gleneagles G8 Commitments.</p> <p>/f Switzerland's ODA will increase by 8% in nominal terms from 2005 to 2008.</p>				

Source: Taken from OECD-DAC Secretariat simulation of DAC members' net ODA Volumes in 2006 & 2010<sup>4</sup>

**Graph 15. Long-term trend in DAC ODA-GNI ratio (1960-2004 with 2006 & 2010 projections)**



Source of basic data: OECD-DAC

countries, resulted in cumulative real-term losses in aid to recipient countries of over \$40 billion by 1999 (in constant 2003 dollars). Between 2000 and 2004, aid increases generated \$42 billion cumulatively in new resources (over and above 1999), effectively canceling out the losses of the 1990s.<sup>v</sup> In effect, over the past fifteen years, there has been no new aid resources above the level reached in 1990, the year chosen as the benchmark for achieving the MDGs.

For individual donors, eight registered net losses for recipients during the 1990s compared to their aid level in 1990 (i.e., assuming it had stayed at this level for the decade). The US registered significant reductions in the 1990s with \$35 billion lost to recipients during that period, while increases since 2000 have

brought \$22 billion in new aid resources. Japan, on the other hand, contributed \$9 billion less up to 2004 than it would have if its 1990 level had continued to 2004.

Has the financing gap been reduced by the renewed focus on aid targets and timetables, and the commitments made in 2005 to achieve the 0.7 percent target? For several countries, the CSOs met these “commitments” with a high degree of skepticism. Even the DAC said that the commitment to raise ODA implies that “aid will be the most rapidly increasing element of public spending and given the pressures on public budgets in many OECD countries, delivering such increases will be a ‘challenge’.”<sup>7</sup> The pressure is expected to intensify starting 2007, which as noted earlier

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is the year when large debt relief operations propping up increased ODA figures will end.

Ireland has already reneged on its 0.7% by 2007 commitment and pushed its target date to 2012. Japan, meanwhile, has effectively reneged on its \$10 billion commitment made at the G8 Gleneagles meeting for new aid money for Africa to 2010.<sup>vi</sup>

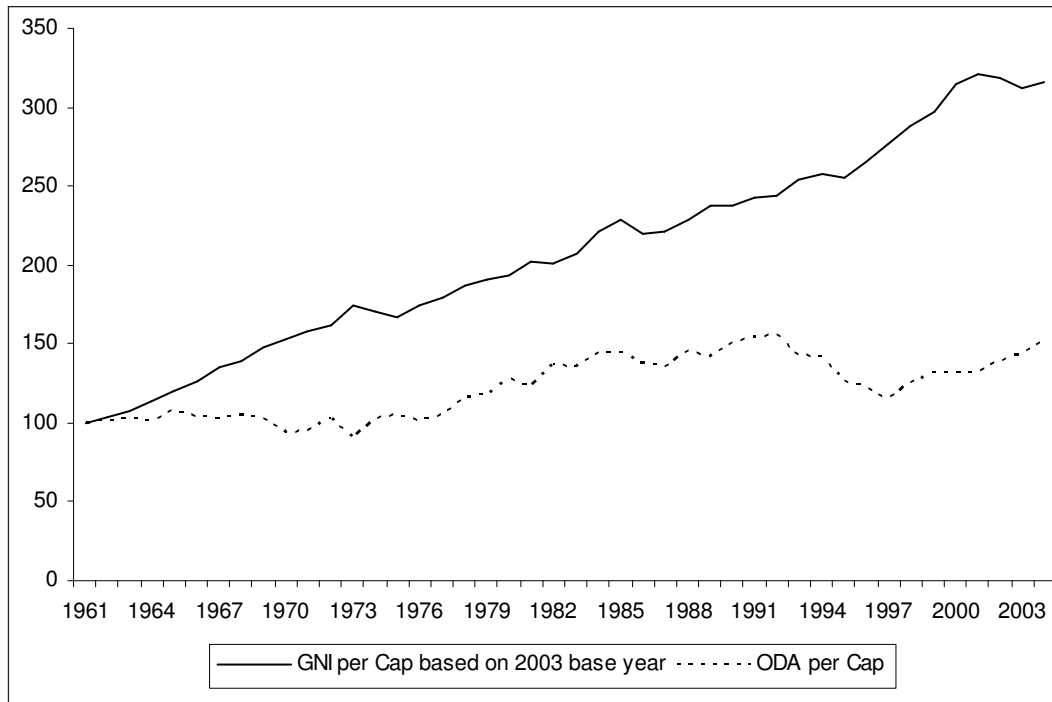
On a more positive note, France, along with Spain, Brazil and Chile, has been leading the way in developing innovative mechanisms for funding development. France is due to implement this year (2006) a new small surcharge on commercial airfares, while the government of Norway is also considering support for a similar surcharge. In 2005 a number of donors led by the UK launched an International Financing Facility in support of the Global Alliance for Vaccines and Immunization

(GAVI).<sup>vii</sup> While these innovative financing mechanisms are certainly welcome, the challenge is still to ensure the actual delivery of commitments to increase aid and reach the 0.7% target, and for additional resources from the new financing mechanisms to be maximized for poverty reduction in the poorest countries.

Donors have also failed to significantly close their “generosity gap”, which according to Reality of Aid Reports has been growing since the mid-1990s. ODA per capita in donor countries had increased by 50% from \$55 in 1961 to \$83 in 2004. On the other hand, wealth per capita (GNI) in these same countries grew by about 230% from \$9,887 to \$32,462 during the same period. (See Graph 16).

Most donor countries that have so far failed to move towards the 0.7% target, can well afford to do so. The successful

**Graph 16. GNI per capita versus ODA per capita in donor countries (In 2003 prices & exchange rates) 1961-2004**



mobilizations in the 2005 Global Call to Action Against Poverty campaigns in many donor countries, as well as generous responses to the December 2004 tsunami, demonstrated that citizens are far more prepared to respond with generosity than their own governments.

### **New aid resources not maximized for poverty reduction**

According to the Human Development Report (HDR) 2005, while international aid is one of the most powerful weapons against poverty, it has been underused and badly targeted.

“There is too little and too much of what is provided is weakly linked to human development,” the report said.<sup>8</sup>

Since the Millennium Summit in 2000, donors have made available \$27 billion in new aid resources. But despite the commitment to “spare no effort” to reducing poverty, not all of this increase in aid has been available for poverty reduction goals. In part, this is due to massive aid resources targeting two countries - Afghanistan and Iraq, which cornered 37% of new aid resources from 2000 to 2004.<sup>9</sup>

Furthermore, donors have taken advantage of DAC criteria for what can be included in ODA to inflate their aid performance, while no actual benefits accrue to developing country partners. As the HDR 2005 noted, not all of the money counted as aid translates into transfer of resources. This has dire implications on the problem of financing gaps to achieve the MDGs, since bridging the gap means real money must be disbursed and used. It pointed out the case of debt relief, technical cooperation, and emergency assistance, which together comprised 90% of the \$11.3-billion increase in bilateral aid between 2000 and 2004.

OECD reporting arrangements allow donors to report the entire stock of debt reduction as aid in the year it is written off, thus raising the real value of debt relief

since the real financial savings to the recipient country come in the form of reduced debt servicing. Furthermore, in cases where the debts were not being fully serviced, debt relief becomes in part an accounting operation. Technical cooperation, meanwhile, primarily employs experts from donor countries which may distort resource flows into priority areas for MDG financing. Emergency assistance is a response to financing requirements over and above those estimated for the MDGs.<sup>10</sup>

In addition, donors are also permitted to count as ODA support for refugees for their first year in a donor country, and to impute a value on education provided to students from developing countries studying in donor countries.

Based on *Reality of Aid* calculations, deducting new aid resources due to aid to Afghanistan and Iraq, debt cancellation<sup>viii</sup>, and support for refugees in donor countries, only 25% (or \$6.9 billion) of the \$27 billion in new aid resources from 2000 to 2004 were available for poverty reduction or MDG programs. (See **Table 16**)

### **Aid to Afghanistan and Iraq**

The wars in Afghanistan and Iraq have had a profound impact on the distribution of aid increases since 2001. Aid increases in the UK and the US alone have produced almost \$22 billion in new aid resources since 2001. But these two countries disbursed more than \$7 billion, or one third of their aid increases, just to Afghanistan and Iraq during this period.<sup>11</sup>

Since 2001, disbursements to Afghanistan and Iraq from all donors have accounted for \$10 billion of the \$27 billion in new aid resources available from all aid increases by all donors. During this period, donors committed \$9.3 billion to these two countries, but at the time of writing these funds had not been disbursed.<sup>12</sup>



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**Table 16. Allocation of new donor aid resources, 2000-2004**

Indicator	\$ billion
Net new aid resources	27.0
Minus:	
New aid to Afghanistan & Iraq	10.0
Additional debt cancellation (net of average service)	9.6
Additional support for refugees in donor countries	0.5
<b>New resources for potential use in poverty reduction/MDG programs over four years</b>	<b>6.9</b>

Source: Reality of Aid calculations based on DAC Development Cooperation Report 2005 & DAC online aid data (constant 2003 dollars). Aid, adjusted for inflation and exchange rates, in each year is compared to aid in the year 2000. Similarly deductions are compared to amounts provided in the year 2000. Debt cancellation is net of an estimated average 7.3% annual benefit from the debt cancelled.

## Destroy and Rebuild

A major portion of US aid to Afghanistan in 2004 went to the reconstruction of its roads, schools, water and power supply, health facilities, and government buildings, most of which, ironically, were destroyed by American bombs when the Bush administration declared war against the Taliban government in October 2001. In 2004, the US spent \$720 million on non-security related aid for Afghanistan, of which 75% (\$538 million) went to reconstruction activities while the rest went to humanitarian and quick-impact projects.<sup>13</sup> Meanwhile, the reconstruction of Iraq is considered the largest aid campaign of the US since the Marshall Plan of post-World War II. Between April 2003 and March 2004, the US has released \$3.3 billion worth of aid for Iraq, of which a big part went to rebuild the schools, water and power supply, health facilities, and ports damaged during the US invasion.<sup>14</sup>

## Debt cancellation

Reality of Aid calculations show that debt cancellation, the full value of which is counted by donors as ODA, accounted for \$9.6 billion of the \$27 billion in new aid resources between 2000 and 2004.<sup>15</sup> In fact, some of the donors with significant aid increases in 2004, such as Japan, Portugal, Austria and the UK, also reported debt cancellation that accounted for a high proportion of these increases.<sup>16</sup>

In November 2004, the Paris Club<sup>ix</sup> announced that it would reduce by up to 80% the nearly \$40 billion owed to them by Iraq. The Bush administration alone cancelled 100% of Iraq's \$4.1 billion debt to the United States. The first tranche of this cancellation will artificially and significantly increase DAC ODA figures in 2005 and 2006 by up to \$16 billion, inflating overall DAC aid by more than 20 percent. For individual countries, the impact will be significant - the US (21%),

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Japan (45%), Germany (29%), the UK (13%), Italy (66%) and France (11%), according to French NGO Coordination Sud. Already, in 2005 debt cancellation represented more than 40% of French ODA.<sup>17</sup>

Following the July 2005 Gleneagles G8 Summit, some limited but welcome progress has been made on debt cancellation for the poorest countries. The most important gain perhaps was the recognition that the poorest countries required 100% debt cancellation. Unfortunately, this recognition comes with many strings attached. In September 2005, the governing bodies of the World Bank and the IMF approved a debt cancellation package for a select 18 developing countries that have completed their intensive HIPC (heavily indebted poor countries)\* conditionalities with these institutions. This package covers approximately \$40 billion in debt for the initial 18 countries (and with a further 20 countries possibly eligible in the future, this amount could increase), at a cost of more than \$10 billion to donors over the next 10 years, all of which will be eligible as ODA.

In October 2005, Nigeria's creditors agreed to cancel \$18 billion or 60% of Nigeria's outstanding debt. However, to receive this cancellation package, Nigeria had to agree to pay its creditors, the richest nations in the world, \$12.4 billion<sup>xi</sup> in debt servicing arrears within the next few months, a sum far greater than the benefits from the September debt deal for Africa in the next decade. As EURODAD pointed out, "all this in a country where more than 80 million people live on less than US\$1 a day. Nigeria's money must instead be used to improve education, healthcare and water for its citizens, not to subsidise wealthy countries".<sup>18</sup>

Donors will be counting significant additional amounts of debt cancellation as ODA in the next several years. CSOs have long called for comprehensive unconditional debt cancellation for more than 50 of the

poorest indebted countries as a foundation for sustainable poverty reduction. Resources are available within the International Monetary Fund and the World Bank to cover a substantial portion of this cancellation.

Where donors contribute bilateral funds to pay off the full value of debt cancelled, only a small part of this cancelled debt each year relates to the annual savings by the indebted countries for the service payments that they were actually making at the time of cancellation. This latter amount is the real contribution to new resources for developing countries from debt cancellation. As it stands now, donors will be able to meet a major part of their commitments to future aid "increases" with little of these paper increases actually available to meet the needs of the poor. CSOs have long called for debt cancellation to be additional to ODA.

### *Support for refugees in donor countries*

Donor government support to refugees from developing countries in their first year of in the donor country is also eligible for counting as ODA. Not all donors count this expenditure in their ODA, but overall this amount has been increasing for all DAC donors. Donors together charged \$1.3 billion in 2003 for refugee support. Since 2001, donor allocations for this purpose in their total ODA have *increased* by \$0.5 billion.

### *The future for aid increases*

The Gleneagles G8 Summit in Scotland in July 2005 signalled an aid increase of \$50 billion per year by 2010, with increased attention to urgent development needs in Africa. The September UN Summit acknowledged these aid increases, and world leaders renewed their commitment to meet the MDGs, with particular attention to women's human rights. It is important to note, however, that in spite of clear evidence that the MDG

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target on eliminating gender disparity in primary and secondary education by 2005 has not been met, donors did not make new additional commitments to reach the MDGs. The 2006 DAC Development Co-operation Report notes the collective failure shared by all countries to meet the 2005 target on gender equality.

We have already seen that at least some of these commitments for timetables to increase aid are very dubious. With a continued focus on the “war on terrorism” as well as large debt cancellations forthcoming for Iraq and Nigeria as noted above, there is a real danger that a significant part of the \$50 billion in additional aid will not reach Africa and the poorest countries.

Aid increases in 2005 are likely to show the impact of natural disasters on aid allocations. The tsunami that hit parts of South and Southeast Asia on 26 December 2004 generated around \$6.9 billion in bilateral and multilateral aid commitments.<sup>19</sup> The October 2005 earthquake that damaged the northern part of Pakistan also produced \$5.8 billion in aid commitments from 75 bilateral and multilateral donors.<sup>20</sup> But the degree to which these pledges will be realized remains to be seen, given the notoriety of donors in falling short of their commitments.<sup>xii</sup>

## Is the quality of aid improving?

CSOs joined together globally in 2005 in a Global Call to Action Against Poverty, mobilizing tens of millions of citizens in both the North and South to call on their leaders to take action against poverty.<sup>xiii</sup> In responding to this mobilization, leaders at both the 2005 G8 meeting and UN World Summit put rhetorical attention on both Africa and making progress for the MDGs with commitments that did not address the actual need for new resources. Through the DAC, starting in 2001 in Rome and leading to the Paris Declaration in 2005,

donors have also set out a plan to reform aid practices, with self assessments as the basis for accountability to this plan. To what extent have donors made progress on these priorities and on improving the quality of their aid for poverty reduction?

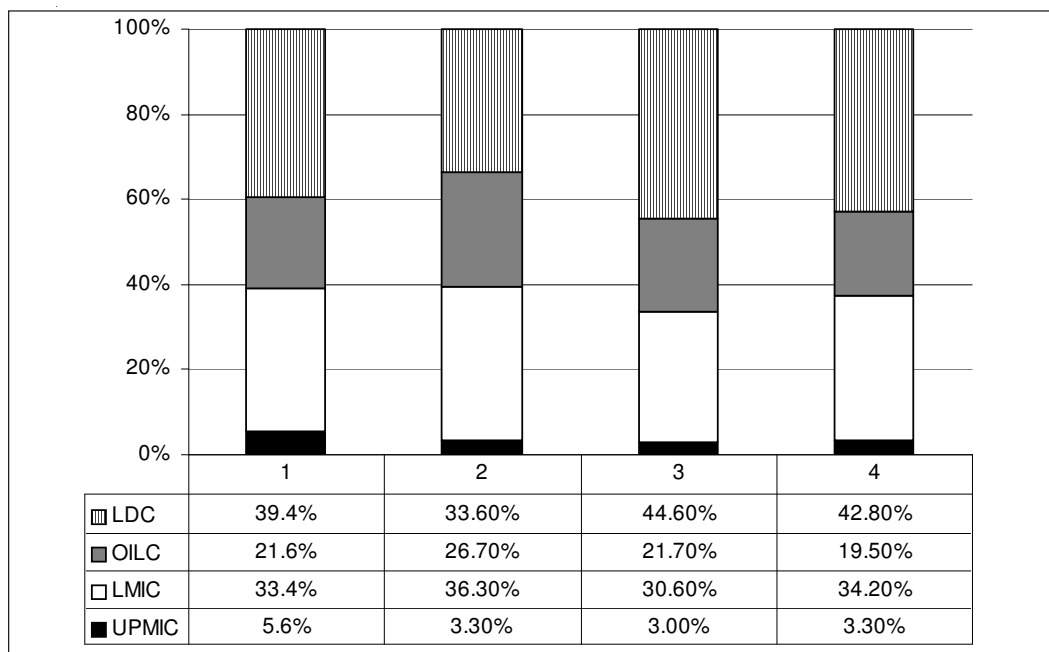
## *Allocation by region and income group increasingly favoring poor countries<sup>xiv</sup>*

Since 2000, there has been an increasing focus in allocation of total DAC aid to least developed countries (LDCs). However, this has been mainly the result of a shift from other low-income countries (OILCs) to LDCs and overall, there was little change in the allocation of donor aid by income group since 1990. (See **Graph 17**).

In terms of the regional distribution of aid, the trend has been increasing allocation for Sub-Saharan Africa since 2000, rising from a low of 25.2% in that year to 32.6% in 2004, although it was still a little lower than the 34.2% the region had in 2003. But note that Sub-Saharan Africa’s 2004 share to the total DAC aid was only marginally greater than it was in 1990, the year against which progress in achieving the MDGs is to be measured. (See **Table 17**).

Meanwhile, Africa North of the Sahara has seen a significant decline in its share of the DAC ODA pie— from 12.2% in 1990 to only 3.8% in 2004. Similarly, Far East Asia has seen its share of total aid decline from a high of 15.3% in 2000 to 7.5% in 2004. This was primarily due to declining aid to China and marginal increases or declines in ODA flows to other countries in the region relative to other regions (as aid has increased). Aid to south and central Asia, on the other hand, has remained constant despite large increases in aid to Afghanistan and Pakistan due to the “war on terror.” Such increases were offset mainly by declining aid to India and zero growth in aid for other countries in the region.

**Graph 17. Distribution of total multilateral and DAC country aid by income group (Selected years)**



Source: OECD-DAC

**Table 17. Distribution by region (DAC country and multilateral ODA)**

Region	1990	2000	2003	2004
Africa - South of the Sahara	31.0%	25.2%	34.2%	32.6%
Africa - North of Sahara	12.2%	4.4%	3.1%	3.8%
North & Central America	4.9%	4.4%	3.6%	4.3%
South America	3.6%	4.7%	4.6%	3.9%
Far East Asia	12.0%	15.3%	8.8%	7.5%
South and Central Asia	10.7%	11.4%	11.7%	11.6%
Middle East	8.2%	4.6%	7.8%	9.7%
Europe	2.5%	7.4%	5.0%	4.6%
Oceania	2.4%	1.6%	1.2%	1.2%
Developing Countries Unspecified	12.5%	21.0%	20.0%	20.8%
Total	100.0%	100.0%	100.0%	100.0%

Source: OECD-DAC

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## ***A closer look at aid to Africa***

Sub-Saharan Africa is a continent where absolute poverty continues to grow, where conflicts have killed millions of people over the past decade, and where the capacities of often undemocratic forms of governments have been weakened even further by decades of structural adjustment policies imposed by the World Bank, the IMF and major donors.

As shown in **Table 17**, total DAC aid to the region fell substantially during the 1990s, as the G7 donors drastically reduced their aid budgets, and only began to recover in 2000. **Graph 18** looks more closely at DAC country-directed aid<sup>xv</sup> (excluding multilateral assistance) to Sub-Saharan Africa. It demonstrates similar trends but when debt cancellation is excluded, a more dramatic picture is revealed. Only 21% of DAC country aid in 2004 was directed to Sub-Saharan Africa, well below the 24% reached in 1990, and only somewhat above the 18% low in 1999.

If one takes 1999 as the recent low point for aid to Africa, since then (up to 2004), DAC donors have made available \$20.4 billion in new DAC country-directed aid to Africa. But again, debt cancellation accounted for a very significant portion of this amount. Around \$9.7 billion, or almost half of these new ODA resources, was the recorded full face value of cancelled debt during this period, with an estimated net value to recipient countries of less than \$1 billion.

Much of donor aid to Africa remains highly conditional on African governments' acquiescing to donor policy prescriptions and terms that undermine these governments' accountability to their citizens. The UK-sponsored Commission for Africa noted that aid to Africa "is accompanied by many onerous conditions that are often of dubious value," which have increased under IMF-World Bank approved PRSPs.<sup>21</sup> There is ample evidence showing how conditionalities

weaken the effectiveness of foreign aid. As noted in the *Reality of Aid 2002 Report*, "conditionality defeats the objectives of development cooperation because it enhances the inequality in the aid relationship. In many cases, it is contrary to the objectives of development for the recipient country and it abets the lack of accountability, undemocratic governance, and even corruption."<sup>22</sup>

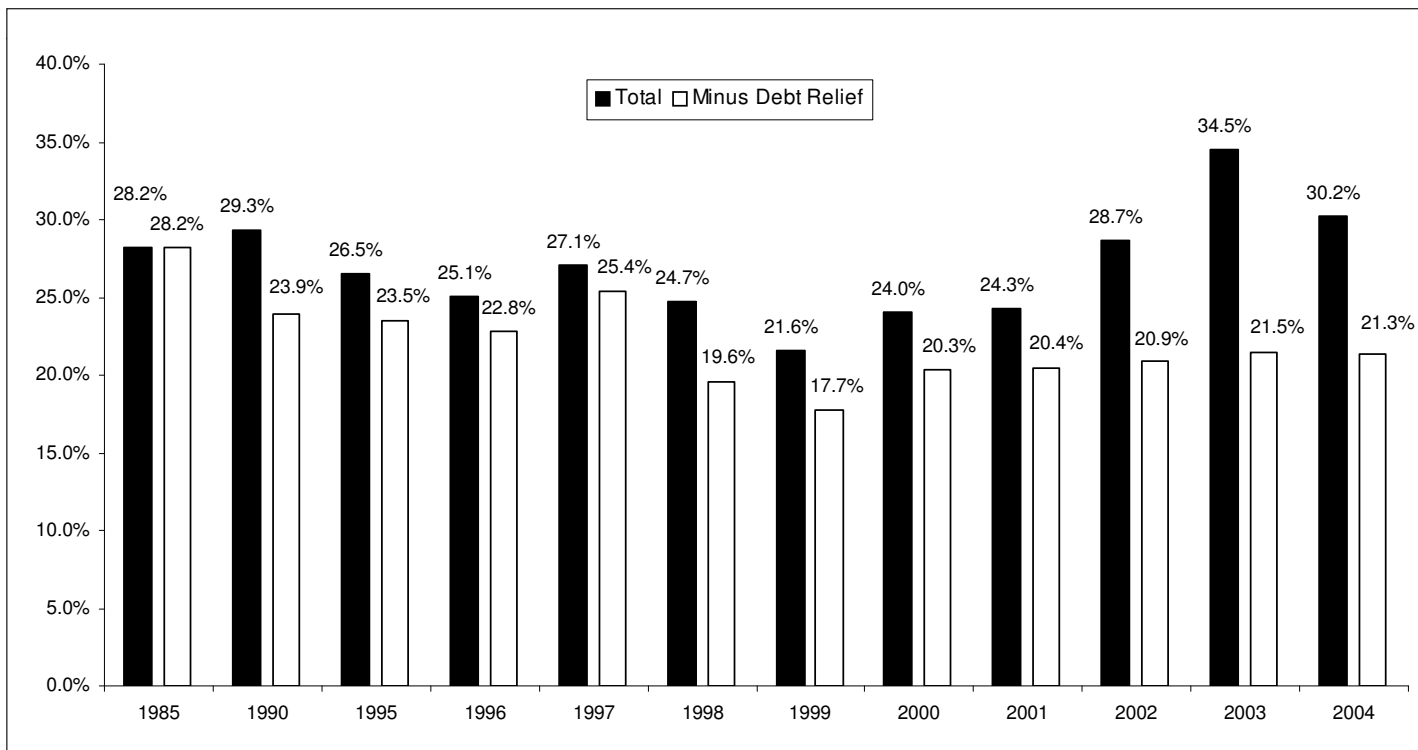
Many campaigners viewed as a positive signal the strong language used in the communiqué of the G8 Gleneagles Summit on developing countries' being allowed "to decide, plan, and sequence their economic policies."<sup>23</sup> While this is indeed a welcome development, CSOs campaigning on making foreign aid more effective must remain vigilant as donors have in fact ignored the issues of conditionality in the Paris Declaration agreed to only a few months earlier.

## ***How much aid for the MDGs?***

Despite widespread calls for the need to provide sufficient resources for the MDGs, there is no official aggregate measure of the degree to which donors are giving priority in their aid allocations towards the MDGs.

Reality of Aid has calculated a proxy from DAC statistics, which is based on (incomplete) donor reports on the purposes of their aid. This proxy, the targeting of selected purposes related to MDGs in low income countries,<sup>xvi</sup> indicates that there has been significant improvement over the past 10 years and modest increases in "MDG-related" ODA since 2000. In 1995, a mere 4.1% of DAC aid to low income countries targeted the selected indicators for the MDGs. By 2000, this percentage had increased to 9.4%, and by 2004 the percentage targeting these sectors reached 11.3 percent. This more recent modest growth in targeting is not unexpected given the earlier indications that very little of the aid increases since 2000

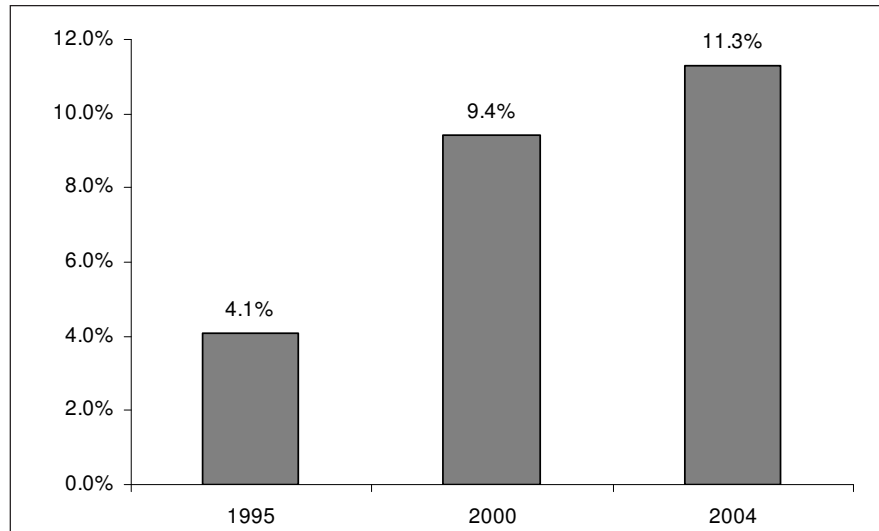
Graph 18. Total DAC ODA to Sub-Saharan Africa



Source: OECD-DAC

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**Graph 18. Targeting MDG purposes by DAC donors in low income countries (% of aid allocated to all purposes)**



ROA computation based on OECD-DAC data

have been available to increase donor programming for MDGs. (See **Graph 19**).

### **Technical assistance**

Reality of Aid looked at levels of donor-directed technical assistance as an indicator of the degree to which aid is owned and directed by developing country partners (our study did not include multilateral aid, which also has a technical assistance component). While the share of technical assistance in country-directed aid was declining in the 1990s, since 2000 it has come back to its 1990 high of more than 40% of total DAC country-directed ODA. (See **Graph 20**).

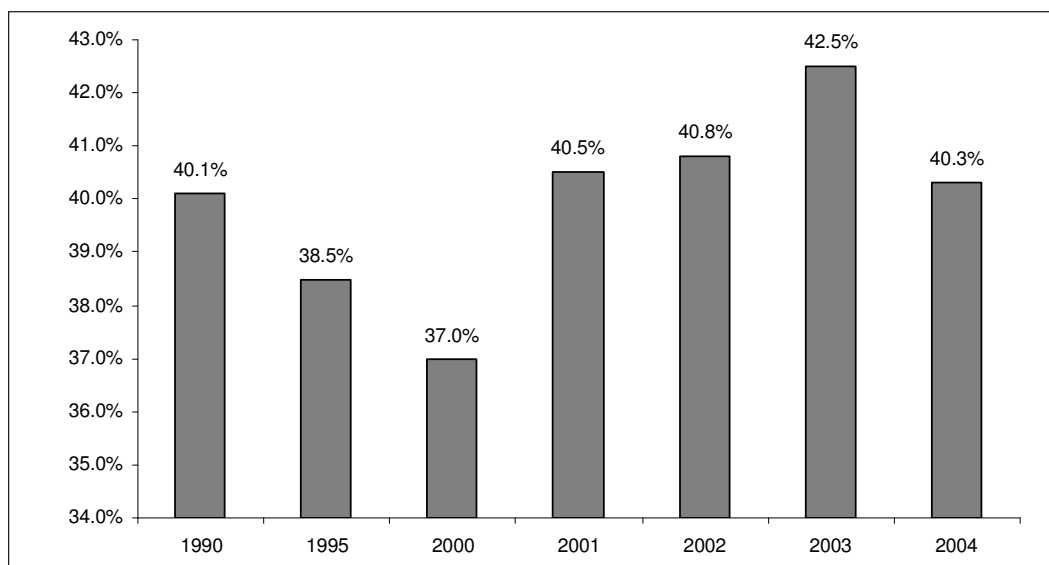
A study by the United Nations Development Program (UNDP) highlights the fact that at the end of the 1990s, four large bilateral donors accounted for two-thirds of technical cooperation, with Japan and the United States devoting between 40% and 50% of their ODA to technical assistance.<sup>24</sup>

The Chair of the DAC, Richard Manning, in a recent report on technical assistance and capacity development, notes that:

*“Technical assistance and capacity development are by no means synonymous.... Too often efforts have focussed on upgrading the skills of individuals without paying attention to improving the performance of the organisations in which they work, let alone the broader institutional context in which organisations themselves exist. This can lead to frustration of the trained individuals and minimal impact on the organisations.”<sup>xvii</sup>*

To date, technical assistance is not taken into account when donors report on their levels of tied aid. A large part of technical assistance goes to support highly paid consultants from donor countries, over

**Graph 20. Percentage of Technical Assistance to Country-Directed ODA (excluding debt cancellation) 1990, 1995, 2000-2004**



Source of basic data: OECD-DAC

whose mandates or terms of reference, developing country partners have little or no say. These consultants assure that donor policies and approaches are fully integrated into developing country strategies, including many of the PRSPs that are intended to guide donors with developing country-determined priorities.

#### ***Declining tied aid?***

According to the latest DAC figures, donors have significantly improved the tying status of their bilateral aid. Overall tying has declined from 41% in 1990, to 19% in 2000, to a low of 9% in 2004. This advance in untying of bilateral aid is due in part to increased use of budget support mechanisms by donors in recent years (which comes tied to a range of policy conditionalities, but not purchases of goods and services in the donor country). But more important has been the DAC agreement to fully untie aid for the least

developed countries and the commitment by the UK and several other donors to 100% untie their bilateral aid.

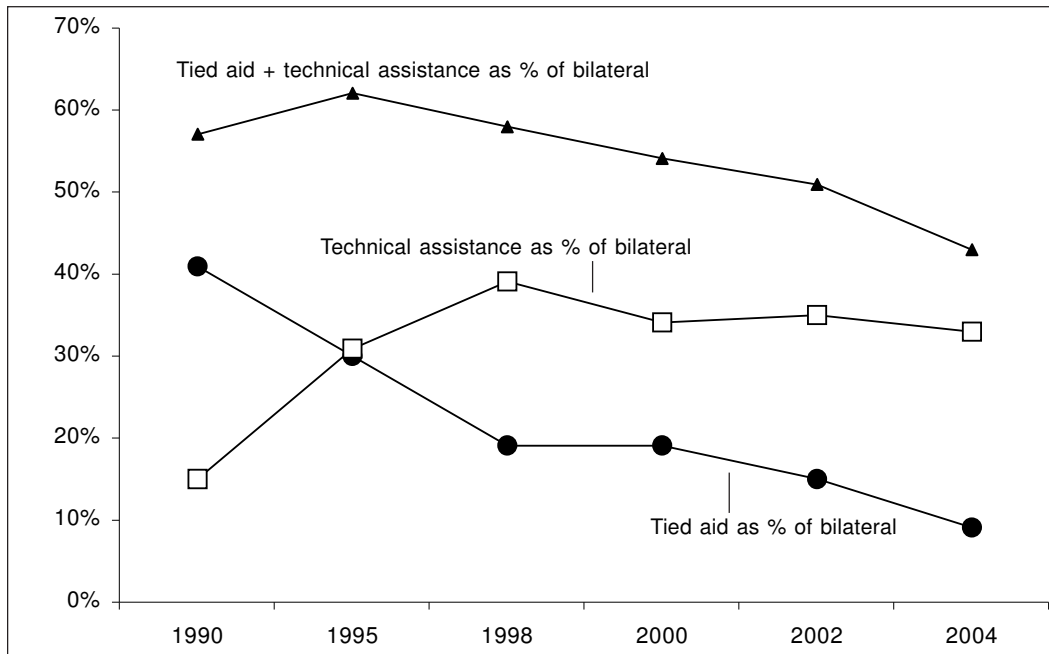
Nevertheless, there are several important qualifications that have to be made to this progress. First, four countries continue to not report the tying status of their aid - Finland, Italy, Luxembourg and the United States. Bilateral aid from these countries made up almost one-third of bilateral aid in 2004. The Centre for Global Development's 2005 Commitment to Development Index puts US tied aid at 72%, a figure that would considerably increase the overall DAC average for tied aid. Austria, Canada, Spain, Australia, New Zealand and Greece continue to report high levels of aid tying.<sup>25</sup>

In addition, not all bilateral aid is counted in the DAC members' reporting of tied aid. Under DAC rules both technical assistance and food aid are not included in the calculation. In recent years, technical



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**Graph 21. Trends in bilateral tied aid (Selected years)**



Source of basic data: OECD-DAC

assistance has made up at least one third of bilateral assistance for those countries reporting their aid tying performance. (See **Graph 21**).

Based on studies that conclude that technical assistance is “highly tied” to donor country providers, Reality of Aid assumes that at least 80% of technical assistance is tied. If technical assistance and food aid are then included in the measurement of the tying of bilateral aid, the fall in aid tying is nowhere near as dramatic as the DAC figures initially lead one to believe. Aid tying under these assumptions has fallen, but by only 35% from a high of 56.2% in 1995 to 36.5% in 2004. In addition, the DAC estimates that tying raises the cost of project goods and services by 15 to 30 percent on average.<sup>26</sup>

A separate estimate cited in the HDR 2005 shows that “tied aid reduces the value

of assistance by 11%-30% and tied food aid is on average 40% more costly than open market transactions.” Furthermore, the report pegged the current overall losses of developing countries due to tied aid at \$5 - \$7 billion. Low-income countries collectively lose \$2.6 - \$4 billion; Sub-Saharan Africa, \$1.6 - \$2.3 billion; and the least developed countries, \$1.5 - \$2.3 billion.<sup>27</sup>

### ***Aid under the management of developing country partners***

The March 2005 Paris Declaration on Aid Effectiveness states that developing country “ownership” over development strategies supported by donor aid is a defining principle guiding donor practice. Donors committed to “respect partner country leadership and help strengthen their

capacity to exercise it.” In 2004, donors provided \$54.4 billion in bilateral aid, which should make a substantial contribution to the capacities of developing countries to implement their development priorities. Unfortunately much of this bilateral aid never goes beyond the donor country or its development agency, and is largely unavailable for long term development programming *under the control of developing country partners*.

**Table 18** assesses bilateral aid for 2004 and 2000 for trends in those components that have little or nothing to do with the capacities of developing countries to implement their own strategies. A large component of this aid takes the form of technical assistance, which as noted above, remains predominantly tied to donor country consultants. These consultants are contracted by the donor agency and are accountable to this agency for their work, irrespective of the

terms of reference for a particular consultancy. The bottom line is that in 2004 slightly less than a third of bilateral aid, only 32%, was available to developing country counterparts as a resource that *they* could potentially allocate to meet their development needs. What’s more, this share of bilateral has dropped from 39% in 2000. Irrespective of long-standing donor rhetoric on the central importance of “local ownership”, developing country partners in 2004 have at their disposal almost 20% less in the proportion of bilateral “under their control”.

#### War on terror remains chief priority

While donors grudgingly commit new resources to ODA to fund the MDGs, money is readily available to fund military and strengthened security for counter-terrorism. The United States is the most unwilling among the donors to make concrete future pledges for the global fight against poverty

**Table 18. Net bilateral ODA available to developing country partners under “local control” (In \$ million)**

Indicator	2004	2000
Total Bilateral Aid	54.4	36.1
Less		
Technical Cooperation	16.9	12.1
Refugees in Donor Countries	2.1	1.4
Imputed Student Costs	1.9	0.7
Debt Forgiveness (1)	6.6	1.9
Cost of Tied Aid (@15%)	0.5	0.7
Emergency Relief	5.1	2.2
Administration Costs	4	3.1
Net bilateral ODA available to developing countries under their local control	17.3	14
Percentage of Total Bilateral Aid	32%	39%
Net of debt service benefit from cancellation at 7.3%		

Source of basic data: DAC Development Statistics Online (accessed January 2006)

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even as it continues to spend tens of billions of dollars to finance its military operations in Iraq, Afghanistan, and other regions.

The United States representative at the 2005 UN Summit, for instance, reportedly lobbied to delete in the action agenda “every one of the 35 specific references to the MDGs”, including the UN target of 0.7% ODA-GNI ratio and other “concrete obligations for the implementation of commitments.”<sup>28</sup>

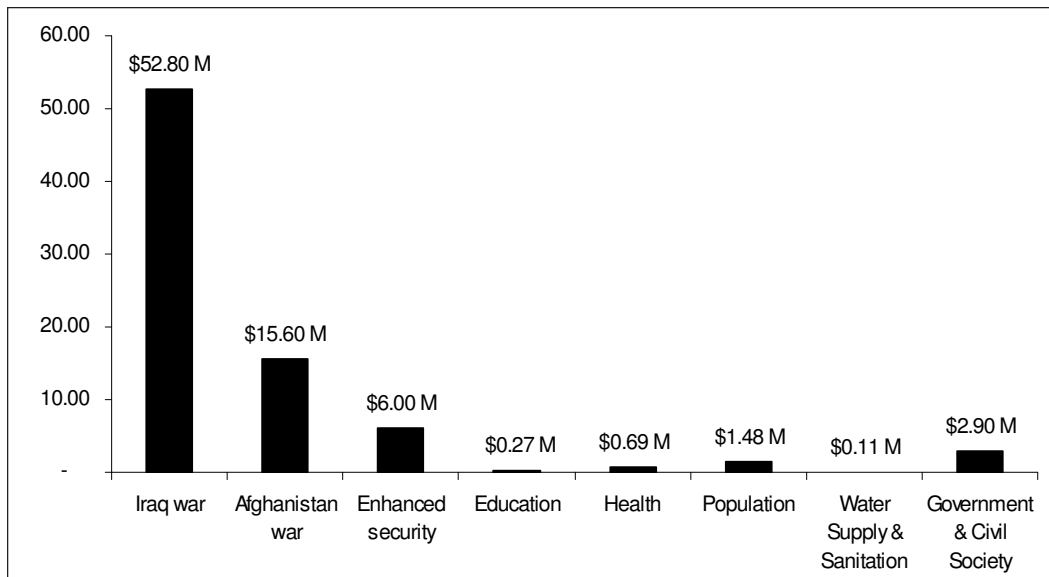
Simulations made by the DAC Secretariat show that the performance of US ODA will not improve between 2006 and 2010, remaining at 0.18% of its GNI by 2010. To meet the G8 Summit commitment to Africa and other donors, much of the load will have to be carried by European Union donors, which promised to increase ODA from the 2004 level of 0.35% of GNI in 2004

to a projected collective average of 0.56% in 2010.

Meanwhile U.S. military and security/ anti-terrorism budgets have been expanding considerably. Based on the latest available comparative data in 2003, the U.S. spends 76 times more for its war in Iraq compared to its total ODA for health; 196 times more compared to education, and 480 times more compared to water supply and sanitation, all critical sectors for achieving the MDGs.<sup>xviii</sup> (See Graph 22).

While the U.S. military budget greatly exceeds that of all other industrial countries, these latter countries still devote considerable resources to their military. Global military spending in 2004 for the first time exceeded \$1 trillion. The combined military budgets of the DAC donors far surpass, by factors of 100s, investments in MDG priorities to reduce global poverty.

**Graph 22. Comparative average US monthly spending for military operations and ODA for social services (As of 2003)**



Sources of basic data: US Congressional Research Services; OECD-DAC

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War and military spending continues to dwarf what donors spend for development aid. US ODA in 2004, for instance, is merely 4% of what it spent for its military during the same year, while the UK's ODA is only 17% of its military spending. The US budgetary allocation for the war in Iraq alone is \$212 billion. "Operation Enduring Freedom" in Afghanistan has cost well over \$100 billion to date. For the UK, the Chancellor of the Exchequer put the total cost of UK operations in Afghanistan and Iraq at UK £4.4 billion, in excess of the annual budget of DFID in recent years.<sup>29</sup>

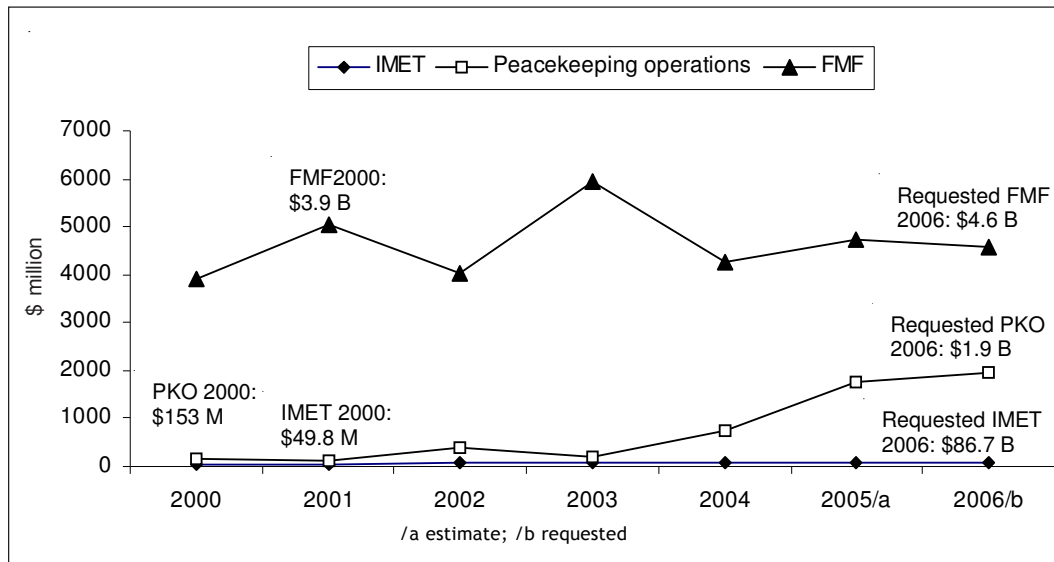
The US aid budget, along with several other donors such as Australia and Denmark, is devoting increasing resources to counter-terrorism. CSO colleagues from the United States point out in their chapter that "in 2005 USAID invested \$887.5 million or 7.2% of its budget, towards counter-terrorism" which "represents a nearly seven-fold increase over

2004." Beyond the use of US ODA, "a study of 47 low-income, poorly performing states carried out in 2002/03 found that those countries that were considered major US allies in the 'war on terror' received 90% of the military and police aid provided by the US to that group of countries between 2000 and 2004."

Foreign Military Assistance is also on the rise. In 2005, for instance, the US State Department agreed to resume its International Military Education and Training (IMET) and its Foreign Military Financing (FMF) for Indonesia.<sup>30</sup>

Overall, major US military assistance programs have seen significant increases since 2000. Based on the requested budget of the US State Department for 2006, FMF growth between 2000 and 2006 is pegged at 17%; IMET, 74%; and Peacekeeping Operations (PKO), a whopping 1,180

**Graph 23. Trends in US military aid, By program 2000-2006**



Compiled by ROA from figures cited in US State Department, Federation of American Scientists, & US aid Greenbook sites

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percent. US PKO provides voluntary support for international peacekeeping activities (as opposed to the US share of UN-assessed peacekeeping operations, which is financed elsewhere)<sup>xix</sup> (See **Graph 23**).

Another alarming development is the move of the US Congress allowing the Pentagon to spend as much as \$200 million of its own budget to aid foreign military forces. Foreign policy specialists warn that this could lead to growth of a separate military assistance effort not subject to the same constraints applied to foreign aid programs that are administered by the State Department. Such constraints are meant to ensure that aid recipients meet certain standards, including respect for human rights and protection of legitimate civilian authorities. Reports indicate that this is just the start of more “reforms” in US aid policy as the Pentagon and the State Department are now setting their sights on a “more ambitious” overhaul of foreign assistance rules to give the US “more flexibility.”<sup>31</sup>

As the world aid trends illustrate, a lot of work still needs to be done to make

development aid truly for poverty reduction in the poorest countries. The long-standing issues of quantity and quality of aid, as well as new challenges such as the danger of resources being diverted from poverty reduction activities by post-9/11 security concerns, have combined to put the global campaign against poverty, as represented by the MDGs, at serious risk.

While the role of ODA is only one component of the global campaign to fight poverty and achieve the MDGs, given the importance of structural issues, such as the need for fair trade, for regulated investment and more democratic international financial institutions, a commitment of pro-poor aid resources by the rich countries can play a crucial role. With current pledges to meet specific targets up to 2015, donors have begun to recognize their obligations for new resources. However, without equal attention to the quality of their aid to ensuring that aid serves the needs of the poorest people, and not the needs and priorities of donors, its effectiveness on easing poverty in the South will be severely limited.

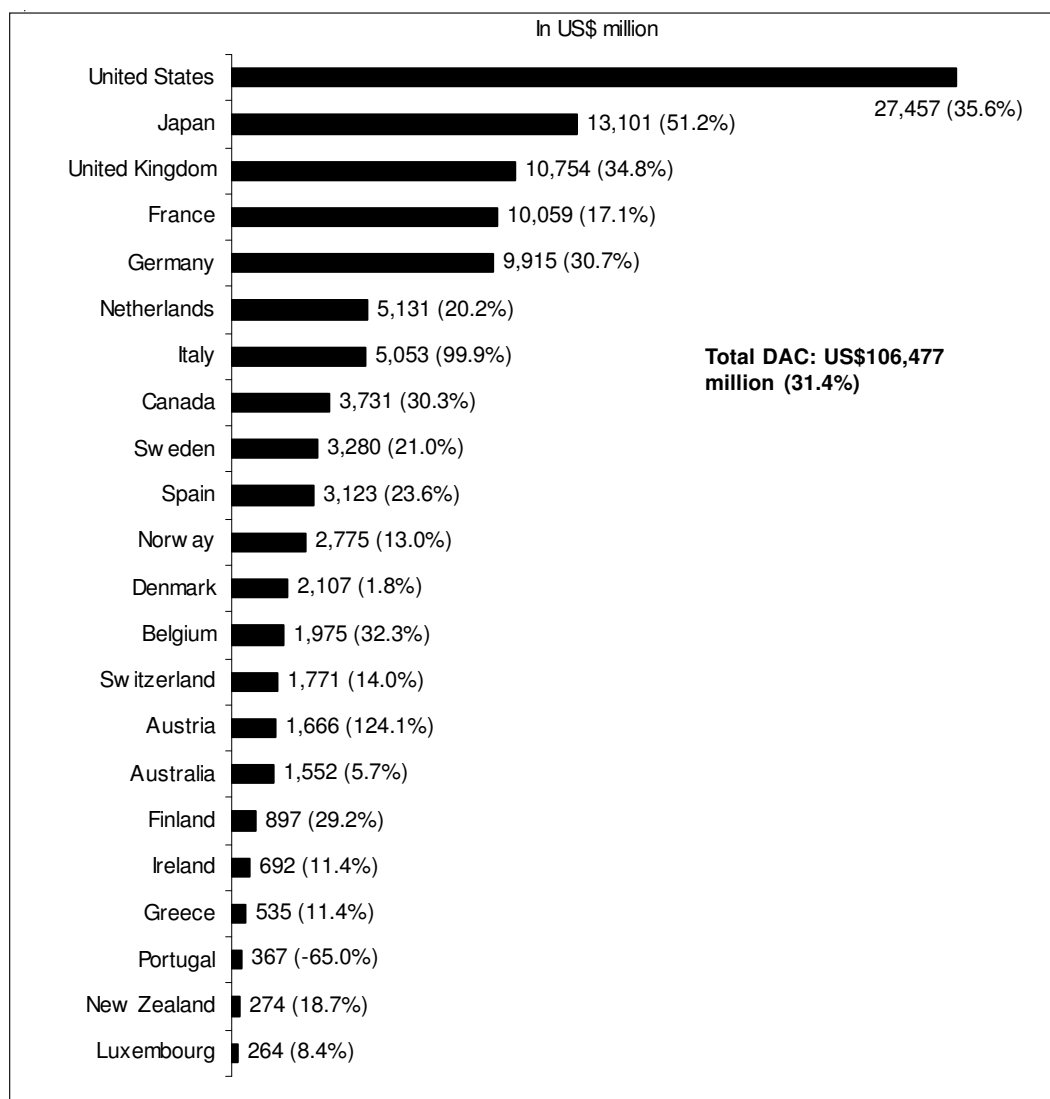
## ***Artificial increases: Debt relief pushes ODA to exceed the US\$100 billion mark in 2005***

*As this report of the Reality of Aid goes to press, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) released the preliminary figures on Official Development Assistance (ODA) for 2005 on April 4, 2006. This section was included to update the discussion in the World Aid Trends chapter on ODA volume and ODA as a percentage of donors' gross national income (GNI). It also updates the discussion on the contentious debt relief grants, considering that these substantially contributed to the overall increase in net ODA in 2005.*

Following an unusual 400%-increase in debt relief grants, ODA from DAC donors reached an unprecedented US\$106.5 billion in 2005. In real terms, this amount is 31.4% higher than its level in 2004. Eighteen of the 22 DAC donors

registered a double-digit growth rate in ODA led by Austria (124.1%); Italy (99.9%); Japan (51.2%); the United States (35.6%); and the United Kingdom (34.8%); while only Portugal posted a decline (-65%). (See **Graph 24**).

**Graph 24. 2005 net ODA from DAC donors and change in real terms from 2004 (Preliminary data)**



Source: OECD-DAC

In spite of these substantial increases, only Denmark (0.81%); Luxembourg (0.87%); Norway (0.93%); the Netherlands (0.82%); and Sweden (0.92%), as in previous years, met the UN target for ODA of 0.7% of GNI. Collectively, DAC donors' ODA represented 0.33% of their

combined GNI in 2005. (See Graph 25).

Furthermore, the gap between the wealth of DAC donors and what they allocate for ODA continues to widen as major donors led by the US continue to spend tens of billions of dollars for the war on terror

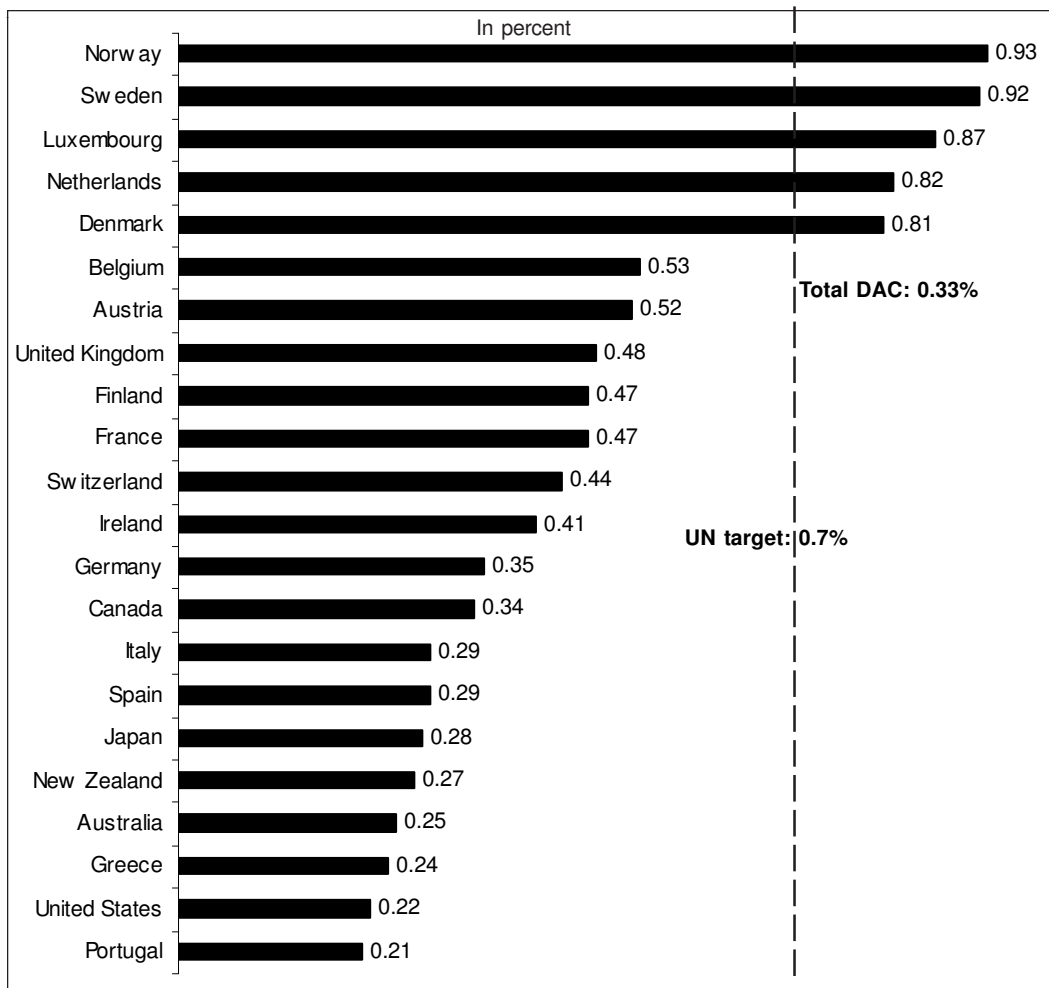
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campaign. Such priorities indicate that available resources are not being fully maximized for the global campaign against poverty and for reaching the MDGs.

Worse, a substantial portion of the increases in ODA in 2005 may be considered paper increases, as suggested in the world aid trends chapter.” Total debt relief grants in 2005 (primarily for Iraq and Nigeria) reached US\$22.9 billion, which accounted

for 21.6% of DAC donors’ ODA. The UK, which posted an impressive 34.6%-increase in ODA, would have registered a 1.7% decline if its debt relief grants were not added. The same scenario applies to Germany, which would have seen its ODA fall by 9.8% instead of rising by 30.7 percent. Overall, net ODA from DAC donors would have only increased by a much lower 8.7% instead of 31.4% if aid had not been

**Graph 25. ODA/GNI ratio of DAC donors, 2005 (Preliminary data)**



Source: OECD-DAC

**Table 19. Share of debt relief grants to net ODA from DAC donors, 2005 (Preliminary data), Amount in \$ million**

Donors	Net ODA	Debt relief	Debt relief as % of net ODA	% change (2004-2005) without debt relief grants
Australia	1,552	9	0.6%	6.1%
Austria	1,666	901	54.1%	9.0%
Belgium	1,975	471	23.8%	17.2%
Canada	3,731	455	12.2%	17.8%
Denmark	2,107	20	0.9%	0.8%
Finland	897	150	16.7%	11.6%
France	10,059	3,199	31.8%	0.0%
Germany	9,915	3,573	36.0%	-9.8%
Greece	535	-	-	11.4%
Ireland	692	0	0.0%	11.4%
Italy	5,053	1,680	33.2%	40.0%
Japan	13,101	3,553	27.1%	12.1%
Luxembourg	264	-	-	8.4%
Netherlands	5,131	410	8.0%	16.6%
New Zealand	274	-	-	18.7%
Norway	2,775	25	0.9%	12.6%
Portugal	367	3	0.8%	-65.1%
Spain	3,123	498	15.9%	13.7%
Sweden	3,280	53	1.6%	20.3%
Switzerland	1,771	224	12.6%	0.1%
United Kingdom	10,754	3,699	34.4%	-1.7%
United States	27,457	4,073	14.8%	16.2%
Total DAC	106,477	22,995	21.6%	8.7%

Source: OECD-DAC

**Annex 1. Summary of DAC ODA net disbursement (1990-2004)**

Year	Amount (In \$ million)		Year-on-year change			
			In \$ million		In percent	
	Current	2003 prices	Current	2003 prices	Current	2003 prices
1990	54,263.85	64,919.97				
1991	58,301.30	67,334.98	4,037.45	2,415.01	7.44%	3.72%
1992	62,358.31	68,069.60	4,057.01	734.62	6.96%	1.09%
1993	56,147.85	62,708.35	-6,210.46	-5,361.25	-9.96%	-7.88%
1994	58,820.01	62,802.86	2,672.16	94.51	4.76%	0.15%
1995	58,779.71	56,599.08	-40.3	-6,203.78	-0.07%	-9.88%
1996	55,591.43	56,055.47	-3,188.28	-543.61	-5.42%	-0.96%
1997	48,464.56	52,451.00	-7,126.87	-3,604.47	-12.82%	-6.43%
1998	52,086.85	57,537.35	3,622.29	5,086.35	7.47%	9.70%
1999	53,233.23	57,836.80	1,146.38	299.45	2.20%	0.52%
2000	53,749.49	60,916.70	516.26	3079.9	0.97%	5.33%
2001	52,435.37	62,053.32	-1,314.12	1,136.62	-2.44%	1.87%
2002	58,291.98	66,218.66	5,856.61	4,165.34	11.17%	6.71%
2003	69,085.25	69,085.25	10,793.27	2,866.59	18.52%	4.33%
2004	79,511.83	73,152.03	10,426.58	4,066.78	15.09%	5.89%

Source: OECD-DAC



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inflated by the total face value of debt cancellation in this year. (See **Table 19**). It is expected that large debt cancellations will continue to affect the aid figures for

2006 and possibly 2007. As these are one-off increases, they bring into serious question the commitments of major donors to meet their aid targets in 2010.

### Notes

- <sup>i</sup> This target was set by the UN General Assembly Resolution on International Development Strategy for the Second UN Development Decade approved on 24 October 1970. For the text of the resolution, please visit <http://daccessdds.un.org/doc/RESOLUTION/GEN/NR0/348/91/IMG/NR034891.pdf?OpenElement>.
- <sup>ii</sup> The average country effort refers to the average ODA to GNI ratio of the 22 OECD-DAC donors. This is different from the ratio of the combined ODA to the combined GNI of the OECD-DAC donors. Thus, the average country effort in 2004 of the OECD-DAC donors was 0.42% while their combined ODA to GNI ratio was 0.26 percent.
- <sup>iii</sup> The five donors include: Denmark (0.85%), Luxemburg (0.83%), Netherlands (0.73%), Norway (0.87%), and Sweden (0.78%).
- <sup>iv</sup> The MDGs include: (1) Eradicate extreme poverty and hunger, (2) Achieve universal primary education, (3) Promote gender equality and empower women, (4) Reduce child mortality, (5) Improve maternal health, (6) Combat HIV/AIDS, malaria, and other diseases, (7) Ensure environmental sustainability, and (8) Develop a global partnership for development. For more details about the MDGs, please visit <http://www.un.org/millenniumgoals/index.html>.
- <sup>v</sup> "New aid resources" is the cumulative net difference in aid each year compared to a reference year. For example new resources since 2000 is calculated by comparing aid (in 2003 dollars) for each year (i.e. 2001, 2002, 2003, and 2004) to the amount provided by that donor in 2000. For some donors there have been net additions of aid, while for others there have been negative amounts. The latter is subtracted from the former to give the net new aid resources for these four years.
- <sup>vi</sup> According to the Japanese *Economic and Financial Affairs*, August 2, 2005, "the final outcome [of a dispute between the Ministries of Foreign Affairs and Finance] has been that the extra US\$ 10 billion would not be an additional ODA, but would cover cancellation of the Iraqi debt and rescheduling of debt service by the Tsunami affected countries such as Indonesia and Sri Lanka instead. As to the ODA to Africa, Japan will increase 1.6 billion for the coming three years. However, this would be taken from the grant aid to other areas." See [http://www.choike.org/nuevo\\_eng/informes/3208.html](http://www.choike.org/nuevo_eng/informes/3208.html).
- <sup>vii</sup> GAVI is a public-private partnership that brings together governments from rich and poor countries, vaccine manufacturers, NGOs, research institutes, UNICEF, WHO, Bill and Melinda Gates Foundation, and the World Bank. Through the Vaccine Fund, GAVI provides financial resources to countries to purchase vaccines and other supplies, and to support operational costs of immunization. *For more details, please see the GAVI website at* [http://www.vaccinealliance.org/General\\_Information/About\\_alliance/index.php](http://www.vaccinealliance.org/General_Information/About_alliance/index.php).
- <sup>viii</sup> From 2001 to 2003, debt servicing by the low income countries averaged 7.3% of their total outstanding debt stock in these years (World Bank, *Global Development Finance 2005, Volume 2*, electronic edition). This proportion is assumed by Reality of Aid to be an approximation of the benefit of debt cancellation provided by donors in any given year.
- <sup>ix</sup> The Paris Club is an informal group of financial officials from 19 of the world's richest countries, which provides financial services such as debt restructuring, debt relief, and debt cancellation to indebted countries and their creditors. Its members include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland, the United Kingdom, and the United States.
- <sup>x</sup> HIPC are a group of the world's poorest countries which are the subject of an initiative seeking to bring their external debt to "sustainable levels" subject to their government meeting a range of economic

and performance targets. The HIPC initiative was initiated by the IMF-World Bank in 1996 and is widely criticized for having strict criteria for inclusion and conditionalities that include far-reaching economic reforms along neoliberal lines.

- <sup>xi</sup> According to the Paris Club, the amount (\$12.4 billion) represents regularization of arrears of \$6.3 billion and a balance of \$6.1 billion. *For more details on Nigeria's debt cancellation, please visit the Paris Club website* ([http://www.clubdeparis.org/en/news/page\\_detail\\_news.php?FICHER=com11297988840](http://www.clubdeparis.org/en/news/page_detail_news.php?FICHER=com11297988840)). But international civil society argues that the Paris Club has no legitimate claim to this money since Nigeria already paid off more than what it originally borrowed due to huge build-up of interest under oppressive regimes. *To see the full statement, please visit the EURODAD website* (<http://www.eurodad.org/articles/default.aspx?id=671>).
- <sup>xii</sup> Donors seem to use even emergency aid to serve certain economic and political interests, and thus weaken the effectiveness of the relief effort, as noted by the Reality of Aid in its report on the relief operation in the tsunami-hit countries. For a more detailed account, please see *Post-Tsunami Issues and Challenges*, Reality Check, June 2005 accessible at [http://www.realityofaid.org/rchecknews.php?table=rc\\_jun05&id=1](http://www.realityofaid.org/rchecknews.php?table=rc_jun05&id=1).
- <sup>xiii</sup> For more details of this initiative, please visit <http://www.whiteband.org>.
- <sup>xiv</sup> LDCs and other low-income countries (OLICs) refer to countries with a per capita GNI of less than \$745 in 2001. Lower middle-income countries (LMICs), meanwhile, include countries with a per capita GNI of between \$745 and \$2,975. Upper middle-income countries (UMICs) refer to countries with a per capita GNI of between \$2,796 and \$9,205 while high-income countries (HICs) are countries with a

per capita GNI of more than \$9,206.

- <sup>xv</sup> "Country directed aid" is derived from the DAC's online statistical database. It is less than bilateral aid as some bilateral aid is directed to regional programs and not assigned by country.
- <sup>xvi</sup> For this calculation Reality of Aid used the DAC purpose codes for basic and primary education, primary health care, basic nutrition, STDs and HIV/AIDS and basic drinking water and sanitation, for the years 1995, 1998, 2000, 2002, and 2004. Total aid for these purposes in low-income countries (where the need to target MDGs is presumable greatest) is then compared with the total aid for that year, for all DAC countries, *which has been reported by the donor for any purpose*. Please note that because of incomplete reporting, these percentages are not percentages of total DAC aid in a given year. It is the overall trend in the annual percentages for poverty related purposes that is relevant, not the absolute percentage.
- <sup>xvii</sup> Get DAC reference from home page ([http://www.oecd.org/department/0,2688,en\\_2649\\_33721\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,2688,en_2649_33721_1_1_1_1_1,00.html)) Feb 6 document.
- <sup>xviii</sup> US military spending data based on the report *The Cost of Iraq, Afghanistan, and Enhanced Base Security since 9/11* by the US Congressional Research Service published on 7 October 2005.
- <sup>xix</sup> IMET, FMF, and PKO are three of the major military assistance programs of the US. The Federation of American Scientists (FAS, [www.fas.org](http://www.fas.org)) defined these programs as follows: IMET is a grant program established by the US Congress as part of the Arms Export Control Act of 1976. IMET grants enable foreign military personnel to take courses from approximately 150 US military schools. FMF refers to funds appropriated by Congress to foreign governments to purchase American-made weapons, services, and training.

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**Box 6. AUSTRALIA at a glance****How much ODA does AUSTRALIA give?**

In 2004, AUSTRALIA gave US\$1.5 billion or 1.9 billion AUS dollar

This means that in 2004, each person in AUSTRALIA gave

US\$72.6 or 98.7 AUS dollar

In 2004, ODA from AUSTRALIA rose by

US\$241.5 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 2% in real terms.

**How much of AUSTRALIA's ODA goes to the poorest countries and people?**

76% of bilateral ODA (US\$1 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How generous is AUSTRALIA?**

AUSTRALIA gave 0.25% of its national wealth in 2004. This compares with the average country effort of 0.42% and AUSTRALIA's previous own high point of 0.65% in 1975.

AUSTRALIA was less generous than 14 other donors, as it maintained its 2003 level of ODA at 0.25% of GNI.

**How much of AUSTRALIA's ODA was spent on basic health, basic education, and water supply and sanitation?\*****AUSTRALIA spent**

5% of its bilateral ODA (US\$60.7 million) on basic health

3% of its bilateral ODA (US\$36.9 million) on basic education

2% of its bilateral ODA (US\$29.8 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Australian Aid: A Mixed Bag

## Poverty Reduction Needs a Bigger Role in Australian Aid

*Garth Luke*

*Australian Council for International Development (ACFID)*

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### Main developments in Australian aid

- There have been a number of recent improvements in Australia's aid program. These include increased harmonization and cooperation with other donors, reductions in aid tying and improvements in the scale and planning of responses to humanitarian emergencies. Further improvements in aid harmonization and untying are likely.
- There has also been a gradual increase in Australian aid over the last three years after a significant drop when the current government came to power in 1996. In 2005-06 ODA is estimated to be 0.28% of GNI, up from a low of 0.25% during the period 2000 to 2003.<sup>1</sup>
- The government has increased the geographic focus on the Pacific. In 2005-06 40% of the Australian aid program will be spent in the Pacific, up from 30% ten years ago. The main focus has been on supporting "fragile states" such as the Solomon Islands and Papua New Guinea. The government also significantly increased aid to Indonesia<sup>2</sup> after the December 2004 tsunami. However, even after this increase, per capita aid to Australia's neighbors in South-East Asia is still much lower than for Pacific countries.
- During the last few years the sectoral focus of the aid program has also changed significantly, with a much greater emphasis on supporting governance programs. Since 2000-01 governance (including law and justice programs) has risen from 17% to 36% of total aid. Almost all of this increase is due to much greater expenditures on law and justice programs including police interventions in the Solomon Islands and PNG, and border security funding in these and other countries such as Indonesia. Sectors such as rural development, education and infrastructure now make up a much smaller proportion of the aid program.
- Increased support for PNG and the Solomon Islands has involved what the Australian government has termed a "whole of government approach" in which military, police, and, to a lesser extent, staff of other departments such as justice, customs and finance have been involved in supporting these "weak" states. For the first time in Australia, a range of ministers and their officials are now actively involved in aid policy development processes, including an active engagement by the

Prime Minister's Department. Security considerations have been a key factor in shaping this "whole of government" approach to policy formulation.

- In September 2005, just before the UN Millennium Summit, the Prime Minister announced that Australian aid would increase to around A\$4,000m by 2010. This would be conditional on appropriate projects being identified. This volume would lift Australian aid to about 0.36% of GNI – about the same level as the projected weighted average for all OECD donors for 2010. While the government says it is still committed to the international target of 0.7% "when economic conditions permit", it has set no timetable to reach this goal. The achievement of further significant increases in aid will probably require some change in the Prime Minister's strong conviction that trade is much more important than aid in reducing poverty. In a press conference at the November 2005 APEC meeting, he was quoted as saying "I don't want to be heard to suggest that there isn't a significant role for [aid]. But trade is infinitely more important and the contribution it can make to the relief of poverty is very, very much greater."<sup>3</sup>
- The government expects to present a White Paper on Australian aid to Parliament in March 2006. This will shape the direction of the aid program over the coming decade. It is likely that there will be a strong emphasis on stimulating economic growth and building stronger governance within the region as the basis for reducing poverty. There may also be further reductions in aid tying, increased support for some South-East Asian countries and for health, especially HIV programs. At the end of 2005, the Government

remained opposed to using the Millennium Development Goals (MDGs) as a planning framework, claiming that this "can lead to distortion in sectoral allocations of budgets and aid programs, to the detriment of investments in growth, stability and governance"<sup>4</sup>.

However as partner countries increase their engagement with the MDG framework and aid harmonization increases, Australia is expected to become more engaged with the MDG framework and may even decide to support the MDGs in 2006 as part of a communications strategy with the Australian public.

- In summary, Australia has a generally good aid program which also has some significant flaws. Its poverty reduction focus remains blurred by foreign policy and security priorities related to fragile states and fears of political instability. This primary security filter for the program is likely to remain in place for many years. Notwithstanding Australia's exceptional economic performance over the last decade, the projected level of ODA/GNI by 2010 remains below the expectation of many Australians and below that of many OECD counterparts. The high concentration on improving governance via a narrow band of public sector reforms is expected to remain, though the White Paper may reflect recognition that a broader suite of actions, including through civil society actors, will be needed. In terms of geographic distribution, Australia will remain primarily committed to neighbouring countries. While programs in East and South East Asia may expand, this is likely to be on a limited scale and no significant commitment is expected for development programs in Africa.

# Australia

## Conflict, security and development

Australia's aid program has increasingly focused on neighboring countries in South-East Asia and the Pacific. For this reason, recent conflicts such as in East Timor, Fiji, Bougainville and the Solomon Islands, as well as terrorist threats and threats to law and order in Papua New Guinea, have driven many of the changes in the aid program in recent years. In 2002 the government released its policy paper *Peace, Conflict and Development Policy* which focuses on conflict prevention, conflict reduction and humanitarian relief, and post-conflict recovery and peace building. Because of the close geographic proximity to many conflict areas, Australia has and will continue to have long-term engagement with these issues.

Australian military and police have been active in East Timor, Bougainville and the Solomon Islands and Australia has recently attempted to second around 200 police to Papua New Guinea in order to enhance law and order.<sup>5</sup> The high cost of such placements has meant that these actions have formed a significant part of the Australian aid budget. A number of Australian development NGOs have expressed concern that this increased focus on law and order should not be at the cost of other sectors such as basic health and education.

Australian aid policy strongly emphasizes sustainable economic growth as the solution to poverty and the government believes that such growth rests on four pillars:

- providing secure and stable environments
- improving governance and the investment climate, including property rights
- opening up to trade, and
- helping the poor participate in such growth through health, education and market access.<sup>6</sup>

In the last few years the Government has been confronted by increased instability

in a number of neighboring countries, as well as increased threats and incidents of terrorism (such as the Bali bombings and the bombing of the Australian Embassy in Jakarta). The focus on pre-empting conflict and addressing the negative consequences of conflict, combined with an urgent need to respond to terrorist incidents involving Australian citizens, has shaped Australian foreign policy thinking in recent years. Melanesia and East Timor are now widely perceived in official and academic circles as an 'arc of instability' within which economic development has also largely stalled.

One result of this has been a growth in "whole of government" involvement in the aid program and in more extensive aid interventions in neighboring countries. For example, the Regional Assistance Mission to the Solomon Islands (RAMSI) was created in response to a request from the Solomon Islands government for intervention. RAMSI involved the deployment of military and police personnel to help re-establish civil order, and of advisers from a range of Australian departments who have worked closely with officials from many Solomon Islands agencies. A broadly similar approach was applied through the bilateral Enhanced Cooperation Program with Papua New Guinea.

The substantial cost of the Solomon Islands and PNG interventions largely explains the growth in Australia's aid program in recent years and has resulted in an even greater focus on its closest neighbors. As noted above, Australian aid has grown from 0.25% of GNI to 0.28% in the last few years. The tables in the next page summarize the sectoral and geographic characteristics of this growth.

Table 20 shows the three sectoral areas that have grown most in recent years — law and justice, other governance and HIV/AIDS. The very large increase in law and justice

*Table 20. Sectoral distribution of Australian aid 2001-02 vs 2005-06 budgets*

sectoral distribution of aid	% of total aid program 2001-02	% of total aid program 2005-06	change in funding over the period (in A\$05-06 m)
law and justice	2.0%	16.9%	+381
other governance	15.0%	19.1%	+175
HIV/AIDS	2.3%	3.8%	+50
other health	9.7%	8.2%	+8
basic education	4.1%	3.9%	+15
other education	13.9%	10.1%	-27
rural development	13.0%	9.0%	-37
infrastructure	13.0%	7.0%	-86
emergencies and multisector	27.0%	21.0%	+6
<b>TOTAL</b>			<b>+485</b>

programs is particularly noteworthy. It is also worth noting that the growth in HIV funding appears to be at the expense of other health programs as the total proportion of aid allocated to health has remained at 12.0%.

Table 21 highlights the increased concentration of aid to Australia's nearest neighbors – PNG, the Pacific and Indonesia. Total aid to these areas has risen from 36.0%

of the aid program in 2001-02 to 50.5% in 2005-06. The largest increase of A\$257 m to the Pacific is mainly due to the increased funding to the Solomon Islands under RAMSI. During 2005-06, the Australian Federal Police presence in the Solomon Islands will cost A\$145 m out of a total RAMSI cost of A\$207 m<sup>7</sup>.

In addition to these major interventions, Australia has supported increased counter-

*Table 21. Regional distribution of Australian aid 2001-02 vs 2005-06 budgets*

regional distribution of aid	% of total aid program 2001-02	% of total aid program 2005-06	change in funding over the period (in A\$05-06 m)
PNG	18.7%	19.8%	+116
Pacific	10.3%	18.6%	+257
Indonesia	7.0%	12.1%	+161
rest of East Asia	20.0%	13.8%	-58
South Asia	6.1%	5.0%	+2
Africa	3.7%	3.1%	+3
Middle East - mainly Iraq	0.6%	1.6%	+28
core contributions to multilaterals	28.2%	19.5%	-80
other - not country allocated	7.3%	7.0%	+27
reconciliation of expenses to cash			27
<b>TOTAL</b>			<b>+485</b>



# Australia

terrorism and border security programs in a number of neighboring countries; has provided aid to Afghanistan and Iraq and has actively supported moderate Islamic schools and inter-faith dialogues in an attempt to reduce the growth of terrorism.

The new environment was encapsulated by the Director-General of AusAID when he said that: "Aid was often regarded as a somewhat ill-defined process of 'doing-good', a process which had little tangible impact on the strategic environment faced by Australia and its policy makers. These times are now over."<sup>8</sup> In keeping with the Australian government's pre-emptive security approach

and the pattern of collaboration with regional countries, in late 2005 it committed A\$100 million over four years to help neighboring countries prepare for the avian flu threat.

In 2006 the Australian government plans to implement a new *Fragile States Initiative*. This is intended to bring together domestic and international expertise and research findings on the complex issues facing Pacific Island countries and other "fragile states". The Government aims to draw on this expertise in the coming years to influence international thinking on appropriate policy for "fragile states".<sup>9</sup>

## Notes

- 1 Unless otherwise noted all statistics quoted in this section come from AusAID budget papers.
- 2 An additional A\$1000 m over five years (half in the form of a highly concessional loan) has been allocated to fund the new Australia Indonesia Partnership for Reconstruction and Development (AIPRD). This is in addition to the existing forward estimates for aid to Indonesia.
- 3 *The Australian* Nov 26, 2005
- 4 AusAID submission to the *DAC Peer Review Process* 2004
- 5 The police presence in PNG has been scaled down because PNG would not guarantee their immunity from prosecution as desired by the Australian government.
- 6 Foreign Minister's *Statement to Parliament on the Aid Program* 10 March, 2005
- 7 Department of Attorney-General *Portfolio Budget Statement 2005-06* and ACFID *Aid Budget 2005-06 Overview and Analysis*
- 8 Speech to The Australian Strategic Policy Institute October 2005
- 9 DAC 2005 *Peer Review of Australia*

**Box 7. BELGIUM at a glance****How much ODA does BELGIUM give?**

In 2004, BELGIUM gave US\$1.5 billion or 1.2 billion euros

This means that in 2004, each person in BELGIUM gave US\$140.7 or 113.2 euros

In 2004, ODA from BELGIUM fell by US\$390.1 million in cash terms. Because of inflation and exchange rates changes, the value of ODA fell by 30% in real terms.

**How generous is BELGIUM?**

BELGIUM gave 0.41% of its national wealth in 2004. This compares with the average country effort of 0.42% and BELGIUM's previous own high point of 0.88% in 1960.

BELGIUM was more generous than 13 other donors, but less generous than 2003 when ODA was 0.60% of GNI.

**How much of BELGIUM's ODA goes to the poorest countries and people?**

79% of bilateral ODA (US\$1.3 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of BELGIUM's ODA was spent on basic health, basic education, and water supply and sanitation?****BELGIUM spent**

4% of its bilateral ODA (US\$38.8 million) on basic health  
 2% of its bilateral ODA (US\$18.9 million) on basic education  
 2% of its bilateral ODA (US\$22.6 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Belgium Explores the Boundaries of ODA Accountability

*Han Verleyen*

*11.11.11, Coalition of the Flemish North South Movement*

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## ODA: Facts and Figures

- **ODA as a percentage of GNI:** In 2001, Belgium committed itself to reaching the 0.7% target by 2010. This commitment was consolidated in a law of December 2001, and has been repeated several times since – e.g., at the Financing for Development Conference in 2002 and at the UN World summit in New York in September 2005. Belgian ODA, however, is not increasing steadily, but rather seems to have been fluctuating somewhat erratically since 2002. It jumped from 0.42% of GNI in 2002 to 0.61% in 2003 and back to 0.41% in 2004. The increase in the budget in 2003 was due to a huge debt relief write-off in favor of the Democratic Republic of Congo (DRC). This boosted Belgium's 2003 ODA level considerably, even though the actual value of the debt was close to zero. If one subtracts debt relief from the overall aid budget in 2003, Belgium's ODA amounted to only about 0.38% of its GNI.
- **Commitments and delivery:** As Belgium committed itself to reach the 0.7% target by 2010, it calculated a growth path towards this target, aiming initially at an

annual increase of 0.04% of GNI, and later of 0.05%. This growth path, as calculated in 2003, had to be adjusted in 2004 when it became obvious that Belgium would not be able to live up to its promises in 2004 and 2005. The DAC considers it likely that Belgium will meet the 0.45% target in 2005, which would bring Belgium only 0.03% further than in 2002.

- **2006 budget:** The 2006 budget was calculated to match the planned increases. Belgium should reach 0.5% of GNI for ODA in 2006. The operational budget for the implementing agency of Belgian Development Co-operation (Belgian Technical Co-operation or BTC), however, increased significantly. Also noteworthy is the increase in funds for budget support from €7 million in 2005 to €17.5 million in 2006.

The amount of €901 million, or 60% of the development co-operation budget, is managed by the Minister of Development Cooperation. The other 40%, or €677 million, represents ODA-eligible costs from other departments, including External Affairs (for humanitarian aid and emergency relief), Finance (for debt relief operations), and internal affairs (for refugee related costs).

Encouraged by its commitment to reach 0.7% in 2010, Belgium has thoroughly explored the boundaries of the DAC ODA-eligibility criteria. The Belgian contribution to the peacekeeping force in the DRC appears in the 2006 Budget (€9.75 million). This, however, is not ODA eligible under the current DAC-ODA eligibility criteria.

### Private sector involvement

Since 2003, liberal ministers have run the department of Development Co-operation with a tangible impact on the policy choices made since then. In principle, Belgium subscribes to the OECD regulations on untied aid. It has officially untied its aid to LDC's since 2002. Belgium ranks third among DAC members in respect of the untied aid reference indicator in the OECD-DAC 2005 overview.

However, over the last two years increasing attention has been given to private sector contributions for development. Programs for the involvement of the private sector have been approved, with minimal concern for regulations on tied aid. The budget for private sector subsidies has increased by 55%, amounting to more than €13 million. These governmental subsidies enable Belgian companies to provide favorable trade and support credits to their trading partners in the south. Even if these transactions are compatible with OECD-guidelines on untying aid, the idea goes against the spirit of untying aid.

A pure form of tied aid are the state-to-state loans. This aid formula enables Belgian companies to propose contracts for works or services to countries in the south, financed by cheap loans provided by the Belgian Government. Since the DAC guidelines, these purely tied state to state loans are only provided to MIC.

### DAC - peer review<sup>1</sup>

- Belgium was subject to an OECD-DAC peer review in 2005. The DAC congratulated Belgium on its commitment to reach 0.7%

in 2010, and on its geographical concentration of aid. The DAC also took into consideration the wide variety of governmental institutions involved in development co-operation (a directorate general for policy preparation, an implementing agency, a structure for private sector involvement, and decentralised ministries and agencies for development), and “appreciated the (..) efforts made to improve its development structures and procedures”. Belgium development co-operation is still in the process of digesting the institutional reforms introduced in 1999, but finally seems to be back on track in filling in the respective roles of the different institutions involved in bilateral co-operation. The management of both DGOS and BTC seems committed to ensure dialogue and concertation.

The DAC-appreciation might also refer to the freezing of the plans to transfer the larger part of development competence to the Flemish and Walloon regional authorities, which – according to 11.11.11 – would considerably weaken Belgian Development co-operation

This ‘defederalization’ has been a political issue within different governments since 2001, but has not been implemented so far. The DAC has encouraged Belgium to work towards better policy coherence between the different departments and the different authorities involved.

Belgium is also encouraged to improve its performance in the field of harmonization and alignment (See press release by OECD-DAC on the Belgian peer review)

- **Focus on Central Africa:** Belgium is increasingly focusing its bilateral aid to a limited number of 18 partner countries<sup>2</sup>. Central Africa still remains the main

# Belgium

priority for Belgian development co-operation. More than 60% of Belgian bilateral aid goes to Sub-Saharan Africa, most of it to the Democratic Republic of the Congo, Rwanda and Burundi.

In DRC the first priority is the transition process, but infrastructure projects, such as rebuilding Matadi harbour, are in the pipeline.

In DRC Belgium is not only a partner in development, but also a partner in the field of military cooperation. 11.11.11 encourages the Belgium government to continue to support DRC in the transition, through development co-operation, military co-operation and diplomacy. 11.11.11 does plead, however, for a clear distinction between development and military expenses. Budgetary efforts have already been made to finance aspects of military cooperation through the development budget. Though not ODA-eligible, the Belgian contribution to MONUC, e.g., already figures in the Belgian development co-operation budget.

Belgium has always remained committed to co-operation with **Burundi**, and increased its efforts in the run-up to the democratic elections there in 2005. It has supported the successful peace process, however delicate, with the organization of a donor round table in early 2004, together with the United Nations Development Programme (UNDP). Donors pledged €810 million for the next three years, but are slow in actually disbursing the funds. Belgium is due to organize a Joint Commission on Development with Burundi in 2006. 11.11.11 approves of the strengthened co-operation with Burundi, but calls on the Belgian Government, and the wider donor community, to involve Burundian civil society in the design of development strategies.

In **Rwanda**, Belgium is the third largest donor, after the EU and the UK. In May 2004, a new development agreement between both countries was signed with €71 million for a two-year period. Priorities are: good governance, justice and decentralization. Half of the budget will be spent on sustainable agriculture, and essential basic infrastructure. 11.11.11 supports this policy choice in a predominantly rural society.

However, there is increasing concern over decreasing democratic space, ongoing violations of human rights and the role of Rwanda in the region (especially Congo). Belgian NGOs, together with their colleagues in other European countries, have asked that these concerns be formally expressed during aid negotiations and taken up as bench marks in the agreements.

## Analysis and comments on peace and security

Belgian development cooperation needs to be monitored very closely. NGOs welcome the commitments made at national and international levels to reach 0.7% by 2010, but are sceptical about how this figure will be attained. The ODA budget will undoubtedly rise, but in order to fulfil its commitment to increase aid, Belgium will have to stretch the ODA eligibility criteria to the maximum.

This also goes for other OECD-DAC member states. The discussions to broaden ODA eligibility criteria are ongoing, and Belgium is among the hardliners in the defense of including military expenses as ODA items. At the 2004 OECD/DAC Senior Level Meeting, the Belgian Minister for Development Co-operation was strongly in favor of an expansion of ODA eligibility criteria to include UN peace-building and peacekeeping operations and the training of police forces.

The OECD/DAC discussions on ODA criteria have been suspended until 2007. In the meantime, the Belgian Minister for Development Cooperation has not hesitated to include contributions to peacekeeping in DRC in the aid budget. He has also stated repeatedly that peace and security are basic conditions for development, and therefore efforts to maintain peace in conflict-prone areas should be considered as ODA-eligible.

Another area of concern is the growing tendency to link development cooperation and migration. Whereas former Ministers and state secretaries for development co-operation were reluctant to include refugee-related costs in ODA figures, it has now become current practice. In 2004, Euro 33 million was spent on asylum in Belgium at the expense of the development co-operation budget. The migration and development theme is also prominent in the Development Co-operation Minister's policy declarations and speeches in parliament.

Whether Belgium achieves 0.7% in 2010 will depend to a large extent on incorporation of debt relief operations. NGOs of course approve of debt relief, but have always expressed the concern that it cannot replace actual aid flows. When indebted countries are unable to pay back their debts, the relief operation does not free new funds for poverty reduction and development, or for progress to reach the MDGs. And in most debt relief operations, the ODA-accountable figure is much larger than the actual benefit to the recipient country. Belgium is, however, running out of "cheap" debts, and the debt relief operations will start to have a real impact on the budget in the coming years. When included in the overall 0.7% figure, donors should be transparent about the actual value of the debt, and its share in the overall aid budget.

### Notes

- <sup>1</sup> [http://www.oecd.org/document/3/0,2340,en\\_2649\\_34603\\_35594883\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/3/0,2340,en_2649_34603_35594883_1_1_1_1,00.html)
- <sup>2</sup> Fourteen of these partner countries are in Africa. Apart from Vietnam, Asia has disappeared from the picture. In Latin America, Peru, Bolivia and Ecuador are the main partner countries.

# Canada

## *Box 8. CANADA at a glance*

### How much ODA does CANADA give?

In 2004, CANADA gave US\$2.6 billion or 3.4 billion CAN dollars

This means that in 2004, each person in CANADA gave US\$81.1 or 105.6 CAN dollars

In 2004, ODA from CANADA rose by US\$568.5 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 15% in real terms.

### How generous is CANADA?

CANADA gave 0.27% of its national wealth in 2004. This compares with the average country effort of 0.42% and CANADA's previous own high point of 0.54% in 1975.

CANADA was less generous than 13 other donors, but more generous than 2003 when ODA was 0.24% of GNI.

### How much of CANADA's ODA goes to the poorest countries and people?

67% of bilateral ODA (US\$1.6 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of CANADA's ODA was spent on basic health, basic education, and water supply and sanitation?

#### CANADA spent

3% of its bilateral ODA (US\$57.7 million) on basic health

5% of its bilateral ODA (US\$101.5 million) on basic education

3% of its bilateral ODA (US\$65.7 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Canada: Is Anyone Listening?

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In June 2005, all parties in the House of Commons concurred with a resolution calling on the government "...to honour the Millennium Development Goals and to commit immediately, through a plan, to increase Canada's aid budget by 12 to 15% annually to achieve an aid level of 0.5% of Canada's Gross National Income by 2010 and 0.7% of Canada's GNP by 2015." Canadian civil society organizations have been wondering ever since if anyone was listening.

The resolution reflected an unprecedented public mobilization for action against global poverty. Canada's response to the Global Call to Action Against Poverty, the Make Poverty History campaign, rallied more than 700 organizations and 250,000 Canadians behind a four-part platform for debt cancellation, trade justice, more and better aid and anti-child-poverty measures in Canada. The aid campaign is focused on a timetable for committing 0.7% of Canada's GNI to Official Development Assistance (ODA) (more aid), and the introduction of legislation to establish poverty reduction as the exclusive mandate for Canadian ODA, consistent with Canada's human rights obligations (better aid).

With Prime Minister Paul Martin's record of activist foreign policy on debt and other issues, many were optimistic about the prospects for Canada's role in the world. Unfortunately, his government has been slow to respond to public and parliamentary calls for shifts in Canada's approach to North-South relations.<sup>1</sup>

- At both the July 2005 G8 Summit in Gleneagles, Scotland, and the UN Millennium Summit in September 2005, Martin refused to commit to a timetable for achieving the UN target of 0.7% of Canadian Gross National Income (GNI) for Canadian aid. The Prime Minister would only affirm Canada's long-standing commitment to gradual 8% aid increases announced at the 2002 Monterrey UN Summit by former Prime Minister Chrétien - which would bring aid to 0.32% of GNI by 2010 (not even halfway to the 0.7% target), with no firm numbers for aid increases after that date.
- The government has made one-off targeted increases - for HIV/AIDS, debt cancellation and increased aid for Afghanistan and Iraq - in its annual budgets. In April 2005 the government, in the context of a minority



# Canada

parliament, made a “budget deal” with the labour-oriented New Democratic Party which included an additional \$250 million a year for two years for ODA. These increases, while welcome, do not build towards a timetable for 0.7% and are dependent on the government’s fiscal surplus at the end of each of the two years. Moreover, in November 2005, the government allocated a major proportion of projected budgetary surpluses for the next five years, without any reference to the promised additional \$500 million.

- Due to large debt cancellation commitments for Iraq and several African countries, CCIC estimates Canada’s aid performance for 2005/06 at 0.34% of GNI, up from 0.23% in 2003/04. For 2006/07 the ratio is expected to be 0.33%. With no new commitments beyond the continued 8% aid increases, the ODA/GNI ratio will fall back to 0.32% in 2007/08. While Canada’s performance has improved over the past few years, this performance has been dependent on one-off increases at the end of the fiscal year that makes long-term aid planning as well as bilateral debt cancellation impossible.

In spite of this slow and inadequate movement on aid increases and the absence of any commitment to introduce aid legislation, the government did act to reduce the regulations governing Canadian food aid. Previously, 90% of Canadian food aid was tied to Canadian purchases. Under a policy announced in September 2005, up to 50% of Canada’s food aid will now be available for purchase in developing countries, a move long sought by Canadian NGOs.

However, Canadian NGOs have also become more concerned about changing priorities for Canadian aid. Throughout this period, global security considerations have

become increasingly prominent in Canadian aid rhetoric and rationales.<sup>2</sup>

- Since 2002, the phrase “to support international efforts to reduce threats to international and Canadian security” has been added to the mandate of CIDA. In addition, CIDA’s 2004-2006 Sustainable Development Strategy (SDS) includes new language on peace and security in the Key Agency Results (KARs).
- In 2005, Canada joined some donors in the OECD Development Assistance Committee (DAC) to push the DAC to stretch the criteria for what can be counted as ODA, particularly for military and security aspects of peace operations.
- Canada’s first National Security Policy, released in April 2004, proposed a role for development assistance in countering terrorism. Since that time, \$15 million has been set aside in the 2005/06 Budget for these purposes, to be drawn from funds largely outside the ODA budget.

Canadian aid spending has been under corresponding pressures to conform to a security logic.

- Between 2001 and 2004, about 28% of total new aid resources were targeted at Iraq and Afghanistan (from a base of support prior to 2001 of almost no disbursements for these countries). In CIDA’s own words, Canada’s work in Afghanistan will ensure that the country “never again becomes a haven for terrorism”, while Iraq’s recovery is “critical from a global security perspective”.<sup>3</sup> The result has been a distortion of the government’s commitment to allocate new aid resources since 2002 for CIDA’s program in its nine countries of focus. Instead, Afghanistan has been the single largest recipient of Canadian

bilateral aid, with the total allocation for the period 2001 to 2008 planned at \$616.5 million.

- The 2004 Federal Budget set out commitments for Afghanistan and Iraq of \$916 million between 2002 and 2008. Up to 2004, more than 50% had been disbursed, largely from supplementary estimates in addition to the 8% aid increases. But what will be the source of the remaining commitments, and any subsequent additions? Will they come from already announced aid increases (8% per year) up to 2010, or from supplementary sources?

The release of the government's long-awaited International Policy Statement (IPS) in April 2005 made more stark these trends. In setting out a vision for Canada's role in the world, the IPS highlighted the threats to Canadian security and values posed by "failed and fragile" states. Up to one third of CIDA's bilateral funding is reserved for "failed and fragile states".<sup>4</sup> Canada's military is committed to stronger military roles in the world's "failed states". Foreign Affairs is focused on mitigating the dangers that "failed states" pose through refugee flows, regional instability and threats of terrorism.

According to the IPS, the protection of Canadian security requires a concerted and integrated response to state failure in various countries. Similar to several European donors, the government has created two new mechanisms: the Stability and Reconstruction Taskforce (START) and the Global Peace and Security Fund (GPSF), which was announced in the 2005/06 Federal Budget with an allocation of Cdn\$500 million over five years.

- START is designed to lead 3D (diplomacy, development, defense) integrated

approaches to "failed and fragile states". It will consist of an inter-departmental advisory board and a secretariat housed in Foreign Affairs Canada. The advisory board will act as a platform for inter-departmental coordination for Canadian action in "failed and fragile states". It will consist minimally of officials from CIDA, Department of National Defense, Public Security and Emergency Preparedness Canada, the RCMP and the Privy Council's Office; with other departments brought in as needed.

- The START Secretariat will manage peace and security funds, develop and deliver country-specific conflict prevention and peace-building funds, coordinate peace support operations, and coordinate humanitarian policy and crisis response. Once it is fully staffed, the START Secretariat will employ over 70 people.
- The Global Peace and Security Fund (GPSF) will allocate its \$500 million over five years principally in support of START and two smaller programs. The details of these programs, how they will relate to each other and to other aid programs are still being worked out, but it appears that most of the GPSF's activities will not be counted at this point as Official Development Assistance (ODA). In 2005/06 the allocation for the GPSF was in addition to the 8% aid increase for that year. But officials in START and GPSF are predicting that the Fund will grow with money from the 8% increases to the IAE. Perhaps they have in mind changes to ODA criteria at the DAC which will be revisited by Ministers in 2007.
- Additional resources for START activities may be available from a Crisis Pool, also announced in the 2005/06 Budget. The Crisis Pool, to be capped at \$500 million, will be jointly controlled by Finance,

# Canada

Foreign Affairs and CIDA. In late 2005, \$52 million was allocated for the earthquake in Pakistan from the Crisis Pool (which will count as ODA).

Canada's 3D approach is being piloted in a Provincial Reconstruction Team (PRT) in Kandahar, Afghanistan. The Team is a combination of Canadian forces, CIDA officials, and the Afghani local authority, with the goal to advance the Afghani central government's presence in that region and support the reconstruction.<sup>5</sup> Canada's PRT took over the operations of the American PRT within Operation Enduring Freedom in Kandahar in August 2005. Other 3D approaches will

include border management in Palestinian territories, elections in Haiti, and support for the Africa Union troops in Darfur, Sudan.

Canadian CSOs are concerned about the new "integrated" model for international cooperation in situations of conflict. The integration of humanitarian assistance within military and foreign policy challenges fundamental humanitarian principles of neutrality and independence, and threatens the effectiveness of life-saving assistance. The focus on Canadian security in the creation of the START and GPSF could side-line the rights and needs of affected populations, neglecting peace-building and development principles.

## Notes

- <sup>1</sup> For more detailed analyses of Canadian aid policies see CCIC's aid policy section of its web site at <http://www.ccic.ca/e/002/aid.shtml>.
- <sup>2</sup> See Erin Simpson, "The Post-9-11 Security Agenda and Canadian Foreign Policy: Implications for the Global South", May 2005, accessible at [http://www.ccic.ca/e/docs/002\\_peace\\_2005-06\\_post\\_911\\_background\\_paper.pdf](http://www.ccic.ca/e/docs/002_peace_2005-06_post_911_background_paper.pdf).
- <sup>3</sup> See CIDA, "Afghanistan Overview" accessible at <http://www.acdi-cida.gc.ca/afghanaid> and "Iraq Overview" accessible at <http://www.acdi-cida.gc.ca/CIDAWEB/webcountry.nsf/VLUDocEn/Iraq-Overview>.
- <sup>4</sup> The use of the term "failed and fragile" is highly controversial among non-governmental organizations,

particularly in the South, as it focuses all attention on internal dynamics of states and avoids responsibility of the north and the international community. The term is used here in reference to the political phenomenon of focus on "failed and fragile states". As much as possible, the term "persistent conflict and weak governance."

- <sup>5</sup> "NGO / Government Dialogue on Provincial Reconstruction Teams (PRTs) in Afghanistan and the Militarization of Humanitarian Assistance", December 2003, Peace Operations Working Group of the Canadian Peace-building Coordinating Committee.

**Box 9. DENMARK at a glance****How much ODA does DENMARK give?**

In 2004, DENMARK gave US\$2.0 billion or 12.2 billion DAN krone

This means that in 2004, each person in DENMARK gave US\$376.6 or 2,254.6 DAN kroner

In 2004, ODA from DENMARK increased by US\$288.9 million in cash terms. Because of inflation and exchange rates changes, the value of ODA increased by 4% in real terms.

**How generous is DENMARK?**

DENMARK gave 0.85% of its national wealth in 2004. This compares with the average country effort of 0.42% and DENMARK's previous own high point of 1.06% in 2000.

DENMARK was the second most generous donor, as it became more generous than in 2003 when ODA was 0.84% of GNI.

**How much of DENMARK's ODA goes to the poorest countries and people?**

75% of bilateral ODA (US\$1.4 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of DENMARK's ODA was spent on basic health, basic education, and water supply and sanitation?****DENMARK spent**

8% of its bilateral ODA (US\$93.8 million) on basic health

3% of its bilateral ODA (US\$37.3 million) on basic education

15% of its bilateral ODA (US\$179.1 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Security, Growth – Development But What Comes First?

*Jesper Heldgaard, freelance-journalist,  
and Lars Anderskov, Mellempfolkeligt Samvirke<sup>1</sup>*

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Security concerns have indeed moved to the forefront of Danish development aid. The Danish Liberal-Conservative government, which took over from the Social Democrat-Social Liberal government in November 2001, was among the first Western governments to stress this link: "Development policy is a central and integral part of Danish foreign and security policy," the government's plan for Danish development assistance 2004-2008 stated in June 2003.<sup>2</sup>

The plan of priorities for 2005-2009, "Security, Growth - Development", launched in 2004,<sup>3</sup> reflected this link even more clearly, and also expressed the government's strong belief in economic growth -- fuelled by a strong private sector -- as a precondition to fighting poverty. These new priorities, combined with dramatic cuts in the aid budget since 2001, have caused serious concern that the traditional overriding goal of Danish aid -- poverty reduction -- is losing out to security concerns.

Despite the cuts mentioned, Denmark remains among the only five countries that exceed the target of 0.7% of GNI for ODA. In 2004 Danish aid amounted to 0.85% of GNI. In 2006 the Danish aid ratio is expected to drop to 0.8%, but the government has

announced that it will not decrease ODA any further.

The general election in February 2005 again gave the Liberal-Conservative government, backed by the nationalist Danish People's Party, a comfortable majority in Parliament. The majority of Danish voters did not seem to oppose the cuts in the aid budget that followed the 2001 elections. The re-elected government stated that Danish aid will not drop below 0.8%.<sup>4</sup> In recent years the Danish aid budget has been frozen at the same level and only adjusted for inflation. If this had remained so, economic growth would increase Danish GNI to the extent that the aid ratio in 2007 and onwards would drop below 0.8%. Thus the guarantee— to which the government remains committed despite strong pressure from the Danish People's Party to decrease aid to just 0.7% of GNI— means extra money from 2007 and onwards.

The commitment to not go below 0.8% was welcomed, but critics argue that it should be put in the proper perspective. In 2001 Danish aid amounted to 1.03% of GNI and was on track to reach 1.25% in 2005. At that time, it was Danish aid policy to give 1% of GNI and an additional 0.25% through the special Environment, Peace and Stability Facility

(EPSF), which was abolished in 2003. Thus the present aid level is just some 65% of what it would have been without the cuts implemented after 2001.

The cuts and the decreased budget have not prevented the government from launching a series of high-profile aid initiatives. Branding has become an important component of Danish aid.

Many of these initiatives have to do with security and the fight against terrorism. But first, a look at other important developments and trends:

- Denmark has a Development Minister once again, the position having been abolished when the Liberal-Conservative government took over. The development portfolio then fell under the Foreign Affairs Minister. As part of a government reshuffle in August 2004, the Minister for Refugee, Immigration and Integration Affairs was appointed Minister for Development as well, in a move to establish a closer link between Danish development aid and Danish policy on refugees.
- After the February 2005 elections, the liberal Ulla Tørnæs became Minister for Development and development only. This has attracted more attention on development issues.
- The long standing consensus on channelling a substantial share of Denmark's ODA through the multilateral system is wavering. A 50-50 distribution among bilateral and multilateral aid has been an agreed principle for years, though with a trend towards an increasing bilateral share. A major overhaul of all Danish multilateral aid in 2005 resulted in an initial diversion of DKK 150 million from multilateral to bilateral aid. This appears modest, but Tørnæs clearly indicated that more is to come: "We want to spend the money where we get the most out of it," she said and announced that the almost 50-50 distribution between bilateral and multilateral aid is no longer government policy.<sup>5</sup>
- The government is a strong believer in the private sector as the engine to create growth which will reduce poverty. A Public-Private Partnership initiative was launched in 2004. Under this, Danida allocates DKK 47 million over five years to support private Danish pension funds' investments of DKK 470 million in developing countries. Despite heavy public criticism of the Private Sector Development Programme for being business support to Danish companies in disguise rather than development aid, a thorough analysis of the program was made to focus on making it more efficient rather than changing it. Also, the comprehensive private sector support programs in Tanzania and Ghana have been followed up with similar programs in Vietnam and Kenya, and more are likely to follow.
- The rough ride for Danish development NGOs, which started with a 10% cut in government funding when the current government took over in 2001, has not ended. Starting from 2006, the government will put an end to full state financing of NGO activities and NGOs will be required to raise funds equivalent to 5% of their annual Danida grant from the public. In 2007, this will be increased to 10%. This could be dramatic for Danish NGOs focusing on advocacy. But NGOs focusing more on humanitarian issues and with a stronger tradition of raising their own funds are wary of the change for fear that the diversity among Danish NGOs will suffer as they will all have to go for popular issues in order to raise funds.<sup>6</sup>
- Less information on developing countries and development issues. Total Danida support for development education has

# Denmark

been reduced from DKK 57 million in 2005 to 42 million in 2006.

- When the Asian tsunami struck in late 2004, the Danish government responded quickly. DKK 420 million was pledged for emergency and reconstruction aid, and the Prime Minister guaranteed that other aid-financed activities would not suffer and be made to pay for the Danish tsunami effort. This occurred nevertheless. During 2005, almost DKK 200 million extra had to be added to the initial allocation for emergencies to meet demand, including responding to the earthquake in Pakistan. Of this only DKK 38 million was extra money. The rest was “unspent money” from within the aid budget.
- The government continues to emphasize that Africa is the priority continent for Danish aid, and the first comprehensive Danish Africa Strategy was launched in 2004. It had, however, dropped Eritrea, Malawi, and Zimbabwe in 2002 as program countries, and with Egypt being phased out, only eight African countries will remain in the program. In June 2005 the Prime Minister announced that a new African country would be selected and this marked the beginning of a close race to receive up to DKK 4 billion over the next 15-20 years. It was announced that the main criterion would not only be poverty, but also good governance, democratization, as well as the potential for Danish support for environmental issues and the private sector. Ethiopia, Mali and Niger were short-listed, but Ethiopia was dropped after the government’s strong reaction to the protests over the contested elections in May. In January 2006 it was announced that Mali had been selected.
- In 2003 Denmark decided to untie bilateral aid by opening up for firms from EU countries and increasingly letting the

recipient countries decide for themselves where to procure the supplies included in the sector-program support. The 2003 DAC peer review of Danish aid<sup>7</sup> required Denmark to go further and open up procurement to firms from countries outside the EU. Denmark has decided to follow the EU regulations adopted in 2005 and untying is gradually taking place; but in 2004 12% was still tied. It should be noted, though, that support under the Private Sector Development Programme requires partnership with a Danish business enterprise.

- Despite the 2003 decision to untie aid, Denmark’s general contribution to the World Food Programme remained 80% tied to Danish food producers and personnel. In 2005 the government decided to gradually untie this so that Danish food aid will be completely untied in 2008. WFP will be requested to procure food in the local markets in developing countries wherever possible.

## Security and the anti-terrorism agenda take the lead

Stability and security are crucial for achieving the Millennium Development Goals, Danida’s 2004 annual report<sup>8</sup> stated, adding that poverty reduction and the fight against terrorism go hand in hand to create a safer world.

The link between security and aid has not been merely rhetorical. Several aid initiatives in recent years have been influenced or even dominated by security concerns:

- In 2004 the government adopted “Principles Governing Danish Development Assistance for the Fight Against the New Terrorism” and made this fight a new priority of Danish aid. The plan allocated DKK 145 million over the period 2004-2006

for multilateral efforts and for a series of special bilateral initiatives in countries like Yemen, Iran, Indonesia, Kenya and Niger. Aid to program countries now also depends on their willingness to take part in the fight against terrorism.<sup>9</sup>

- “The Africa Programme for Peace” with resources amounting to DKK 248 million for 2004-2009 was set up in 2004 to support conflict prevention work in Africa. The focus on security was also reflected in the 2004 comprehensive strategy for Africa, “Africa - development and security”.<sup>10</sup>
- Denmark’s increased international military engagement - in Kosovo, Afghanistan, and Iraq— led to a 2004 initiative to coordinate civilian and military efforts in countries afflicted by conflict. Civil-military cooperation was made official Danish policy, and DKK 15 million per year was allocated from the aid budget for Danish soldiers’ involvement in humanitarian and reconstruction activities in countries like Iraq.
- “The Triangle of Change” was the title of a 2004 pamphlet on Danish reconstruction aid to Sudan, Afghanistan and Iraq worth DKK 1.2 billion 2005-2008. Here, aid was again marketed as conflict prevention.
- Several other recent aid-financed initiatives also have a clearer focus on security rather than poverty. This applies to The Arab Initiative, launched in 2003, The Region of Origin Initiative, launched in 2004 to provide fast and efficient support to refugees in their regions of origin,<sup>11</sup> and The Neighbourhood Programme, launched

in 2003 to promote open, democratic societies in the countries neighboring the European Union and partly financed through the aid budget.

- The campaign to secure Denmark a seat in the UN Security Council ended successfully in October 2004 with Denmark becoming a member in 2005 and 2006. The Foreign Minister immediately announced that the fight against terrorism would be a Danish top priority in the UN. Denmark was elected chair of the Counter-terrorism Committee under the Security Council and is actively using this position to support poor countries’ efforts to meet their obligations under UN Resolution 1373, which was passed in reaction to the September 11 terrorist attacks in 2001 and which also demands that states criminalize terrorism.<sup>12</sup>
- Funding for Danish military and police contribution to international peacekeeping operations and military training is partly funded under the aid budget according to the DAC guidelines. Denmark supports strict rules, but also a change of the guidelines, which could include more of this kind of activities as ODA, not as an end in itself, but to seek clarification in this grey zone area.

While few question that peace and security are conducive to development, sceptics are critical of the fact that the new initiatives are financed by the substantially reduced aid budget, and divert the focus from the long-term fight against poverty.



# Denmark

## Notes

- <sup>1</sup> This chapter covers the period January 2004 - December 2005
- <sup>2</sup> Royal Danish Ministry of Foreign Affairs: A World of difference. The Government's Vision for New Priorities in Danish Development Assistance 2004-2008. June 2003.
- <sup>3</sup> Royal Danish Ministry of Foreign Affairs: Security, Growth - Development. Priorities of the Danish Government for Danish Development Assistance 2005-2009. August 2004.
- <sup>4</sup> <http://www.stm.dk/publikationer/reggrund05/index.htm>
- <sup>5</sup> *Development Today*, Vol XV - No 13. September 2005
- <sup>6</sup> *Development Today*, Vol XV - No 18. November 2005
- <sup>7</sup> OECD, DAC: Development Co-operation Review Denmark. Volume 4, No. 3. 2003.
- <sup>8</sup> Royal Danish Ministry of Foreign Affairs: Danida's Annual Report 2004
- <sup>9</sup> [www.um.dk](http://www.um.dk)
- <sup>10</sup> Royal Danish Ministry of Foreign Affairs: Africa - Development and Security, January 2005
- <sup>11</sup> Royal Danish Ministry of Foreign Affairs: The Regions of Origin Initiative, January 2005
- <sup>12</sup> *Development Today*, Vol XV - No 1. January 2005

**Box 10. The European Union and European Commission at a glance**

In this section, EU refers to EU member states together, whereas when EC is used, this refers to European Commission's development program, funded by member states.

**How much ODA does EC give?**

In 2004, the amount of ODA from EC member states spent through the European Commission was

US\$8.7 billion or 7 billion euros

This means that in 2004, for ODA spending through the EC, each person in the EUROPEAN UNION gave

US\$22.6 or 18.2 euros

In 2004, ODA spent through the EC rose by US\$1.5 billion in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 8% in real terms

**How generous are EU member states?**

The EU member states gave 0.35% of their collective wealth in 2004. This compares with the average country effort of 0.42% and EC's own previous high point of 0.46% in 1989.

EU member states maintained their 2003 level of ODA at 0.35% of GNI.

**How much of EC's ODA goes to the poorest countries and people?**

68% of total EC ODA (US\$5.4 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of EC's ODA was spent on basic health, basic education, and water supply and sanitation?****The EC spent**

3% of its ODA (US\$235 million) on basic health

1% of its ODA (US\$95.7 million) on basic education

4% of its ODA (US\$391.7 billion) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# EC Aid: At the Forefront of Poverty Reduction or Global Security

*Mikaela Gavas  
British Overseas NGOs for Development (BOND)*

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Europe's potential in defeating poverty cannot be overstated. Europe provides 55% of world development aid and has an enormous influence over world trade policies. Yet, despite having had responsibility for aid for many decades, European Community (EC) aid is often criticized as inefficient and unfocused, while its basic rationale, clothed in the wider uncertainty of who does what in European public policy, is often little known or misunderstood.

The advantages of having aid programs at the EC level can be summarized in a number of ways: the scale, reach and potential effectiveness of the EC as a development actor and donor; the EC as a focal point for collective, coordinated & coherent action; the EC as a politically neutral donor, with a clear set of values underpinning its work; and the EC as a regional advocate for more and better aid. There are also benefits linked to the specific features of EC aid either in terms of the type of aid that it delivers or the experience that historically it has developed in certain areas.

The EC has the unique ability to deploy a number of policies other than aid: trade, in particular, but also foreign and security policy.

It can thus leverage its aid efforts in a "coherent" way that multiplies their impact. None of its members acting alone can do this. It is therefore expected that development cooperation deployed at this level could be more effective in achieving coherent policy-making -- with development objectives at the fore and development cooperation as an instrument for achieving them. However, there is also the threat that money set aside for development cooperation will be diverted to areas of public policy that are not linked to poverty reduction and are more of a priority for developed countries than developing countries.

With the EU General Affairs and External Relations Council's<sup>1</sup> announcement that all EU-15 Member States' Official Development Assistance (ODA) will reach the target of 0.7% of gross national income by 2015, Europe clearly established its global leadership in donor financing for the MDGs.

*"Today's agreement shows that Europe has put itself at the forefront of efforts to reduce global poverty."*

*- (Hilary Benn, UK Secretary of State for International*

# The European Commission

*Development, General Affairs and External Relations Council Meeting, Brussels, 24 May 2005)*

- Taken together, the EU-15 countries already devote 0.35% of GNI to development assistance, which compares to an aggregate average of 0.19% for non-EU donors.
- Four EU countries have already surpassed the 0.7% target: Denmark, Luxembourg, Netherlands, and Sweden.
- Six other EU Member States -- Belgium, Finland, France, Ireland, Spain and the UK -- have set targets to reach 0.7% before 2015.
- The remaining five -- Austria, Germany, Greece, Italy, Portugal -- have committed themselves to reaching at least 0.51% by 2010 and 0.7% by 2015.
- The new EU Member States have agreed to raise their ODA to 0.17% by 2010 and 0.33% by 2015.<sup>2</sup>

Taken as a whole, the EU will mobilize an additional estimated €30 billion by 2010 and €54 billion by 2015 compared with 2004 levels (at 2003 prices and exchange rates)<sup>3</sup>. The central issue for European ODA policy is now, therefore, how to use these new resources most effectively.

*"The issue is not 'Aid Effectiveness or Aid Volume?' 'The answer is 'Aid Effectiveness and Aid Volume.'"*

*(Jean-Louis Schiltz, Luxembourg Minister for Development Cooperation, on the eve of the General Affairs and External Relations Council, Brussels, 23 May 2005)*

EU-15 aid is currently delivered by 16 different sets of development agencies

(including the European Commission) which are only partly coordinated. This fragmentation is a key factor contributing to the insufficient quality of existing EC ODA. The Commission's report of April 2005 on progress towards the MDGs<sup>4</sup> noted that *"Progress in coordination remains well below what is possible. This lack of harmonisation imposes administrative burdens and unnecessary costs on Member States. Although the EU has managed to agree common strategies in some tricky and sensitive areas (such as the European Security Strategy, to name just one), it has not been able to do so in a policy area where it is one of the biggest players and where there is a comprehensive framework of multilateral commitments."* The EU sadly still remains a "timid giant" with regards to aid effectiveness<sup>5</sup>. In parallel, despite being the most generous donor in the world, the EU and its Member States will continue to get much less international credit than they deserve for the development assistance they do provide.

However, the problems are not only of a practical nature. They also have to do with different ideas and concepts about what the EU is or should be. Should EU development policies be complementary to the policies of the Member States or should the policies of the Member States be complementary to those of the Community? Should the EU be a 16th bilateral donor or should the Community focus on areas in which it has a comparative advantage and can bring added value?

In 2005, the EC committed to five concrete targets on harmonization at the Paris High Level Meeting on Aid Effectiveness. These are:

- To provide all capacity- building assistance through coordinated programs with an increasing use of multi-donor arrangements

# The European Commission

- To channel 50% of government assistance through country systems
- To avoid the establishment of new project implementation units
- To double the percentage of assistance provided through budget support or sector wide arrangement
- To reduce the number of uncoordinated missions by 50%.

However, alongside hopes for greater coordination of development policies, the new security imperatives have created a potential diversion of development cooperation portfolio resources in favor of investments of particular relevance to security policy.

At present, 43.7% of EC ODA is allocated to low-income countries<sup>6</sup>. (See Table 22). In theory, aid allocations correspond to an objective assessment of the needs and performance of potential aid recipients, according to indicators measuring the level of poverty and human development criteria and gauging the country's overall commitment to alleviating poverty and promoting good governance. In practice,

however, they are the result of protracted political negotiations in which each Member State has its own vested interest.

The overall distribution of EC aid reflects a defining political trade-off among the EU Member States. The Nordics, the Netherlands and the UK argue for a poverty-focus in overall allocations and within programmes. Southern EU Member States tend to argue for allocations on more political grounds, either to address domestic political concerns (e.g. migration) or to pursue external political goals.

*"The new security situation and the threat of international terrorism affects development policy just as so many other areas of our lives."*

*(Louis Michel, European Commissioner for Development and Humanitarian Aid, Overseas Development Institute, London, 24 February 2005)*

In 1997 the EU began to forge a Common

**Table 22. Top ten recipients of EC Official Development Assistance in 2004:**

1. Serbia and Montenegro
2. Democratic Republic of Congo
3. Turkey
4. Morocco
5. Afghanistan
6. Egypt
7. Palestinian Areas
8. Tanzania
9. Mozambique
10. South Africa

Source: Annual Report 2005 on the European Community's Development Policy and the Implementation of External Assistance in 2004: [http://www.europa.eu.int/comm/europeaid/reports/europeaid\\_ra2005\\_en.pdf](http://www.europa.eu.int/comm/europeaid/reports/europeaid_ra2005_en.pdf)

Foreign and Security Policy (CFSP) under which tentative steps towards a shared defense policy were made in the form of joint military interventions in Macedonia and in the Democratic Republic of Congo. However, a large portion of the costs of these operations was met by participating states rather than the EU. Only recently have security goals been explicitly embraced in the EU's institutions and budget. The heightened focus in 2005 on financing for development and achieving the 0.7% ODA GNI target has been coupled with a priority given to security issues in EU discourse and shifts in both aid conditionality and resource allocation.

This heightened focus on security is characterized by:

- Reinforced institutional capabilities to respond to security threats;
- Systematic integration of a clause on cooperation in the fight against terrorism and weapons of mass destruction in all agreements signed with developing countries;
- The fight against terrorism as a systematic feature of the political dialogue with developing countries;
- The revision of EU political conditionality to include counter-terror priorities;
- Pressure from certain EU Member States to review the DAC criteria in order to integrate security concerns;
- The creation of the Africa Peace Facility and transfer of €250 million to that instrument from the European Development Fund;
- The creation of a Stability Instrument.

A new EU security framework was announced by the Council's CFSP High Representative, Javier Solana in June 2003, and was adopted by the subsequent General

Affairs and External Relations Council<sup>7</sup>. The new framework outlines the nature of new global threats emerging in the post-Cold War environment and after the 9/11 events. It declares security as a "first condition for development"<sup>8</sup> but fails to mention the reverse, that development might also be a pre-condition for security. It proposes creating a synergy between security and development goals through a more coherent and comprehensive approach.

The EU Security Strategy was followed by the Madrid Council declaration on combating terrorism of March 2004<sup>9</sup>, which included commitments to assisting vulnerable countries in enhancing their counter-terrorism capability, promoting good governance and the rule of law by addressing counter-terrorism concerns into all relevant external assistance programs, and ensuring that counter-terrorism is a key element of political dialogue at all levels, in particular with those countries where certain groups present a potential terrorist threat to international peace and security. The Declaration also stated that 'the commitment of countries to combat terrorism on an ongoing basis' would be an 'influencing factor in EU relations with them'.<sup>10</sup>

This was set against a background of efforts within the OECD Development Assistance Committee (DAC), which sees itself as 'guardian' of the credibility of the definition of ODA, to broaden the goals of development assistance. According to the DAC, "Development co-operation does have an important role to play in helping to deprive terrorists of popular support... and donors can reduce support for terrorism by working towards preventing the conditions that give rise to conflict in general and that convince disaffected groups to embrace terrorism in particular... this may have implications for priorities including budget allocations and levels and definitions of ODA eligibility criteria."<sup>11</sup>

# The European Commission

The EU's attempts to enhance coherence in external relations have provoked concern among development NGOs that EU development assistance will become subservient to security.

At the political level, it has been proposed that a European Foreign Minister with a foot in both the Council and the Commission would take charge of external policies. At the institutional level, the EU would group all external actions under a single heading, "The EU as a Global Partner". Instruments under this heading would include three geographic ones (Pre-Accession Instrument, the European Neighbourhood and Partnership Instrument and the Development Cooperation and Economic Cooperation Instrument) and three thematic ones (Stability Instrument, Humanitarian Aid Instrument and Macro-Financial Assistance).

The EU approval in 2004 of a €250 million grant to the African Peace Facility was controversial because Member States funded it by shaving 1.5% off the development allocation of each African country in the European Development Fund despite the fact that this does not qualify as ODA. This was meant to be a one-off decision but the framing of the new Stability Instrument now provides the opportunity to replicate this type of support from the EC budget. Its aims are to respond to crises in order to re-establish the condition for regular aid and to cooperate in confronting global and regional trans-border challenges, technological threats and weapons proliferation. However, with the exception of some elements of peace support operations, most assistance delivered will qualify as ODA-eligible, meaning that a portion of EU development aid will be diverted to this new instrument which makes no mention of poverty eradication.

In 2005, the EU's Asia & Latin America

(ALA) Member State Management Committee voted through a project in the Philippines that includes intelligence capacity-building, border control and counter-terrorism initiatives, financed by development funds governed under the ALA Regulation. The case was looked at by the European Parliament, which has recently initiated legal proceedings against the European Commission at the European Court of Justice. The main aim of the contested decision is to combat terrorism by implementing United Nations Security Council Resolution 1373 (2001) on the fight against terrorism. However, the aim of the ALA Regulation is to "aid development by means of financial, technical and economic cooperation." According to the European Parliament, a measure intended to help the government of the Philippines make its borders more secure, with the aim of combating terrorism, does not comply with the ALA Regulation and is therefore illegal. The decision of the Court is still pending.<sup>12</sup>

Changes in the EU's approach are illustrative of a general tendency in the international community to now consider security as a pre-condition for development. The EU has consistently discussed integrating new issues of migration, terrorism and security in its policy papers, particularly in the revised European Development Policy Declaration.<sup>13</sup> The problem is that in, the name of stability and security, aid can rapidly end up being driven by the security interests of the donor rather than by the development interests of the recipient. The risk is that this can undermine the role of the Union as a major aid donor and that development policy can become a mere instrument of foreign affairs. In addition, the fact that certain Member States are so reluctant to increase the resources allocated to Community policies puts already limited aid resources in danger of being diverted to fulfil the new donor-driven security objectives.

## Notes

- <sup>1</sup> External Relations Council of 24 May 2005, Council Conclusions: Accelerating Progress towards Achieving the Millennium Development Goals: <http://www.eu2005.lu/en/actualites/conseil/2005/05/23cagre/milldego.pdf>
- <sup>2</sup> European Policy Centre, Issue Paper 36, EU and Global Governance: "A European Development Fund for the MDGs," by Jeffrey Sachs, John McArthur and Guido Schmidt-Traub (July 2005)
- <sup>3</sup> Ibid, p. 21
- <sup>4</sup> Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee: "Speeding up progress towards the Millennium Development Goals: The European Union's Contribution" (COM(2005) 132 final), (12 April 2005): [http://europa.eu.int/comm/development/body/communications/docs/communication\\_132\\_en.pdf](http://europa.eu.int/comm/development/body/communications/docs/communication_132_en.pdf)
- <sup>5</sup> OECD DAC 2002 European Community Peer Review: <http://www.oecd.org/dataoecd/12/1/1935386.pdf>
- <sup>6</sup> Communication from the Commission to the Council and the European Parliament:  
  
Annual Report 2005 on the European Community's Development Policy and the  
  
Implementation of External Assistance in 2004 (COM (2005)292): [http://europa.eu.int/comm/europeaid/reports/comm-sur-ra2005\\_en.pdf](http://europa.eu.int/comm/europeaid/reports/comm-sur-ra2005_en.pdf)
- <sup>7</sup> "A Secure Europe in a Better World - European Security Strategy", approved by the European Council held in Brussels on 12 December 2003 and drafted under the responsibilities of the EU High Representative Javier Solana: <http://ue.eu.int/uedocs/cmsUpload/78367.pdf>
- <sup>8</sup> Ibid, p. 13
- <sup>9</sup> "Declaration on Combating Terrorism", approved by the European Council held in Brussels on 25 March 2004: [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressdata/en/ec/79637.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/en/ec/79637.pdf)
- <sup>10</sup> Ibid, p.12
- <sup>11</sup> DAC Guidelines and Reference Series: "A Development Co-operation Lens on Terrorism Prevention: Key Entry Points for Action", OECD (2003), p.11: <http://www.oecd.org/dataoecd/17/4/16085708.pdf>
- <sup>12</sup> Official Journal of the European Union C 10/15, 14 January 2006: [http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/c\\_010/c\\_01020060114en00140015.pdf](http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/c_010/c_01020060114en00140015.pdf)
- <sup>13</sup> Joint Statement by the Council and the Representatives of the Governments of the Member States Meeting within the Council, the European Parliament and the Commission: "The European Consensus on Development" (22 November 2005): [http://www.europa.eu.int/comm/development/body/development\\_policy\\_statement/docs/eu\\_dps\\_en.pdf#zoom=100](http://www.europa.eu.int/comm/development/body/development_policy_statement/docs/eu_dps_en.pdf#zoom=100)



# Finland

## *Box 11. FINLAND at a glance*

### How much ODA does FINLAND give?

In 2004, FINLAND gave US\$655.4 million or 527.5 million euros

This means that in 2004, each person in FINLAND gave US\$125.6 or 101 euros

In 2004, ODA from FINLAND rose by US\$96.9 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 6% in real terms.

### How generous is FINLAND?

FINLAND gave 0.35% of its national wealth in 2004. This compares with the average country effort of 0.42% and FINLAND's previous own high point of 0.80% in 1991.

FINLAND was less generous than 11 other donors, as it maintained its 2003 level of ODA at 0.35% of GNI.

### How much of FINLAND's ODA goes to the poorest countries and people?

59% of bilateral ODA (US\$356.9 million) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of FINLAND's ODA was spent on basic health, basic education, and water supply and sanitation?

#### FINLAND spent

2% of its bilateral ODA (US\$7.2 million) on basic health

1% of its bilateral ODA (US\$2.9 million) on basic education

4% of its bilateral ODA (US\$15.9 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Main Developments in Finland's Aid Program, 2004-05

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## **PROMISING CHANGES**

The period 2004-05 saw promising changes in Finnish development policy-making. The Finnish parliament took exceptionally keen interest in development issues. In April 2005, concerns about the slow growth of Finnish ODA culminated in the first ever vote of confidence on the government. All opposition parties but the tiny rightist-populist party participated and 69 out of 200 parliamentarians voted "no".

However, the commitment of the Finnish government to raise Finland's ODA to 0.7% of GNI by 2010, as pledged in the government program in 2003, has been wavering. The aid administration has also sent several alarming signals about its lack of capacity to further improve the quality of Finnish development cooperation.

## **Policy coherence**

The current Development Policy, launched in February 2004, was a significant step forward which many Finnish NGOs commended. Policy coherence for development has gained increasing attention, but its integration within institutional practices by the government and administration is yet to be implemented.

The Development Minister's and Foreign Trade Minister's portfolios were merged into one in 2003. To some extent, this merger has improved the coordination between the respective policy departments. Nevertheless, the government still pays little attention to development issues. This is evident, for example, in the fact that there will be no European Union development ministers' meeting during Finland's EU-presidency in late 2006.

## **ODA quantity**

Budget plans do not correspond with commitments. In its program of 2003, the current government committed itself to raising Finnish ODA to 0.7 of GNI by 2010, although adding "taking into account the overall economic situation". However, the current budget plans include only an estimated 0.48% of GNI for ODA in 2009.

The 2005 Group of 8 (G8) debt cancellation initiative will probably not alter the ODA growth timetable. As such, debt cancellation will be funded from the ODA budget and not be additional to ODA.

Government has opposed recent initiatives for innovative sources of development financing, and does not plan to implement the

# Finland

voluntary tax on plane tickets, due to “Finland’s outlying location, long domestic distances and competitiveness of Finnish travel-related and other businesses”.

## General notes on ODA quality

Poverty reduction is the main aim of development policy, and when necessary, Finland’s assistance is presented in a format compatible with MDGs and PRSPs. However, development policy, and sectoral targeting of aid in particular, is also heavily influenced by Finland’s expertise and commercial interests, or “added value stemming from Finnish experiences and know-how”.

Finland generally supports the process for improving aid effectiveness, but the aid administration is yet to develop a clear plan for implementing the Paris Declaration on Aid Effectiveness, or reporting on related progress

Government’s approach to conditionalities is relatively progressive, though Finland has not supported the ending of all economic policy conditions. The Budget Support guidelines published in August 2004 state that poverty reduction efforts and IMF measures may be inconsistent “at least in the short term,” and that bilateral donors should not automatically suspend aid when a country’s IMF programme goes off-track. However, for example in Nicaragua, Finland is part of a Budget Support Group, which makes support conditional to an ongoing IMF program, and as a result withheld support from Nicaragua in the year 2005.

## Sectoral allocation of aid

In Finland’s partner countries, development cooperation focuses on three sectors. The most common sectors are education, good governance, forestry, rural development and water. 46 percent of bilateral aid goes to social sectors. Only four percent of aid goes to productive sectors and the evaluation of Finland’s assistance to eight main partner

countries (2002) recommended that this share should be raised.

Government has launched a new private sector development program based on advice and financial support for match-making between companies in Finland and companies in developing countries. There are risks that support will focus on large companies including multinationals and that it will drain resources from ‘local cooperation funds’ currently used to support local NGOs in poor countries.

Government has shown a lot of interest in Aid for trade discussion, and will launch an Aid for trade pilot program in Zambia in 2006.

## Bilateral ODA

In order to focus its expertise and improve the effectiveness of its development cooperation, Finland is trying to raise its share of ODA to eight main partner countries (Ethiopia, Kenya, Mozambique, Tanzania, Nepal, Nicaragua, Vietnam, Zambia). Implementation has, however, failed. The total number of aid recipients has risen and the share to main partner countries fallen since the year 2000.

But there are continuing efforts to improve the annual bilateral negotiations, where Finland and the main partner countries discuss their economic, commercial, political and cultural relations and agree on development cooperation programs.

The past year has seen vibrant discussion on the benefits and risks of budget support. Finland is committed to building stronger partnerships with its main partner countries, but transition to program support has been gradual. Currently, approximately 3% of Finnish bilateral ODA is channeled as budget support and less than 8% as SWAPs (sector investments).

## NGOs

Finland aims to increase the share of operational development cooperation

channeled to NGOs to 14% by 2007. Funding for Finnish NGOs, however, did not rise in 2002-2004 and remains below 8%.

The trend has been towards increasing the concentration of funds to a small number of large, professional development NGOs. Smaller NGOs are concerned about their prospects of getting funding for their projects. In 2004, 48 % of NGO funds went to nine big organizations, while the total number of NGOs applying for funding was 129.

### Administration

The Development Policy Committee, an advisory body to the government with members from political parties, corporate bodies, research bodies and NGOs, delivered its first annual statement, "State of Finland's Development Policy", to the Government in February 2005. The committee is an increasingly important body for dialogue among its members and is actively consulted by parliament and the different ministries.

Shortcomings in the Ministry of Foreign Affairs staffing and expertise were highlighted by an OECD peer review in 2003 and several other evaluations since. The MFA is taking gradual, modest steps to improve the situation. Approximately 5% of the increase in the ODA budget is spent on staffing.

### Finland's policy and practice on conflict, security and development

Policy coherence and a broad notion of human security are the main policy principles in government's approach to issues related to conflict, security and development. Finland's general position is that all well-implemented development cooperation increases stability and diminishes injustice. The need to improve coordination between crisis management and long-term poverty reduction activities is recognized. However, how to take conflict prevention systematically into consideration in

development cooperation has not been clearly defined.

### General approach

The Government's resolution on development policy (February 2004) commits Finland to increasing the coherence of its security and development policy instruments. Its analysis of the interlinkages between security and development is based on the following principles:

- Eliminating injustice and reducing poverty prevents conflicts, violence and crime.
- Development policy plays a role in solving and recovering from existing conflicts.
- Promoting security and stability is a key factor in the pursuit of the goals of development policy.

The principle of coherence is echoed in the government's most recent definition of security policy, *A Report on Finnish Security and Defence Policy* of September 2004. To a greater extent than before, government emphasizes the interlinkage between national and international security. Exclusion from the benefits of globalization is also recognized as a root cause of security threats. The response is strengthening multilateral cooperation and international law and an endeavor to govern globalization. In this way a wider notion of human security, instead of a narrow focus on the security of a state, is reflected in the government's approach, although it is not systematically based on that.

### Use of ODA in support of security aims

Finland's general stand is that all well-implemented development cooperation increases stability and diminishes injustice. Finland also carries out specific projects that promote security, tolerance and regional stability. Funding for the Nile Basin Initiative in the Horn of Africa region, the Mekong River

# Finland

Commission in Southeast Asia and the African Union Peace Fund are a few examples.

The current government aims at including these activities more systematically than previously in development cooperation. Prevention, management and resolution of conflicts and post-conflict recovery work are increasingly emphasized.

Finland has the expertise and a relatively high profile internationally in conflict resolution, peacekeeping and civilian crisis management. As stipulated by the DAC criteria, funds for these activities come mainly from outside the ODA budget, but an effort is made to make peacekeeping activities consistent with development activities in the same areas. Around 50 million Euros is annually channeled to crisis management related activities from the ODA budget (8 %).

As a consequence of the so-called “War on Terror”, Finnish ODA to Afghanistan rose from an average of two million Euros yearly in the 1990s to 16 million in 2002. Support has been given to the reconstruction trust fund and election process, among others. ODA to Afghanistan will remain on a relatively high level in the future as well, as Finland has committed itself to supporting Afghanistan by 50 million Euros during 2006-2010 in the donor conference of January 2006. The yearly sum (10 million Euros) is equivalent to the target level to Finland’s main partner countries. Finland also contributed to Iraq’s reconstruction trust fund by five million Euros in 2004, which is more than its average annual payments since 1991.

## Conflict prevention in bilateral cooperation

One of Finland’s main partner countries, Nepal, is in an acute political conflict. Like many other donors, Finland has continued to give aid to Nepal, but has frozen plans for new projects. Finland’s aid is directed to the

primary education and water and sanitation sectors – basic services essential for people living in the conflict areas and a precondition for post-conflict recovery work. Together with other bilateral donors, Finland is also involved in a policy dialogue with the Nepalese government in order to promote the peaceful settlement of the conflict.

In other long-term partner countries, there are no actual conflict situations, and the aspect of conflict prevention in cooperation is very vague.

In order to ensure that development cooperation can have a conflict- preventing effect, it is vital to have sufficient capacity to analyze the specific situation in each country and region. Overall, the changing modes of development cooperation (from projects to program support) and the related need for increased country-specific expertise and policy analysis are putting great strain on the Finnish aid administration. The recent recruitments of special conflict advisors to the staff of four Finnish embassies (in the Palestinian territories, Nepal, Ethiopia, and Nigeria) has been a positive step in this regard.

## Role of civil society in conflict prevention and resolution

Finland emphasizes democratization and the strengthening of civil society in conflict prevention and resolution. Government is funding a number of local civil society organizations in partner countries through “local cooperation funds” administered by its embassies. Many of these organizations are working on human rights, democracy and media, which are seen as essential elements for conflict prevention. Government is also channeling funds for Southern human rights movements through KIOS, an NGO foundation in Finland, and it supports a new initiative of the Finnish political parties to support democratization by engaging in dialogue with

political parties in the developing world.

#### **The War on Terror and the roles of multilateral institutions**

Finland's position is that the struggle against terrorism largely depends on how the world community can influence factors (economic, social political and ideological) contributing to the growth of extremist movements. Finland wants to ensure that counter-terrorist action will not take forms that lead to discrimination and jeopardize human rights. However, in civil society there are concerns that increased international cooperation between security agencies might violate the basic rights of activists in Finland and elsewhere.

Overall, Finland supports the

strengthening and reform of the UN system to make it more responsive to current global challenges. The new Peace-Building Commission established at the World Summit 2005 has been welcomed as an important step towards more coordinated approach to conflict resolution and reconstruction. The UN is seen first and foremost as an important facilitator in conflict resolution, giving legitimacy to the political processes, whereas international funding institutions are given a role in the coordination of aid in reconstruction programs.

Finland is in favor of strengthening the European Union's role in conflict resolution and crisis management. Developing the EU's capacity for civilian crisis management will be one of Finland's priorities during its EU presidency in late 2006.

# France

## *Box 12. FRANCE at a glance*

### How much ODA does FRANCE give?

In 2004, FRANCE gave US\$8.5 billion or 6.8 billion euros

This means that in 2004, each person in FRANCE gave US\$136.6 or 109.9 euros

In 2004, ODA from FRANCE rose by US\$ 1.2 billion in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 4% in real terms.

### How generous is FRANCE?

FRANCE gave 0.41% of its national wealth in 2004. This compares with the average country effort of 0.42% and FRANCE's previous own high point of 1.36% in 1961.

FRANCE was less generous than six other donors, but more generous than 2003 when ODA was 0.40% of GNI.

### How much of FRANCE's ODA goes to the poorest countries and people?

67% of bilateral ODA (US\$5.2 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of FRANCE's ODA was spent on basic health, basic education, and water supply and sanitation?

#### FRANCE spent

0.5% of its bilateral ODA (US\$27.8 million) on basic health  
 4% of its bilateral ODA (US\$211.5 million) on basic education  
 2% of its bilateral ODA (US\$139.2 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# French Development Cooperation: Assistance Increase and Reform

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## **Misleading increase in ODA**

France was the first G7 country to adopt a timetable for its development assistance to reach 0.7%. In March 2002, the French president announced the adoption of an official timetable for French ODA to reach 0.7% of GNI by 2012. French ODA has in fact been increasing since 2002 and should have reached 0.47% in 2005. France ranks first among the G7 countries in share of national wealth devoted to ODA. However, this growth does not necessarily correspond to a proportional rise in funding for the MDGs.

This increase is above all the consequence of the implementation of the Highly Indebted Poor Countries (HIPC) Initiative. For example, in 2003, debt relief accounted for 40% of French ODA. Debt relief for Iraq and Nigeria, which was decided by the Paris Club, will also have a very big impact on French ODA in 2005 and 2006<sup>1</sup>.

The cancellation of HIPC debts is largely a matter of writing off unpayable debts. The extra resources freed in the beneficiary countries are therefore very limited. Furthermore, a significant share of the now cancelled debts was generated by the French export credit agency, as part of export support for French companies.

If one discounts debt cancellation from French ODA, France's aid is characterized by allocations that often do not correspond to new expenditures for development. Examples are aid to refugees in France or the costs imputed to foreign students in France<sup>2</sup>. In its report on French ODA, Coordination SUD therefore estimates that France's "real ODA" came to only 60% of its official ODA in 2004<sup>3</sup>.

The challenge of a huge rise in ODA will start in 2007-2008, when debt cancellations will begin declining and France will have to continue to increase its ODA in order to fulfil its aid commitments. However, it should be noted that some "real" ODA expenditures have seen significant increases— e.g., contributions to the European Development Fund, to the Global Fund to Fight AIDS, to the UN and to multilateral development banks.

France's is not a unique case. Most of the members of the DAC exaggerate their ODA amount through various means. Above and beyond an analysis of the "real" ODA of each of these countries, reflection by NGOs on reforming DAC directives on ODA criteria is turning out to be necessary. Such a reform would aim to make DAC directives more consistent with ODA's poverty focus, and would exclude some expenditures which can



# France

currently be reported as ODA, (such as aid to refugees in the donor country), and prevent DAC members from extending ODA criteria to include new expenditures for security or defense purposes.

## A pioneering role in international taxation

France is playing a pioneering role in promoting international taxes to fund development, alongside Brazil and the other partners of the 'Group of Six' on innovative sources for development funding<sup>4</sup>. In 2006, France will launch a solidarity tax on airline tickets. Those countries implementing this initiative are due to discuss how the funds levied will be used. France has proposed that these be allocated to the fight against HIV/AIDS<sup>5</sup>.

French NGOs support this initiative, believing that such a tax not only makes it possible to raise new resources for development but also, in contrast to traditional ODA, to improve the quality of the aid by generating stable resources. The income from the airline ticket tax could provide stable funding over several years for the purchase of anti-retroviral medicines against HIV/AIDS. It could also produce positive effects on the very production model of these medicines by increasing quantity and lowering prices.

## A system now under reform

In 2004, France launched a reform of its development cooperation, with the objectives of rationalizing a system divided among various actors, and strengthening its strategic management<sup>6</sup>.

The reform arranged for the transfer of all sectoral activities and projects related to the MDGs from the French Ministry for Foreign Affairs to the French Development Agency (AFD), so as to reinforce its role as a key implementing agency. However, as the AFD

operates as a development bank, it is subject to profitability requirements that are often incompatible with the implementation of local projects to fight poverty and inequality.

This reform falls within the framework of efforts to harmonize and coordinate assistance<sup>7</sup>. Partnership framework documents have been set up for each recipient country, in relation to the Poverty Reduction Strategy Papers (PRSP) of the partner countries. NGOs nevertheless fear that French bilateral aid will be aligned with the frameworks controlled *de facto* by the international financial institutions. This would be to the detriment of an approach that respects partnership, that addresses the structural and underlying causes of inequality and that supports sustainable development<sup>8</sup>.

Regarding economic policy conditionality, unlike countries like the UK and Norway, France has not developed alternative analyses to those of the IFIs. Overall, French aid allocation is characterized by confusion in its distribution, with no clear policy for the selectivity criteria. Rather, aid allocation is based on multiple standards— from performance and needs criteria, to political, economic and cultural influence considerations.

## Security and development: strengthening French presence in international debates

The security and development issue was pushed to the foreground after 11 September 2001. It nevertheless remains much less prominent in France than in the US or the UK. We are therefore not seeing a swing to all-out security in France's foreign policy, nor particular pressures to link development policy with the fight against terrorism. However, the link between security and development will probably become increasingly important in French debates.

There is no structured vision of security and development issues in France, and, consequently, no continuity between the various levels of French intervention (military, humanitarian, development). This can be explained by, among other reasons, turf and power issues between the ministries of Foreign Affairs and Defence, the latter being very reluctant to share its prerogatives in military matters.

The Ministry of Foreign Affairs, which is in charge of the overall steering of development cooperation policy, has authority for implementing projects related to crisis prevention and to reconstruction<sup>9</sup>. AFD, on the other hand, assists in analyzing and producing reports on this topic and can finance some interventions. Peacekeeping operations are a matter for the armed forces general staff, with the Ministry of Foreign Affairs providing follow-up.

A priority in 2006 is to conduct further analysis of the links between conflict, security and development so as to increase the French contribution to international debates. Better coordination will also be sought with the services in charge of humanitarian aid and sectoral policies related to achieving the MDGs, as well as with the Ministry of Foreign Affairs' department for military cooperation.

One of the main issues for debate is the concept of "fragile state", which has been called into question and replaced by the notion of "*fragile actors and society*". Some studies on risk prevention are also underway. French interventions will focus on the approach to conflict and post-conflict situations. The Ministry of Foreign Affairs will intervene within the framework of DDR (Disarmament, Demobilization and Reintegration)<sup>10</sup>, essentially through multilateral channels (mainly the World Bank, the Licus initiative, and UNDP); the AFD will intervene at the reconstruction level<sup>11</sup>.

France is not among those DAC countries urging that new funds tied to security be included within ODA. Moreover, its security-related interventions remain modest in budgetary terms: assistance for 'crisis resolution' for 2006 is estimated to amount to €20.6 million disbursed during the year<sup>12</sup>. The impact of security-related actions on French ODA remains small. However, it might grow along with the need to compensate for the decrease in debt relief and the need for France to reach the 0.7% GNI target by 2012. The link between security and development will be increasingly prominent in French discourse, along with the will to take part in international debates.

### The weight of the past

While security objectives have not yet led to in-depth redefinition of French development cooperation, the latter nevertheless remains subject to France's diplomatic and military relationships. In particular, the weight of history remains decisive in its relations with African countries, which remain dependent on the relationships that France has built with its former colonies since the 1960s, based on economic, political and military agreements.

For example, France has military bases in Africa and (secret) bilateral defense agreements with regimes that are not always democratic. France has recently reconfigured its military bases organization, having set up three regional decision-making centers. It has done so in order to improve links with the African Union, which wishes to regionalize its peacekeeping forces. This regionalization could have been a way to question bilateral agreements inherited from the past. However, these agreements are maintained in parallel with regional agreements.

The French position is nevertheless gradually evolving. The end of the Cold War,

# France

the Rwanda genocide and the emergence of new actors (the US, China, etc.) in its African “private preserve” have led France to rethink its forms of intervention in Africa. It now favors interventions that fall within a multilateral framework, especially the UN, and in cooperation with regional and sub-regional organizations. For example, the French army initially intervened alone in the Ivory Coast,

and then sought the help of the UN and the African Union.

Although it is partly subject to the diplomatic and economic objectives of French foreign policy, French overseas development assistance has so far not been affected by security objectives. Rather, we can see a tendency to situate French interventions within a multilateral or regional framework.

## Notes

- <sup>1</sup> According to French estimates, debt relief for Nigeria will represent €1.1 billion of French ODA in 2005 and €1.3 billion in 2006. Cancellation of Iraqi debt is expected to reach up to €510 million in 2005 and €200 million in 2006.
- <sup>2</sup> Together, these expenditures represented 15% of French ODA in 2004.
- <sup>3</sup> Coordination SUD, *French ODA and Development Cooperation Policy: Current situation, analyses and proposals*, France, January 2006; available in French and in English on the Coordination SUD website: [http://www.coordinationsud.org/article.php3?id\\_article=2380](http://www.coordinationsud.org/article.php3?id_article=2380).
- <sup>4</sup> See the Berlin Declaration by Algeria, Brazil, Chile, France, Germany and Spain: [http://www.diplomatie.gouv.fr/en/france-priorities\\_1/development\\_2108/innovative-ways-to-fund-development\\_2109/colonne-droite\\_2110/key-documents\\_3016/berlin-declaration-by-algeria-brazil-chile-france-germany-and-spain-pdf-141-ko\\_3589.html](http://www.diplomatie.gouv.fr/en/france-priorities_1/development_2108/innovative-ways-to-fund-development_2109/colonne-droite_2110/key-documents_3016/berlin-declaration-by-algeria-brazil-chile-france-germany-and-spain-pdf-141-ko_3589.html)
- <sup>5</sup> The International Drug Purchase Facility will be discussed during High-level Meeting on innovative ways for financing development, which will be held in Paris from Feb. 28 to March 1 2006. The French proposal is available at: [http://www.diplomatie.gouv.fr/en/IMG/pdf/International\\_Drug\\_Purchase\\_Facility\\_IDPF\\_.pdf](http://www.diplomatie.gouv.fr/en/IMG/pdf/International_Drug_Purchase_Facility_IDPF_.pdf). See more information on the French Ministry for Foreign Affairs website: [http://www.diplomatie.gouv.fr/en/france-priorities\\_1/development\\_2108/innovative-ways-to-fund-development\\_2109/overview\\_1716.html](http://www.diplomatie.gouv.fr/en/france-priorities_1/development_2108/innovative-ways-to-fund-development_2109/overview_1716.html)
- <sup>6</sup> These reforms has been launched by the Inter-ministerial committee for international co-operation and development (CICID): [http://www.diplomatie.gouv.fr/en/france-priorities\\_1/development\\_2108/franch-policy\\_2589/institutional-mechanism\\_2682/index.html](http://www.diplomatie.gouv.fr/en/france-priorities_1/development_2108/franch-policy_2589/institutional-mechanism_2682/index.html)
- <sup>7</sup> France plays an active role in the process of harmonization and, among other activities, hosted the Second High-Level Forum on Joint Progress toward Enhanced Aid Effectiveness, in February 2005.
- <sup>8</sup> On this topic, see Coordination SUD, *Reforming Aid to Enhance its Effectiveness*, February 2005; available in French and in English on the Coordination SUD website: [http://www.coordinationsud.org/article.php3?id\\_article=1931&var\\_recherche=r%C3%A9former+l%27aide](http://www.coordinationsud.org/article.php3?id_article=1931&var_recherche=r%C3%A9former+l%27aide).
- <sup>9</sup> Furthermore, following the reform of the cooperation system, an office for conflict prevention and reconstruction has just been created in the Governance Department of the Ministry of Foreign Affairs.
- <sup>10</sup> Three sectors of intervention have been prioritised for 2006: small arms and light weapons control, child soldiers, and the reintegration of ex-combatants. The given objective is to help rebuild social fabric and to strengthen institutional capacity.
- <sup>11</sup> AFD: infrastructure, economic development and social sectors.
- <sup>12</sup> Or 0.25% of ODA estimates for 2006.

**Box 13. GERMANY at a glance****How much ODA does GERMANY give?**

In 2004, GERMANY gave US\$7.5 billion or 6.1 billion euros

This means that in 2004, each person  
in GERMANY gave US\$91.3 or 73.5 euros

In 2004, ODA from GERMANY increased by US\$750 million in cash terms. Because of inflation and exchange rates changes, the value of ODA increased by 0.1% in real terms.

**How generous is GERMANY?**

GERMANY gave 0.28% of its national wealth in 2004. This compares with the average country effort of 0.42% and GERMANY's previous own high point of 0.48% in 1983.

GERMANY was less generous than 12 other donors, as it maintained its 2003 level of ODA at 0.28% of GNI.

**How much of GERMANY's ODA goes to the poorest countries and people?**

66% of bilateral ODA (US\$4.7 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of GERMANY's ODA was spent on basic health, basic education, and water supply and sanitation?****GERMANY spent**

1% of its bilateral ODA (US\$53.5 million) on basic health  
2% of its bilateral ODA (US\$64.9 million) on basic education  
7% of its bilateral ODA (US\$271.4 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Trends and Priorities in German ODA

*Peter Mucke  
Terre des hommes Germany<sup>1</sup>*

## Planned ODA increase

German development policies in 2004 and 2005 were significantly influenced by the preparations for the UN Millennium+5 summit of September 2005. In May 2005, in the run-up

to the summit, the EU<sup>2</sup> committed to a new plan to increase ODA (see Table 23). This plan is built on the European Council decisions made in Barcelona in 2002, when EU heads of state committed to raise EU

*Table 23. 2015-multi-stage scenario for Germany and the EU to raise ODA (in million €)*

	2003		2006		2010		2015	
	ODA	%	ODA	%	ODA	%	ODA	%
<b>German ODA multi-stage plan</b> (Estimated values)	6,005	0.28	7,565	0.33	12,656	0.51	17,661	0.7
<b>“Old” Member-States (EU 15)</b> Individual target: 0.51% by 2010	32,871	0.35	45,788	0.43	65,998	0.58	90,052	0.7
<b>“New” Member-States (EU 10)</b> Individual target: 0.17% by 2010	0,165	0.04	0,474	0.09	0,993	0.17	2,121	0.33
<b>EU 25</b> Collective target: 0.56% by 2010	<b>33,036</b>	<b>0.34</b>	<b>46,262</b>	<b>0.42</b>	<b>66,980</b>	<b>0.56</b>	<b>92,162</b>	<b>0.7</b>

*(Source: European Commission, 2005)*

development assistance to an average of 0.39% of GNI by 2006. The German ODA interim objective for 2006 had then been fixed at 0.33%.

- The May 2005 European Council commitment to increase ODA was a key factor for German development policy. For years, the federal government had refused to adopt a binding timetable for reaching the 0.7% target. Since the decision of the Council was taken on the basis of a European consensus, the commitment and its timetable also apply to Germany. It states that Germany's ODA should increase to 0.51% of GNI by 2010 and to 0.7% by 2015. According to estimates of the European Commission, this would mean doubling Germany's ODA from €6,005m in 2003 to €12,656m in 2010, and nearly tripling the figure to €17,661m by 2015.

However, the federal government repeatedly stated afterwards that the planned ODA increases were also to be achieved through further debt relief and innovative financing instruments<sup>3</sup>. There is

strong criticism from German NGOs that this contradicts the announcements made in Monterrey in 2002 when such innovative financing measures were discussed as additional to ODA. The Monterrey outcome had also encouraged donors to ensure that resources for debt relief did not detract from ODA resources available for developing countries.

- The coalition of the new federal government (elected in September 2005) endorsed the EU's commitment<sup>4</sup>. The 2006 federal budget offers a first opportunity to ascertain whether this commitment is being fulfilled as the promised ODA increase should appear in the 2006 budget of the Federal Ministry for Economic Cooperation and Development (BMZ), which is in charge of German ODA.

#### Objectives and reality: the figures

- Figures provided by the OECD show that German ODA increased in 2004, and amounted to US\$7.5bn, compared to

*Table 24. Financing German ODA (in million € and in percentages)*

	1990	1999	2000	2001	2002	2003	2004 Target	2005 Target	2006 Budget
BMZ budget	4.067	3.997	3.675	3.790	3.759	3.756	3.744	3.859	4.160
% of Federal Budget	1.8	1.62	1.50	1.56	1.57	1.46	1.47	1.52	1.59
German ODA (BMZ budget and other sources, see below)	5.222	5.177	5.458	5.571	5.650	6.005	6.034		
ODA share of GNI	0.41	0.26	0.27	0.27	0.27	0.28	0.28		

# Germany

US\$6.8bn in 2003. This rise is in line with the international trend, but the main reason for the nominal increase of ODA is the rise of the Euro in relation to the Dollar. Adjusted for inflation and exchange rates, Germany's ODA in reality decreased in 2004 by 0.4% to US\$6.7bn.

- Germany's ODA quota in 2004 remained at 0.28%, just as in 2003. Taking its economic potential into account, this places Germany among those donor countries that are bringing up the rear. These figures do not reflect the upward trend agreed upon by the EU.
- In the draft budget for 2006 the federal government confirms a gradual increase of funds earmarked for the BMZ. Its budget for 2006 is to increase by €300m to €4,160m, as compared to 2005. However, if one excludes the special-purpose funds earmarked for the Tsunami-affected countries, which amount to €150m, the increase is much more modest.
- The federal government has repeatedly pointed out that the funds earmarked for the BMZ are not the only source of finance for Germany's official development cooperation. (See **Table 24**). In the 2005 federal budget, the Government lists other sources of finance for development cooperation<sup>5</sup>: Other ministries (Ministry of Foreign Affairs and others) contribute a share of 14.5%; ERP-special (export) funds of the federal Government account for 2.2%; development cooperation through the federal states (Länder) and municipalities (including expenditure for political refugees) amounts to 6.7%; and Germany's contribution channelled through the EU's development cooperation programme amounts to 20.1%. German development assistance in 2005 amounted to €6,834m. However, not all expenses can be classified as ODA as defined by the OECD, e.g. this includes

German support to central and eastern European countries as well as Israel and some newly industrialized nations such as Cyprus, the Republic of Korea and Libya.

- Debt cancellation is also partly classified as ODA. In 2002 this amounted to 11.92% and in 2003 to 18.26%. This means that in 2002 the ODA quota without debt relief would have been 0.24% (compared to 0.27%), and in 2003 it would have been 0.23% (compared to 0.28%). Further debt cancellation, especially for Iraq, can be expected to substantially inflate Germany's ODA over the next four years. This is expected to increase by €1.14bn in 2005 thanks to debt relief for Iraq – without allocating a single additional Euro to development assistance. Due to this increase, in 2005 German ODA will rise by 0.05% to 0.33%.

## Objectives and reality: the facts – combating poverty and hunger

- In 2005, the overall trend of Germany's bilateral aid contribution to the achievement of the MDGs was predominantly negative. Commitment to education stagnated in 2005 at €82.5mn and remained below the sum allocated in 2003 (97m). However, it is pleasing to see that support for basic education has considerably improved, with a total of €79.2m allocated for this purpose in 2005, compared to €25m in 2004.
  - ODA allocations to health care confirmed the downward trend of 2004, with an estimated allocation of €82.5m for 2005, compared to €85.1m in 2004 and €153.80m in 2003. The lion's share of these funds is earmarked for combating HIV/AIDS (€69.2m). According to figures published by BMZ, Germany contributes a total of €300m to development cooperation for

combating AIDS. This sum includes Germany's bilateral contribution to the Global Fund for combating AIDS, Tuberculosis and Malaria (2005: €82m) and its contributions to the European Commission's and the World Bank's HIV/AIDS programs.

- The financial support available for water supply, sewage and waste disposal is also steadily decreasing. It amounted to €196.9m in 2005 compared to €345.05m in 2003.
- The overall percentage of financial support in the areas of education, health care and water supply, all crucial for the implementation of the millennium goals, amounted to 21.5% in 2005 and has reached its lowest point since 1999. In 2005, 'Economic reform and promotion of the market economy' was the largest financial allocation, amounting to €284.7m, or 16.9% of overall financial assistance. This shows that the implementation of the millennium goals is not considered a top priority in German development cooperation.
- The regional allocation of development cooperation funds remained relatively stable in 2005. The highest percentage (30%) continues to be allocated to Sub-Saharan Africa. There have been no significant changes to this figure since 2000.
- The encouraging upward trend that we saw in recent years of BMZ support to development work by civil society organizations (NGOs, churches and foundations), came to a halt in 2005, amounting to €425m, the same sum as the previous year. €29m are allocated to private German promoters, €161m to churches, €181m to political foundations, €14.5m to the civil peace service and €10m to development education.

### Conflict, security and development

Since 11 September 2001 the world has been involved in the "war against terror". German politicians agree that poverty and injustice -- including unsolved political and social conflicts -- constitute a breeding ground for violence, and risk fuelling the ideology of terror and stimulating its acceptance<sup>6</sup>.

The federal government has opted for "soft defense" in its security policy. Its position is that military intervention should be a last resort in combating terrorism and solving armed conflicts and humanitarian crises, with prevention and diplomatic and economic measures and development assistance always having priority.

In May 2004 the federal government adopted an action plan on civil crisis prevention which had been initiated and promoted by the Ministry of Foreign Affairs<sup>7</sup>. It includes the following strategic measures as crucial starting points: establishing reliable governmental structures, supporting the potential for peace among civil society, securing economic stability and ecological sustainability and strengthening the UN and regional organisations such as the EU and the African Union. However, the government's action plan is not matched by sufficient resources in the federal budget.

About 35 of the 70 countries cooperating with the BMZ agreed to rank 'democracy and good governance' or 'promotion of peace and crisis prevention' as priorities for development cooperation. Some countries, such as Colombia, Sri Lanka, Guatemala, Senegal and Burundi started a cooperation program focusing especially on crisis prevention and conflict transformation.

There is no signal in the federal budget that crisis prevention is to be considered a top priority. The ratio of defense spending compared to development spending remains about 6.5 to 1 (in 2005: €23.9bn / €3.8bn). From 2003 to 2006 the Federal Ministry of Finance placed €1.2bn at the disposal of the Federal Armed Forces for anti-terror



# Germany

## AFTER THE TSUNAMI

Unlike many other humanitarian emergencies, the Asian tsunami disaster in December 2004 attracted much attention among politicians and the public. In Germany, donations amounted to more than €600m and the federal government promised another €500m for the period 2005-2009 to support the regions affected.

On 5 January 2005, the federal cabinet resolved to provide this additional financing for emergency and reconstruction assistance. These funds contributed to the UN appeal, to emergency assistance and to the mission of the federal armed forces in Indonesia. According to the BMZ, these funds were integrated into the budget as 'additional titles', i.e. additional to the budget previously allocated. This sum seems rather large at first sight but the corresponding timeframe puts it into perspective: The funds are to be spread over a period of five years.

In the course of intergovernmental negotiations, the German government committed itself in May 2005 to support reconstruction projects for a period of several years, in Indonesia with €59m and in Sri Lanka with €85m. BMZ emphasized that ongoing development cooperation with Indonesia and Sri Lanka will be continued alongside the special programmes for reconstruction.

The fact that such a large sum was allocated to assist the countries in South-East Asia raised the question of whether this would be to the detriment of other emergency measures and long-term development cooperation. Besides the regions in South-East Asia that were affected by the tsunami, in 2005 the UN listed another 20 areas of conflict, especially in Africa, that urgently need assistance. The emergency relief in Sudan, for instance, requires \$1.9bn. The funds allocated by governments so far cover only one third of this sum. Altogether the UN asked for a total of \$3.8bn in 2005 for emergency assistance in other areas of conflict. However, the commitments of governments, amounting to \$1.4bn, covered only 37% of the necessary finance. The spirit of solidarity and cooperation which governments displayed directly after the tsunami disaster is lacking in many other areas of conflict, and international commitments fall short of long-term development needs. The BMZ budget for development cooperation and for humanitarian aid does not adequately reflect international need either.

operations and other interventions abroad. This sum may even be increased if required.

There are strong differences of opinion between NGOs and some government officials about whether services provided by the military in a context of measures that directly relate to crisis prevention could be regarded as development assistance. In some cases, such as Kosovo, soldiers of the Federal

Armed Forces were involved in reconstruction work in the context of CIMIC projects -- sponsored by funds from the development budget.

The frequency of interventions by the military, which ought to be supported with civil measures in the context of development policies, has greatly increased over the last few years. At the beginning of 2004 German soldiers

were not only deployed in Afghanistan and in the Balkans (Kosovo, Bosnia-Herzegovina, Macedonia) but also in Georgia and -- in the context of Operation Enduring Freedom -- at the Mediterranean and the Horn of Africa.

In Africa, Germany is finally striving for a policy of prevention rather than "post crisis" intervention, as was the case in Kosovo and Afghanistan, by promoting work that combats poverty and resolves conflict. However, there is still the risk of development assistance being used as an instrument for the prevention of terrorism, and depriving itself of finance for its main objective of combating poverty. For example, development assistance to Kenya

doubled after a visit there by the German Chancellor, not because of the urgent need for combating poverty but due to the support of Kenya's government in fighting terrorism.

The action plan of the federal government calls for "crisis prevention that is expressed primarily by civil measures and starts at the earliest possible date before the escalation of violence". It will be even more successful if it "focuses on the root causes that led to the war and deals with the processes and actors responsible for the escalation of violence"<sup>8</sup>. NGOs have supported this statement, claiming that without a substantial increase of German ODA, this vision cannot be fulfilled.

#### Conflicts and emergency assistance after the tsunami

In view of the conflicts that had weighed on Sri Lanka and Indonesia for many years, governments and international organizations were confronted with the question of the repercussions their emergency and reconstruction assistance might have on the political and social situation in these countries. During the first few months after the flooding there were concerns that the conflicts in Indonesia and Sri Lanka would even intensify. In both countries victims of the tsunami and foreign relief agencies reported numerous instances of corruption and of supplies of aid being held back by the military or public agencies.

International pressure forced the warring factions to sit down together. As early as January 2005 peace talks started in Helsinki involving the Indonesian government and the separatist movement GAM. On 19 May 2005 the state of emergency was lifted and foreign NGOs were officially allowed to stay permanently in the province, which were the first positive signals. The German government responded immediately by allocating funds for reconstruction projects in Indonesia.

The peace treaty signed by the Indonesian government and GAM on 15 August 2005 finally achieved a breakthrough after almost 30 years of civil war. The success of the treaty is partly due to the pressure that had been exerted during the negotiations by the EU. Together with five members of the Association of South-East Asian Nations (ASEAN) the EU currently supports the peace process via the Aceh Monitoring Mission, a 250-member observer group. This is the first time the EU has been involved in this kind of conflict resolution in Asia.

In the first half of 2005, the German government (especially the ministry for development cooperation) supported, together with other governments and international agencies, the restart of the peace negotiation process in Sri Lanka. One major demand has been that all affected parties need to be involved as beneficiaries of the international support.

# Germany

## Notes

- <sup>1</sup> Part I of this paper is based on the report 'Die Wirklichkeit der Entwicklungshilfe - Dreizehnter Bericht 2004/2005', Deutsche Welthungerhilfe and Terre des hommes, by Jens Martens. Part II of this paper is based on the report 'Die Wirklichkeit der Entwicklungshilfe - Zwölfter Bericht 2003/2004', Deutsche Welthungerhilfe and Terre des hommes, by Dr. Johannes Schradi.
- <sup>2</sup> Commission of the European Communities (2005): Communication from the Commission to the Council and the European Parliament. Accelerating progress towards attaining the Millennium Development Goals - Financing for Development and Aid Effectiveness. COM(2005) 133 final, Brussels.
- <sup>3</sup> See Annex II of the G8 Gleneagles Communiqué of 10 July 2005.
- <sup>4</sup> Coalition agreement of CDU, CSU and SPD, 11 November 2005.
- <sup>5</sup> BMF (2006): Draft "Bundeshaushaltsplan 2006" (22.02.2006), Berlin, and BMF (2004): Bundeshaushaltsplan 2005, Berlin.
- <sup>6</sup> Social Watch Germany - Report 2004, In Angst und Not. Bedrohungen menschlicher Sicherheit, 2004.
- <sup>7</sup> Aktionsplan 'Zivile Krisenprävention, Konfliktlösung und Friedenskonsolidierung', herg. v. Bundesregierung, Berlin 2004.
- <sup>8</sup> Aktionsplan 'Zivile Krisenprävention, Konfliktlösung und Friedenskonsolidierung', herg. v. Bundesregierung, Berlin 2004.

**Box 14. IRELAND at a glance****How much ODA does IRELAND give?**

In 2004, IRELAND gave US\$607.4 million or 488.9 million euros

This means that in 2004, each person in IRELAND gave US\$151.9 or 122.2 euros

In 2004, ODA from IRELAND rose by US\$103.9 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 6% in real terms.

**How generous is IRELAND?**

IRELAND gave 0.39% of its national wealth in 2004. This compares with the average country effort of 0.42% and IRELAND's previous own high point of 0.40% in 2002.

IRELAND was less generous than nine other donors, as it maintained its 2003 level of ODA at 0.39% of GNI.

**How much of IRELAND's ODA goes to the poorest countries and people?**

80% of bilateral ODA (US\$445.6 million) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of IRELAND's ODA was spent on basic health, basic education, and water supply and sanitation?****IRELAND spent**

12% of its bilateral ODA (US\$49.6 million) on basic health

8% of its bilateral ODA (US\$30.7 million) on basic education

5% of its bilateral ODA (US\$19.2 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Looking Forward: An Exciting Period Ahead

*Howard Dalzell*  
*Concern Worldwide*

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Following a positive DAC Peer Review in 2003 Development Cooperation Ireland (DCI) has made significant progress in implementing stated policy.

Ireland's commitment to responding to humanitarian emergencies has continued as a strong program element. In addressing poverty, the program has been focused on the education, primary health care and HIV/AIDS sectors with the main emphasis on poverty focus and partnership with governments, NGOs and communities. Greater donor harmonization has increased aid effectiveness by minimizing administrative demands on host governments and, where possible, by making assistance available through direct budget support. For reasons such as low Government capacity and deficits in democratic processes, budget support has not always been deemed appropriate. DCI has therefore been pragmatic in using different funding modalities.

A program office has been established in Freetown to service Sierra Leone and Liberia. A country program will be established in Vietnam in early 2006. The program team will also manage assistance to Cambodia and Laos.

A Private Sector Forum has been established. Initiatives in support of the agricultural sector in Uganda will come on stream in 2006, along with the establishment of a brand in Ireland for agricultural products from Africa.

DCI and Irish NGOs have established CONNECT as an independent organization to optimize media opportunities to increase the breadth and depth of support in Ireland for development assistance. DCI has developed a new website and organized public events on World AIDS Day. It has also commissioned several documentaries about its program.

A Gender Policy has been finalized. Policies on Linkages with Civil Society, Health and Humanitarian Assistance are nearing completion. The Advisory Board for Development Cooperation Ireland has commissioned research on policy coherence in Agriculture, on several health policy issues and on links with civil society in program countries and in Ireland.

The Multi Annual Program Scheme with five major NGOs was evaluated in 2005. Outcomes were very positive in relation to developing strategic relationships between DCI and the NGOs, effective support for NGO organizational development and greater

appreciation of each other's policies and programs. The scheme will enter a new five-year phase in 2005 with more emphasis on program impact and greater attention to gender equality and environmental sustainability. More NGOs will be admitted to the scheme which will now cover all funding to these NGOs other than emergency response funding.

Concerns about Ireland meeting its commitment to spend 0.7% of GNP on ODA by 2007 were fuelled by the small increase budgeted for 2004. The concerns became reality in 2004 when government announced a three year programme of budget increases which would increase ODA to some 0.45% of GNP by 2007. However, in September 2005, and following much public pressure, the Taoiseach (Prime Minister) announced to the UN General Assembly in September 2005, that Ireland's ODA will reach 0.7% of GNP by 2012<sup>1</sup>.

Hopefully this commitment, with the following schedule, will signal an end to the controversy about the target and enable Development Cooperation Ireland to concentrate on developing the program to ensure that the resources are spent effectively.

*Table 25. Schedule of ODA commitments*

Year	Million Euro	% of estimated GNP
2004	489 (achieved)	0.40
2005	545	0.41
2006	658	0.45
2007	773	0.5
2010	1,200	0.6
2012	1,500	0.7

In his speech the Taoiseach set out the main foci of the enhanced spending as:

- greater resources for the fight against HIV and AIDS, TB and Malaria.
- famine relief, livelihood support and tackling the underlying causes of hunger
- support to the fund to promote democratic values by improving governance, promoting human rights, increasing transparency and combating corruption
- support to Irish industry and partner companies in Africa to promote trade, investment and technology transfer.

To triple resources and improve effectiveness presents many challenges. Among the policy challenges are those of debt cancellation and of enhanced policy coherence, especially in trade. On the management front, DCI must ensure adequate staffing of the program at both technical and political levels. This will be complicated by Department of Finance restrictions on staffing levels within government services and further compounded by the government decision to relocate DCI to Limerick. This latter factor is likely to have significant short-term negative effects on institutional capacity and especially on organizational memory.

Aware of the need for strengthened public support for a much larger program, DCI embarked in 2005 on a very extensive open process of consultation with the Irish public which will culminate in the approval by Parliament, during 2006, of a White Paper on Development Cooperation. This paper will provide the basis for development policy until 2012.

### **Conflict, security and development**

These topics are subject to much thinking and debate. Overall policies arising from the debate will be set out in the forthcoming White Paper. In the meantime, DCI is guided by the DAC Guidelines on Conflict Resolution and on Engagement in Fragile States.

# Ireland

Interventions follow international guidelines on humanitarian engagement.

Ireland's approach is based on acceptance at an international level of the primacy of the United Nations and the recognition that sustainable development can only be achieved in an environment of peace and stability. These principles are set out in a recent speech by the Minister for Foreign Affairs to the Royal Irish Academy.<sup>2</sup>

The government accepts that in states embroiled in conflict it is not enough to stop the fighting. Preventing a return to conflict requires the strengthening of institutions, the reintegration of fighters into society, and reasonable prospects of social and economic progress. Ireland has therefore made a strong commitment to the establishment of the UN Peace-building Commission and will provide very substantial funding to it.

In addition, Ireland will support conflict resolution in some fragile states. The modalities remain to be worked out, but will include seeking resolution at early stages and trying to prevent harm. Ireland has committed funds to recovery in Sierra Leone and Liberia and is working in close collaboration with the Donor Consultative Group. It is anticipated that increasing funding will be allocated to issues of Conflict, Human Security and Development as ODA increases. DCI has set up a Stability Fund which will provide further funding to support conflict related initiatives not funded under the humanitarian budget line. There will be additional funding for recovery programs and for humanitarian relief in conflict and post-conflict situations. Funding is provided to the Centre for Humanitarian Dialogue, International Alert and the International Crises Group to enable them to engage in capacity capacity should stay in as many of the institutions exist but have limited capacity-building with state and civil society

institutions with responsibility for conflict resolution.

DCI recognizes that conflict resolution must be linked to the PRSPs and be embedded within long-term development programs and transnational programs. The rule of law, good governance and transparency are essential components of the process of PRSP development as well as being important constituents of the resulting poverty reductions strategies. Conflict has a political dimension and DCI's approaches are not therefore based on humanitarian principles alone. Accordingly there is increasing discussion and collaboration with the Political Division within the Department of Foreign Affairs.

The overall DCI approach is that poverty reduction is essential to ensuring security and vice versa. They are inter-related and interdependent, and, accordingly, Irish ODA is focused on development and the realization of the MDGs. The security focus for DCI is based on a human security framework in all its dimensions. DCI has supported the election process in the Democratic Republic of the Congo and support to AMIS in Sudan. DCI is supportive of the process of linking recovery to development including police training, judicial response and civil administration.

Expenditure on peacekeeping is drawn from non-ODA sources. DCI engagement with Irish security forces is increasing with the purpose of learning from each other on how to achieve greater interaction and effectiveness in humanitarian response. This is in relation to the role of the Irish military in containing and reducing conflict and safeguarding humanitarian space.

During the contextual analysis for program development, increasing consideration is being given to the inter-linkages between conflict, security and the root causes of poverty. Responses to the Asian tsunami and the

earthquake in Pakistan have highlighted the need to consider both the impact of conflict on programs and the possible impact of programs on conflict. The emerging policy on Humanitarian Assistance will be consistent with DCI's developing policy on Engagement with Civil Society which considers the establishment of institutions which work for the creation of justice and social rights and the empowerment of civil society.

DCI intends to maintain its use of multiple modalities, including funding administered by the International Financial Institutions, to ensure the delivery of aid in the form that is most effective and appropriate in the particular context.

### Looking forward

The combination of a strong commitment to reaching the UN ODA volume target along a fixed schedule and the impending publication of the White Paper on Development Cooperation signal an exciting, if challenging, period ahead for Ireland's development cooperation program. DCI is fully aware of the need to build on the already strong public support for its program. While public relations and information strategies will be important, the best way to achieve this support will be to build on an already successful program and become even more effective in working with partners to deliver the sustainable elimination of absolute poverty.

### Notes

- <sup>1</sup> Speech by the Taoiseach to the General Assembly of the United Nations. New York, 14<sup>th</sup> September 2005
- <sup>2</sup> Speech by the minister of foreign Affairs to the Royal Irish Academy. Dublin, 18<sup>th</sup> November 2005



**Box 15. ITALY at a glance****How much ODA does ITALY give?**

In 2004, ITALY gave US\$2.5 billion or 1.9 billion euros

This means that in 2004, each person in ITALY gave US\$42.8 or 34.4 euros

In 2004, ODA from ITALY rose by US\$28.7 million in cash terms. Because of inflation and exchange rates changes, the value of ODA fell by 10% in real terms.

**How generous is ITALY?**

ITALY gave 0.15% of its national wealth in 2004. This compares with the average country effort of 0.42% and ITALY's previous own high point of 0.42% in 1989.

ITALY was the least generous donor as it became less generous than in 2003 when ODA was 0.17% of GNI.

**How much of ITALY's ODA goes to the poorest countries and people?**

62% of bilateral ODA (US\$1.5 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of ITALY's ODA was spent on basic health, basic education, and water supply and sanitation?****ITALY spent**

3% of its bilateral ODA (US\$19.7 million) on basic health

2% of its bilateral ODA (US\$14.1 million) on basic education

1% of its bilateral ODA (US\$4.2 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Trends in Italian Development Cooperation

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- Italian ODA in recent years has been in stagnation. Since the new millennium, development cooperation has failed to recover from the severe legitimacy and financial crisis Italy faced during the 1990s. The crisis was a consequence of a political upheaval in Italy due to the discovery of a system of corruption involving political leaders and industrial groups, and the government policy of fiscal austerity and war on inflation imposed by the 1992 Maastricht treaty that laid the ground rules for the adoption of the Euro as the common currency. In spite of the official commitment to increase ODA resources (in 2002 the government pledged a 0.33% target for 2006; in 2005, within the EU Council held in June, the Italian government committed to reach the 0.7% target in 2015, with an intermediate target of 0.51 in 2010), Italian ODA remained virtually unchanged between 2002 and 2004. In 2002 total ODA amounted to USD 2,461.5 million, equal to 0.16% in percentage of the Italian GNP, putting Italy at the bottom of the DAC donors' list (only the US performs worse).
- Looking at the *bilateral channel*, which isn't the bulk of Italian ODA resources, the 2006 budget forecasts for the future are not rosy, since severe cuts to the resources managed by the Directorate General for Development Cooperation (DGDC) within the Ministry of Foreign Affairs (MFA) are foreseen for the years 2006, 2007 and 2008. Commitments for 2006 amount to a mere Euro 400 million, declining to 390 million and 380 million in the following years.
- Another ODA component that will decrease in the following years is *debt relief*, which represented a major item of Italian ODA from 1998 to 2003 (28 and 24.5% of total ODA in 2002 and 2003 respectively). Far from being additional to ODA resources, debt cancellation has so far pumped up the otherwise poor bilateral resources. Once this channel is exhausted, if no radical change occurs Italy's poor behavior with respect to its

# Italy

commitments to increase ODA will be even more pronounced.

- Over the years poor financial and technical bilateral resources have produced a trend towards the *multilateralization* of Italian ODA, which reached its peak in 2004. An increase (+USD 244 million over 2003) in the contribution to the European Community and to regional development banks (+USD 136 million), together with the decline of debt relief, help explain the 71.4% of multilateral aid over total ODA.
- Looking at the future, the recent 2006 Financial Bill identifies the following Italian development priorities: the fight against HIV/AIDS, tuberculosis and malaria through the UN Global Fund; food security (FAO Fund) and water (following the Evian Action Plan); Afghanistan and Iraq; Africa (following the G8 Plan for Africa); and the peace process in Palestine. The same document points out that in order to fulfill the commitments made by the government, Euro 1.4 billion should be allocated to the MFA. So far, no official declaration on ODA increase has followed that document, nor can similar declarations be remembered over the last two years. It is therefore not clear how Italy intends to fulfill the target of 0.7% in 2015. The responsibility of addressing that question, as well as for the re-launch of Italian development cooperation, will pass to the next government that will result from the 2006 Parliamentary elections.
- *Decentralized cooperation* (i.e. development cooperation promoted by the Italian local authorities in partnership with other Italian local actors - NGOs, private sector, public-private companies, Universities - and aimed at similar local authorities in the developing countries) is one of the most promising news in the otherwise bleak and unchanging Italian

panorama. This is a form of cooperation which may enable the mobilization of the capabilities and resources of local public and private actors, and the use of innovative operating methods. Initiated in the mid 1990s, this new form of cooperation occurred during the Balkan conflict, and from then on increased dramatically. According to reliable estimates (since there is no official accountability system so far for this instrument), in 2004 decentralized cooperation totaled about 50 million Euros, which rose to about 60 million in 2005, accounting for roughly 10% of Italian bilateral ODA. Geographical priorities are the Balkans and the Mediterranean (particularly Palestinian Authority, Morocco and Tunisia). Although decentralized cooperation's legitimacy and role have been recognized by the DGDC, its degree of autonomy is still poor. A constitutional reform in 2000 defined the powers of the Regions, broadening their decision-making powers, but failed to discuss development cooperation. Recent cuts in the Italian budget law to the detriment of local authorities can lead to cuts in their cooperation budgets over the coming years.

- An important element of decentralized cooperation relates to immigrants and development activities within their countries of origin. More generally speaking, Italian development cooperation is increasingly aware of the challenges and opportunities arising from migration flows. In North Africa and the Balkans, the focus lies in revitalizing productive activities in high unemployment areas and areas of migration. The concept of co-development (facilitating the voluntary return of migrants to their countries of origin) has been revitalized and has produced

attempts to develop innovative approaches promoted by NGOs and decentralized cooperation through training programs and financing schemes. Such attempts have also involved multi-bilateral channels (e.g., the MIDA project -- Migration for Development in Africa -- sponsored by OIM). The use of aid allocation to support migrants' remittances for development purposes as an additional and complementary source, is another field of experimentation for Italian cooperation, mainly at the level of decentralized cooperation.

- Emergency interventions appear to be the emerging component of Italian ODA. In particular, the Italian reaction to the tsunami disaster in Southeast Asia in December 2004 is worth mentioning for several reasons. Popular reaction to the emergency was massive, and in a few weeks Euro 47 million was raised through donations, using an innovative system via mobile phones (1 Euro donations through SMS). The Italian government, after having promised Euro 70 million for the affected countries, made available only Euro 4 million, the rest of the sum being made available through the temporary freeze of the debt repayment flows by some of the affected countries. In charge for the management of the tsunami resources is the *Italian Civil Protection Department* under the Prime Minister's Office, which is not accountable to Parliament and depends directly on the Government. Under the monitoring of two Guarantor Boards (a political one and an administrative one), and after six months' time for the approval of the funds' allocation framework, the Civil Protection Department was obliged to fall back on subcontracting schemes, signing 25 contracts with NGOs and seven contracts with other international and

national bodies, as well as subcontracting NGO staff for the implementation of its own projects. In sum, the tsunami response created the conditions for the emergence of a new actor, the Civil Protection Department, which has been criticized by some NGOs for its role and legitimacy within the Italian development cooperation policy due to its lack of specific expertise in coping with international crises and catastrophes compared to humanitarian aid agencies and NGOs.

### Security and development cooperation

Although the influence of the international as well as internal security agenda on Italian foreign policy in general and on its development policy in particular has become of paramount importance, the link between security and development has not been expressed in the form of a clear policy statement, nor has it been the subject of public discussion. In particular, the debate on the security orientation of aid seems not to have touched the Italian development community.

There is a clear prevalence of foreign policy objectives over international development ones, and the fight against terrorism has become a priority in both bilateral and multilateral cooperation (Counter Terrorism Policy Unit -- Department for Multilateral Political Affairs).

More generally speaking, three Italian foreign policy priorities in which donor-driven interests are overriding are: *counter terrorism* (external/international drive) and the fight against *international crime* and *migration* (internal drive). There is a clear conflict between the objectives of Italian migration policy (increasingly viewed as an important means for managing a "problem" with potentially crucial effects upon domestic

# Italy

security and crime) and Italian development cooperation policy (by definition primarily aimed at promoting development abroad). On the Italian cooperation side, small positive attempts to involve the migrants' expertise, knowledge, networks and their migration circuits into development projects and programs can be seen.

Italian Cooperation (DGDC) does not seem to have the leadership on Italian policy on security and development, which is driven by the MFA and the Ministry of Defense and, to a lesser degree, by the Ministry of Interior. This is mainly the result of poor bilateral resources (both financial and human). The Italian military presence in international peace missions, which has steadily increased over the last 15 years, is quite strong right now, and clearly reflects the Italian priorities of concentrating in Iraq, Afghanistan and the Balkans. In 2003 a Fund for international peace missions was established within the MFA. The Fund's resources amounted to Euros 1.2 million for the years 2004 and 2005; according to the 2006 financial bill, for this year Euros one million will go to the Fund. In 2005 3.021 units were employed in Iraq, 2.175 units were employed in Afghanistan under the multinational ISAF mission, a further 233 units were employed in Afghanistan in a mission supporting the US military campaign ("Enduring Freedom"), while in the Balkans, in three EU and three NATO missions, the Italian presence involved 3.853 units. Further relevant missions are *Active Endeavour* (NATO fleet redeployment in the East Mediterranean), 415 units, *Albania2* (maritime surveillance for immigration prevention), 170 units, and DIE (Italian Experts Delegation for the reorganization of the Albanian police forces). Apart from the Sudan, the Italian military was virtually absent in Africa and has a very small presence in the MENA region.

Diplomatic sources within the MFA point out that Italian ODA traditionally recognizes the importance of the security-development nexus. They cite the Horn of Africa, Mozambique and, more recently, Afghanistan, as relevant experiences. What is felt to be lacking is an integrated approach to peace-building and peace-keeping activities at the institutional level; the recent establishment of the European Stability Fund and the UN Commission for Peace Building are therefore welcome as encouraging and stimulating factors, to which Italy is willing to contribute. Another weakness recognized by the Italian diplomacy is the failure in matching the increased military and humanitarian intervention in crisis areas with a parallel increase in ODA resources.

Other voices within the MFA lament, at the national level, a worrying lack of transparency and discussion, in particular with regard to Italian ODA to Iraq and Afghanistan. Large flows of emergency aid have been destined to those countries, and some results have been achieved (e.g. support to the Constitution-building process in Afghanistan), but Italian ODA seems not able to exit from the emergency phase and to engage in long-term country programs. Open discussions on the objectives and technical evaluation are felt to be poor. Within this negative picture, one positive example is said to be the Italian experience in Palestine, where emergency activity has been matched over the years with activities in the fields of conflict resolution, governance and training.

ODA geographical distribution has clearly been affected by the new security agenda and by the shift of the center-right government towards a more pro-US position. Afghanistan, Iraq and the Sudan, in previous years virtually absent from the list, have become top beneficiaries of Italian ODA, reaching in 2004 USD 37.3, 28.7 and 18.6 million, respectively.

The shift of ODA resources from development to emergency aid was particularly visible in 2002-2003, when resources committed for Africa (Angola) were diverted to Asia (Afghanistan, Iraq).

Over the next years Italian cooperation will have to face the challenge of tackling the new issues posed by the international/internal security and war on terrorism agenda with its own instruments, gaining voice and legitimacy in the face of the other stakeholders (MFA, Ministry of Defense, and Ministry of Interior). The game will be played mainly over three fields: the Mediterranean, migration policies and political cooperation.

Notwithstanding the meager resources Italy dedicates to development cooperation and its recent involvement in the Balkans, Afghanistan and Iraq due to a security-driven agenda, new emerging issues, new actors (decentralized cooperation, migrants, private sector and Civil Protection among others) and innovative approaches (co-development) are creating the conditions for the reopening of the debate on the reform of Italian development cooperation. These developments could also help prevent the use of weak development aid policy and limited resources for temporary debt relief, emergency aid, and security and defense priorities rather than for the eradication of poverty.

# Japan

## *Box 16. JAPAN at a glance*

### How much ODA does JAPAN give?

In 2004, JAPAN gave US\$8.9 billion or 962.7 trillion JAP yen

This means that in 2004, each person in JAPAN gave US\$69.7 or 7,540 JAP yen

In 2004, ODA from JAPAN rose by US\$25.9 million in cash terms. Because of inflation and exchange rates changes, the value of ODA fell by 4% in real terms.

### How generous is JAPAN?

JAPAN gave 0.19% of its national wealth in 2004. This compares with the average country effort of 0.42% and JAPAN's previous own high point of 0.32% in 1967, 1980, 1983, 1988, and 1991.

JAPAN was less generous than 19 other donors as it became less generous than 2003 when ODA was 0.20% of GNI.

### How much of JAPAN's ODA goes to the poorest countries and people?

59% of bilateral ODA (US\$5.2 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of JAPAN's ODA was spent on basic health, basic education, and water supply and sanitation?

#### JAPAN spent

1% of its bilateral ODA (US\$47.3 million) on basic health

0.3% of its bilateral ODA (US\$17.8 million) on basic education

6% of its bilateral ODA (US\$325.4 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Footing the Reconstruction Bill

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## Overview

Japan's economy is bouncing back after a decade of recession and mismanagement, but ODA has not benefited from the recovery. The allocation in the national budget for aid has been slashed seven years in a row: 3.8% for FY2005 and another 3.4% for FY2006. At this rate, Japan will be surpassed by France and even by the UK in a year or two in aid volume.

The DAC puts Japan's ODA for 2004 at \$8.86 billion and its share of GNI at 0.19%, the third lowest of all DAC members. Unlike all other G7 countries except US, Japan is neither willing nor able to set a timetable to attain the 0.7% mark.<sup>1</sup> It then came as a surprise when Prime Minister Koizumi revealed a plan at the Gleneagles' Summit (July 2005) to increase its aid by \$10 billion— i.e. more than double— in five years. But a generous offer often shelters tricks: waiving the right of indemnity for private trade claims that the Japanese government has come to obtain against developing countries (such as Iraq) through official reinsurance schemes counts as ODA. Hence, there seems to be a small likelihood of additional aid allocations despite the Koizumi plan.

Another commitment made at the Summit was to double Japan's aid budget for African countries in the next three years. Why so generous? In the past year, Japan went all out in its mightiest bid to win a permanent seat at the UN Security Council. Africa meant some 50 votes that had to be bought. Now that the hope is nearly dashed, Japan is asking the UN to lessen its share of annual contributions to that body.

## New medium-term ODA policy

The second most important policy document for Japanese ODA, the Medium-Term Policy on ODA which was first formulated in 1999, was renewed in February 2005. It was reformulated so that it would dovetail with the ODA Charter that had been revised in 2003. The policy will guide development and implementation of country assistance programs and sectoral/thematic policies for the next three to five years. While the old one was too comprehensive and lengthy to be useful, the new policy is much more focused and compact.

It singles out **human security**<sup>2</sup> out of the five basic tenets<sup>3</sup> of the revised Charter, effectively according it most



# Japan

weight, and emphasizes the **people-centeredness** of Japanese assistance. In deliberating on the four priority issues listed in the Charter (poverty reduction, sustainable growth, addressing global issues, and peace-building), **MDGs** are mentioned for the first time (there was no such mention in the Charter).<sup>4</sup> Of all the global issues, environmental problems and natural disasters are given importance because these are believed to be the areas where Japan has comparative advantage and expertise. And in terms of implementation, **strengthening functions at the field level** is singled out from six measures that the Charter puts forward for effective and efficient aid implementation.

It is a welcome sign for the NGO community that human security, people-centeredness and MDGs have taken front seats, and that the policy makes ample references to the partner roles of NGOs. Yet, it remains to be seen whether the relabeled bottle will be filled with fresh wine or with the same old stuff.

## Reorganization

There are two major thrusts in the reorganization of the institutional structure of ODA. The first relates to the above-mentioned "strengthening functions at the field level." From FY2003, the Ministry of Foreign Affairs (MoFA) made it a policy to establish a country-based ODA Task Force in a recipient country comprising aid personnel of the Embassy, JICA and JBIC.<sup>5</sup> The idea was to delegate decision-making powers to the field level so that Japan's aid can respond quickly and be more effective. The Task Force has been charged with drafting and reviewing country assistance programs, conducting policy dialogues with a recipient country, and liaising with other donors. The new Medium- Term Policy significantly

strengthens the powers of the Task Force by allowing it to play a leading role in discharging the assigned duties. The Policy states that Tokyo will "respect" proposals put forward by the Task Force.

Another reorganization in the making was supposed to be far-reaching and almost "revolutionary." It came as a bolt from the blue when the Koizumi Government started restructuring governmental financial institutions including JBIC. Debate over what to do with JBIC led to the creation of a panel charged with the task to look into overseas economic assistance. After a three-month deliberation, the panel submitted its final report at the end of February. It calls for centralization and unification. ODA has been handled by 13 line ministries with little coordination among them. Now, according to the panel's plan (the government had a hand in its formulation), a new Cabinet council will be created to make coordinated decisions. The council will have the Prime Minister as its head and four other Ministers that look after foreign affairs, finance, industry and trade, and Cabinet matters. Then, three major implementation arms (JICA, ODA division of JBIC and grant aid division of MoFA) will be integrated into one, that is, a new JICA, which, in turn, will be supervised by MoFA. MoFA will recreate a new Bureau to play the enlarged supervisory role.<sup>6</sup> The Japanese NGO community, which has been advocating such a streamlining to make ODA integral, transparent and responsive to the genuine needs of developing countries, is now more apprehensive than appreciative. A new agency headed by a minister that NGOs have sought is not created. The 13 ministries continue to be involved in technical cooperation. And the new council is likely to be plagued with

conflicting interests of three major ministries. Technocratic control over ODA will be replaced by ministerial political control, which is “democratic.” But Koizumi and a new cadre of Japanese political leaders are more concerned with national interest than with genuine developmental needs.

#### Conflict, security and development

It was the initial ODA Charter formulated in 1992 that first outlined official policy related to conflict and security. Two of four principles therein stipulated that ODA 1) not be used for military purposes or for the aggravation of international conflicts and 2) pay full attention to trends in recipient countries’ military expenditures, their development and production of weapons of mass destruction and missiles, their export and import of arms etc., so as to maintain and strengthen international peace and stability (these two principles survived the revision and are still in effect). But Japan has been typically shy of putting the principles into action.

In 2000, Japan displayed a more active posture when it announced an initiative — the so-called “Action from Japan” — Japan was ready to take on the issue of conflict and development. It called for a comprehensive approach that involved a continuum of actions from conflict prevention (building governance and democracy) to emergency relief and post-conflict restoration and development. Then, to achieve the stated objective, the initiative hailed the important role of NGOs and called on them to participate in ODA efforts to deal with the issue. The Government went out its way to create in short notice a tripartite “Japan Platform,” enticing business and NGO sectors to join hands. The primary objective was to

support the NGOs’ emergency relief activities by all means.

The new Charter, as stated earlier, emphasizes human security and selective peace-building as one of the four priority issues. The new Medium-Term Policy elaborates on what actions are needed and how to do for attaining human security objectives and for building peace. It details actions to be taken in the aforementioned continuum that now adds support to the peace-making process and stabilization. To date, it provides the most authoritative policy orientation in addressing the issue of conflict, security and development. Concrete actions taken thus far show that peace-building efforts have been skewed away from conflict prevention towards emergency aid and post-conflict restoration. In that sense, Japan’s ODA has been more curative in nature than preventive in addressing the root causes of conflicts.

To be more specific, Japan sought to play an active role in the rebuilding and development of war-torn Afghanistan and Iraq. It hosted in 2002 the International Conference on Reconstruction Assistance to Afghanistan. It provided \$500 million worth of assistance, pledged to provide another \$400 million, and took the lead in DDR (disarmament, demobilization and reintegration of former soldiers) in particular. To Iraq, Japan not only pledged to provide up to \$5-billion-assistance, but also dispatched Self Defense Forces (SDF) to help the US bring stability back to the state.

Although ODA money has not been siphoned off to support PKO (peace keeping operations) activities, close cooperation developed between the two. Japanese ODA provided to Iraq included water supply, hospital supplies and road

# Japan

rehabilitation in the province where the SDF were encamped. In reality, ODA was used to appease the local population so that the SDF could accomplish its mission without confrontations with hostile locals.

The Medium-Term Policy calls for collaboration with NGOs for the sake of effective, efficient and speedy provision of emergency relief. While the revival of local communities and capacity-building of the socially disadvantaged are mentioned in the Policy, there is no mention of justice or human rights (the rights-based approach has been absent all along in all ODA policies). Prevention of terrorism is referred to only in the opening statement of the Policy, and no substantive policy is provided for with regard to terrorism.

It is true that while Japan has been playing a major role in building peace in Sri

Lanka and lesser roles in East Timor and elsewhere, its peace-building programs have closely followed the steps of US: After the US destroyed not only undemocratic and peace-threatening governments but the whole swath of Afghanistan and Iraq, Japan stepped in to foot the bill of rebuilding peace and economies. In September 2005, the two countries entered into a new partnership billed as the US-Japan Strategic Development Coordination, in order to jointly identify countries of strategic importance and provide development assistance in a coordinated manner, ostensibly with a view to achieving MDGs. This marriage of the two largest donors may very well exert a significant influence over international development efforts, hopefully for the better.

## Notes

- <sup>1</sup> The latest authoritative statement was made by Prime Minister Koizumi in April 2005 when he said "Japan will continue its efforts towards the goal of providing ODA of 0.7% of our GNI in order to contribute to the MDGs."
- <sup>2</sup> By human security, the Government means "protecting individuals from "fears," such as conflict, terrorism, crime, human-rights violation, displacement, disease epidemics, environmental destruction, economic crises and natural disasters, and "wants," such as poverty, hunger and lack of educational and health services, and empowering people so that they can choose and take action against these threats."
- <sup>3</sup> The other four are: (1) supporting self-help efforts of developing countries; (2) assurance of fairness (impact on the environment and society, the perspective of gender equality, etc.); (3) utilization of Japan's experience and expertise; and (4) partnership and collaboration with the international community.
- <sup>4</sup> The policy says "Japan will contribute actively to achieving the MDGs, including through effective use of ODA."
- <sup>5</sup> JICA (Japan International Cooperation Agency) is specialized in providing technical assistance and JBIC (Japan Bank of International Cooperation) in providing concessional ODA (and semi-commercial non-ODA) loans. JETRO (Japan External Trade Organization) and Japan Foundation (international cultural exchange agency) may join the Task Force where its office exists and NGOs are "consulted" occasionally. Task Forces are established in some 70 countries now.
- <sup>6</sup> In the reorganization deliberation, turf war erupted among concerned ministries, and a political decision was made to allow Ministries of Finance as well as Industry and Trade to keep their hands on concessional loan making.

**Box 17. The NETHERLANDS at a glance****How much ODA does the NETHERLANDS give?**

In 2004, NETHERLANDS gave US\$4.2 billion or 3.4 billion euros

This means that in 2004, each person in NETHERLANDS gave US\$258.1 or 207.7 euros

In 2004, ODA from NETHERLANDS rose by US\$231.6 million in cash terms. Because of inflation and exchange rates changes, the value of ODA fell by 4% in real terms.

**How generous is the NETHERLANDS?**

NETHERLANDS gave 0.73% of its national wealth in 2004. This compares with the average country effort of 0.42% and NETHERLANDS's previous own high point of 1.07% in 1981.

NETHERLANDS was more generous than 17 other donors, but less generous than 2003 when ODA was 0.80% of GNI.

**How much of the NETHERLAND's ODA goes to the poorest countries and people?**

68% of bilateral ODA (US\$2.8 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of the NETHERLANDS's ODA was spent on basic health, basic education, and water supply and sanitation?****The NETHERLANDS spent**

1% of its bilateral ODA (US\$24 million) on basic health  
 9% of its bilateral ODA (US\$237.6 million) on basic education  
 5% of its bilateral ODA (US\$138.8 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Dutch ODA: Trends and Debates

*Nicole Metz  
Novib Oxfam*

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The Dutch government works on the basis of its development policy framework “Mutual interests, mutual responsibilities”<sup>1</sup>. Bilateral relations with 36 partner countries is a key strategy for sustainable poverty reduction. In every partner country, the Netherlands supports one or more sectors, and there is also involvement through thematic collaboration—e.g., communication or de-mining, and macro-oriented budget support. Support is also provided multilateral bodies, NGOs and the private sector.

The Netherlands continues to play an important role in international development, especially because of its continued financial investment in development and its support for basic social services. In addition, it has also substantially contributed to a more intensive international debate on issues such as coherence and sexual and reproductive rights, particularly during its EU presidency in 2004 and in the context of the UN World Summit of September 2005. The Netherlands was among the first countries to publish an MDG country progress report in 2004, and played an active role in the lead-up to the summit.

Dutch development cooperation focuses on a number of priorities: education, HIV/

AIDS, reproductive health, water and the Environment<sup>2</sup>. In November 2005, the Ministry of Foreign Affairs published a report, “Results in development”, which provides an overview of results obtained per sector in the partner countries.

The results were encouraging in education. At the policy level, the Dutch government invested in strengthening education sector plans and in more donor coordination and harmonization through the Fast Track Initiative. Progress in the health sector was generally satisfactory in the countries to which the Netherlands provided budget support. In five of the 13 partner countries, there was substantial progress in integrating sexual and reproductive health and rights in the PRSPs.

The outlook for the level of Dutch ODA is that it will be maintained at 0.8% of GNI even after the parliamentary elections of 2007. However, there is a growing risk that these funds will be used for objectives and activities “at the interface of peace, security and development” (see below). This is the subject of debate among Dutch NGOs.

The Ministry of Foreign Affairs invests substantially in public-private partnership agreements. By the end of 2005, it was

involved in 41 such agreements with the private sector, NGOs, and knowledge institutions in North and South, 24 of which were in Africa. The agreements concentrate on MDGs 1, 6, 7 and 8. The financial involvement of stakeholders varies: the total budget of 515 million euro is covered by a contribution of 310.5 million by non-profit organizations; 107.5 million euro by profit making organizations; and 97 million by the government. Compared to the expectation that these partnerships will generate additional funds for development from the business sector, one can notice that not-for-profit agencies still cover most of the funding.

The Dutch government has been actively involved in the preparatory process for the Paris Declaration on Aid Effectiveness, and has encouraged other EU member states to similarly commit to the agreed targets of further donor harmonization and further alignment. In the current development program of the Dutch government, the Paris Declaration is used as an important reference.

The Dutch government stresses the importance of policy coherence, both at the interface of trade and development, and at the interface of peace, security and development. The Ministry of Economic Affairs organized a high-level international conference with representatives of African governments and the private sector to discuss "Doha: What's in it for Africa?"

The collaboration between departments has intensified gradually, with a focus on a

number of "cases" of incoherence: cotton and sugar reforms of the EU; sustainable fisheries agreements with Africa; access to affordable medicines; and product standards as an insurmountable trade barrier for developing countries. This led to a limitation of European fisheries' access to Mauritania waters. The Netherlands has encouraged other European governments and the EU to follow this example of investing in coherence. Dutch NGOs have generally welcomed these initiatives, but have also blamed the government for limiting itself to "cases" with a modest impact on development, while not making progress on issues of greater importance. For example, Dutch NGOs have repeatedly criticized the Dutch government for its approval of the EU's "offensive" approach to bilateral trade negotiations with ACP countries in which opening local markets to European companies is being requested without measures to protect local farmers or businesses.

A current trend is the increasing emphasis on demonstrating results. Reports on Dutch development aid are presented to parliament and to the public in a business-like style, and NGOs and other partners are asked to do the same. Though this change is generally welcomed, there is also a growing consensus (among politicians and development practitioners) that there should not be an excessive focus on quantitative indicators of effectiveness as development processes cannot just be summarized in a simple indicator.

## Notes

<sup>1</sup> See Reality of Aid 2004 report

<sup>2</sup> In 2004 and 2005, the total investment in education was €225 and €243 million respectively. For HIV/AIDS, it was €225 and €215 million respectively; for reproductive health €96 and €80 million. The budget for 2006 shows a gradual increase of the budget for these sectors.

# New Zealand

## *Box 18. NEW ZEALAND at a glance*

### How much ODA does NEW ZEALAND give?

In 2004, NEW ZEALAND gave US\$212.1 million or 320.1 million NZ dollar

This means that in 2004, each person in NEW ZEALAND gave US\$52.2 or 78.8 NZ dollar

In 2004, ODA from NEW ZEALAND rose by US\$46.7 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 9% in real terms.

### How generous is NEW ZEALAND?

NEW ZEALAND gave 0.23% of its national wealth in 2004. This compares with the average country effort of 0.42% and NEW ZEALAND's previous own high point of 0.52% in 1975.

NEW ZEALAND was less generous than 16 other donors, as it maintained its 2003 level of ODA at 0.23% of GNI.

### How much of NEW ZEALAND's ODA goes to the poorest countries and people?

62% of bilateral ODA (US\$117.7 million) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of NEW ZEALAND's ODA was spent on basic health, basic education, and water supply and sanitation?

#### NEW ZEALAND spent

2% of its bilateral ODA (US\$3.8 million) on basic health

7% of its bilateral ODA (US\$11.6 million) on basic education

1% of its bilateral ODA (US\$1.8 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Developments in the New Zealand Aid Program

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Kaunihera mō te Whakapakari Ao Whānui*

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The past two years have been a period of consolidation and review for New Zealand's aid program. The formation of a new government in October 2005 looks likely to see both continuity and change in New Zealand's approach to international development.

- The New Zealand Agency for International Development (NZAID) has consolidated its position as the government aid agency with a mandate to focus on poverty elimination. The reorientation of the government aid program since the establishment of NZAID in 2002 was endorsed by the OECD Development Assistance Committee (DAC) peer review of New Zealand, released in 2005. This review described NZAID's achievements in a short period of time as "impressive". The DAC review welcomed NZAID's employment of development specialists, its focus on poverty elimination, its development of new policies and capacities, its approach of working with the priorities of developing-country partners (including in post-conflict states where institutions are weak), its emphasis on primary education, and its commitment to improving the focus of its assistance through 'bigger, fewer, deeper and longer' engagements with bilateral and multilateral partners.<sup>1</sup>
- The DAC review also made a number of recommendations for the improvement of New Zealand's international development cooperation. These included increasing New Zealand's aid volume from its current low level by setting a medium-term target for aid levels; strengthening NZAID's public information strategy with the aim of improving public understanding of aid and development; maintaining NZAID's focus on the Pacific while deepening its engagement with fewer core bilateral countries in Asia; increasing the level of policy coherence for development across government, with NZAID taking a lead role in promoting such coherence; and strengthening NZAID's field presence in order to facilitate policy dialogue and collaboration with developing country partners and other donors.<sup>2</sup>
- NZAID has also been the subject of a Ministerial Review to assess progress in implementing the changes sought by the government when it established the agency. The report of the reviewer had not been made public at the time this report was being written.



# New Zealand

- New Zealand NGOs generally endorse the positive assessments of NZAID in the DAC review. They have continued to enjoy a good working relationship with NZAID, and believe that considerable progress has been made in improving the quality of New Zealand's aid program.
- However, the news is not so good on aid volume, New Zealand's Official Development Assistance (ODA) was only 0.23% of Gross National Income (GNI) in 2004, and New Zealand ranked 18<sup>th</sup> equal out of 22 OECD donor countries in terms of ODA/GNI ratio. The 2005 Budget increased ODA significantly to 0.27% of GNI, but this was still only the same level it was at when the Labour Party-led government came into office in 1999. The government has pledged to increase ODA to 0.28% of GNI in 2007-08. At present this is the only firm commitment to an ODA target. New Zealand is one of only six donor countries that have either not reached the internationally-agreed 0.7% aid target, or set a timetable for doing so by 2015 at the latest.
- In September 2005 a general election was held in New Zealand, and a new government was formed the following month. The government continues to be led by the Labour Party, supported by a number of smaller parties. As part of its policy platform for the election, the Labour Party committed to increasing ODA to 0.35% of GNI by 2010. Three of the parties on which it relies for support are committed to increasing ODA towards the 0.7% target. There is some cause for optimism about the prospects for improving New Zealand's poor performance with regards to ODA levels. New Zealand NGOs will continue to push the government to reach the 0.7% target by 2015.
- Unlike in the previous two terms of government, when there was a separate

Minister responsible for ODA, the new government has brought aid back under the responsibility of the Minister of Foreign Affairs. In an unusual move, the Minister of Foreign Affairs will not be a member of Cabinet because his party is not formally part of the government.

- The new Minister of Foreign Affairs, Winston Peters, is the leader of a populist, nationalist party not previously known for its support for overseas aid. However, since taking up the role he has indicated that one of his priorities is to channel more aid into the Pacific region. While there has been no indication to date that he will accord higher priority to immediate foreign policy concerns than to long-term development and poverty elimination, this is an issue that the Council for International Development (CID, the umbrella organization for international development NGOs in New Zealand) will be monitoring carefully. It is noteworthy also that the Cabinet Committee on Foreign Affairs and Trade is chaired by the former Minister of Foreign Affairs and that the Prime Minister also has a keen interest in Foreign Affairs and ODA.

## Conflict, security and development

Since the US administration declared its 'War on Terror' in 2001, the New Zealand government has adopted some of the anti-terrorist rhetoric and practice of this 'war', but has not gone along whole-heartedly with the US agenda. In contrast to its neighbor Australia, it did not support the invasion of Iraq and its development assistance in the Pacific has not been driven primarily by security concerns.

- NZAID's policy *Preventing Conflict and Building Peace* recognizes the importance of preventing violent conflict by addressing its root causes. The policy

states that NZAID's conflict prevention and peace-building work will support initiatives aimed at building a culture of respect for human rights, promoting inclusive dialogue and addressing gender issues. As well as helping tackle poverty as a cause of conflict, NZAID also assists partners in developing local capacities for conflict prevention, mediation and resolution; supports processes such as election monitoring and disarmament; and works with governments and communities on post-conflict reconstruction.

- While NZAID is still working on the implementation of its policy, it is already supporting significant initiatives in conflict prevention and peace-building, many of which are grassroots and civil society efforts. For example, in Indonesia NZAID supports a number of local and international NGOs working on conflict prevention projects, and has established a contestable fund that NGOs can apply to for conflict prevention and peace-building work.
- NZAID and New Zealand-based NGOs are working together on a number of initiatives related to conflict and peace-building. CID has developed a position paper on conflict transformation that guides CID's involvement in this area. The policy stresses the importance of including civil society in the conflict transformation process, stating that: "this inclusion is often ignored when governments work with their officials and seek help from other governments, bringing in military and other law and order enforcers, which may be necessary in order to stabilize a volatile environment such as that in the Solomon Islands."<sup>3</sup>
- CID is also involved in pre-deployment briefings for New Zealand peacekeepers, and is also working, together with NZAID, on building a relationship with the New

Zealand Defence Force (NZDF) so that representatives of the international development sector and the NZDF can talk over issues of common concern. Another collaborative effort has been the establishment of a Pacific Conflict Transformation Network (PCTN) involving New Zealand and Pacific NGOs, academics, Maori and others. The PCTN was established to look at how best to deal with conflicts in the Pacific before they escalate to violence. NZAID was represented at the meeting that launched the PCTN, and funded research by the Pacific Concerns Resource Centre in Fiji aimed at exploring the potential for conflict transformation work in the Pacific.

- New Zealand has a long history of contributing to United Nations peacekeeping missions in many parts of the world. In recent years NZDF and police personnel have been involved in a number of peace support operations close to home in East Timor, Bougainville and the Solomon Islands. In each of these cases, New Zealand's military and police involvement has been part of a much wider engagement with post-conflict reconstruction. This has included long-term community development assistance, as well as assistance with the challenges of recovering from conflict, such as reconciliation and building the capacity of government institutions.
- An increasing amount of New Zealand's aid is going to countries in the Melanesian region of the Pacific, and the government has justified this in part by referring to the vulnerability of these countries to conflict and instability. The Solomon Islands, recently emerged from ethnic conflict, now receives more New Zealand ODA than any other country. However, it would be unfair to characterize New Zealand's aid

# New Zealand

distribution as following a security-driven agenda, since the Melanesian countries also have the most pressing human development needs among Pacific countries.

- The New Zealand government's approach to the Pacific has not been marked by the same obsession with security and terrorism as Australia's. Nevertheless, Prime Minister Helen Clark has said that Pacific Island countries have an interest in 'not being perceived by criminals or terrorists as a weak link', and has described this as a priority area for New Zealand.<sup>4</sup> New Zealand is assisting Pacific Island countries to comply with international counter-terrorism standards. Such compliance imposes significant costs on small island states that are struggling with major development challenges, and this seems to be an area where the agenda is being driven by donors rather than by the needs of Pacific countries themselves.
- The New Zealand government describes itself as 'a strong supporter of the

international campaign against terrorism',<sup>5</sup> and New Zealand military forces took part in the US-led invasion of Afghanistan. NZDF personnel have since been part of a Provincial Reconstruction Team in Afghanistan, and Special Air Services combat troops have also been deployed to that country. The New Zealand government did not support the invasion of Iraq in 2003, although NZDF engineers were subsequently engaged in reconstruction work in southern Iraq in 2003-04. Reconstruction work carried out by the Provincial Reconstruction Team in Afghanistan, and by NZDF engineers in Iraq, was counted as ODA, but the New Zealand government has not been an advocate of expanding DAC ODA guidelines to include more security-related assistance. New Zealand international development NGOs opposed the Iraq war, and the deployment of New Zealand combat troops in Afghanistan has also been a matter of great concern.

## Notes

<sup>1</sup> OECD Development Assistance Committee, *DAC Peer Review: New Zealand*, 2005, pp. 10-12

<sup>2</sup> *Ibid.*, pp. 11-20

<sup>3</sup> CID, *Position Paper: Conflict Transformation*, 2004, p.9

<sup>4</sup> Helen Clark, address to the Papua New Guinea Chamber of Commerce, 24 October 2005

<sup>5</sup> Ministry of Foreign Affairs and Trade, "New Zealand and the Campaign Against Terrorism," <http://www.mfat.govt.nz/foreign/spd/terrorism/campaignterrorism.html> (accessed 28 October 2005)

**Box 19. NORWAY at a glance****How much ODA does NORWAY give?**

In 2004, NORWAY gave US\$2.2 billion or 14.8 billion NOR krone

This means that in 2004, each person in NORWAY gave US\$476.9 or 3,214.2 NOR krone

In 2004, ODA from NORWAY rose by US\$156.5 million in cash terms. Because of inflation and exchange rates changes, the value of ODA fell by 3% in real terms.

**How generous is NORWAY?**

NORWAY gave 0.87% of its national wealth in 2004. This compares with the average country effort of 0.42% and NORWAY's previous own high point of 1.17% in 1986 and 1990.

NORWAY was the most generous donors, but less generous than 2003 when ODA was 0.92% of GNI.

**How much of NORWAY's ODA goes to the poorest countries and people?**

69% of bilateral ODA (US\$1.5 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of NORWAY's ODA was spent on basic health, basic education, and water supply and sanitation?****NORWAY spent**

2% of its bilateral ODA (US\$36.9 million) on basic health

5% of its bilateral ODA (US\$75.3 million) on basic education

2% of its bilateral ODA (US\$32.3 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Red-Green Government In Norway

*Gunnar Garbo*

*The Norwegian Forum for Environment and Development (ForUM)*

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## 1. Red-Green Government in Norway

General elections in September 2005 led to the demise of the ruling conservative regime in Norway. On October 17<sup>th</sup> a “red-green government” composed of the Labour party, the Centre party and the Socialist Left party took over.

According to the inaugural address by the new government, multilateral aid will be increasingly transferred from the World Bank to development programs and emergency assistance under the umbrella of the UN. Norway will not contribute to programs that require liberalization or privatization. It will work for the democratization of the World Bank and the IMF. Developing countries should get increased influence through voting rights that do not exclusively depend upon capital investments.<sup>1</sup>

The government intends to launch an initiative for establishing an international mechanism to secure a regular evaluation of development aid and to assess donors' pledges against practices.

It also wants to play a leading role in the work for the cancellation of the outstanding debts of the poorest countries. Cancellation should not be conditional upon privatization.

An international court should be established to deal with illegitimate debts. Norwegian debt cancellations should not lead to the diminishment of development aid.

During the present four-year period, the government will increase Norwegian development aid to one per cent of BNI and continue a further increase.

Archbishop Desmond Tutu deemed the inaugural address fantastic and asked God to bless Norwegians.<sup>2</sup> That may have been a bit premature. Norwegian solidarity movements are eagerly watching the government's performance to see if words are followed by deeds.

The former government had implemented a slow but steady growth of development aid. The total ODA in 2004 increased by 2.4 per cent, but due to the strong growth of the national economy the ODA/GNI proportion fell from 0.92 to 0.88 per cent.

The overriding aim of Norwegian development cooperation was to be the implementation of the United Nations' Millenium Development Goals. The national priorities of the recipient country should govern development efforts, and the country's Poverty Reduction Strategy Paper (PRSP) should guide aid programs. At the same time,

the former government, persuaded that a change of heart had taken place in World Bank leadership, chose to actively promote donor harmonization in recipient countries, with the World Bank in a coordinating role. This was supposed to reduce the burden of the host country's having to relate to an immense number of foreign organizations operating on its soil.<sup>3</sup>

According to most development-oriented Norwegian NGOs, the concentration of aid power through the World Bank is likely to strengthen donor domination. The PRSPs are still not democratically worked out by national institutions, but are established by agreements with the World Bank and the IMF. Though the new policy papers focus on social reforms, they still contain a significant number of the conditionalities and benchmarks traditionally imposed by the Bretton Woods institutions.

A report by two Norwegian NGOs, the Development Fund and the IGNIS Foundation, described the recent orientation of Norwegian development assistance as "Worldbankification". They pointed out that Norway's 2005 aid budget contained 132 references to the World Bank, which was frequently quoted as being a thematic expert institution. In 2005 the contributions to the financial institutions were increased by 28 per cent, as compared to 5 per cent for the UN system.<sup>4</sup>

The former government carried out a kind of decentralization, leaving considerable decision-making power to the Norwegian embassies in recipient countries. But this transfer led to the strengthening of the position of Norwegian representatives, not to the empowerment of recipients. One NGO observer remarked that over the last years he had never encountered a case where an even moderately left-wing oriented African NGO had received approval for a request for aid

from a Norwegian embassy.<sup>5</sup>

In 2004, the government carried out a significant change in the administration of development aid. State-to-state cooperation was transferred from NORAD to the Ministry of Foreign Affairs. The Ministry had over the years taken over emergency grants, human rights-related contributions, and multilateral aid. Now it became responsible for administering almost all Norwegian development aid. The role of NORAD was essentially reduced to that of a competence center, contributing advice and evaluations. In addition the agency is entrusted with contributions to NGOs, to which one third of Norwegian bilateral aid was channelled in 2004. A government commission is now evaluating the performance of NGOs as deliverers of aid. This reshuffling has raised some concerns. There is a danger that short-term political goals, for example, would benefit to the detriment of long-term development work

Another perspective that suffered from the changes under the previous government was the environment. From 1999-2000, Norwegian development aid lost a great deal of its environmental direction, in particular as far as fresh water, and biological diversity were concerned. When NGOs brought this to the attention of key politicians, the Norwegian Parliament instructed the government to make an environmental action plan. The new action plan has spurred the new government to focus on the environment as one of its main priorities in development cooperation.

## 2. War on terror or peaceful conflict-solving?

In 1999 Norway for the first time participated in military interventions abroad, joining the NATO war in Yugoslavia, the US war in Afghanistan, and the occupation regime in Iraq. In addition to legal and moral

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objections from civil society activists, Norwegian support for the two US adventures have forced the government to prepare even Norway against terrorist attacks. Both in Afghanistan and Iraq Norway is at the same time engaged in humanitarian activities covered by the aid budget. With good reason are authorities afraid that local groups may be unable to distinguish between humanitarian and military involvements.

Pressured by public opinion the new government has withdrawn Norwegian staff from Iraq and phased out contributions to the US' Operation Enduring Freedom in Afghanistan. At the same time it has, however, strengthened Norwegian military contributions to the NATO-led ISAF - the International Security Assistance Force in Afghanistan.

The government declared in its inaugural address that it is in the interest of Norway to promote a global order led by the United Nations and not a situation where strong powers act on their own. The government will therefore work for a considerably strengthened UN and support efforts to further the development of international law as a treaty structure binding all nations.

The United Nations is the only international body that may legitimize the use of military force, the government stresses. There should be a high threshold for the resort to force.. The UN system must, however, be able to meet the entire spectrum of challenges from poverty and epidemics to terrorism and weapons of mass destruction. Striving against international terrorism should take place within the framework of humanitarian law, without undermining human rights. Norway will seek a total elimination of atomic weapons. It will emphasize the prevention of conflicts which may lead to ethnic hatred, environmental and economic crises and huge streams of refugees. The government intends to contribute civilian

and military personnel to UN peacekeeping and peace-building operations, with a special emphasis on Africa. It is also open to participation in international operations led by NATO or EU, provided that such operations are anchored in the UN Charter and have a clear UN mandate.

These operations are not financed from the aid budget.

At the same time the government states that Norway shall be a distinct peace nation. It wants to strengthen Norway's contributions to the preventing, tempering and solving of conflicts. Norway can, the government feels, contribute more in this field than in other foreign political areas.

In the field of global governance, Norway will increase its efforts for the eradication of poverty, a more just distribution and a more democratic world order, globally as well as regionally. World poverty is seen as a violation of human dignity and a threat against global security and environment.

In addition the government has committed itself to "act as a spearhead for international agreements on new global financing sources that can contribute to a redistribution of global wealth and the strengthening of the UN institutions, such as aircraft tax, carbon dioxide tax, tax on arms trade or duty on currency transactions". Thus Norway has taken on the responsibility to succeed Brazil in chairing the recently established leading group on global taxes / solidarity levies.

In the field of international trade the government will oppose all interpretations of WTO rules that deprive poor countries of governing rights and means, which were important in developing Norway into a welfare society. In WTO negotiations, Norway will support the claim of Southern countries for sufficient space to choose development strategies that conform to their special needs and situations. It will reconsider all demands

of developing countries with regard to liberalization of services, and it supports the prohibition of Northern export subsidies. Trade liberalization should only take place in a framework where considerations for fair distribution, social standards, environment and national food security are taken care of. The right to food production for a country's own population should be recognized.

### Notes

- <sup>1</sup> <http://www.dna.no/index.gan?id=47619&subid=0>  
Plattform for regjerigssamarbeidet mellom Arbeiderpartiet, Sosialistisk Venstreparti og Senterpartiet 2005-09 .<http://odin.dep.no>
- <sup>2</sup> Comments by archbishop Desmond Tutu. <http://www.rorg.no/Artikler/1081.html>
- <sup>3</sup> St.prp. nr. 1 ( 2005-2006)
- <sup>4</sup> Worldbankification of Norwegian Development Assistance. A Report by Ignis and the Development Fund, Oslo, November 2005.
- <sup>5</sup> Halle Jørn >Hanssen: Å HOPPE ETTER HILDE. Klassekampen. Oslo, 15.11.05.



# Portugal

## *Box 20. PORTUGAL at a glance*

### How much ODA does PORTUGAL give?

In 2004, PORTUGAL gave US\$1 billion or 829.9 million euros

This means that in 2004, each person in PORTUGAL gave US\$99.7 or 80.3 euros

In 2004, ODA from PORTUGAL rose by US\$711.4 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 188% in real terms.

### How generous is PORTUGAL?

PORTUGAL gave 0.63% of its national wealth in 2004. This compares with the average country effort of 0.42% and PORTUGAL's previous own high point of 0.35% in 1992.

PORTUGAL was less generous than five other donors, but more generous than 2003 when ODA was 0.22% of GNI.

### How much of PORTUGAL's ODA goes to the poorest countries and people?

90% of bilateral ODA (US\$607.4 million) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of PORTUGAL's ODA was spent on basic health, basic education, and water supply and sanitation?

#### PORTUGAL spent

0.2% of its bilateral ODA (US\$1.8 million) on basic health

0.3% of its bilateral ODA (US\$2.6 million) on basic education

0.2% of its bilateral ODA (US\$1.8 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Too Much Focus on Debt, Too Little on Basic Social Services

*Luis Mah*  
*OIKOS*

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While data for Portugal's ODA in 2005 was not available at the time of writing, a look at Portuguese aid in 2004 provides an insight into recent trends in the country's development assistance priorities. In 2004, the most important feature of Portuguese ODA was its increase to 0.63% of the gross national income (GNI), from 0.22% a year earlier. This increase placed Portugal among the top five DAC members in terms of net ODA in 2004. However, this sudden rise in ODA was due to an exceptional debt restructuring agreement with Angola, rather than to a *de facto* increase in the value of Portuguese ODA. The amount involved was €561,708 million. If this had not been included, Portugal's ODA would have amounted to around €268,183 million, less than the €282,873 million (or 0.22% of GNI) in 2003. Under the agreement, the interest rate on Angola repayment was set at 1%, and the grant element of the restructuring amounted to 67.7% of the total debt. As a result, Angola is now expected to repay the remaining debt over a 29-year period (including a five-year interval before the first repayment) with annual instalments.

- In 2004, Portuguese bilateral and multilateral aid totalled €829,891 million,

including the €561,708 million that resulted from the restructuring of Angola's debt. While ODA data for 2005 is yet to be available, the figures are expected to be much lower, probably around 0.20-0.22% of GNI, as the sharp increase in 2004 was an exceptional one.

- Out of the top 10 recipients of Portuguese bilateral aid in 2004, and reflecting historic ties, six were Portuguese-speaking countries - Angola, Cape Verde, East Timor, Mozambique, São Tomé and Príncipe and Guinea-Bissau. The other four were Iraq, Bosnia and Herzegovina, Sierra Leone and the Democratic Republic of Congo. With the exception of Iraq and Bosnia and Herzegovina, they were all Least Developed Countries (LDCs). In 2004, bilateral aid targeting Portuguese-speaking countries reached 94.6% of a total of €702,446 million, with the remaining 5.4% allocated to other countries. In 2002 and 2003, the percentages for other countries were 14.5% and 20.1%, respectively.
- In 2004, out of all DAC members, Portugal spent less of its aid on basic health (0.2% of its ODA or €1.69 million), on basic education (0.3% or €2.495 million) and on water supply and sanitation (0.2% or €1.69

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million). Instead, Portugal continues to allocate higher proportions of its aid to scholarships (0.8% of the total ODA for 2004 or €6.657 million) and curative health care (0.5% of the total ODA for 2004 or €4.174 million). This reveals that three years after its last DAC Peer Review in 2001, Portugal's development cooperation policy has failed to implement the Review's recommendations to "allocate increased resources to basic social services as opposed to tertiary support such as scholarships and curative health care".

- Furthermore, and as highlighted in the 2001 DAC Peer Review, in 2004 Portugal's proportion of debt cancellation was significantly higher than those of other DAC Members. In 2004, debt cancellations amounted to €564,536 million and represented 80.2% of total gross ODA disbursements, while the DAC average was 10.8%.
- In 2004, the relationship between the Portuguese government and NGOs went through a period of difficult and conflicting dialogue, mainly due to a lack of strategic direction in the government. Most Portuguese NGOs continued to suffer from limited human and financial resources that hindered their activities. Consequently, their political voice remained weak. The country's share of ODA to NGOs reached 0.4% in 2004, the lowest (together with France) among the DAC Members.

In 2005, a new government in Portugal brought in a new dynamic in the country's development cooperation policy. In July 2005, at a European Meeting of Finance Ministers in Brussels, Portugal agreed to reach 0.33% of ODA/GNI in 2006 and 0.51% in 2010. Portugal has also agreed to reach 0.7% of ODA/GNI by 2015. According to government officials, this goal will be based on two main priorities: (1)

improving the quality of aid as well as the efficiency and efficacy of aid delivery and (2) gaining the support of public opinion through development education programs. This commitment was reinforced in a document entitled "Strategic Vision for Portuguese Development Cooperation", approved by the government in December 2005, and which outlines the government's intention to revive Portuguese development cooperation which has suffered from a lack of strategic direction in recent years. The new policy framework states that "cooperation policy must be seen as a tool of strategic action crucial to assert our (Portuguese) interests, in an ever globalised and interdependent world" and it focuses on the following main objectives<sup>1</sup>:

- Strong commitment to the Millennium Development Goals;
- Strengthening of human security, in particular in "fragile states" or in post-conflict situations;
- Support to the teaching of the Portuguese language, as a tool for education and training;
- Support for economic development within the framework of social and environmental sustainability;
- Stronger involvement in international debates to support international convergence around common goals.

The government's new development policy framework highlights the strengthening of human security, in particular in "fragile states" or in post-conflict situations<sup>2</sup>, as one of its main priorities. Such a policy orientation is new in the framework of Portuguese development cooperation. The government's new policy framework gives particular attention to two fundamental aspects of support for human security: protection and self-sustainability.

- By protection is meant the willingness to support civilians who are victims of violent conflict through political, military, humanitarian and development approaches. It emphasizes the need to help the work of international organizations in addressing the needs of refugees and coping with situations of internal displacement
- Self-sustainability means the willingness to create jobs and the conditions for resettlement in post-conflict situations, including support to the demobilization and re-integration of military actors.

Also, and within its framework for strengthening human security, and in close connection with the need to achieve the MDGs, the document highlights the importance of Portugal's contribution to security sector reform:

- Portugal will strive to support national stability and strengthen and consolidate State institutions, and to contribute to guaranteeing security in line with the principles of democracy, good governance, transparency and the rule of law.
- Portugal will favor relations with security forces in terms of organization, methods and training as a way of strengthening domestic stability, political institutions, the security of the population and the consolidation of democracy and the rule of law.

Ultimately, it is expected that this approach will guarantee that these two sectors will fulfil their roles as defined by the civilian authorities. While highlighting the relevance of security sector reform, the new government framework states that the approach to reform will be based on the priorities given to human security.

This new orientation seems to be already reflected in some of the two-year bilateral

development cooperation programs (or PIC in Portuguese). In the case of Angola (2004-2006), one of the goals of the country program is to guarantee security across the country. In Guinea-Bissau (2005-2007), a priority of the program will be the consolidation of peace and the prevention of conflict, and in Mozambique (2004-2006) Portugal wants to help improve public security. Finally in East Timor (2004-2006), the country program includes institutional capacity-building of the security forces.

In terms of ODA, the Portuguese development agency IPAD has created a new sub-sector, "Conflict prevention and resolution, peace and security" within the sector "Government and Civil Society". Following this new policy orientation, Portugal's contribution to this sub-sector amounted to €12,797 million for post-conflict peacebuilding operations and to €8,377 for landmine clearance. Furthermore, the new framework for Portuguese development cooperation clearly states that Portugal will seek to credit as ODA all those activities within its technical-military cooperation that support security-oriented initiatives and which can be counted as ODA by the DAC. Technical-military cooperation involves training and fellowships within the framework of promoting good governance, the rule of law and respect of human rights. Additionally, Portugal has been a strong supporter of the proposed UN Peacebuilding Commission, as part of its policy to strengthen human security.

In general terms, Portuguese development cooperation policy in 2004 continued to lack full coordination among ministries and a comprehensive and effective evaluation of its programs. The political instability the country went through between 2002 and 2004 also had a negative impact on Portugal's development cooperation policy during this period. The

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strategic vision for Portuguese development cooperation as approved by the new government in late 2005 seems to offer a new orientation for the country's development cooperation policy. It remains to be seen if all its objectives will be implemented.

The new strategic document for development cooperation policy was made publicly available in late January 2006 and, at the time of writing, some Portuguese NGOs are analyzing its implications.

## Notes

- <sup>1</sup> Uma Visão Estratégica Para a Cooperação Portuguesa, Resolução do Conselho de Ministros nº196/2005, in Diário da República - I Série-B Nº244 - 22 de Dezembro de 2005 (pgs.7180-7201)
- <sup>2</sup> The definition of "fragile state" as offered by an official of the Portuguese development agency (IPAD) follows the working definition of UK's DFID: "fragile states covers those where the government cannot or will not deliver core functions to the majority of its people, including the poor. The most important functions of the state for poverty reduction are territorial control, safety and security, capacity to manage public resources, delivery of basic services, and the ability to protect and support the ways in which the poorest people sustain themselves." (DFID, Why We Need to Work More Effectively in Fragile States, January 2005, London)

**Box 21. SPAIN at a glance****How much ODA does SPAIN give?**

In 2004, SPAIN gave US\$2.4 billion or 1.9 billion euros

This means that in 2004, each person in SPAIN gave US\$56.4 or 45.4 euros

In 2004, ODA from SPAIN rose by US\$475.7 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 10% in real terms.

**How generous is SPAIN?**

SPAIN gave 0.24% of its national wealth in 2004. This compares with the average country effort of 0.42% and SPAIN's previous own high point of 0.28% in 1994.

SPAIN was less generous than 15 other donors, but more generous than 2003 when ODA was 0.23% of GNI.

**How much of SPAIN's ODA goes to the poorest countries and people?**

44% of bilateral ODA (US\$955.7 million) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of SPAIN's ODA was spent on basic health, basic education, and water supply and sanitation?****SPAIN spent**

5% of its bilateral ODA (US\$64.4 million) on basic health  
 2% of its bilateral ODA (US\$25.2 million) on basic education  
 5% of its bilateral ODA (US\$67.2 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Winds of Change in Spanish Aid

*Marta Arias and Irene Milleiro  
Intermón Oxfam.*

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The new government that came to power in 2004 brought with it renewed commitments for development aid at the highest level. Before being elected, President José Luis Rodríguez Zapatero had committed himself to achieve the internationally agreed upon 0.7% of GNI level by 2012, with an interim target of 0.5% for 2008 (end of the current term). To date, the latest confirmed figures for 2004 (0.25% according to official sources) seem to be in the right direction to achieve the expected level in 2008, with the National Budget for 2006 including an estimate of 0.36%. Actually, the increase in Spanish aid for 2004 was almost three times that of the average DAC figure, Spain now being the 8<sup>th</sup> largest donor in absolute terms and the 15<sup>th</sup> (and even 19<sup>th</sup>) in relative terms (compared to GDP and population).

Beyond the figures, the overall balance for this period is positive, with a relevant change in the overall orientation and perspective of development policy, together with a new era in the relationship with social actors. The “Development Council” (an advisory body that includes representatives from the central government, NGOs, trade unions, academics and other civil society groups) has re-started

its work after a long period of tension with civil society and actual inactivity. One of the first achievements of this council was the unanimous approval of the “Master Plan for Spanish Cooperation 2005-2008”<sup>1</sup>, which establishes the strategic guidelines for the Official Development system through this period.

Some important orientations included in this plan were particularly welcome, including the commitment to 0.5% for the period, a reorientation of spending towards the achievement of the MDGs, and increased attention to Sub-Saharan Africa and Basic Social Services. These last two points are particularly relevant, given that their relative allocation had actually decreased in 2004. Africa received that year only 16% of bilateral aid (18% in 2003), and the area of Basic Social Services is still far from the 20% committed in Copenhagen (particularly if we exclude the amounts allocated through export loans, due to reasons that will be explained later in this chapter). Nevertheless, the Plan also has some weaknesses, such as the lack of clear priorities and an appalling absence of budgetary figures backing the orientations included.

The Master Plan also provides for an improved humanitarian response system, and

establishes three strategic lines to be worked on:

- Adjust existing Spanish cooperation bodies to the particular requirements of humanitarian aid (e.g., establishing appropriate and efficient coordination structures with different actors, adopting financing procedures, and designing action protocols), so as to ensure greater efficacy in both its configuration and implementation;
- Adopt the continuum approach by having an integrated focus on activities that have to do with humanitarian aid, rehabilitation and development as different scenarios or times forming part of a single process guided by the fight against vulnerability; and
- Incorporate at all levels of development planning, actions regarding preparation for disasters, and their prevention and mitigation, seeking the participation of local agents in the various phases of aid, and incorporating a gender approach.

In order to develop these lines, a specific strategy for humanitarian action is expected to be approved by June 2006. The strategy should lay the basis for a more effective model of humanitarian response. Its implementation, together with the substantial increase in budgetary resources, should help overcome the deficiencies that have characterized Spanish humanitarian response to date: a chronic scarcity of funds, slow and rigid procedures for their disbursement, insufficient co-ordination between different actors of the administration, and an overall lack of planning that has led to a very reactive and ineffective model. The strategy should also put into practice the commitments that Spain assumed under the Good Humanitarian Donorship initiative. Given the increased

participation of the Spanish Armed Forces in the response to humanitarian crises, such as the 2004 Asian tsunami, or the Pakistan earthquake, it would be particularly relevant for the strategy to define the role of the military in these situations in order to assure the independence, impartiality and civil character of humanitarian aid.

Spanish cooperation still needs to address a number of important challenges. Some of them were identified in the latest DAC peer review (2002)<sup>2</sup>, others have been acknowledged by the government itself as bottlenecks to be resolved as a matter of priority in order to ensure the effectiveness of the Spanish aid system. Among these, we can highlight the following:

- **A thorough reform of the Aid Agency, including Human Resources policies and administrative procedures.** The reform is a matter of priority if the government wants to absorb and manage properly the increase of funds committed. It is crucial that this reform acknowledges the specificities of development cooperation from other governmental activities, allowing the budget and management flexibility needed for this kind of activity. It is also particularly important that personnel deficiencies are resolved, making it possible to hire staff of the highest caliber (regardless of their status as civil servants or not) with the knowledge and skills needed for the job.
- **Elimination of all tied aid and an urgent review of the policy on the use of credits for development cooperation:** despite all the debate around them, the FAD<sup>3</sup> was in 2004 still the most resourced instrument of Spanish cooperation in absolute terms, with more than 560 Million Euro actually disbursed. Particularly worrying is the permanent approval of tied credits to HIPC



# Spain

countries, up to a total of 55 Million Euro in 2004 and 2005. Some of them clearly contradict the DAC policy of not using credits for non-productive sectors in these countries, such as the “institutional modernization of the Electoral Supreme Council” in Nicaragua. The Master Plan actually includes a review of the FAD instrument as a first step in the reform of an instrument that is no longer credible, not only from a development perspective, but also as an export supporting mechanism. Unfortunately, the review hasn’t started at the time of writing this report.

- **Reform of the humanitarian aid system:** Despite what was provided for in the Master Plan, the reaction to the Asian tsunami was the biggest disappointment in this period of aid management by the new government. Out of the total aid package committed (70 M€), almost 70% consisted in a line of credit for an amount of 50 million Euro, while only 17% were direct donations. The rest was used to finance the cost of Spanish Armed Forces operations in the area. The problems behind this system are self-explanatory: one year after the crisis, not one single country has requested to use the line of credit, and the 50 million remain untouched.
- **Coherence of policies:** the government has committed itself on several occasions – starting with its own electoral program— to a development policy that goes beyond ODA and includes the different policies that have a likely impact on developing countries. There is still a long way to go in this respect, particularly in areas such as international trade and agriculture, which is probably the weakest aspect of the whole development position of the new government. Spain is comfortably hiding

behind the current agricultural communitarian system. It should instead be focusing on viable alternatives to defend sustainable agriculture in Europe which will not be at the expense of poor farmers in the South.

## Conflict, security and development

The new trend in Spanish aid is framed into a global change in the overall external policy and is evident in some symbolic decisions, as among them the removal of Spanish troops from Iraq. The alignment with and support to the UN, the proposal of an “Alliance of Civilizations” or the active involvement in the “Alliance against Hunger and Poverty” are also some signals in the right direction..

Positive steps can be found in the Master Plan for Spanish Cooperation mentioned above. This Plan identifies conflict-prevention and peace-making as a sectoral priority with its own identity and as a horizontal subject which must positively infiltrate the rest of Spanish cooperation activities. It therefore presents a shift of focus from previous strategies, concentrating attention and available resources not just on the fight against poverty, but also on human development and security. It defines development cooperation as a primary instrument, among others, with which to contribute decisively to the prevention of conflicts and the construction of peace by: combating the root causes of conflicts; promoting greater well-being, respect for human rights, good governance and a healthy and strong civil society; fomenting reforms in the sectors of security, and altering the conduct of governments in relation to military and social expenditure. The document also reaffirms the need for an integrated gender perspective in these areas.

The Master Plan also recognizes the need to make Spain an active “peace-maker”, as

the identification mark of a project for foreign, security and cooperation policy. Among the priority actions to achieve this objective are the drafting of a strategy for conflict-prevention and peacemaking (expected for Spring 2006), the creation of an Early-Warning Conflict-Prevention System, and to enhance voluntary contributions to multilateral bodies for conflict-prevention and peace-making work, and to local institutions committed to peace-keeping and conflict-prevention.

Despite these positive signs, the actual involvement of Spain in the strategic global agenda and processes is still very limited. This was for example the case with the World Summit of the UN in September 2005, where it was difficult to assess the Spanish position, and more difficult to see its representatives' playing an active role in the relevant debates linked to it.

On the human rights side, there is renewed activity from the government, with more active participation in several initiatives and processes in this area, including active support to UNHCR in Colombia. This position somehow contrasts with the blunt support that Spain is publicly providing to the current Colombian government at the EU level, particularly in relation to the controversial "Law of Peace and Justice", which has raised concerns regarding impunity for paramilitaries and could even include guerrilla groups in the future. Several instances of arms transfers to Colombia and Venezuela are also perceived with concern in this regard.

It is particularly in the area of arms transfers where hope and disappointment have

been combining in the last few years. In July 2004, the Government issued a communiqué supporting the initiative for an international treaty on arms transfers. This support had little impact on Spanish participation in the relevant international processes on the issue. The lack of coherence was explicit, as the Trade Ministry strongly questioned the relevance and adequacy of such a treaty. Finally, on July 2005, the President himself committed publicly to support and proactively promote the Arms Trade Treaty. It is expected that this time the announcement will be followed by active diplomacy.

A gleam of hope in this area is the establishment within the Development Council of a working group with the mandate to analyze Spanish policy on conflict, security and development from the perspective of its coherence with the Development Policy. The working group is made up of some departments of the government (including the Defence and Development Ministries), civil society representatives, and academics. The group is discussing recommendations for improved government coherence on several issues of key importance such as the role of the Spanish military in humanitarian operations, in order to align it with international standards; the active promotion of international initiatives such as the Peacebuilding Commission or the Human Rights Council; and the implications of the adoption of the principle of Responsibility to Protect at the World Summit, or the necessary coherence regarding Spanish arms transfers and development policy.

## Notes

<sup>1</sup> Available at [www.aeci.es/ope](http://www.aeci.es/ope)

<sup>2</sup> See [www.oecd.dac/peerreviews](http://www.oecd.dac/peerreviews)

<sup>3</sup> Fondo de Ayuda al Desarrollo or Development Aid Fund, export credits usually tied to the purchasing of goods or services from Spanish companies.

# Sweden

## *Box 22. SWEDEN at a glance*

### How much ODA does SWEDEN give?

In 2004, SWEDEN gave US\$2.7 billion or 19.9 billion SWE krona

This means that in 2004, each person in SWEDEN gave US\$302.1 or 2,219.3 SWE krona

In 2004, ODA from SWEDEN rose by US\$321.9 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 2% in real terms.

### How generous is SWEDEN?

SWEDEN gave 0.78% of its national wealth in 2004. This compares with the average country effort of 0.42% and SWEDEN's previous own high point of 1.02% in 1982.

SWEDEN was more generous than 18 other donors, but less generous than 2003 when ODA was 0.79% of GNI.

### How much of SWEDEN's ODA goes to the poorest countries and people?

69% of bilateral ODA (US\$1.8 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of SWEDEN's ODA was spent on basic health, basic education, and water supply and sanitation?

#### SWEDEN spent

2% of its bilateral ODA (US\$37.4 million) on basic health  
 2% of its bilateral ODA (US\$35.3 million) on basic education  
 2% of its bilateral ODA (US\$43.6 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# The Challenge of Walking the Coherent Line

*Jerker Thorsell, Forum Syd,  
with Lindsey Weber, Life and Peace Institute*

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## Sweden's Aid Program

Officially, the Swedish Government has already surpassed the 0.7% GNI target for ODA. In 2004 Sweden gave 0.78 % and has committed to reaching 1% in 2006. At least three quarters of allocable bilateral aid will be aimed at the least developed countries and a large proportion to humanitarian aid<sup>1</sup>.

Since 2004, all Swedish foreign policy, including aid, is to be guided by the ambitious, all-encompassing Policy for Global Development, or PGD. The overarching development co-operation goal is poverty eradication, and PGD prescribes a 'whole-of-government approach' to "equitable and sustainable global development". The PGD framework explicitly supports a national commitment to allocate one percent of its GNI to ODA.

The core idea behind PGD is coherence, in which all policy areas of government will aim for the same ultimate goal, which OECD-DAC recommendations encourage. Sweden generally performed well in the last DAC Peer Review of 2005. The Peer Review team noted that numerous recommendations from the previous review in 2000 have been addressed, amongst others a focus on decentralization, poverty eradication, policy coherence and

increases in ODA levels, and that the PGD has been an important driving force.

One of the major strengths of the PGD is its broad credibility. The guiding principles for all foreign policy is supposed to be a "rights perspective" and a "perspective of the poor". This has support from a large majority of stakeholders, the OECD/DAC, the government, the opposition and development NGOs. Everybody supports it, at least in theory. From a human rights and development point of view it is seen by many as truly progressive.

But here also lies a great challenge. While many development aid actors agree on the aims and goals of the policy, there is no agreement on the best strategy for implementing it. To be able to deliver, the PGD needs to incorporate a serious discussion on these issues both within and outside government. With the "rights perspective" and the "perspective of the poor" in mind, which trade, agriculture, environmental, migration and security policies take us closest to the aim of poverty eradication and sustainable development?

There is a lot of room for an informed discussion, but as yet this is not happening. The PGD talks about highlighting possible conflicts of interest between different

# Sweden

ministries and areas of policy, but for such a discussion to be real and constructive, there has to be a willingness across government to recognize the possible need for changes in existing policies.

The NGOs' impression is that such a willingness in central ministries such as trade, finance and industry, is not yet in place. This is what we see as the main challenge in relation to Sweden's policy implementation, an issue which was also raised by the DAC. For the most part, this still remains to be done. Neither is any proper mechanism for evaluation in place.

In relation to global development, the following three examples of areas where conflicting interests needs to be tackled are worth mentioning.

## Trade policies

The present trade agreements under the WTO are in many ways problematic for development. The Human Development Report 2005 finds that the present trading system is unfair and systematically favors developed countries<sup>2</sup>. The GATS (services) is one example and TRIPS (intellectual property) another. One of the more serious consequences is that the space for differentiated development policies is being closed. Yet the Swedish government does not even admit this as a fundamental problem that needs to be acted on.

## Policies towards international financial institutions

The international NGO community has long pointed to the need to democratize the IMF and the World Bank. And, as the DAC rightly points out, the increased focus in Swedish ODA on multilateralism and support of the IFIs raises the need to assess IFI policies independently and from the perspective of the PGD. How, for example, do different policy conditionalities influence the effectiveness of poverty reduction strategies, or how may the

perspective of the poor be translated in relation to internal decision making processes within the IFIs? Unfortunately, there is little understanding and willingness from the Swedish government to question the economic conditionalities that the Bank and Fund impose on developing countries.

## Arms trade

Another important concern is that the Swedish export and import of military equipment is not being addressed in the context of the PGD. Sweden has for several years been one of the biggest arms exporter per capita in the world. This fact, seen together with a newly proposed more liberal policy for arms export, seriously contradicts the ambition of the Swedish Government to promote peace and security through policy coherence.

Lastly, the institutional mechanisms are cause for concern. The fact that the secretariat responsible for implementing the PGD is housed in the Ministry for Foreign Affairs instead of the more logical location in the Prime Minister's office raises questions as to its support from the highest level. There is a need for a stronger commitment to, and acknowledgement of, the fact that coherence is not to find a middle way but to really focus on what is the right thing to do from a "rights perspective" and a "perspective of the poor".

## Conflict, security and development

In response to an international system increasingly characterized by the interdependence of security and development issues, the Swedish Government has committed to a gradual alteration of its security policy reoriented towards the prevention of conflict<sup>3</sup>. Accordingly, the Swedish International Development Agency (Sida) established the Division for Peace and Security in Development Co-operation, which released a comprehensive policy, *Promoting*

*Peace and Security through Development Cooperation*, in 2005.

This policy takes the 2003 Development Bill, *Shared Responsibility: Sweden's Policy for Global Development*, as its point of departure, which in turn produced the *Swedish Policy on Global Development (PGD)*, described above. The Bill cites conflict management and security as a central theme in Sweden's aid program.<sup>4</sup> Based on the concept of human security, the overall objective of the 2005 policy is to contribute to equitable and sustainable global development in all policy areas.

Terrorism is highlighted in the policy as a significant global threat. However, the Swedish Government envisions poverty as a catalyst and therefore chooses to combat terrorism primarily through the promotion of peace and security within development cooperation<sup>5</sup>. For the government of Sweden, poverty reduction strategies (PRS) are central instruments for effective and coordinated development cooperation towards reducing poverty. Yet PRS as actually implemented are criticized by many NGOs both in terms of process and in terms of their content. The processes, despite the explicit objective of inclusion, often leave important groups of people and interests out, including trade unions and sometimes even parliaments. The content is questioned because of a perceived contradiction between the macro-economic conditionalities and the impact on poverty of such demands. In focus here are controversial policy areas such as trade liberalization, the privatization of social services, and the strong demands on economic austerity imposed by the IMF.<sup>6</sup>

In the OECD-DAC Peer Review, the Swedish Government is acknowledged as the first DAC member to adopt a 'whole of government' approach to security and development, encompassing policy efforts to prevent and manage conflict on the basis of an integrated

approach<sup>7</sup>. This is seen as positive by a large majority of the Swedish NGO sector. So far, the international trend in which funds allocated for the development sector are diverted for military and quasi-military purposes, is not yet apparent in Sweden. But it is necessary to carefully monitor what actually happens.

Parallel with consistent domestic pressure to allocate one percent of GNI for international development cooperation, certain sectors of the Swedish Armed Forces and some Swedish politicians argue for a change in aid distribution whereby development funds are diverted to peace operations. In practice, this would mean less development aid, since peace operations are not being internationally counted as ODA.

In relation to the international discussion on opening up the DAC ODA criteria towards including narrow security interests, it appears that the Swedish Government does not favor changing the DAC guidelines. The Head of the Sida Division for Peace and Security believes, however, that even if it is important that funds are not used for military purposes, the use of funds to enhance civilian control over the military within security sector reform processes might be acceptable and may be considered ODA-eligible<sup>8</sup>.

Swedish international development cooperation is pursued in conjunction with the UN Millennium Declaration and with strong support for the MDGs, with special emphasis on the development of a global partnership<sup>9</sup>. The Swedish Government in general supports collective action within multilateral fora such as the UN, International Financial Institutions and the EU to combat global threats<sup>10</sup>.

In accordance with the objective of the Sida policy, changes in the pursuit of conflict prevention and management include direct initiatives based on conflict analysis and the principles of conflict sensitivity, as well as the

# Sweden

promotion of peace and security<sup>11</sup>. However, in a recent review of conflict management interventions, Sida was found to be primarily reactive in its involvement in conflict management. Accordingly, the advice was to concentrate more on conflict prevention activities in pre-conflict situations<sup>12</sup>.

In relation to the NGO sector, Sida has created a specific policy on how to support civil society in Sweden and its partner countries, and how to strengthen local partner organizations and capacities for peace<sup>13</sup>. An interesting initiative in the area of conflict

and security, taking place outside of Sida, is Genderforce, a recent innovative project involving both civil and military institutions and NGOs. It is part of the implementation of UN resolution 1325 and is aimed at increasing the participation of women in all Swedish international activities in crisis and conflict areas. So far it is too early to evaluate the result, but civil society members see it as having the potential of retaining the integrity of different actors while utilizing their respective competencies.

## Notes

<sup>1</sup> Organisation for Economic Co-operation and Development, *Sweden, DAC Peer Review: Main Findings and Recommendations* (OECD/DAC, 2005), p. 2.

<sup>2</sup> *Human Development Report 2005* (UNDP 2005), p 126 ff

<sup>3</sup> *From New York 2005 to Sweden 2014*, background for lecture given by Kevin Clements, "Advancing Multilateralism in the Face of Resurgent Nationalism", October 26 2005.

<sup>4</sup> The Swedish Government, *Shared Responsibility: Sweden's Policy for Global Development* (Swedish Ministry for Foreign Affairs, 2003). p. 22.

<sup>5</sup> The Swedish Government, *Shared Responsibility: Sweden's Policy for Global Development* (Swedish Ministry for Foreign Affairs, 2003). p. 29.

<sup>6</sup> Hermele, Kenneth, *The Poverty Reduction Strategies - A survey of the literature* (Forum Syd 2005)

<sup>7</sup> Organisation for Economic Co-operation and Development, *Sweden, DAC Peer Review: Main Findings and Recommendations* (OECD/DAC, 2005), p. 1.

<sup>8</sup> Björn Holmberg, Head of the SIDA Division for Peace and Security in Development Co-operation, Conversation on November 17 2005.

<sup>9</sup> The Swedish Government, *Shared Responsibility: Sweden's Policy for Global Development* (Swedish Ministry for Foreign Affairs, 2003). p. 19.

<sup>10</sup> The Swedish Government, *Sweden's Global Development Policy* (Swedish Ministry for Foreign Affairs, 2004), p. 14.

<sup>11</sup> The Swedish Government, *How to Conduct a Conflict Analysis: Conflict Sensitive Development Cooperation* (Swedish International Development Agency, 2004), p. 1.

<sup>12</sup> Institute of Public Management, *Conflict Management Interventions Supported by Sida During the Year 2003* (IPM 2004), p. 23

<sup>13</sup> The Swedish International Development Agency's Division for Co-operation with NGO's, retrieved from [http://www.sida.se/sida/jsp/sida.jsp?d=248&a=5129&language=en\\_US](http://www.sida.se/sida/jsp/sida.jsp?d=248&a=5129&language=en_US) on November 29 2005.

**Box 23. SWITZERLAND at a glance****How much ODA does SWITZERLAND give?**

In 2004, SWITZERLAND gave US\$1.5 billion or 1.9 billion SWI francs

This means that in 2004, each person in SWITZERLAND gave US\$209.9 or 260.9 SWI francs

In 2004, ODA from SWITZERLAND rose by US\$245.9 million in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 9% in real terms.

**How generous is SWITZERLAND?**

SWITZERLAND gave 0.41% of its national wealth in 2004. This compares with the average country effort of 0.42% and SWITZERLAND's previous own high point of 0.45% in 1992.

SWITZERLAND was less generous than seven other donors, but more generous than 2003 when ODA was 0.39% of GNI.

**How much of SWITZERLAND's ODA goes to the poorest countries and people?**

69% of bilateral ODA (US\$987.2 million) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of SWITZERLAND's ODA was spent on basic health, basic education, and water supply and sanitation?****SWITZERLAND spent**

3% of its bilateral ODA (US\$30.9 million) on basic health  
 1% of its bilateral ODA (US\$15.4 million) on basic education  
 3% of its bilateral ODA (US\$30.9 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*



# Support for Aid Cools in Switzerland

*Michèle Laubscher*  
*Alliance Sud (formerly Swiss Coalition)*

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## ODA OVERVIEW

The political climate toward development aid has cooled further in Switzerland in recent years. Support for aid is crumbling within the center and right political parties, which traditionally hold the majority in parliament and government. At the international level, the government is maneuvering itself increasingly into a marginalized position by freezing the ODA budgets and refusing to discuss new financing mechanisms. In contrast, surveys and public donations show that the population is favorably disposed towards aid and that there is a growing wish for it to be increased.

- In 2004, Swiss ODA rose to over 0.4% of GNI for the first time since 1992. Yet this was not due to an increase in the ODA budget but because the Swiss government decided to include allocations for asylum-seekers from developing countries, and not only those for recognized refugees, as part of ODA. Its justification for this was that nine of the 23 DAC countries also treat such costs as ODA. This brought ODA to CHF 1,920 million or 0.41% of GNI in 2004, with the cost of looking after asylum-seekers making up 12% of ODA. Under the old

calculation method, used up to 2003, the GNI share would have been 0.37%, less than in 2003 (0.39%)<sup>1</sup>.

- In May 2004, the Swiss Government decided to support the integration of the new EU members with a contribution of CHF 1 billion over eight years and opened the way for the expeditious conclusion of stalemated talks with the EU on the Bilateral Agreements II<sup>2</sup>. That so-called cohesion contribution was the price paid by Switzerland to preserve its bank secrecy and secure better access to the markets in the new EU countries for the Swiss economy. Yet the government decided to charge the CHF 1 billion to the ODA budget – although these contributions do not meet the criteria for ODA either in the EU or the OECD. Alliance Sud (formerly Swiss Coalition) has demanded that the cohesion contribution should instead be funded from sources related to the Bilateral Agreements and the eastward EU enlargement: The Agreement on the taxation of interest on savings and the improved market access will generate additional income, whilst the Schengen/Dublin Agreements will mean savings. Together these could more than amply finance the cohesion contribution.

Parliament is due to take a final decision on this in the course of 2006.

- Switzerland supports the MDGs. The government sees them as meaningful development policy guidelines and acknowledges that Switzerland too must step up its ODA. Yet it refuses to set a new percentage target. Swiss President Samuel Schmid declared at the UN World Summit in September 2005 that Switzerland would decide on a schedule for its annual ODA share of GNI only after 2008. In the government's financial plans up to 2009, the ODA budget is adjusted only for inflation, but in real terms it remains frozen at the 2004 level. Should the above-mentioned cohesion contribution be included as ODA, this would effectively amount to an annual average reduction of CHF 125 million for the coming years.
- It is not just in ODA increases that the Swiss government is applying the brakes, but also with regard to new financial mechanisms. In principle, it refuses to participate in global taxes or in a global International Finance Facility to fund the MDGs. With this approach it is bypassing the recommendations of its advisory commission for development cooperation as well as the official Agency for Development and Cooperation (SDC), which are both in favor of such mechanisms.
- Switzerland welcomed the G8 debt cancellation initiative announced in Gleneagles in 2005, but for the time being is only prepared to study participation in that initiative and the government has made no financial commitments. It is demanding that debt relief should be strictly linked to conditionality (budget discipline, combating poverty and corruption, democratization) and calls for further discussion of whether less heavily indebted countries should also be included.

The one major problem is that of additionality: the cost-cutting measures in the overall government budget entail the risk that the funds for multilateral debt relief could be obtained from the ODA budget rather than from additional allocations. Switzerland has been counting debt cancellation as part of ODA since 2003, according to DAC criteria.

- In its Peer Review 2005, the OECD/DAC urged Switzerland to increase its aid. The Review stated that Switzerland has taken positive actions concerning transfers of illegally-acquired capital, but that less attention is paid to the fact that the flight of legally-acquired capital has negative effects on developing countries. It suggested that Switzerland consider extending recent agreements to include returning tax revenues to developing countries, as is already the case with the EU. So far the government has taken a negative stance on the subject, judging that the benefits for developing countries would be minimal while the root causes of capital flight would remain.

### Conflict, security and development

- Issues of conflict, security and development became prominent in Switzerland in the 1990s against the backdrop of the violent conflicts in the Balkans and the genocide in Rwanda. In its 1993 and 2000 Foreign Policy Reports, the government strengthened its commitment to the prevention of violent conflict and to peace-building. The issue became one of the five thematic focus areas of the Swiss Agency for Development and Cooperation (SDC), security being defined not as military security, but as human security, comprising an existence free from fear and necessity, as well as access to material and

# Switzerland

non-material resources. The legal basis for this strengthened commitment was provided with the law on civil peace-building and strengthening of human rights in 2004. The Foreign and Defence Ministries were made responsible for implementation and in 2004 received an initial four-year allocation of CHF 220 million and CHF 280 million respectively. These amounts were provided in addition to ODA lines in the budget.

- Within the Foreign Ministry, SDC and the Political Affairs Division for Human Security are responsible for the area of conflict, security and development. SDC works on conflict and in delicate situations, whether through humanitarian aid (e.g., training in the peaceful resolution of conflicts and the empowerment of civil society in Angola), or as part of country programs (e.g., development of democratic and decentralized governance and civil society participation in democratization processes in Bolivia and Niger).
- At the same time, SDC follows a mainstreaming approach. It created a unit for conflict prevention and peace-building in early 2001, and issued its Peace-Building Guidelines in 2003. They stipulate that SDC take systematically into account the interaction between combating poverty, and peace-building in all its work and at all levels, and that it enshrine emergency aid in a long-term peace-building perspective in order to counter crisis-intensification factors. They were followed by a tool on: "Conflict-Sensitive Program Management in International Cooperation - Mainstreaming the prevention of violence".<sup>3</sup> The Political Affairs Division for Human Security focuses on human rights and peace-building, including programs for civil conflict transformation in Sri Lanka, the Balkans and in Southern Africa. Since 2003, these peace-building activities have increasingly been counted as ODA (in 2004: CHF 31.1 million or 1.6% of ODA).
- Since 2003, Ministry of Defence spending on peace-building and security has similarly been charged to ODA (Swisscoy in Kosovo and military observers within UN missions). This amounted to CHF 34.6 million for 2004 (1.8% of ODA).
- Since 2003 the Swiss government has been applying DAC criteria for ODA calculations that it had not used previously (i.e., the inclusion of costs related to asylum-seekers and to peace-building activities), justifying this with international comparability. Its stance within the DAC is more on the restrictive side, in that it does not wish to see the criteria extended to fields beyond development aid.
- The Swiss government reacted calmly to 9/11 and has never felt directly threatened. But it views the fight against terrorism and its causes as incumbent on all countries, stressing that it must be conducted with observance of human rights and international law. It has called within the UN for the human rights implications of the war on terrorism to be explored. Bilaterally, it has urged several countries to honor their commitments in keeping with international agreements, including Russia (Chechnya), China (Uighurs) and the USA (Guantanamo). In March 2005, the Swiss president declared at the International Summit on Democracy, Terrorism and Security in Madrid, that the fight against terrorism also meant combating its causes, such as the absence of democracy, human rights violations or regional conflicts. Switzerland disapproves of the tactic to induce countries to combat terrorism by easing the pressure to respect principles of good governance. According to officials,

who do not want to give details about concerned donor or recipient countries, certain states advocate this tactic, for instance in discussions about coordination measures for PRSPs within the World Bank.

- The fight against terrorism has not impacted SDC country programs, their orientation or their funding. It is having indirect consequences for humanitarian aid however, as civil-military cooperation is growing in crisis regions worldwide, with increasing frequency under military leadership. SDC firmly believes that civil-military cooperation should be mutually planned, with civilians retaining overall responsibility and a primary position in implementing humanitarian action, with no

humanitarian mandate for soldiers in Peace Supporting Operations (PSO). On the other hand, some officials in the army and the Ministry of Defence are increasingly considering the army as a foreign policy instrument, and take the view that humanitarian aid today needs military cooperation. But so far, a concept for Swiss civil-military cooperation does not exist, and there seems to be scant willingness within the Federal Administration to discuss the conflicting areas in which humanitarian players operate. NGOs disapprove of civil-military cooperation and are left with the impression that, with the exception of SDC, there is little awareness within the administration about the risks of this kind of cooperation.

### Notes

<sup>1</sup> Agency for Development and Cooperation (SDC), Annual Report 2004

<sup>2</sup> As Switzerland is not a member of the EU, economic relations are established in sets of Bilateral Agreements. In the negotiations on the second set of Bilateral Agreements Switzerland managed to preserve its banking secrecy by offering to collect a

tax on the interests paid on the savings EU citizens keep on Swiss accounts. 75% of this tax will be forwarded to the countries of the account owners, while Switzerland is allowed to keep 25%. The set includes the Schengen/Dublin Agreements, which will lead to less expenditures for asylum seekers.

<sup>3</sup> Further information at [www.deza.ch](http://www.deza.ch)

# United Kingdom

## *Box 24. The UNITED KINGDOM at a glance*

### How much ODA does the UNITED KINGDOM give?

In 2004, UNITED KINGDOM gave US\$7.9 billion or 4.3 billion BRI pounds

This means that in 2004, each person in UNITED KINGDOM gave US\$131.4 or 71.7 BRI pound

In 2004, ODA from UNITED KINGDOM rose by US\$1.6 billion in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 10% in real terms.

### How generous is the UNITED KINGDOM?

UNITED KINGDOM gave 0.36% of its national wealth in 2004. This compares with the average country effort of 0.42% and UNITED KINGDOM's previous own high point of 0.59% in 1961.

UNITED KINGDOM was less generous than 10 other donors, but more generous than 2003 when ODA was 0.34% of GNI.

### How much of the UNITED KINGDOM's ODA goes to the poorest countries and people?

75% of bilateral ODA (US\$5.3 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

### How much of the UNITED KINGDOM's ODA was spent on basic health, basic education, and water supply and sanitation?

The UNITED KINGDOM spent

2% of its bilateral ODA (US\$90.8 million) on basic health  
6% of its bilateral ODA (US\$304.3 million) on basic education  
0.5% of its bilateral ODA (US\$26.7 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# Foreign Policy and Security Concerns and UK ODA

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- The volume and effectiveness of aid remains a major focus of UK development assistance, as one of the necessary instruments for achieving the Millennium Development Goals (MDGs). UK Official Development Assistance (ODA) remains focused on the reduction of poverty, with the 2002 International Development Act providing the legal basis whereby ODA spending must have poverty reduction as its main aim.
- While UK ODA is centered on reaching the MDGs, the challenges posed by the 'war on terror', by ongoing conflict and mounting global security concerns are having an impact on UK development assistance.

## **Focus on aid volume and quality in UK ODA**

- Aid volume: Following the 2004 Comprehensive Spending Review, the budget of the UK's Department for International Development (DFID) is set to rise from £3.8 billion in 2004/05 to more than £5.3 billion by 2007/08. Total UK ODA (which includes spending on development outside the DFID budget) is due to reach nearly £6.5 billion a year by 2007-08<sup>1</sup>. As

a percentage of GNI, aid is set to increase from 0.39% in 2005 to 0.47% in 2007/08. The UK government maintains its intention to reach the 0.7% target by 2013, as reiterated in the G8 communiqué of July 2005<sup>2</sup>, despite calls by British NGOs to speed up its timetable and to reach the long-overdue target by 2010.

Safeguarded by the International Development Act, the primary focus of UK ODA remains poverty eradication and the achievement of the MDGs. A Bill requiring the government to produce an annual report to Parliament with details of the UK's progress towards the 0.7% target and how UK aid has been spent is expected in 2006. If it is adopted, this will be the first time that the government has to report yearly to Parliament on its progress towards reaching 0.7% and the Bill will also ensure more parliamentary debate on aid quantity and quality.

- Innovative financing: The UK government is also supporting innovative financing mechanisms for development, in particular the International Finance Facility (IFF). The government claims that if the IFF

# United Kingdom

were fully implemented, the UK could reach the 0.7% target by 2008-09. However, so far the IFF has only been implemented in pilot form, as the IFF for Immunisation (IFFim). The UK's financial contribution to IFFim represents 35% of the total pledged (\$130 million per year)<sup>3</sup>.

As a mechanism for delivering more development financing, the IFF has received a mixed response from NGOs. While recognizing the value of frontloading aid spending and accelerating progress on the MDGs, and acknowledging the potential to ensure aid predictability and poverty focus, NGOs are concerned that IFF repayments will jeopardise future ODA flows when the IFF amounts have to be repaid after 2015, and that it could be used to substitute for donors' 0.7% commitments.

- Aid allocation: UK bilateral ODA continues to focus on the poorest countries, with the government on track to spend 90% of its bilateral aid, excluding humanitarian assistance, in low-income countries by 2006<sup>4</sup>. In 2004/05, 39% of DFID's expenditure was channelled through multilateral organizations, with the European Community (EC) development program receiving the most (60% amounting to £898 million) followed by the World Bank (14%) and the UN (13%)<sup>5</sup>. The UK government wants to improve the poverty focus of EC aid, and has set itself the target of ensuring that 70% of EC aid is spent in low-income countries by 2008<sup>6</sup>.
- Aid effectiveness: The UK government actively engaged in the Paris High Level Forum on Aid Effectiveness in 2005. It urged other donors to improve their support for country-led development, to improve aid predictability, to use country

systems for procurement and financial management, to harmonize in-country work more effectively, to untie their aid and increase aid allocations to the poorest countries<sup>7</sup>. The UK states that it is committed to improving its own aid performance by<sup>8</sup>:

- o rethinking its policy on conditionality (see below);
- o developing more long-term aid agreements;
- o providing, by 2007/08, more than half of UK bilateral aid in the form of poverty reduction budget support or sector-wide support;
- o improving harmonization through increasing UK aid delivered through joint funding arrangements;
- o continuing to provide aid that is untied and allocating almost all bilateral aid to low-income countries.

Despite the UK's commitment to improve the effectiveness of its aid, NGOs have been calling for it to go further and to stop counting debt relief as ODA, to review its use of Technical Assistance (which in 2004/05 accounted for 24% of DFID's bilateral aid) and to put more emphasis on local procurement, and to use its political influence to ensure that multilateral aid is also poverty-focused and free of economic policy conditions.

- Conditionality: In March 2005, the government published a new policy stating that the UK will not make its aid conditional on recipient governments adopting specific economic policies, and will not attempt to impose policy choices such as trade liberalization and privatization on them. This followed increasing pressure from civil society

organizations arguing that imposing neo-liberal policy prescriptions on developing countries as a condition for aid is both inappropriate and ineffective for poverty eradication.

In the new policy, the UK government commits to 'building a successful partnership for poverty reduction focusing on poverty outcomes rather than specific policy conditions'<sup>9</sup>. It highlights three objectives on which effective aid partnerships are to be based: reducing poverty and achieving the MDGs; respecting human rights and other international obligations; and improving financial management and accountability. The policy also envisages incorporating human rights benchmarks into poverty reduction plans.

NGOs have been urging DFID to ensure that this policy is fully implemented with monitoring and feedback on its implementation, and to press the World Bank and IMF to change their own use of damaging economic policy conditionalities. NGOs are also calling on DFID to be fully transparent on the conditions it attaches to its aid (including the reasons when aid may be suspended), to ensure any conditions are discussed with local civil society and with parliamentarians and other stakeholders before they are agreed, and to promote mutual accountability between donors and partner countries, through mutual obligations for donors and recipients alike.

- 2005 saw the mobilization of the largest-ever UK civil society coalition against global poverty, campaigning under the name of MAKEPOVERTYHISTORY. The UK government also invested unprecedented

efforts to prioritize development issues in 2005, in its role as chair of the G8, as holder of the EU presidency and by setting up the Commission for Africa. While 2005 did not deliver as much as NGOs had hoped, there is a recognition of the substantial political effort made by the UK government in pressing other countries to secure progress on development issues, by putting these at the top of the G8 summit agenda and using behind-the-scenes diplomacy to persuade other G8 countries to agree to more aid and debt relief. Nationally, following 2005, there is increased support for development issues and for the 0.7% ODA target across the main political parties, and unprecedented visibility of development concerns in public debates in Britain.

#### UK ODA in the face of global security concerns and the 'war on terror'

- While the UK has consistently increased its development assistance since 1997 (when the Labour Party came to power), and DFID has received a rising share of government expenditure, there are signs that global security concerns and foreign policy priorities are having an impact on UK aid allocations. In 2003-05, Iraq and Afghanistan were among the top 10 recipients of DFID's bilateral aid, with Iraq being the top recipient in 2003-04, having received £209 million (£99 million excluding humanitarian assistance)<sup>10</sup>. UK aid to Pakistan also rose significantly between 2001 and 2004<sup>11</sup>.

The costs of reconstruction in Iraq also had an impact on DFID's allocations to middle-income countries. In order to work towards its commitment to provide 90% of country program resources to low-



# United Kingdom

income countries, DFID had to bring forward a planned scaling back of aid to middle-income countries in order to accommodate the allocation to Iraq<sup>12</sup>. It is also expected that a significant part of UK ODA in 2005 and 2006 will be made up of (largely unserved) debt relief for Iraq and Nigeria.

- In recent years the UK government has been increasingly concerned with the threats posed by conflict, instability, fragile states and terrorism. It is attempting a holistic approach to development, conflict and security issues, and is focused on investing in prevention through multi-faceted international strategies. In February 2005, the Prime Minister's Strategy Unit commissioned a report, "Investing in prevention: an international strategy to manage risks of instability and improve crisis response", for consideration by the government. The initiative was carried out jointly by the Foreign & Commonwealth Office (FCO) and DFID, and proposes an international strategy for managing instability and improving crisis prevention and response. The government's argument for addressing insecurity is explicitly framed in terms of the threats posed by conflict and state failure to the UK (i.e. the impact on efforts to tackle terrorism, on organized crime, on refugee flows and on energy security) as well as the threat they represent to achieving the MDGs.
- The UK government is placing increasing emphasis on the inter-connectedness of security and development and on human insecurity as a barrier to achieving the MDGs. A DFID policy paper, "Fighting poverty to build a safer world. A strategy for security and development", outlines the UK's position on the need to promote human security and peacebuilding, to tackle fragile states and to address the underlying causes of instability and insecurity in order to prevent conflict and promote development. The DFID policy states: 'This does not mean subordinating poverty reduction to short-term political interests or to work on anti-terrorism. Nor does it mean big shifts in the existing allocation of UK development assistance - this will continue to remain focused on the world's poorest countries and people. It does mean bringing poor people's security more squarely into our work'<sup>13</sup>.
- However, the UK's policies on addressing state fragility and conflict through prevention and through a coherent and joined-up approach to development and security issues are in stark contrast to the government's decision to support the US in its pre-emptive intervention in Iraq despite unprecedented public and political opposition. The UK's commitment to multilateralism and to strengthening the role of the UN in tackling global problems is at odds with its foreign policy over Iraq, showing a lack of coherence in its approaches to overseas development and foreign policy priorities.
- The UK government and DFID have played leading roles in donor efforts to develop innovative policies and programs to tackle conflict and security issues, for example by supporting the OECD/DAC in developing guidelines for improving aid effectiveness in fragile states and championing the Extractive Industries Transparency Initiative. In 2001, the government set up joint Conflict

Prevention Pools (a Global Pool and an Africa Pool) to improve effectiveness in conflict prevention, management and resolution. These mechanisms are supported by the Treasury and the Cabinet Office, and provide enhanced cooperation between the Ministry of Defence, the FCO and DFID. DFID has started to incorporate conflict reduction objectives into its programs and to carry out conflict appraisals in preparing country assistance programs, as well as increasingly incorporating disaster preparedness and mitigation into longer-term development objectives<sup>14</sup>. DFID has also produced guidance notes for carrying out conflict assessments, as a tool to help DFID staff and partner agencies to respond to the implications of conflict when developing assistance programs<sup>15</sup>.

- In response to the government's initiatives addressing conflict and security, some NGOs, in a joint agency statement, outlined key recommendations, urging it to resist any initiatives at the EU and OECD/DAC level to subordinate pro-poor development priorities to donor-driven security interests and to resist any pressure to finance security priorities from (already insufficient) ODA budgets. The NGO statement also called on the UK government to increase and improve conflict analysis in all stages of aid programming, and to ensure full civil society participation in tackling conflict and insecurity<sup>16</sup>.
- 2006 will see the publication of a DFID White Paper outlining the Department's policy for improving progress in 'delivering' development, achieving

coherence and improving the effectiveness of the international development architecture. This will include looking at the role of the UK and the UN in preventing conflict and addressing state fragility, and at how to improve the UN's and the international community's ability to respond to humanitarian crises<sup>17</sup>. In March 2006 the FCO also published a White Paper, focusing on the international challenges the UK expects to face over the next 10 years and the government's future priorities, including tackling global terrorism and organised crime, preventing and resolving conflict, managing migration and promoting sustainable development and poverty reduction<sup>18</sup>.

- The British government's commitment to pro-poor development assistance, its support for international responses to global challenges and for initiatives such as the new UN Human Rights Council and the proposed international Arms Trade Treaty, and its political and financial commitment to the UN Central Emergency Response Fund, all seem to position the UK as a relatively progressive donor committed to alleviating poverty, inequality and insecurity. However, this is contradicted by its controversial support of the US in the occupation of Iraq and the 'war on terror'. NGOs will need to be vigilant in ensuring that foreign policy priorities do not undermine the stated poverty focus of UK development assistance and that aid allocations are not driven by narrow and self-serving political and foreign policy and security objectives.

# United Kingdom

## Notes

- <sup>1</sup> HM Treasury: [http://www.hm-treasury.gov.uk/documents/international\\_issues/international\\_development/development\\_aid\\_budget.cfm](http://www.hm-treasury.gov.uk/documents/international_issues/international_development/development_aid_budget.cfm)
- <sup>2</sup> [http://www.fco.gov.uk/Files/kfile/PostG8\\_Gleneagles\\_Communique,0.pdf](http://www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_Communique,0.pdf)
- <sup>3</sup> <http://www.iffim.com>
- <sup>4</sup> *The UK's Contribution to Achieving the Millennium Development Goals*, HM Government, 2005, p. 40
- <sup>5</sup> <http://www.dfid.gov.uk/aboutdfid/statistics.asp> and *Statistics on International Development, 2000/01-2004/05*, DFID, p. 10
- <sup>6</sup> *The UK's Contribution to Achieving the Millennium Development Goals*, HM Government, 2005, p. 39
- <sup>7</sup> Paper circulated by Hilary Benn, UK Secretary of State for International Development, on 2 March 2005 at the Paris High Level Forum on Aid Effectiveness.
- <sup>8</sup> Ibid
- <sup>9</sup> *Partnerships for poverty reduction: rethinking conditionality. A UK policy paper*. DFID, FCO, HMT, March 2005, p. 1
- <sup>10</sup> *Statistics on International Development 2000-01 - 2004-05*, DFID 2005, pp 27-28
- <sup>11</sup> *Reconciling effective aid and global security: Implications for the emerging international development architecture*, paper by the Global Economic Governance Programme, University College Oxford, p. 22 <http://users.ox.ac.uk/~ntwoods/GEG%20WP%20Reconciling.pdf>
- <sup>12</sup> *DFID Departmental Report 2004*, p. 155
- <sup>13</sup> *Fighting poverty to build a safer world. A strategy for security and development*, DFID, March 2005, p. 6
- <sup>14</sup> <http://www.dfid.gov.uk/aboutdfid/organisation/conflicthumanitarianassistance.asp>
- <sup>15</sup> <http://www.dfid.gov.uk/pubs/files/conflictassessmentguidance.pdf>
- <sup>16</sup> <http://www.bond.org.uk/advocacy/gsd/gsd0305.htm>
- <sup>17</sup> *Eliminating World Poverty: a consultation document*, DFID, January 2006. <http://www.dfid.gov.uk/wp2006/>
- <sup>18</sup> <http://www.fco.gov.uk/servlet/Servlet?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1067970612699&a=KArticle&aid=1142705005786>

**Box 25. The UNITED STATES at a glance****How much ODA does the UNITED STATES give?**

In 2004, the UNITED STATES gave US\$19.7 billion

This means that in 2004, each person in the UNITED STATES gave US\$67

In 2004, ODA from the UNITED STATES rose by US\$3.4 billion in cash terms. Because of inflation and exchange rates changes, the value of ODA rose by 18% in real terms.

**How generous is the UNITED STATES?**

The UNITED STATES gave 0.17% of its national wealth in 2004. This compares with the average country effort of 0.42% and UNITED STATES' previous own high point of 0.60% in 1963.

The UNITED STATES was less generous than 20 other donors, but more generous than 2003 when ODA was 0.15% of GNI.

**How much of the UNITED STATES' ODA goes to the poorest countries and people?**

50% of bilateral ODA (US\$9.0 billion) went to least developed and low income countries where 3.5 billion people (60% of global population) live on less than US\$2 a day.

**How much of the UNITED STATES' ODA was spent on basic health, basic education, and water supply and sanitation?****The UNITED STATES spent**

4% of its bilateral ODA (US\$649.9 million) on basic health

2% of its bilateral ODA (US\$341.2 million) on basic education

4% of its bilateral ODA (US\$666.2 million) on water supply and sanitation

\* These sector percentages are based on DAC data for sector allocation of aid to permit comparison between donors. The data unfortunately tend to under-count (sometimes significantly) the actual allocations to these sectors because they do not include multi-sector programs that may be allocated in part to these sectors.

*Source of basic data: OECD-DAC Statistical Annex of the 2005 Development Co-operation Report*

# 2005 – Year of Development – Are We Further Ahead?

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InterAction*

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The year 2005 was notable in development for several international events of key significance. These were the G-8 Summit at Gleneagles, Scotland, the UN Summit on the Millennium Development Goals, and the World Trade Organization Ministerial Meeting in Hong Kong at year's end. In these high profile meetings that attracted broad media attention as well as significant civil society interest, some headway was achieved in addressing major issues such as debt, but others, such as trade, made little if any gains.

At Gleneagles, George W. Bush joined with host Tony Blair in showing support for limited debt cancellation for 18 of the world's poorest countries. This agenda moved a step forward, although not implemented, during the World Bank/IMF Annual Meetings in September. The US remained resolute on the debt issue through the year, and was challenged by the European countries, which raised conditionality concerns at the IMF, and in so doing weakened support for debt cancellation. After CSO and member-state lobbying, in December the Board of the IMF agreed to the Gleneagles package without additional conditions.

Of perhaps equal or even greater significance for development, however, was

the vocal emergence at the G-8 Summit of a new citizen-driven coalition, the Global Call to Action Against Poverty. The One Campaign, representing the United States, has almost 60 organizational members and approximately 1.7 million participants on their e-advocacy list. This alliance linked celebrities such as Bono and Brad Pitt with longstanding aid and humanitarian organizations around a dynamic, relatively simple, yet broad agenda focused on debt, aid and trade. It remains to be seen what long-term effects this coalition will have on the development landscape. But there can be little doubt that it captured the public's imagination.

One new policy initiative unveiled by the Bush Administration during the year was for increased funding to counter malaria, a major killer of children in sub-Saharan Africa. On June 30, 2005, President Bush challenged the world to dramatically reduce the burden of malaria, and pledged to increase funding for malaria prevention and treatment by more than \$1.2 billion over five years. However, this will require Congressional appropriations, which have been difficult to obtain in the past.

The World Summit ('Millennium +5') at the UN in September supported increased

aid, aid effectiveness, and wider debt relief. On trade, however, there was little progress. In the meantime, the new and controversial US Ambassador to the UN, John Bolton, raised a last-minute set of issues around UN reform, creating a major distraction and preventing the completion of a comprehensive statement.

Later, in the run up to the WTO Ministerial Meeting in Hong Kong, the US attempted to reinvigorate the trade talks by unveiling a “bold” plan to sharply reduce agricultural subsidies, although some observers questioned whether the proposals had in reality altered the US position. The Administration hoped to bring pressure to bear on other countries, particularly the Europeans, to reduce their agriculture subsidies, but little movement took place and as the WTO opened in Hong Kong, it appeared the agreements needed to successfully conclude the Doha Development Round would not be reached.

On the domestic front, the Bush administration stayed the course in support for its recently created [2002] development agency, the Millennium Challenge Corporation though the Republican Congress refused to meet his earlier funding pledge.<sup>1</sup> As the Administration’s own effort at foreign assistance reform, the MCC was founded on principles of sound governance and poverty reduction through economic growth contained in “compacts” signed with developing countries. The MCC received early criticism for a slow start, little spending and ineffectual leadership. But in 2005 the administration hoped to turn things around with the appointment of a new chairman, John Danilovich, the approval of new countries, the signing of new compacts, and increased funding. The MCC received US\$1 billion in the 2004 budget. This figure was increased to US \$1.488 billion in the 2005 budget, significantly cutting the administration’s request of \$2.5 billion.

As the year wore on, Administration plans at perhaps even broader reform in US foreign assistance surfaced with reports and rumors abounding concerning restructuring and integrating USAID into the US State Department. Linked to these plans was reference to five consolidated goals for foreign aid contained in a USAID White Paper released in January 2004:<sup>2</sup>

1. Promote transformational development in reasonably stable countries;
2. Strengthen fragile states;
3. Support geopolitical interests in countries of high strategic importance;
4. Support humanitarian relief; and,
5. Address global issues such as HIV / AIDS and trade.

The accounts of impending changes in foreign assistance also raised concerns among civil society actors in the US. The Administration had sought little if any consultation with civil society about the proposed changes, thereby limiting the scope for civil society to advise on the wisdom or practicality of the changes. The Administration’s behavior was also worrisome, as it seemed consistent with trends limiting the role of NGOs. These included signs that the U.S. government increasingly favored contractors over NGOs to do its business and also policy requirements of NGOs receiving government funds. For example, NGOs receiving HIV/AIDS funds have been requested to provide written policy that the NGO opposes prostitution, creating complications for any prevention work the NGO may have with such high-risk groups as commercial sex workers.

In overall funding, the US Congress approved US\$ 19.7 billion in regular

# The United States

appropriations for Foreign Operations for the fiscal year 2005, an increase of 13 percent over the US\$ 17.5 billion approved in 2004 but \$1.6 billion less than requested by the Administration. Accounts receiving increases in FY 2005 include the funds allocated to the President's AIDS Initiative [PEPFAR] administered by the State Department totaled US \$ 1.37 billion, a significant increase over the US \$ 488 million allocated in 2004.

## Conflict, security and development in US foreign assistance

The theme of violent conflict, both within and between states, was on the agenda at the highest levels this year, including at the G8 and the World Summit on the MDGs.

At the G8, the US had hoped for a stand-alone statement on conflict prevention, early warning, rapid response capabilities and better coordination of G8 and other crisis response efforts. However, in a compromise with the UK on keeping a tightly focused G8 agenda, the US agreed to have language inserted into the Africa text of the communiqué instead.

Activity with respect to the World Summit and the subsequent UN reform process has been murkier. The US Ambassador to the United Nations, John Bolton, created a stir with last-minute proposals to alter the Outcomes Document at the Summit, and subsequent sharp calls for reform at the UN. The United States places a far lower priority than some other nations on the reforms most relevant to conflict issues, namely the Peacebuilding Commission and Peacebuilding Support Office, the Human Rights Commission, and the "responsibility to protect." Nonetheless, there is significant international momentum behind each of these issues, and the US does not appear to be playing an obstructionist role. Rather, both the Administration and Congress are concerned about the potential costs associated with

these new mandates, and it will be over budget discussions where the true test lies.

As noted above, US bilateral assistance in 2005 moved closer to implementing the vision of the USAID 2004 White Paper that linked aid to conflict, stability operations, and the global war on terror. In early 2005, USAID unveiled another strategic document, the "Fragile States" strategy to engage poorly performing countries.<sup>3</sup> This document creates a much clearer alignment of US foreign assistance, and specifically, USAID assistance (which accounts for somewhere around half of US ODA<sup>4</sup>) with US strategic objectives.

For instance, in terms of its strategic goals and priorities, in 2005 USAID invested \$887.5 million, or 7.2% of its budget, towards counterterrorism, and \$784 million, or 6.4% of its total budget toward regional stability operations. While the stability investments are about the same as 2004,<sup>5</sup> the USAID investment in counterterrorism represents a nearly seven-fold increase over 2004.<sup>6</sup>

Not surprisingly, Iraq and Afghanistan continued to be large recipients of US foreign assistance in 2005, as they have over the last several years. Most of the funds directed to these two nations were not taken from standard US foreign assistance budgets, however but were part of supplemental appropriations bills passed prior to this year - more than \$18 billion for Iraq reconstruction and over \$3 billion for Afghanistan.

In comparison to these reconstruction amounts, USAID bilateral assistance for Iraq was just over \$660 million in 2005, just a quarter of its 2004 activity.<sup>7</sup> Afghanistan was the recipient of approximately \$427 million, less than half of its 2004 assistance.<sup>8</sup>

The use of a supplemental spending bill to channel massive increases in ODA was achieved with respect to the major foreign disaster that attracted US aid (and private donations) in 2005 - the Southeast Asian tsunami that hit at

Christmas of 2004. The United States pledged \$350 million of its regular humanitarian assistance to the affected countries, and then approved \$631 million in supplemental funding to the "Tsunami Recovery and Reconstruction Fund."<sup>9</sup>

One significant debate of note, both within and outside the US government, has been to what degree funds directed for tsunami relief can be utilized with non-tsunami-affected populations. Differential access to infrastructure, services, and assistance within communities is a potential tinderbox for conflict, an area of particular concern in Sri Lanka, for example.

The Sudan, a country that has known conflict for many years, received more than \$500 million in humanitarian assistance to the Darfur emergency in Western Sudan in 2005.<sup>10</sup> The Deputy Secretary of State, Robert Zoellick, made a series of visits to the region focused on securing progress on the Comprehensive Peace Agreement signed between the North and South. Unfortunately, the US Congress recently zeroed out promised support to the African Union (AU) peacekeeping force for the Sudan.

The longer-term situation in the Sudan is receiving increased scrutiny from the newly formed Office of the Coordinator for Reconstruction and Stabilization [S/CRS] at the State Department. This office has developed a planning template for stabilization and reconstruction operations that it is now applying to Sudan and Haiti.

S/CRS is dedicated to reconstruction and stabilization programs in failing, failed, and post-conflict states. In December of 2005, President Bush issued a directive giving the State Department and S/CRS the lead on inter-agency coordination, planning, and implementation for reconstruction and stabilization for nations in conflict situations. Many civil society organizations view the

emergence of a civilian lead on post-conflict reconstruction as important, and S/CRS has even begun to look at conflict prevention issues.

Despite increasing prominence in policy discussions, thus far resources for S/CRS have been limited. The office opened in 2004 with primarily borrowed staff and resources; in 2005 Congress only approved \$7 million of a \$17 million request; for 2006 the Administration requested \$24 million, but Congress did not earmark any resources in the State Department budget.

The Bush Administration has also repeatedly sought \$100 million for a flexible Conflict Response Fund that would enable the U.S. to respond to post-conflict by rapidly surging personnel without delay. To date, Congress has not agreed on the need for such a capacity or pool of money without more clearly specified objectives and countries. One actor who has been generally supportive of S/CRS is the Department of Defense, and legislation is pending in Congress that would permit the Pentagon to transfer up to \$200 million in financial and technical assistance to the Department of State for these functions.

Nonetheless, given the prominence of Iraq and Afghanistan, it should come as no surprise that the Department of Defense has also assumed a prominent role of its own in conflict-related aid activities. In fact, even in general disaster relief and development, the US military is (with some serious reservations) playing an increasing role. US assistance following the October earthquake in Pakistan included a significant component (at least \$110 million), especially in logistics and airlifts, continuing a trend that was also seen in the Tsunami response, where almost \$250 million of contribution were from the Department of Defense.<sup>11</sup>

In November 2005, the Office of the Secretary of Defense issued a new policy



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Directive titled “Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations.” If enacted as written, this document represents a significant change in US military involvement in foreign aid and will prompt military engagement across the spectrum from peace to conflict. It places stability operations on par with combat operations in terms of priorities, using them to “help establish order that advances U.S. interests and values,” including basic security, essential service, and meeting humanitarian

needs, as well as building market economies, rule of law, and democratic institutions. .

Whether this policy becomes an operational reality for the US military— and how it meshes with civilian responsibilities at USAID and the Department of State— will have significant implications on how US assistance is provided in a world where many countries receiving ODA are in a state of conflict. As 2006 unfolds we will learn more about this and identify trends.

## Notes

- <sup>1</sup> [www.mca.gov](http://www.mca.gov).
- <sup>2</sup> <http://www.usaid.gov/policy/pdabz3221.pdf>.
- <sup>3</sup> [http://www.usaid.gov/policy/2005\\_fragile\\_states\\_strategy.pdf](http://www.usaid.gov/policy/2005_fragile_states_strategy.pdf)
- <sup>4</sup> [http://www.cgdev.org/files/2863\\_file\\_WP62\\_1.pdf](http://www.cgdev.org/files/2863_file_WP62_1.pdf)
- <sup>5</sup> Funding for the Office of Transition Initiatives within USAID, which addresses countries that are confronting crisis or are in transition from crisis to transformational development, was down significantly in 2005, to under \$50 million, which in turn included major investments in the program in Iraq.
- <sup>6</sup> [http://www.usaid.gov/policy/par05/USAID\\_PAR05\\_Highlights.pdf](http://www.usaid.gov/policy/par05/USAID_PAR05_Highlights.pdf)
- <sup>7</sup> <http://www.usaid.gov/policy/budget/cbj2006/ane/iq.html>
- <sup>8</sup> <http://www.usaid.gov/policy/budget/cbj2006/ane/af.html>
- <sup>9</sup> [http://www.usaid.gov/locations/asia\\_near\\_east/tsunami/](http://www.usaid.gov/locations/asia_near_east/tsunami/)
- <sup>10</sup> [http://www.usaid.gov/locations/sub-saharan\\_africa/sudan/pdf/092305\\_fs52.pdf](http://www.usaid.gov/locations/sub-saharan_africa/sudan/pdf/092305_fs52.pdf)
- <sup>11</sup> <http://www.state.gov/p/sa/rls/rm/2005/48527.htm>