The Reality of Aid 2016

An Independent Review of Poverty Reduction and Development Assistance

IBON INTERNATIONAL

Technical cooperation as an aid modality: Demand-led or donor-driven?

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Reality of Aid 2016 Report

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Contents

The Reality of Aid Network exists to promote national and international policies that contribute to new and effective strategies for poverty eradication built on solidarity and equity. Established in 1993, the Reality of Aid is a collaborative, non-profit initiative, involving non-governmental organisations from North and South. It is in special consultative status with the United Nations Economic and Social Council (ECOSOC).

The Reality of Aid publishes regular, reliable reports on international development cooperation and the extent to which governments, North and South, address the extreme inequalities of income and the structural, social and political injustices that entrench people in poverty.

The network has been publishing reports and Reality Checks on aid and development cooperation since 1993.

These reports provide a critical analysis of how governments address the issues of poverty and whether aid and development cooperation policies are put into practice.

The Reality of Aid International Coordinating Committee is made up of regional representatives of all participating agencies.

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Overall editorial control of the Reality of Aid 2016 Report lies with the Reality of Aid International Coordinating Committee, but the views expressed in the reports do not necessarily reflect the views of the International Coordinating Committee, or of IBON International that published this Report.

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Preface

The Reality of Aid Reports analyze and advocate key messages relating to the performance of aid donors from a unique perspective of civil society in both donor and recipient developing countries. The RoA Reports have established themselves as a credible corrective to official publications on development assistance and poverty reduction. They have also developed a reputation as an important independent comparative reference for accountability and public awareness of development issues.

Technical cooperation remains one of the most heavily used forms of aid, accounting for between a quarter and a half of all ODA. However, to date it seems that technical cooperation remains largely insulated from donors' efforts to improve the quality and effectiveness of their aid, largely ignoring the principles of democratic ownership and partnership.

An examination of technical cooperation should focus on the relationship between technical cooperation and capacity building initiatives by aid providers and commitments towards strengthening democratic country ownership. Policy space for democratic ownership, where people's voices and interests can shape government development initiatives, is vital if technical assistance is to be effective in building capacity for sustainable poverty reduction. Are recipient developing countries free to decide, plan, and sequence their economic policies to fit with their own development strategies? How can technical assistance as a disguised or soft form of policy conditionality be avoided? What reforms are needed on the part of aid providers in their approaches to technical cooperation that is consistent with their commitment to ownership? How can developing countries' governments and other recipients of technical assistance create the conditions to manage this form of cooperation in their own interests?

Contributors to this Report explored the following: role of technical assistance in bilateral donors' and multilateral development banks' aid, technical cooperation for trade and infrastructure development, technical cooperation and tied aid, and South-South experience in technical cooperation. Comprised of 23 contributions, this 2016 RoA Report provides analyses relating to the performance of aid donors in the provision of technical assistance from a unique perspective of civil society, in both donor and recipient developing countries, with a focus on poverty reduction.

Kavaljit Singh
Chairperson
The Reality of Aid Network

Part 1

Reports

Undermining Democratic Country Ownership: Embedding Northern development agendas through technical cooperation?

Reality of Aid Coordinating Committee [1]

The 2015 *Addis Ababa Agenda for Action* (AAAA) established a holistic and forward-looking framework that brings together the financial means to implement Agenda 2030 for sustainable development, including an ambitious set of Sustainable Development Goals (SDGs) to chart development progress in ways that leave no one behind. Official Development Assistance (ODA) is an essential pillar of this framework, as its resources are meant to focus on the development needs of the poorest populations and countries.

The AAAA emphasizes the importance of "continued efforts to improve the quality, impact and effectiveness of development cooperation and other international efforts in public finance, including adherence to agreed development cooperation effectiveness principles." (§58) Central to these principles is democratic country ownership, transparency and accountability, a focus on results closely linked to partner country priorities, and untying aid from donor country economic interests.

Technical assistance, later more commonly referred to as a technical cooperation (TC), and capacity development has had a long and controversial history as a means for delivering development change through aid. Technical cooperation, whether through training programs, capacity building, or provision of donor-recruited technical expertise, has been identified as crucial to Agenda 2030. The AAAA cites technical cooperation as vital to supporting the following efforts: increases in domestic resource mobilization in developing countries (§28); building local capacities (§34); the promotion of micro, small and medium-sized enterprises (§43);the implementation of investment promotion regimes for low income countries (§46); realisation of infrastructure plans (§47); and, the fostering of aid for trade capacities (§90).

The 2016 *Reality of Aid Report* civil society analysts draws on a range of country case studies focusing on the continued use and scale of technical cooperation to drive donor agendas in development cooperation. A central question in these reviews was the extent to which the provision of technical cooperation is consistent with, and takes account of, development effectiveness principles, which have been agreed to over the past decade. Where does TC fit in the context of these principles? How does it relate to new global agendas like Agenda 2030, the Paris Agreement on Climate Change or the Sendai Framework for Disaster Risk Reduction? How "fit for purpose" is technical cooperation for achieving these agendas? Several contributions have critiqued technical cooperation inside a human rights and development effectiveness framework. This overview chapter draws some lessons and conclusions based on these assessments.

1. Shifting views in donor discourse: From technical assistance to cooperation and capacity building

A focus on technical assistance by donors dates from the 1970s into the 1990s. In this period, donors emphasized the value of providing personnel to recipient countries with skills, know-how and advice, primarily from their donor country. Widespread gaps in basic management and skills capacities in many developing countries, particularly in the poorest post-colonial new states, were understood during this period of development cooperation to be major barriers to progress.

In this era, bilateral providers extensively employed technical assistance to prepare and implement development projects to ensure the realisation of donor-determined outcomes in service delivery or infrastructure. At the multilateral level, technical assistance was a key resource deployed by the World Bank, alongside policy conditionality, to embed neo-liberal structural adjustment programs in the 1980s and 1990s in many developing countries.

In the past twenty years, there have been many shifts in views on development and the means to achieve progress. Greater emphasis is now placed on cooperation for poverty reduction – inside a context where 'country ownership' of development priorities is respected. Equally important are local participation and good governance as critical pre-conditions for sustainable outcomes. Increasingly there has been an emphasis on the value of south-south and triangular exchanges for the development of relevant skills and knowledge transfers and learning. Since the 1990s, technical assistance has morphed into "technical cooperation," with a stress on training and entrenching skills' transfers. The focus is on capacity development through which developing country actors manage their own development priorities.

According to the OECD Development Assistance Committee (DAC),

> "Technical co-operation (also referred to as technical assistance) is the provision of know-how in the form of personnel, training, research and associated costs. … It comprises donor-financed:

- Activities that augment the level of knowledge, skills, technical know-how or productive aptitudes of people in developing countries; and
- Services such as consultancies, technical support or the provision of know-how that contribute to the execution of a capital project."[2]

Following the 2005 *Paris Declaration for Aid Effectiveness*,[3] the provision of technical cooperation became closely related to "capacity development" as indicated in the following quote:

> "Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources." [§22]

During this Paris meeting donors committed to "align their analytic and financial support with partners' capacity development objectives and strategies, make effective use of existing capacities and harmonize support for capacity development accordingly." [§24]

In 2006, the DAC published *The Challenge of Capacity Development, Working towards good practice*. This document provided an important guide for TC based on a review of technical cooperation and various forms of capacity development based on over 40 years of donor experience.[4] Much of these findings and advice continue to be relevant today.

At the Accra High Level Forum in 2008, aid providers agreed that their "support for capacity development will be demand-driven and designed to support country ownership."[5] [*Accra Agenda for Action* (AAA, §14] Together with partner country governments they committed in the AAA to:

> "i) Jointly select and manage technical co-operation; and
> ii) Promote the provision of technical co-operation by local and regional resources, including through South-South Co-operation." [§14b]

Inexplicably, however, after 2010, donor commitments to reforming technical cooperation / capacity development have not been a major discussion point in donor discourse on effective development cooperation. For example, the 2011 *Busan Partnership for Effective Development Cooperation*, which adopted the Paris Declaration commitments, gave TC only cursory attention, identifying it as a factor in aid providers' commitments to use partner country institutions and procurement systems in aid provision. There is no reference to demand-driven technical cooperation.

Yet technical cooperation continues to be a significant resource in ODA, and an important means for the achievement of the different SDGs over the next 15 years.

2. The scale of technical cooperation in aid allocations

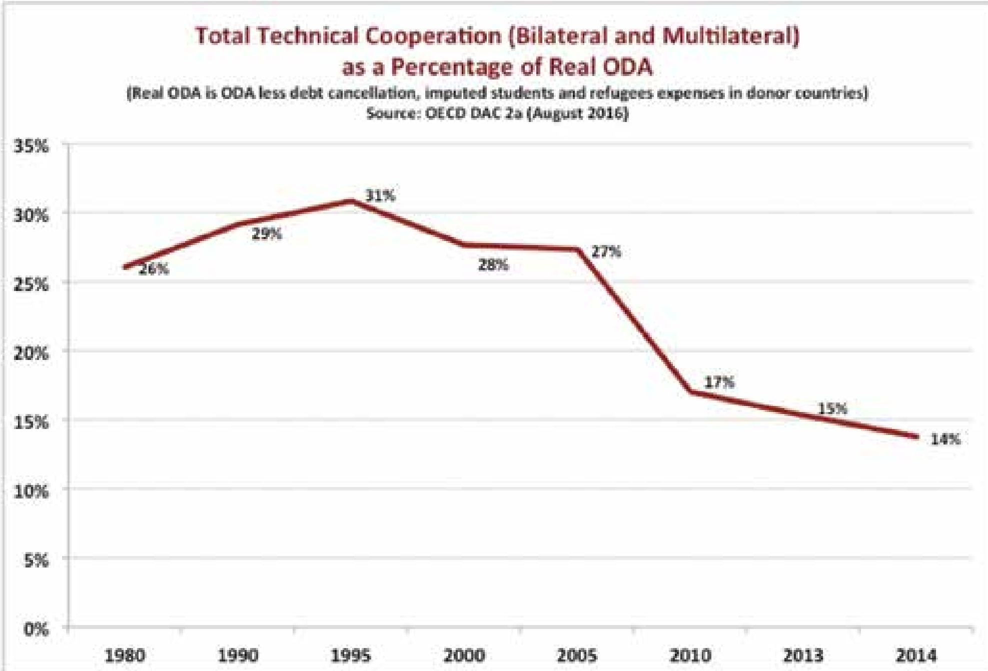
In 2014, the DAC recorded a total of US$19.5 billion in free-standing technical cooperation (TC), which made up 14% of Real ODA (ODA less debt cancellation, imputed students and refugee expenses in donor countries). As indicated in Chart One below, this represented a sharp decline from 2005 when TC accounted for 27% of Real ODA. This drop is even more striking given that ODA has increased since 2005 (see the Aid Trends chapter in this Report); yet these increases in overall ODA have seemingly not been translated into increases in free-standing technical cooperation.

It is important to note that DAC statistics do not present a complete accounting of TC inside ODA. OECD DAC statistics only track "free-standing technical cooperation" – provision of expertise for training or skills transfer (capacity development) initiatives. They therefore under-estimate total TC as DAC donors and multilateral institutions do not report on donor-provided expertise within projects (i.e. assisting in their preparation and technical implementation).

Technical cooperation delivered through multilateral institutions, particularly the International Development Association (the concessional lending window of the World Bank), has also declined as a share of total TC. In 1980 multilateral TC made up 27% of total TC, but only 11% in 2014.

This leaves bilateral aid providers who are currently the primary providers of TC. Three in particular, according to DAC statistics,

Chart 1: Technical Cooperation as a Percentage of Real ODA



have prioritized TC in their ODA. In 2014, Germany, France and Japan, among the top five DAC donors, channelled 54%, 41% and 33%, respectively, of their real bilateral assistance into TC. This compares with an average of 18% for all bilateral DAC donors.[6] When excluding the United States (see footnote 6 for an explanation), TC made up approximately 25% of total real bilateral aid for all other DAC donors in 2014.

While technical cooperation remains a crucial resource of development cooperation, its use and focus, and in particular how it is implemented relative to core principles of development effectiveness, remain largely unanalyzed.[7]

3. Modalities and roles of technical cooperation in ODA

Official statistics reveal little about the forms of technical cooperation. In practice TC can involve a wide range of activities, from university research to long-term foreign experts placed in developing country ministries, co-operant exchanges organized by CSOs, training courses, or short-term consultants on special assignments.[8]

While the forms and emphasis in technical cooperation have varied over the past four decades, its stated rationale has remained constant. TC is consistently focused on filling largely donor-perceived gaps in skills and/or institutional competences to more effectively deliver development outcomes. As noted above, the 2005 Paris Declaration's emphasis on "aid effectiveness," included a commitment by donors to be guided by "demand-driven" TC, gaps and institutional needs explicitly identified by developing country partners. In this policy context, TC was to be a resource to strengthen partner country ownership of development priorities and to enhance domestic skills to ensure the achievement of country-determined development outcomes. An examination of various case studies, as outlined in this report and others, indicates that the reality has fallen far short of these ideals.

The report's case studies identify substantive roles for TC, many which have been consistent in aid provider practices over these decades. These roles include:

- Embedding provider technical assistants (TAs) in government ministries to develop specific capacities and/or improve the technical standards for institutional processes (such as procurement or tax policies);
- Embedding provider TAs within projects to cover needed technical skills to design and build infrastructure;
- Providing policy advice, often accompanying World Bank loan conditions or WTO or regional trade agreements.
- Providing advice to influence government legislation and regulations in areas seen (by aid providers) to be critical for development progress; and
- Sharing experiences through South-South Cooperation (SSC) and/or civil society networks drawing on expertise from similar development conditions and realities.

It is difficult to measure the scale or value of these roles, relative to total TC disbursements, as there is little data available on TC projects and undertakings. Nevertheless, CSO authors in this report provided an assessment of the impact of TC through various country case studies. Their reference point is not just effective delivery of technical projects, but also people-centred development paradigms, where peoples' interests and voice are able to shape government and civil society development initiatives.

Reality of Aid asked authors to address a number of questions to help make links between trends in the deployment of technical cooperation and aid provider commitments to the Busan principles for effective development cooperation.[9] An important focus was the examination of how TC can contribute – or undermine - the space and opportunities for democratic country ownership. Specifically, the questions were:

- Is technical cooperation limiting policy space for developing countries to freely choose and implement policies to enable development strategies?
- Is technical cooperation being employed as a "soft form" of policy conditionality?
- What approaches on the part of aid providers will enable the provision of technical cooperation consistent with country ownership?
- How can the recipients of technical cooperation create conditions for developing countries to manage technical cooperation in their own interest?

The country case studies highlight the continued *political* role of TC within aid and development cooperation. They demonstrate that TC often promotes donor-inspired paradigms for governance, export-led development, and private sector partnerships at the expense of peoples' rights and the strengthening of partner country policy space.

4. Trends and issues in the deployment of technical cooperation

By 2005 academic research and institutional evaluations had documented a growing consensus, even among aid providers, that traditional technical assistance, as implemented over previous decades, had largely failed to deliver sustained change. In a damming critique written in 2005, development specialist Roger Riddell provided this assessment of World Bank's capacity building work in Africa:

> "More generally, a major ten-year review of the World Bank's efforts at supporting capacity building in Africa … makes grim reading. Acknowledging the weaknesses and ineffectiveness of traditional approaches to capacity development, the Bank admits that its attempt to focus more directly on helping to strengthen public institutions in Africa continues to be a huge challenge, and that in its more recent efforts, a range of key weaknesses remain. … Capacity development efforts remain insufficiently led by the recipient countries, and based on insufficient knowledge about precisely what to do and how to do it."[10]

According the report's case studies, these statements are still relevant. This, despite the attention to partner-country–focused "capacity development" in more recent times. The Bangladesh chapter concludes that "country ownership, alignment and effectiveness are largely absent" in TC for Bangladesh aimed at strengthening the performance and capacity of public institutions and public procurement. The Uganda case study similarly highlights examples of TC that are generally not aligned with national development strategies or strengthening national systems – despite aid providers' affirmation of country ownership as a guiding principle.

Reality of Aid authors have identified three critical issues related to the goals and delivery of technical cooperation by aid providers. All three, which are described below, have the potential to undermine country ownership and the implementation of the 2011 Busan principles for effective development cooperation.[11]

a) The tendency to prioritize aid provider interests to realize specific donor-determined results and avoid risk in aid delivery, irrespective of the needs of partner country counterparts.

For many recipient countries, TC is largely supply-driven and organized to meet aid providers' interests. In particular, aid providers employ TC to manage and safeguard the deployment of aid in ways that ensure implementation of donor cooperation objectives. DAC donors' pre-occupation with the achievement of short-term results increasingly drives their aid priorities – pushed by increasing domestic political pressure to produce tangible results. TC experts and consultants are usually selected by aid providers and therefore are primarily accountable to them. Their mandate includes strong expectations to maintain control over the delivery of "outputs" as defined in the project plan. Because these consultants function inside tight contractual obligations to produce these results there is little incentive to address the often more complex capacity needs and interests of partner country counterparts.

Where developing country capacities are perceived to be weak, donors can respond to a "risky environment" with distrust in the partnership relationship. Measures to respectfully determine and assist in the development of local capacities often take second place to a reluctance to take risks if government or institutions are identified as having deficiencies. The latter concerns often translates into technical assistants and consultants taking control rather than working alongside country partners.

Rather than acting on their Busan commitments or an understanding that project objectives include (formally or informally) capacity building, donors are likely to choose strategies to avoid risks rather than the slower processes that have the potential to develop local self-reliance.

An example is provided in the Bangladesh case study of a World Bank supported, multi-year program to improve the national procurement system. As the author points out, donors insisted on the use of donor-determined procurement rules and mechanisms, over the reformed national system. This practice, which essentially undermined local capacities, operated coincidental with the initiative of the World Bank, donors and the Bangladeshi government, to create a new law to reform the procurement system and Bangladeshi capacities to implement the new system. Even when completed, donors did not use the reformed national procurement system.

b) A tendency to promote, design and implement public private partnerships (PPPs), in ways that ignore peoples' priorities, interests and alternatives.

Several case studies (Philippines, Sri Lanka, Kyrgyz Republic, India and Japan) document the widespread use of foreign technical cooperation to design and implement infrastructure PPPs. The emphasis has been on donor-driven technical advice, sometimes over decades, to promote the privatization of public services. Examples have included roads in the Philippines, export-oriented agriculture in Sri Lanka, or access and exploitation of natural resources in North East India.

The Sri Lankan case illustrates the critical role played by technical assistants, recruited and supported by the World Bank and the Asian Development Bank (ADB), in designing not only technical aspects of irrigation projects, but also in proposing and carrying out politically motivated reforms to privatize access to water over a 20 year period. To this day, the World Bank continues to provide advice and support towards an export-oriented agriculture strategy, ignoring issues of food production to address local and national food security.

In the case of NE India, the ADB, alongside other donors, has aggressively promoted private sector engagement in large-scale agriculture, the development of energy sources and forest exploitation. In the words of the author, "the prioritization of road projects are in areas with potential to connect trading points for business interests of multinational corporations or where there are natural resources, water, oil, and forest resources for exploitation for their profit." The needs of communities are neglected in these plans, "where most of the roads [that would better serve and service these communities] continue to be in dilapidated condition." TC has been embedded in various stages of infrastructural projects in the region since the 1990s.

Donor support for infrastructural development has often marginalized affected populations, sometimes to the detriment of stated project goals. In the case of NE India, ADB guidance for technical assistants ignored issues related to indigenous peoples' rights over land and economy, and failed to implement the free, prior and informed consent of indigenous peoples affected by infrastructure development. The Sri Lankan case documents the successful resistance of farmers to repeated schemes for the privatization of water in various irrigation schemes promoted by TC experts and government officials. The Philippines case study of TC in support of the Laguna-Lakeshore Expressway-Dike PPP highlights the so-far successful resistance of those who will be displaced to this development, in the context of documented serious ecological concerns.

In all these cases, PPPs have not promoted inclusive partnerships, nor have they allowed alternative technical advice and proposals. National experts familiar with the conditions of affected local populations and communities have been ignored or deliberately marginalized.

c) The tendency to shape or influence national development priorities through legislation and governance reform.

A little technical assistance through aid can go a long way in creating an open legal environment for exploitation of natural resources. Canada, for example, has an explicit policy to provide technical cooperation to promote "sustainable development in the area of minerals and metals," including shaping laws governing mines and their development.[12] In Honduras, Canadian aid has assisted in the drafting and passage of new mining legislation, which social and environmental organizations continue to resist on grounds that it is unconstitutional and fails to prohibit ecologically destructive open-pit extraction:

> "It marginalized mining-affected communities, grassroots organizations, and environmental NGOs from being effectively heard in the process of developing the law and did not follow the legislator's own protocol for debate and ratification of the General Mining Law. They also allege that over 20 articles in the mining law violate Honduran laws and constitution, as well as international treaties ratified by the Honduran state."[13]

Similar instances of donor influence through TC in the legal and regulatory process, often with a privatization agenda, are noted in the report's cases of the Philippines (governing PPPs) and Sri Lanka (governing irrigation and governance of water resources). In these and other cases, TAs have often been embedded in related government ministries and institutions as part of the project implementation.

For example, in a case study presented by Eurodad, technical cooperation was used to update national legislation as well as regulations on taxation. This initiative also included support for audits on taxes owed by multinational corporations (MNC), in order to strengthen domestic revenue mobilization in developing countries. Through an OECD project, Tax Inspectors without Borders, TAs from industrialized countries in which these MNCs are often based, train tax administrators in developing countries in MNC audit procedures and related issues.

While this may sound useful, Eurodad documents case studies that clearly suggest that such TC is primarily supply-driven by donor countries. In all examples there was little or no involvement of the developing country domestic revenue authorities. Technical assistants faced significant potential conflicts of interest, coming from northern countries in which there are substantial loopholes for MNCs to avoid taxation (e.g. the Netherlands). The Eurodad case study quotes the High Level Panel on Illicit Financial Flows from Africa as follows:

> "It is somewhat contradictory for developed countries to continue to provide technical assistance and development aid (though at lower levels) to Africa, while at the same time maintaining tax rules that enable the bleeding of the continent's resources through illicit financial flows."[14]

These practices raise significant questions on transparency (with TAs working to influence national political processes through legislation) and processes of accountability to people and communities affected by national legislation and governance bodies.

5. Technical cooperation in South-South Cooperation and civil society people to people exchanges

While difficult to measure, technical cooperation plays a major role in South-South Cooperation (SSC). Some of the key SSC providers are Brazil, Mexico, Argentina and India. VANI's chapter on India draws attention to the fact that in 2014/15 more than 8,000 Indian technical assistants were provided to 160 countries in a variety of disciplines. The majority were part of cooperation programs with India's immediate neighbours, such as Bhutan. A review of Argentina's SSC in this report identifies the importance of mutual benefit and shared interests in SSC in areas such as governance, agro-industrial and service sectors, and human rights (truth, justice and reparations).

Civil society also carries out South-South technical cooperation programs through people-to-people exchanges across developing countries. In these initiative participants share skills and experiences with counterpart CSOs at the community level and to strengthen solidarity across borders (People4Change and Fortalizas chapters in this report).

Authors acknowledge that South-South exchanges can face some of the same challenges found in North-South exchanges. These include factors such as cultural misunderstanding/poor communication and a lack of attention to sustainability. But an evaluation of People4Change noted that they can also produce the highest benefits, providing not only highly relevant skills based on similar development challenges, but also inspiration at the local level in the realization that these challenges can be overcome. In the case of Fortalezas, for example:

> "The bilateral exchanges were critical in sharing the value of different practices of other institutions. … They allowed for unexpected benefits as organizations discovered interesting methodologies used by their peer organizations, and were able to use and adapt them to their own environments and development plans."

These positive initiatives in technical cooperation offer new ideas and positive directions for how technical cooperation can be strengthened and made more effective. As many note, technical cooperation has the potential to truly contribute to people-centered development outcomes, consistent with the principles for effective development cooperation.

6. Recommendations

Given the fact that technical cooperation comprises up to 25% of real bilateral aid (and more for select donors), a careful review of its benefits and limitations is critical. This, combined with the fact that technical cooperation has continued to suffer from a poor track record despite commitments to change, aid providers and partner countries must take a hard look at existing practices. As noted in this report, many providers fall far short of best practices in terms of effective development cooperation and the principles that should guide its implementation.

Capacity development is a strong focus of Agenda 2030, the 2015 Paris Agreement on Climate Change, and in the more recent, UN-adopted 2016 Sendai Framework on Disaster Risk Reduction. These agreements, among others, create a crucial and defining moment for rethinking and reforming technical cooperation.

Development partners are structuring nationally owned action plans related to these global agreements; development actors are meeting in the Second High-Level Meeting (HLM2) of the Global Partnership for Effective Development Cooperation (GPEDC) in Nairobi in November 2016 to review progress in their long-standing commitments to effective development cooperation. A failure to look more closely at practices related to TC may seriously undermine the implementation of these core global agendas, as well as affect the credibility and effectiveness of the GPEDC and development cooperation itself.

Given the surprising lack of progress to date, all development actors – aid providers, partner governments, CSOs – as full partners in the Global Partnership for Effective Development Cooperation, should reaffirm at HLM2 the essential importance of demand-led TC fully integrated into developing country priorities and capacity need. They should also call for its inclusion in the GPEDC's revised Monitoring Framework for implementation post-Nairobi. To create a baseline of data and analysis of current practices, **a multi-stakeholder Global Partnership Initiative on Technical Cooperation** should come together following the Nairobi meeting to review and measure existing practices in technical cooperation against the purpose set out in HLM2, and in line with the *Reality of Aid* recommendations set out below.

As a core resource in development cooperation, much more attention is required to more fully understand the circumstances where technical cooperation is playing a constructive role, how it should be delivered, and how it could conform better to the Busan principles, including incentives for partner countries to lead technical cooperation efforts. Ultimately, a GPEDC-led process must ensure that by the time of the next HLM in 2018, technical cooperation, as an aid modality, is wholly consistent with the four Busan principles for effective development cooperation.

The following recommendations propose a number of changes to technical cooperation specific to each of these four Busan principles. [15]

a) Democratic country ownership

- **Support country management of technical cooperation** A key determinant of effective technical cooperation is a commitment to demand-led capacity development, which includes recipient country management of the priorities and deployment of technical assistants, according to this country's development strategies and priorities.

- **Avoid TC as "soft conditionality"** Technical cooperation must be understood as a means to an end – the development of full country ownership and policy space for democratically determined development alternatives. TC should never be used as a convenient and informal mechanism to promote and embed donor/World Bank conditions for financial assistance.

- **Deploy regional and national expertise** Providers should give priority to the support of country and regional sharing of expertise to build capacities. Part of this approach is giving priority to meaningful collaborations South-South Cooperation and triangular cooperation.

- **Focus TC on skills and knowledge transfers** Aid providers should develop internal training programs for potential technical assistants. Technical expertise, sensitivity to the local context and process skills should be prioritized. Technical assistants should work as advisors not in implementation positions. Providers should develop explicit incentives to transfer knowledge and skills, rather than fill gaps and manage risks for short-term donor-determined aid results. Providers should meet their Paris Declaration commitments to avoid stand-alone project implementation units (PIUs).

- **Establish dedicated country units to coordinate and manage TAs** Developing country governments and counterparts should establish and/or enhance dedicated units to:

  - Coordinate country-driven analysis of capacity needs;
  - Negotiate with providers' potential technical cooperation interventions (including training and education opportunities) to meet these needs;
  - Exercise leadership in the selection and deployment of TAs; and
  - Monitor and assess lessons in relation to TC support for stronger and sustainable institutional capacities to address complex local development interests.

- Technical cooperation should never be a substitute for apparent reforms required for a sustainable and effective public service.

b) Focus on developing country results

- **Support capacities for country-determined results** Technical cooperation should be managed jointly to ensure provider support for results derived from development priorities, plans and policies as determined by the country partners. Effectiveness is highly context specific, with impact and sustainability guided by local stakeholders.

- **Have clear goals for technical cooperation initiatives** Partner country counterparts should be clear about the purpose of TC in relation to specific capacities and expertise needed to realize country determined results priorities and interests.

- **Create flexible and iterative technical assistants' terms of reference for engagement** Effective technical assistants in a supportive advisory role or in training programs require flexibility to respond to unique and changing realities, particularly in politically sensitive environments.

c) Respecting inclusive partnerships

- **Empower non-state actors** Technical cooperation should take account of the essential importance of empowering non-state actors, such a civil society organizations (CSOs), who in turn offer a range of technical capacities and knowledge at the national level towards people-centered development outcomes. A fully enabling environment for CSOs is the basis for CSO empowerment.

- **Respect and implement human rights norms in technical cooperation** Technical cooperation related to the exploitation of natural resources and/or major infrastructure development should be conducted within a human rights framework, including the delivery of programs to ensure free, prior and informed consent by indigenous people, participatory assessment of impacts on communities and affected populations, and deliberate consideration of measures for the empowerment of women and girls in local development.

d) Transparency and accountability

- **Be fully transparent about the provision of their TC.** Providers should publish information related to the mandate and terms of reference for their TC personnel and their expected contribution to country-determined development outcomes. This transparency should include the costs associated with donor-provided technical assistants. Such information should enable developing country counterparts to explore alternative local, regional or SSC expertise with these same resources. Developing country counterparts should never consider TC to be a "free good," as this can only reinforce an aid dependency culture.

- **Report to the OECD DAC all TC that is tied, either formally or informally, to donor country experts, and remove all tied TC from the DAC calculation of Country Programmable Aid**
  Aid providers that report to the OECD DAC should report on the tying status of all TC, the degree to which the provision of technical support has been formally or informally tied to the provision of donor country experts.

- **Until such time as the tying status of TC is known, the DAC should remove all TC from its current calculation of Country Programmable Aid (CPA),** i.e. aid that is available to partner countries to program against their own priorities. According to the Aid Trends chapter in this report, assuming that at least 80% of free-standing technical assistance continues to be donor driven, in 2014 CPA would have fallen to less than half of Gross Bilateral ODA (41%) for that year, rather than the reported 53%.

- **Be transparent about lines of accountability**

Providers and developing country counterparts must be clear about the lines of accountability for technical assistants within TC programs. Lines of accountability should be to developing country hosts. Mutual accountability for TC outcomes, based on an agreed evaluation framework, should be included in the agenda of inclusive country level mechanisms for mutual accountability, involving providers and all relevant stakeholders.

Endnotes

1 This chapter was prepared with the assistance of Brian Tomlinson, the editor for this 2016 Reality of Aid Report.

2 Quoted in OECD, "2008 Survey on Monitoring the Paris Declaration," Organisation for Economic Co-operation and Development, http://www.oecd.org/dataoecd/58/41/41202121.pdf, p. 149. See also OECD DAC, Glossary of Key Terms and Concepts, at http://www.oecd.org/dac/dac-glossary.htm.

3 Paris Declaration, §22, accessed at http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm.

4 OECD DAC, *The Challenge of Capacity Development, Working towards good practice,* 2006, accessed August 2016 at http://www.fao.org/fileadmin/templates/capacitybuilding/pdf/DAC_paper_final.pdf.

5 Accra Agenda for Action, §16, accessed at http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm.

6 In 2014, the UK allocated 16.9% and the United States, 2.8%, of their real bilateral aid to technical cooperation. An unexplained drop in the reported allocations by the US to TC after 2006 has affected the historical trend for technical cooperation. In 2006 the US reported a total of US$9.3 billion in TC, but only US$723 million in 2007. Given the scale of US aid, this drop has accentuated the overall drop in reported TC since 2006. As a percentage of real bilateral aid, US TC was 42% in 2005, but only 3.2% in 2008. Excluding the US, in 2014, 18% of real ODA was allocated to TC, rather than 14% as recorded in Chart One.

These calculations for TC are for "stand-alone technical assistance." They exclude technical assistance provided within an investment project, which is not reported by most donors. These latter expenditures on TC can be crucial, as described in several case studies in this Report (Sri Lanka, India, and the Philippines), and may increase as a focus on infrastructure increases in overall aid allocations.

7 The aid trends chapter in this Reality of Aid Report provides additional information on the allocation of TC. In 2014, 44% of TC went to Least Developed and Low Income Countries and more than half (51%) was allocated to countries where government revenue was less than $1500 per capita. In terms of sectors, government and civil society (28%) and education (22%) received the largest share and account for 50% of TC in that year.

8 ActionAid International, *Making Technical Assistance Work*, 2006, accessed August 2016 at http://www.actionaid.org/sites/files/actionaid/real_aid_2.pdf. This report is the most comprehensive overview and analysis by an international NGO on the strengths and weaknesses of technical cooperation.

9 See Reality of Aid, "The Reality of Aid 2016 Theme Statement: Technical cooperation and capacity development as an aid modality," December 2015, accessed August 2016 at http://www.realityofaid.org/2015/11/the-reality-of-aid-2016-report-theme-statement-technical-cooperation-and-capacity-development-as-an-aid-modality/.

10 Riddell, R., *Does Foreign Aid Work?* Oxford: Oxford University Press, 2007, page 209

11 These Busan principles for effective development cooperation are: 1) ownership of development priorities by developing countries; 2) Focus on results (and on enhancing developing countries capacities, aligned with the priorities and policies set out by developing countries themselves); 3) Inclusive development partnerships (recognizing the complementary roles of all development actors); and 4) Transparency and accountability to each other. [§11]

12 See http://www.nrcan.gc.ca/mining-materials/policy/8690#il-d.

13 Mining Watch Canada, "Honduran organizations fight to have Canadian-backed mining law declared unconstitutional," 26 February, 2015, accessed August 2016 at http://miningwatch.ca/blog/2015/2/26/honduran-organizations-fight-have-canadian-backed-mining-law-declared.

14 UNECA. (2014). Illicit Financial Flows: report of the high level panel on illicit financial flows from Africa http://www.uneca.org/sites/ default/files/publications/iff_main_report_english.pdf.

15 These recommendations were informed by the Reality of Aid chapters and the following documents:

1) LenCD, the Learning Network on Capacity Development, "Technical Cooperation: An Introduction," 2010, accessible at http://www.lencd.org/topic/technical-cooperation-introduction;

2) LenCD, the Learning Network on Capacity Development, "Technical Cooperation: Reviewing the Evidence," 2010, accessible at http://www.lencd.org/topic/technical-cooperation-reviewing-evidence;

3) Land, T. 2007. Joint Evaluation Study of Provision of Technical Assistance Personnel: What can we learn from promising experiences? (ECDPM Discussion Paper 78). Maastricht: ECDPM, accessible at http://ecdpm.org/publications/joint-evaluation-study-provision-technical-assistance-personnel/;

4) Governance and Social Development Resource Center, "Helpdesk Research Report: Changing approaches to technical assistance," 2009, accessible at http://www.gsdrc.org/docs/open/hd586.pdf; and

5) ActionAid, *Real Aid: Making technical assistance work*, 2006, http://www.actionaid.org/sites/files/actionaid/real_aid_2.pdf.

Chapter 1

The role of technical assistance in bilateral donors' and multilateral institutions' aid

Donor Priorities for Technical Cooperation, Drivers and Implications of Tied Aid

Juliet Akello, Uganda Debt Network[1]

1. Country Context

In the past two decades, Uganda has developed many initiatives in debt relief, poverty eradication and economic development. Uganda received debt relief from the Highly Indebted Poor Countries Initiatives (1998 and 2000) and Multilateral Debt Relief Initiative (2006). The resources freed by debt relief were channeled into financing poverty eradication programs established by the Poverty Eradication Action Plan (PEAP) that was launched in 1997. The saved resources and additional support from donors enabled the Ugandan government to achieve a reduction in poverty levels from 38.8% in 2002/03 to 19.7% in 2012/13.[2]

In 2010 the Ugandan government established the first National Development Plan (NDP) (2010/11 - 2015/16), which incorporated lessons from the PEAP. It was launched to guide the formulation of sectoral policies and planning processes. Subsequent NDPs are expected to be developed to drive the economy to middle-income status within 30 years (2040). The NDP is an instrument for employing key interventions for economic growth and social economic transformation as well as serving as an important tool for external resource mobilization.[3]

Although non-state actors[4] and Development Partners (DPs) were consulted during the formulation process of the NDP II, many were not sufficiently involved in the first NDP. Uganda is currently implementing the NDP II (2015/16 – 2020/21), which guides all resource allocation mobilized domestically and externally for programme implementation.

DPs comprising of bilateral, multilateral and United Nations agencies have created the Development Partner Group (DPG) to coordinate and harmonize their efforts in supporting the Ugandan government. The government has responded by encouraging DPs to provide development assistance primarily through General Budget Support (GBS).

2. Procurement and Employment of Technical Assistance by Bilateral Donors in Uganda

The Ugandan government seeks to create a development cooperation strategy that is linked to national priorities, expertise and financing requirements. Central to this goal is the capacity to be able to exercise maximum flexibility in allocation of resources, recruitment processes, financing and expenditure choices. Just as important is control over the management and scope of technical assistance (TA).

Through sector working groups, capacity constraints are conveyed to donors to guide and enable effective coordination in the deployment of TA. Planning using a sector wide approach, inputs from the Ministry of Finance or direct interventions of DPs in bilateral project agreements have been used to identify TA needs leading to procurement modalities.[5] When a particular DP cannot provide TA, others may be willing to provide such assistance. TA support opportunities may be sought from existing programmes or project frameworks before initiating new ones.[6]

In all cases, TA is expected to be in line with capacity needs and complementary to local capacity building efforts. However, according to Granger H (2015) TA often does not incorporate local counterparts in capacity building and in some cases have become the managers of these programmes themselves.[7] TA support is frequently managed by DPs while ministries, departments and agencies (MDAs) have limited roles in the procurement, recruitment and payment of TA experts.[8] The recruitment and payment of TA staff directly by DPs has the potential to distort salary structures and undermine the use of the local/ national system. Unfortunately, poor reporting on TA by MDAs and information on this modality of aid is often inadequate and doesn't guide donors on where capacity constraints are most pressing, thus making it difficult for them to deploy the required TA. This, in turn, affects the alignment of TA with the Ugandan government's capacity building efforts.[9]

The Ugandan government's weak capacity in procurement and accounting has, led DPs to directly administer TA support, indicative of a view that the government lacks the ability to effectively manage large procurements.[10] For instance, a report on health spending in Uganda indicated falsification of data. In these cases some facilities or local government units over-reported costs in order to receive greater resource allocations for drug procurement.[11] This example, along with other cases, has led to mistrust of local public financial management and procurement systems and has undermined DPs' confidence in the safety of their resources.[12] In response DPs have recruited, posted and paid directly for TA placements across government sectors.[13] In practice, this means that DPs have control over the deployment of TA.

Uganda is increasingly investing in infrastructure projects. Given the concerns about the Ugandan government's accounting capacities, there is potential that in future, DPs will insist that the initiatives that they support will come with procurement and project management personnel to fill capacity gaps and ensure effective implementation and reporting. This possibility is reinforced by the NDP II (2015/16 – 2020/21) which suggests that even some loans (semi-concessional external borrowing) are to be tied to preconditions in procurement processes. In practice this means that although interest payments will be made on such loans, creditors' interests must also be met.

The Uganda Partnership Policy (2012), which was developed by the Government in consultation with DPs, states that Government reserves the right to decline any development assistance, which
a) is insufficiently aligned with government priorities; b) has low value for money; c) has excessive conditionalities; and/or d) has high transaction costs. Records of such rejections

are not readily available so it is not clear whether this directive has been implemented. But there is concern that donor-driven aid, such as TA, is fragmented and therefore less effective as it is designed to meet donors' interests. Such initiatives are not likely to be aligned with national development strategies for strengthening capacity in national systems.[14] The approaches highlighted for providing, procuring and employing TA to Uganda is consistent with the Uganda Partnership Policy (2012). However, the Ugandan government intends to develop guidelines for the designing, contracting and managing TA with a focus of reducing such assistance gradually.

3. Impact of Tied Aid on the Effectiveness and Cost of Technical Assistance in Uganda

In 2010, untied aid in Uganda accounted for 95% of the total received.[15] Untied aid is generally acknowledged to improve value for money, to reduce transaction costs, and to encourage the use of country systems. It also allows for flexibility in the allocation of resources to meet a country's priority needs. Chinese aid is an exception to this trend in untying aid. In recent years China has provided considerable assistance to Uganda. This has included project aid, technical cooperation, business related activities as well as loans and grants that are often tied.[16] Conditions sometimes require that Chinese experts implement Chinese-funded project loans (e.g. hydroelectric dams, paved roadways and railway systems) and that Uganda imports project materials from China. This suggests heavy and continuous dependence on the Chinese Government.[17]

The NDPII and the Partnership Policy encourage donors to remove conditionalities in tied aid particularly in the provision of "supply led" TA that is often not aligned to government priorities. Tied TA significantly reduces country or local ownership of programmes.[18] As noted by a Ministry of Finance official: *"Government has limited control over the high rates of turnover of such staff which affects continuity of operations…."* All aid providers affirmed country ownership as a guiding principle for aid effectiveness in 2008 in Accra and again at the High Level Forum in Busan in 2011.

Budget support is an important modality for aid in the context of country ownership. Since 2012 donor budget support has been irregular and declining with frequent suspension of aid disbursements due to concerns about high-profile corruption.[19] This has eroded trust; jeopardized donor confidence in Government systems; and has affected aid resource mobilization and impact on aid effectiveness.[20] In this light, the Human Rights Watch report (2013) noted that these conditions were likely to influence donors towards conditioning their aid to Uganda.[21] The Ugandan government needs to use existing legal and institutional frameworks to enhance accountability to promote good governance and to fight corruption in order to reassure DPs and regain their confidence in providing aid and using government systems.

In addition, the poor harmonization of implementation strategies by DPs with those of the Ugandan government has led to inconsistent achievement of results. For instance, the 2015 report of the Joint Evaluation of Budget Support (JEBS) on Uganda indicated that while some donors explicitly provided TA to complement their sector budget support (e.g. Sweden and Norway in water and sanitation) capacity-building modalities and strategies were not necessarily integrated as part of sectoral strategies. This produced mixed results in many cases.[22]

4. Accountability of TA to Donors or Local Government Counterparts

TA should be regarded as an instrument for building capacity in the recipient country, not linked to donor priorities. However, in several programmes, TA to Uganda has been initiated by DPs and posted to designated jobs.[23] Such specialized staff are accountable directly to the DPs as they are expected to provide assurance to the donor agency and meet its need for effective project implementation and reporting on the terms that they have set.[24]

Poor financial management by government institutions has contributed to a practice whereby DPs provide aid resources directly to recipient non-government organizations (NGOs) and community based organizations (CBOs). Organizations receiving such resources account and report directly to their respective donors. Where DPs are directly involved in the implementation process, which is more often than not, fragmentation of aid resources and duplication of activities is common as is the concentration in a few 'favored' sectors. While this off-budget modality of aid delivery to NGOs/CSOs was recognized at the 4th High Level Forum in Busan (2011), the quantity of such aid is not captured by the Ugandan government even when it has an impact on the economy. This also makes it difficult to establish effectiveness of development cooperation.

5. Interventions and Strategies for Improving Participation of Nationals in Technical Cooperation Projects

Citizens' participation in donor - government discussions on acquisition of external assistance is limited as the responsibility is restricted to the Ministry of Finance, which eventually has an impact on its utilization. Citizens usually get involved only at the point of monitoring. Improvements to this practice to ensure greater effectiveness include:

1. Both DPs and Government should consult civil society, private sector and direct beneficiaries in the process of external development resource mobilization. This approach prepares them to engage in monitoring donor funded programmes / projects and external resource utilization. It strengthens both transparency and accountability.

2. DPs should make their web sites open to the public for easy access to information on aid resources and best practices in different sectors (e.g. water and sanitation). Donors should also liaise with the Prime Minister's Office to disseminate information through the *"Baraza"* strategy[25] to strengthen the use of a government system to enhance aid effectiveness. This sensitization and accountability platform can be used to interest intended beneficiaries to participate in project implementation and monitoring.

3. Non-state actors like CSOs, CBOs and NGOs should form partnerships and coalitions in order to integrate their implementation plans and strategies with national and donor priorities. In liaison

with the Ugandan government, a clear mechanism/platform for engagement should be established to link and harmonize coordination of dialogue between CSOs working at the community level with international agencies. Sector, local government, DPs and civil society implementation plans should be aligned to the NDP to strengthen ownership of all planning processes.

4. DPs supporting projects outside government systems should provide funds after an agreement has been made on joint or designated sector activity implementation by CSOs with participation from beneficiary populations to avoid duplication of work. Such collaboration and enhanced citizens' participation is vital as it will complement government action, strengthen the effective utilization of resources and provide a fair tracking system for project implementation.

6. Uganda's Experience on the Impact of Technical Cooperation for Poverty Focused Outcomes for Aid

In the framework of international debt relief initiatives, the PEAP was widely recognized for its impact in sustaining growth and poverty reduction in Uganda.[26] However, although DP support made a significant contribution to poverty reduction in Uganda, the 2014 Uganda Poverty Status Report indicates that vulnerability to poverty remains considerably high at 43%.[27] This vulnerability, as well as a high rate of demographic growth (3.3% per year), poses a huge challenge for quality service delivery and the possibility for effective poverty reduction.

Illustrations of initiatives in development cooperation leading to positive results

a) *In 2010, China impacted positively on the economic welfare of the population through project aid to small scale agricultural plants (Kibimba and Doho rice schemes). A demonstration farm was established where Chinese experts trained local people in planting and handling machinery for processing and harvesting rice. This built local capacity and improved the quality of rice that was able to secure competitive prices. The result was an improvement in farmers' incomes and welfare status.*[28]

b) *Another positive example is Organic Agriculture (OA), a holistic production management system that has contributed to improved food security, increased household income and reduced poverty through the creation of employment in rural areas. A group of DPs*[29] *are collaborating with the Food and Agricultural Organization to support the agricultural sector in Uganda and champion implementation of OA.*

7. What should be the focus of Technical Cooperation: Meeting donor needs or building sustainable local capacity?

When donors initiate and control the supply of TA linked to an initiative its effectiveness is undermined, especially when it is not integrated into local government systems. It can be seen as meeting a donor need at the expense of local capacities. Bilateral aid relationships can be skewed towards interests of outside countries rather than local priorities and needs. When local needs are prioritized, however, there can be great benefits.

Examples:

a) *In 2015, the Ministry of Finance received external assistance from German Cooperation (GIZ) to provide technical support to human resource development, development of audit manuals and tools. This process was to build sustainable local capacity and promote accountability, transparency and effectiveness in auditing in Uganda. The Government of Ireland also provided aid geared towards improving the quality of audits through technical capacity building and re-tooling in the Directorate of Value for Money and Specialized Audits, Forensic Investigations and IT Audit and Other Directorates performing financial audits. As a result, a total of 166 staff were trained in these specialized areas.[30] The knowledge acquired by Ugandan staff through these programmes can then be replicated and shared with a broader range of government officials.*

b) *The Danish Government supported Uganda to establish the Climate Change Unit[31] in the Ministry of Water and Environment. The preparation of a comprehensive Capacity Development Strategy was spearheaded by the Danish Government which provided TA for overall capacity development. It also funded the implementation of the National Adaptation Programmes of Action and the development of a climate change policy for Uganda.[32] Specifically, TA is employed in the areas of sector coordination, financial management and water resources management at central level, but with frequent interaction with the decentralized levels. Support for adaptation to climate change benefits all party interests. Joint efforts should be made for its integration in all development portfolios.*

On the less positive side, the JEBS Report indicated that although policies, strategies and plans (Universal Primary Education and Universal Post Primary Education and Training) have been developed in the education sector, there has been little capacity building support directly linked to budget support.[33] The technical capacity of the Ministry of Education at central level was reported to be declining and capacity at local level as being weak. These capacity needs have not been addressed by any DP initiatives as donors' focus has shifted from sector to project support.[34]

Conclusion

The effectiveness of external assistance is highly dependent on three main factors: 1) the donor and recipient's motives; 2) policy effectiveness of the recipient country; and 3) an alignment between country priorities and the objectives of the resource. In Uganda, donor concerns on country systems has increased their anxiety and need for guarantees that the money is well spent. This concern can lead them to post TA from their countries as they believe it will safeguard aid utilization. However, in order to be truly effective in the long term, external resource delivery modalities must be organized to uphold local institutional building and capacity development. Such an approach should be a priority at all levels and is fundamental if emphasis is to be put on transformational development with or without conditionality on development assistance to Uganda.

Endnotes

1 The Uganda Debt Network is a policy advocacy organization that was formed in 1996 to campaign for debt relief for Uganda under the HIPC Initiative of the WB/IMF. The organization promotes and advocates for poor and marginalized people to participate in influencing poverty-focused policies; demanding for their rights and monitoring service delivery to ensure prudent, accountable and transparent resource generation and utilization. UDN engages with various government MDAs at the national level and through partnerships with local governments and nurturing community based organizations at sub national levels.

2 MoFPED 2014, *Poverty Status Report: Structural Changes and Poverty Reduction in Uganda*, p.8.

3 National Development Plan (2010/11 – 201/15) April 2010, p.4.

4 Non-State Actors include private sector, civil society organizations, media, and academia.

5 Hazel Granger 2015, *Demand and Supply of Technical Assistance and Lessons for the Health Sector: Country Perspective Note – Uganda*, p.7.

6 Second National Development Plan (NDPII) 2015/16 – 2019/20, June 2015, p.8.

7 Granger Hazel 2015, *Demand and Supply of Technical Assistance and Lessons for the Health Sector: Country Perspective Note – Uganda*, p.7.

8 MoFPED 2015, *Report On Public Debt, Guarantees, Other Financial Liabilities And Grants* FY 2014/15, p.24.

9 Aid Effectiveness 2011: *Progress in Implementing the Paris Declaration in Uganda* – Volume II Country Chapters, p.8.

10 MoFPED 2012, *Summary of Project support managed outside Government systems*, p.10.

11 EU Country Office 2010, Health Spending in Uganda: *The Impact of Current Aid Structures and Aid Effectiveness*, Country Briefing 1, p. 8.

12 MoFPED 2013, *Summary of Project Support Managed Outside Government Systems FY 2012/13*, December, p.3.

13 MoFPED 2013, Report on Loans, Grants & Guarantees FY 2012/13, p.2.

14 Aid Effectiveness 2011: *Progress in Implementing the Paris Declaration in Uganda* –Volume II Country Chapters, p.3.

15 Second National Development Plan (NDPII), 2015/16 – 2019/20, June 2015, p.9. The exceptions were Italy (11%), Korea (58%), Spain (90%), United States (91%) and China.

16 Economic Policy Research Centre 2010*, Impact of China-Africa Aid Relations: A Case Study of Uganda*, p.1.

17 i)http://www.newvision.co.ug/new_vision/news/1338375/highlights-china-uganda-relations

See more at: ii) http://www.newvision.co.ug/new_vision/news/1338375/highlights-china-uganda-relations#sthash.6zwlnLK4.dpuf.

18 Aid effectiveness 2011: Progress in Implementing the Paris Declaration in Uganda – Volume II Country Chapters, p.10.

19 In 2010, the Joint Budget Support Framework Development Partners cut aid because Government didn't take effective action in 2008/09 against several high level corruption cases, especially recommendations from the Common Wealth Heads of Government (CHOGM) audit reports published in 2008. The scandal involving UGX 6 billion (approximately U$2.4 million) led to donor cuts amounted to over 10% of their U$360 million in direct budget support. In 2012, donors again stopped direct budget support and ultimately received repayment of U$12.7 million that was mismanaged in the Office of the Prime Minister over funds meant for Peace, Recovery and Development Plan (PRDP). The Human Rights Watch report (2013) indicated that increased corruption has been insulated by the failure of Government to hold high level public leaders from accounting.

20 The Independent 2013, IMF: Aid Cuts Good Opportunity for Uganda. [Online]. Available at: http://www.independent.co.ug/ugandatalks/2013/06/imf-aid-cuts-good-opportunity-for-uganda/. [Accessed: 20th January 2016].

21 Human Rights Watch 2013, "Letting the Big Fish", *Failures to Prosecute High-level Corruption in Uganda*, p.50.

22 International Cooperation and Development 2015, Report on Joint Evaluation of Budget Support to Uganda, Volume 1, p.16.

23 MoFPED 2013, Report on Loans, Grants & Guarantees, FY 2012/13, p.2.

24 Granger Hazel 2015, *Demand and Supply of Technical Assistance and Lessons for the Health Sector: Country Perspective Note – Uganda, p.7.*

25 A Citizens' Advocacy Forum coordinated by the Office of the Prime Minister that brings together policy makers, public service providers and public

service users to share relevant public information and to develop corrective interventions to outstanding challenges affecting their livelihood.

26 National Planning Authority 2013*, Development Partnerships Thematic Report: Mid-Term Review of the Uganda National Development Plan*, p.1.

27 MoFPED 2014, *Poverty Status Report: Structural Changes and Poverty Reduction in Uganda*, p. 1 & 98.

28 African Economic Research Consortium 2010, *The Impact of China –Africa Aid Relations: The Case of Uganda,* Policy Brief Issue No.10, p.1

29 DPs include the United Nations Environment Programme, the Government of Austria through United Nations Conference on Trade and Development Capacity building task force, the Swedish International Development Cooperation Agency, and the International Trade Centre.

30 Of regularity audits, teammate champions training, Uganda Revenue Authority Asycuda tax system, advanced Value For Money course, audit of networks, SQL database & security audit and Linux audits.

31 The CCU coordinates Uganda's response to the climate change challenge and also liaises with other institutions outside Uganda, particularly UN agencies and intergovernmental institutions.

32 http://www.wri.org/our-work/project/world-resources-report/role-development-partners-adaptation-planning.

33 International Cooperation and Development 2015, *Report on Joint Evaluation of Budget Support to Uganda*, Volume 1.

34 Ibid, pg 49.

International Financial Institutions and Issues in Technical Assistance in Manipur and North East India

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International Financial Institutions in North East Region (NER)

International Financial Institutions (IFIs) have intensified their presence and reach in Manipur and North East Region (NER) in the past few decades. This involvement is part of larger move to integrate India economically with the economies of the Asia Pacific region and is also seen as a way to reduce 'poverty' among indigenous communities in the NER region.

The chapter attempts to provide an overview of the increasing involvement of the IFIs, with their emphasis on Technical Assistances (TA) in preparation of projects, and with subsequent coordination with the Government of India. There has been tremendous development of TA in infrastructure projects, roads, urban project, power reforms, trade and investment, mostly financed by the Asian Development Bank. The chapter also discusses the larger implications of TA initiatives and its implications for the human rights of the indigenous peoples of Manipur and across NER.

The IFIs are involved in a range of sectors: infrastructure, energy, tourism, urban development, agriculture, water management and related policy reforms in Manipur. The Asian Development Bank (ADB) and the World Bank (WB) are two key multilateral banks, while the Japan International Cooperation Agency (JICA), Department for International Development (DFID, UK), Australian Aid (AUSAID) and the United States Agency for International Development (USAID) are key bilateral agencies financing development projects across NER. The ADB, WB and JICA are involved in financing energy, agri-business, water supply/ sanitation and urban development in Manipur. The IFIs have targeted NER in their sub-regionalization processes. For instance, the ADB has included this region in its South Asia Sub Economic Cooperation (SASEC) to complement and integrate it with similar initiatives, such as Greater Mekong Sub Region (GMS) in South East Asia.

The ADB is actively involved in shaping the development vision for Manipur and NER. Central to this engagement is Vision 2020 for India's NE region, with its overwhelming focus on privatization and on fostering trade and commerce with neighboring countries. In the country partnership strategy, 2013-2017, the Asian Development Bank includes a special emphasis on NER as a strategic location to promote cross-border regional cooperation. The ADB also understands NER as the gateway to Southeast Asia for trade and investment, suggesting the need to integrate South Asian economies. The ADB maintains that SASEC, which includes the NER, has massive energy potential, vast resources of minerals, oil, forest, livestock, fertile agriculture land, important ports and cheap skilled labour.

The ADB and World Bank financed projects across the NE region, including ADB financed road and energy projects and the World Bank financed high voltage transmission and distribution lines, are aimed at harnessing and exploiting the rich resources of the NE region.[1]

IFIs and Technical Assistance

Prior to finalizing funding in specific sectors, the IFIs have developed an extensive range of technical assistance (TA) especially in roadwork, urban development, agribusiness, tourism and water projects. The ADB is the leading multilateral bank with extensive involvement in in Manipur and India's NE region with TA preparation and subsequent project implementation for several of its sectoral financings. Many of ADB's TA projects have been funded by DFID (United Kingdom) or the Japan Special Fund. This TA, which was developed over the last decade, has now advanced to IFI loan projects and many are now fully in the implementation phase, despite the controversies generated. The ADB financed Thoubal – Kasom Khullen road project, the Imphal Ring Road Project and the Kangchup to Tamenglong Road project have all landed in controversy in recent years in Manipur.

Many OECD countries have promoted private sector participation through financing by their bilateral development agencies. This is evident in many development processes across the NE region. DFID, USAID, JICA, GIZ are directly involved in financing a variety of development sectors. Japan is preparing ODA loans through JICA amounting to approximately 67 billion yen for the improvement of road network connectivity in the North East with an agreement signed with the Government of India in 2015.

An agreement on water and sanitation services in Shillong and Sikkim signed by Australia and the government of India (GOI) in 2003, included a provision whereby Australia would provide TA to Meghalaya and Sikkim for the planning and delivery of these services. The Australian Consulting Firm, Kellogg Brown and Root Private Limited executed an AU $39.4 million project, which began in late October 2003. The project complements Australian assistance of AUS$3 million to the World Bank's South Asia water and sanitation program. The AusAid program also emphasized policy and institutional reforms in India as part of Australia's support for water governance reform in South Asia.

ADB and Road Projects in NE

Road projects are one of the key sectoral foci for ADB investment in NER. Regional transportation and connectivity has been considered by IFIs as crucial to foster trade and commerce among the countries in South and South East Asia. The goal of ADB transport sector support under the India's country partnership strategy 2013 – 2017 is to increase the movement of people and goods in a more efficient, safe, sustainable manner.

A loan agreement (Trance-I) between Government of India and ADB was signed for the North Eastern States Road Investment Program (NESRIP) in July 2012 and for the tranche II in February 2014 at a total cost of US$200 million.[2] The implementation of Tranche II is progressing in NE States, which includes Manipur, where the roads projects from Tupul (NH 53) to Bishnupur, Thoubal to Kasom Khullen has been taken up.[3] The ADB also financed road projects in Manipur under the US$425 million multi-tranche South Asian Sub-regional Economic Cooperation (SASEC) Road Connectivity Investment Programme approved by the ADB in 2014. Manipur is one of the States targeted for a US$300 million loan agreement signed between the Government of India and the ADB in March 2015 aiming to improve road connectivity and increasing domestic and regional trade along the North Bengal-North Eastern region international trade corridor. New roads in Manipur envisaged for construction under the project includes the Imphal-Kanchup-Tamenglong Road, Imphal Town ring road and Imphal –Moreh Road project.

Earlier, the ADB approved a Project Preparatory Technical Assistance (PPTA) to prepare a feasibility study for up-grading and reconstruction of state roads as well as institutional development and capacity building of State Public Works Departments (PWDs) in the North East States. A TA agreement worth US$1.2 million was provided on a grant basis from the Japan Fund for Poverty Reduction for capacity building for the North Eastern State Roads Sector.[4] Earlier in December 2004, a TA agreement to provide assistance in evaluating the feasibility of trade and investment creation for the private sector, was also signed between Government of India (GOI) and ADB as part of the North Eastern State Roads Project (NESRP). This TA was co-funded by the GOI through the Ministry of Development of Northeastern Region (MDONER) and ADB.[5] Technoconsult International Limited, Bangladesh, Development Consultants Pvt. Ltd., India, and Vision Rx Connexion Pvt. Ltd., India carried out the consultancy service for the project from 2005 to 2006. The total length of the road to be taken up under the proposed NESRP scheme has been set at 433.7 Km. covering the States of Assam, Manipur, Meghalaya, Mizoram, Sikkim and Tripura.[6] The project was envisaged for implementation over 5 years, from 2011-2016. The estimated project cost is US$298.2 million.

ADB outlined the objectives of its TA as facilitating economic growth, poverty reduction, and environmental action by improving the North Eastern State Roads network and road connectivity to the national and sub-regional road networks. ADB's plans to prioritize those roads that will be important for regional integration and trade flows to other parts of India and neighboring countries. The TA agreements have prioritized about 2,500 km of roads using criteria of road condition, traffic, and connectivity.[7]

Of the key the key objectives of the ADB road projects in Manipur and across NE is to reduce poverty by fostering trade and commerce between South and South East Asian countries. However, villagers affected by the ADB financed 47 Km Thoubal - Kasom Khullen road and the Imphal Town Ring Road project have already raised concerns on multi-faceted impacts, including loss of their agriculture land, grazing grounds and homestead land, which will all lead to their impoverishment and impact on their livelihoods. Six villagers of Thoubal and Ukhrul Districts, affected by the road project filed a legal petition against ADB in August 2014 concerning the violation of community rights, including forced acquisition of their land disregard of environmental impacts.[8] The affected village petitioned that the project authorities commenced land acquisition without providing information on related rehabilitation and compensation measures.[9] The ADB has so far failed to respond to the legal notice served to them on violation of community rights.

The Public Works Department, Manipur and private companies implementing the road project, including AECOM Asia Company Limited, Rodic Consultants Private Ltd, Dineshchandra R. Agarwal Infracon Pvt. Ltd, ABCL, have begun constructing the ADB financed Bishenpur – Tupul road and Thoubal to Kasom Khullen Roads without conducting a detailed impact assessments and causing widespread environmental damages. The extensive sand and stone mining by ABCI company from Ejei River for road construction for the Bishenpur to Tupul road had led to massive soil erosion, receding of water level, loss of fish habitat and scarcity of water in Noney and Tupul areas in Tamenglong District, also rendering agriculture land unfit for cultivation.

More than 1000 people will simply lose their agriculture land and their source of survival due to ADB's Imphal Town Ring Road project, pursued in 2015, which will lead to impoverishment of indigenous communities. The Zeliangrong Youth Front raised concerns with the Kangchup –Tamenglong road project in March 2016 due to a lack of assessment of social impacts and unclear rehabilitation and resettlement plans for those affected by the project. There are concerns that the ADB roads from Bishenpur to Tupul will directly facilitate the construction of a 66 MW Loktak downstream hydroelectric project and the 70 MW Nungleiband Hydroelectric project in Tamenglong District, Manipur, besides oil exploration plans in the region. These mega dams and oil exploration will lead to massive scale of flooding and destruction of both agriculture land and forest, impacting the livelihood of indigenous communities.

The larger implications of mega road projects have never been assessed, particularly on the indigenous local economy and on the role of indigenous women in local economic traditions and practices. The health and environmental impacts and potential to increase logging in forested areas have never been assessed. There are also concerns that the road projects are pursued to promote the interest of private corporate bodies, as against the rights of indigenous communities. The prioritization of road projects are in areas with potential to connect trading points for business interest of multinational corporations or where there are natural resources, water, oil, and forest resources for expropriation for their profits. These priorities are not based on the actual needs and aspirations of communities in rural areas, where most of the roads continue to be dilapidated condition. The demands for road repair and proper maintenance has been a longstanding demand of communities, but continues to be out of consideration for improvement.

ADB and Urban project

The ADB has provided a loan for the North Eastern Region Capital Cities Development Investment Project (NERCCDIP), still in its implementation phase. The ADB Board of Directors approved this loan under its Multi-tranche Financing Facility (MFF) for US$200 million in June 2009 from the

ADB's ordinary capital resource. The projects financed under the Multi Tranche Financing Facility of ADB was originally scheduled for completion as Tranche 1 (May 2009-Oct 2011), Tranche 2 (March 2010-December 2013), Tranche 3 (December 2012 – December 2015), notwithstanding delays. The Government of India and ADB, signed a US$80 million loan agreement in January 2016 for infrastructure improvement in Agartala and Aizawl, respective capitals of the NER States of Tripura and Mizoram under the NERCCDIP. [10]

The ADB prepared the NE Region Urban Sector Profile Study, completed through TA in December 2003, including the Project Preparatory Technical Assistance (PPTA).[11] The NERCCDIP is indeed part of ADB's loan package in India's NER under its SASEC initiative. It envisages the capital cities of NER to play a pivotal role in supporting both ADB's promotion of globalization, liberalization and privatization and to support India's free trade initiatives with neighboring countries.[12] The project aims, among others, to reduce disparities between NER and the developed regions of India through municipal reforms to develop legislative and institutional frameworks for Urban Legislative Bodies (ULBs), accompanied with reforms to create government revenue sources by introducing and rationalizing user charges and urban-based taxes.[13] The implementation of the Tranche III of the NERCCDIP is still ongoing in NER.
The total project cost for the two solid waste and sewerage and sanitation sub project of Shillong Town is US$51.7 million. The implementation of NERCCDIP at Shillong Town in Meghalaya is marred with community rights violations, especially in the efforts to introduce ULBs, by undermining Khasi indigenous peoples traditional norms of land and community affairs management in the Town. The reforms prescribed under NERCCDIP-I intend to create regulatory frameworks, financially viable service delivery systems, and enhanced tariffs. They will also create an environment for Private Sector Participation (PSP), including developing a time-bound PSP plan, a build operate and transfer agreement for compost plants, outsourcing solid waste collection, and user charge billing and collection.

The proponents of ADB's NERCCDIP insisted on holding municipal elections under 74th Constitutional amendments (CAA) in Shillong and under the new Meghalaya Community Participation Bill, 2010 without the consent of Khasi peoples' traditional institutions, the Durbar Schnongs in Shillong Municipality Area. The Durbar Schnnogs have already objected to the new Meghalaya Community Participaotry Bill, 2010 and subsequent plans to organize elections. The Synjuk Ki Rangbah Shnong (SKRS), a conglomerate of headmen of Durbar Shnongs in Shillong Municipal area had already decided against municipal elections, which is being pushed as a reform plan of NERCCDIP implementation in Shillong: "…*After a threadbare discussion, we have unanimously decided to oppose the proposed municipal election, the elections will hamper the functioning of traditional institutions and if the government goes ahead with the municipal elections, we have decided to boycott it*…"[14] The meeting also took serious note of the legality of the Meghalaya Municipal (Amendment) Ordinance 2010, which was given assent by the Meghalaya Governor in June 2010.[15]

Several civil society organizations wrote to ADB seeking information, more specific details on the impacts of the project, including the application of ADB's safeguard policies on environment impact assessment, involuntary resettlement and consultation and involvement of indigenous peoples.[16] The CSOs are also concerned about the level of involvement of CSOs in the non application of ADB's safeguard policies in NERCCDIP, in particular the Involuntary resettlement and on Indigenous Peoples. Some CSOs are even wrongly listed as being consulted for project preparation and implementation despite their lack of information. There are further concerns about the accessibility to the service as the project is based on user charges.

ADB and Power Sector

Power sector is also one of the major priority area for the IFIs, including the ADB. The ADB and JICA are the donors primarily engaged in financing energy related development initiatives in India's northeast. The ADB prioritizes six areas: 1) power sector reform, 2) the promotion of higher efficiency and low carbon power sources 3) expansion, de-bottlenecking and optimization of transmission and distribution systems, 4) institutional strengthening to implement reforms required by the Electricity Act of 2003, 5) promotion of private sector participation, and 6) encouragement of energy strategy and environmental and social sustainability. ADB has stated that its power sector strategy and operations are most likely to be implemented in states committed to reform.

The ADB's TA for the northeast power development project,[17] prepared in 2004, called for the development of locally available resources, including hydropower, natural gas, and renewable energy sources to provide critical transmission and distribution facilities, and to assist institutional strengthening in the power sector with private sector participation. Power sector reform, financed by the ADB is actively being pursued in Manipur, Assam and across the NE region.

The Assam Power Sector Development Program[18] has received support from the ADB. In 2002 the GOI and ADB agreed that TA and a financing loan would be provided to support reform of the financial and power sectors of Assam State.[19] By this time the reform of Assam State Electricity Board had already commenced in line with the recommendations by an ADB TA.[20] These reforms included the introduction of a profit-centered approach in its 14 distribution circles as steps towards unbundling and corporatizing its operations. In Manipur, the Electricity Department has already been corporatized and there is an ongoing plan to install electric meters and a pre-paid system is being introduced. Already, the Manipur State Power Distribution Company Limited has hiked the power tariff in Manipur by 10% in February 2016, much to the resentment of communities in the potential impacts causing further impoverishment of their lives. Notwithstanding the power hike, the accessibility to power service is another concern as the creation of power infrastructure is focused in urban areas and not so much in rural and remote areas of Manipur. As the entire power sector reform is focused on a profit and commercial approach, many areas and communities will further be left out, as the scope for profit will be low and disproportionate to the massive investment required for such regions.

ADB and Trade TA

In October 2004 the ADB prepared TA plans for the promotion of trade and investment in NER. The ADB argued that its trade and investment initiative for NER was timely and necessary to improve the market environment in NER and to create a favorable environment for private sector investments.[21] This TA also focused on increasing the capacity and productivity of NE India's private sector in order to meet the ADB defined challenges and issues facing the sub region in international markets.[22]

The ADB maintains that NER has unexploited natural resources and that many states have high agribusiness potential. Creation of an action plan would thus enhance the conditions for private sector led growth. The plan responded to the need for a policy framework enabling competition, for an institutional setup with an open, competitive level playing field among sectors, and the establishment of a support mechanism for private sector development. All these measures were key actions outlined in the TA document.

The implementation of this TA in the trade sector has led to the integration of private sector-led growth in all the policy priorities and initiatives for development in the NER region. India's signing of Free Trade Agreement with ASEAN, the formulation of a series of policies such as the Manipur Hydro Power Policy, 2012, the New Land Use Policy, 2014, the Manipur Industrial (Investment) amendment policy, 2013, the Manipur Tourism Policy, 2010, are all focused on private sector led growth. They foster open market competitions, by insisting on global tenders, inviting international consultants and private multinational companies to promote implementation, procurement etc. The push for the Trans Asian Railway and Highway in Manipur along with the several road infrastructure projects by ADB and JICA are all intended to promote private sector led growth and development in the region.

The ADB's poverty reduction strategy argues that the private sector can play a key role in pro-poor growth through the generation of employment and income. The ADB supported TA in the "Agribusiness Development Support Project" in Sikkim, which includes an investment component for external financing to promote the commercialization of agriculture and development of agribusiness. This investment aims to promote the production, processing and marketing of high value crops and their integration in international markets.

IFIs and TA: A Discussion of Impacts

TA, WTO and policy conditionalities: The IFIs, in particular the Asian Development Bank and the World Bank, have provided the content and legitimacy for a particular set of developmental priorities in NE India. They have done so with a view to integrating the region into a pattern of economic development that primarily benefits a narrow band of corporate, economic and political interests. A quick reading of the WB's country assistance strategy for the last few decades and the ADB's country strategy for India reveals the far reaching role these institutions play in setting and directing developmental priorities and processes in India's NE region. It is critical to note that these prescriptions dovetail with those of the World Trade Organization (WTO).

A significant trend in the involvement of IFIs in NER is the heavy emphasis on the intensification of trade and private sector participation. The technical assistance programs of IFIs uniformly uphold the approach promoted by the WTO and other global financial institutions for privatization and the insistence on free trade as essential parameters for development in the NE region. The ADB in its TA for investment in the NE maintains that all export opportunities and trade promotion in the region must be evaluated in terms of WTO norms that have come with India's accession to the WTO models. Since 1995, when India joined the WTO, there has been a surge in imports of agricultural commodities, which are being dumped by developed countries in the international market below their cost of production. This has led to a deep decline in domestic agriculture prices and has deepened the agrarian crisis, including suicides in rural India.[23]

The shift in India's power sector to emphasize the participation of private parties in the generation and distribution of power commenced in 1990s. In response, the World Bank advocated for a reduction in government involvement in this sector. The IMF and WB's pre-conditions to bail out India from a balance of payments crisis included reforms and a reduction of transmission and distribution losses.[24] Subsequently, the ADB insisted on unbundling the State Electricity Boards (SEBs) into smaller units of generation, transmission and distribution where the government will have little influence. Once this happened, only the Electricity Regulatory Commission will have a say on tariff fixation, which implies that the price for electricity, an essential service, would be decided by the market.

In response to this policy condition, the Electricity Act was passed by the Government of India in 2003. It required that all states completely unbundle their respective state electricity boards (SEBs) or electricity departments by December 2005. Through the central government the ADB imposed conditionalities for ADB loans, specifically that they must demonstrate a commitment to the dismantling of the respective SEBs.

Since this measure was passed there has been wide spread corporatization of the power sector across the NE region. The appointment of workers is now through contracts and there has been mass layoffs of employees in the Manipur State Electricity Board. This development has been marked by vehement protests by workers and employees' unions.

In Manipur, there was a protest against corporatization of the electricity department by employees in October 2013. The Manipur electricity employees union staged a sit-in-protest at the electricity department offices in Keishampat, Imphal against the Manipur government's corporatization of the department.[25] Many workers are not regularized, paid low wages and deprived of basic facilities and promotion. Pressing its long standing demand for service regularization for Work-Charge and Muster Roll employees under Manipur State Power

Company Limited and Manipur State Power Distribution Company Limited, Manipur Electricity Employees' Union (MEEU) staged a sit-in-protest in front of Thoubal Division Electricity office at Thoubal Athokpam in February 2016.

In Meghalaya, the state electricity board (MeSEB) employees' staff union raised their concern with initiatives to privatize this board (MSEB). In a memorandum submitted to the chairman by the MSEB for reviewing the 2003 Electricity Act, the union stated that previous experiences of dismantling state electricity boards in Assam, Orissa and Delhi and privatization of electricity supply had proven to be a total failure for both power distribution and revenue collection. The impact of corporatization and the commercial model of function of Manipur's power sector has recently been felt when in February 2016 the Manipur State Power Distribution Company Limited has increased the power tariff by 10 percent.[26] The overall implications of these policy conditions and commercialization of service were never assessed by the IFIs or the GOI. There are clear concerns with the corporatization of power sector as to both accessibility and affordability, especially in rural areas of Manipur.

Focus on private sector-led development

All TA strategies developed by IFIs for projects in Manipur and across the NER impose private sector development as the engine of growth for the region. The strategy is geared towards measures that facilitate free and unhindered trade and increase opportunities for private sector participation. The ADB's private sector development strategy promotes the private sector and mitigates risks for the sector.

The ADB rationalizes its aggressive private sector promotion by maintaining that the involvement of the private sector will reduce financial pressure and demands on a poorly resourced and inefficient public sector. It argues that this will free up utility and infrastructure costs and thus allow the government to redirect resources to the social sectors. However, the Government's spending on social sectors has declined, both at the national level and in Manipur. For instance, in the 2015 budget for India, the Ministry of Agriculture witnessed a reduced allocation from Indian Rupees (Rs) 19,852 crore in the year 2014 to just Rs 17,004 crore. Similarly, funds for the Women and Child Development Ministry have been slashed to Rs 10,382.40 crore from Rs 18,588.39 crore, subsequently affecting allocations in respective States like Manipur.[27]

The ADB insists that its trade and investment initiatives for the NER are necessary to improve the market environment in the NER. The result, the ADB claims, will be a favorable environment for private sector investments which will make it possible for the region to participate in global and regional markets. However, this has not proven to be the case. The private sector involvement in NER region has led to expropriation of land and resources as well as destruction of the environment. In practice these measures have undermined the rightful participation of communities and their organizations in development decision-making affecting their land.

One clear concern with the implementation of ADB's road projects is the overwhelming focus on privatization of development. Multinational private consultancy and civil works companies carried out the entire consultancy and civil works for road building. The Management Services Value (MSV), AECOM Asia Company Limited, both based in USA, Egis International, **based in France,** Roughton International Ltd, base in UK, Rodic Consultants Pvt. Ltd, Aarvee Associates Architects Engineers & Consultants Pvt. Ltd, based in India are some of the construction supervision consultants for the ADB road projects in NER. The BVSR constructions Pvt. Ltd., ABCI, BSCPL Infrastructure Limited, M/s Tantia Construction Ltd, Dineshchandra R. Agarwal Infracon Pvt. Ltd are some of the civil works Contractors. The accountability of these private companies remains an unaddressed issue, such as the environmental damage by ABCI in exploiting sand and stone from Ejei River, Tamenglong District, Manipur with adverse consequences and without responding to social impacts.

The French cement multinational company, Lafarge has received substantial support from the ADB and IFC for its limestone mining operation in Meghalaya in NER India. This has led to destruction of forest as well as violations of indigenous peoples' customary laws and land ownership. The Mizoram State Road project, financed by the World Bank and implemented by RBM Tantia (part of RBM Road Builders of Malaysia), Baghareetha Private Limited, CCAP Limited and Termat Engineering and Infrastructure Private Limited has encountered controversy over project delays, problems with compensation and the adequate rehabilitation of communities.[28]

Exploitation of natural resources for large scale development projects

The pattern of economic development set by TA and IFIs that is increasingly being pursued and legitimized, is one based on a series of measures that benefits the dominant economy and the interests that profit and gain from it. These measures involve an enormous appropriation and exploitation of natural resources, the building of large centralized water and power projects, the imposition of land and water use strategies, and an emphasis on cash crops and processes that use and exploit the bountiful land, resources and people in NER.

The World Bank's financing of the creation of high voltage transmission lines will make possible the construction of mega dams in Manipur and NE region. This includes the 1500 MW Tipaimukh dam, the 190 Pabram HEP project and the 67 MW Khongnem Chakha dam over Manipur's Barak River. Indeed, the NE region is recognized as India's powerhouse. Already, more than 200 mega dams are planned for the region. As well, the ADB's financing of extensive road building across Manipur and the NER will facilitate the construction of these mega dams, as well as oil exploration and mining throughout the NER region. In Manipur, ADB roads with ongoing construction, such as the one from Bishenpur Town to Tupul are key supports for the 66 MW Loktak downstream hydroelectric project and the 70 MW Nungleiband dam. The increased involvement of IFIs in NER is also linked to a rise in concessions for mining and other extractive industries.[29] The government of India unveiled the North East Hydrocarbon Vision 2030 in February 2016 to exploit hydrocarbon across the NER region.

Negation of Indigenous Peoples' Rights

An assessment of the collective funding initiatives of the IFIs, the ADB, JICA and World Bank reveals that the focus is to target the region's land and resources with minimal care for the human rights of indigenous peoples in NER. There is a complete disregard for the indigenous economy, way of life and cultures dependent on their land and resources for their intrinsic physical and spiritual survival. Indigenous peoples will lose their identity and cultures if land alienation and displacement associated with IFI projects are pursued without any monitoring and accountability mechanism.

A failure to take the free, prior and informed consent of indigenous peoples is evident in the IFIs' operations in the region. The expropriation of indigenous peoples land, in large-scale resource and dam projects, will only led to their impoverishment, and is clearly inconsistent with the IFI's stated project financing goals to reduce poverty in NER. Relevant authorities have failed to heed peoples' calls for information disclosure on projects that are to be introduced or to seek their consent for use of their lands. People have not been informed of disclosure policies, environment and social policies when new projects are being introduced.

The IFI projects also lead to the undermining of indigenous peoples traditional institutions and functioning, as demonstrated by the case of the NERCCDIP project in Shillong in Meghalaya. Here the Meghalaya Community Participation Bill, 2010, has been introduced to negate the functioning of traditional Durbar Schnongs of the Khasi people in the town.

The polices and standards developed by IFIs have failed to receive a global consensus, with wide rejection of these policies on grounds of lack of sensitivity to equity, sustainability, human rights and justice.[30] But even these limited policies and standards of IFIs are continuously violated in project implementation in India's NE region. The conception phase and TA undertaken on behalf of the IFIs often failed to mention indigenous peoples' rights over their land and the need to have their consent before pursuance of specific projects.[31] An overwhelming focus, in contrast, is to promote private sector interest at the cost of indigenous peoples' rights and survival.

In fact, the conditionality imposed through technical assistance from the ADB and World Bank, working under the WTO framework, have in fact taken away indigenous peoples' right to development while benefiting the private sector, corporate bodies, local, national and global elites. To meet the IFIs' conditions, the GOI has begun a legal process to disregard their rights to their land by seeking changes in existing legislation in favour of privatization. This eagerness to receive IFIs' projects has also led to higher levels of militarization in the region, which has resulted in multiple conflicts and tensions among indigenous communities. Indigenous communities face increased occupation of their land by the military.

The space to seek accountability of IFIs and MNCs involved in the expropriation of indigenous peoples' land is a continuing challenge. TA provided by many IFIs[32] is embroiled in controversies due to a lack of regard for environmental impacts and indigenous peoples' rights. Future investments in tertiary construction sub-sectors will expand the neo-liberal trade system and further expose the NE region to the imperialist globalization.[33] All these projects are being carried out with misinformation and without the consent of affected indigenous peoples.

The profit seeking capitalist investors, in their scramble for profit have caused unrestrained environmental destruction, displacement, divide and rule and other forms of human rights violation in Manipur and other parts of NE. Recognition of indigenous peoples' self-determined development is crucial for success of all development intervention in NER, including those financed by IFIs.

IFIs Financing and Increased Indebtness

The Government of India decided to withdrawn the Special Category Status (SCS) of Manipur, along with several other states across India in January 2015. This measure meant a mandatory condition of Manipur to bear 50% of all development financings in the state. The decision was based on the recommendations of the 14th Finance Commission and the Union Budget of India for the year 2015-16. Manipur confronts severe challenge to even mete its 10% share in the Central assistance of 90%, under the SCS. The withdrawal of SCS is an obvious extension of India's neoliberal policies of rapid liberalization, privatization and globalization, an insistence of withdrawal of State's responsibility and any forms of State subsidies.

The State Governments across India's NER are unanimous in condemning the Indian Central Government's withdrawal of SCS and in demanding the restoration of the special status. Manipur continues to reel in a precarious financial situation despite five year plans in India for the last half a century. Indeed the Chief Minister of Manipur expressed concern with the new Central financial arrangements of withdrawing SCS. There will be drastic cuts in social sector and social protection schemes, affecting women, children, elderly, the differently abled and all marginalized section.

The withdrawal of SCS also comes at a time when IFIs increased their involvement in Manipur. The challenge with financial support from these IFIs is that support comes in the form of loans with obligatory interest payments. With the new development financing arrangements for Manipur, it is highly apparent the State will be reduced to another highly indebted political entity to these IFIs. A larger question of accessibility to basic service provision and quality of such service persists without clear explanations. There has been increased concern that the Government will rely on its natural resources, water, land, forest, oil, minerals to service its accumulating debt to multilateral financial institutions and to bilateral donors.

Challenges on application of ADB's safeguard policies

There are clear concerns with the ADB failing to implement its safeguard policies, despite their limitations and shortcomings. The loan agreement between ADB, Government of India and NE States for the project facilities under NERCCDIP-I stipulated that the ADB must adhere to the borrower's environmental laws and regulations, as well as ADB's Environment Policy (2002), ADB's Policy on Involuntary

Resettlement (1995) and ADB's policy on Indigenous People (1998) in the event of impacts on indigenous peoples during project implementation. ADB's three broad general review frameworks prepared on indigenous peoples, environment and rehabilitation and resettlement for NERCCDIP–I prior to ADB board approval only reiterated ADB's safeguard policies and mitigation plans. There is clear misrepresentation of facts and impacts of the sub projects on indigenous peoples in order to avoid preparation of a detailed Environment Impact Assessment (EIA), Initial Social Assessment, Indigenous Peoples Development Plan and Rehabilitation and Resettlement Frameworks for each sub projects. Project proponents tried their best avoid the Category 'A' classification of ADB, as all sub-projects of NERCCDIP-I are classified as category 'B' project, without indigenous peoples consent and thus avoiding responsibilities and accountability for them. The ADB Safeguard Policy Statement (SPS) of June 2009 is not applied for NERCCDIP, despite the fact that the approval of the project was around the same time the new policy statement was approved by ADB.[34]

Conclusion

IFIs are increasingly associated with development processes in Manipur across the region, in shaping development visions through their TA. The IFIs are increasingly promoting a neoliberal development agenda in the region with a clear private sector role. The definition of development objectives of fostering trade and commerce with neighboring countries are pursued not only in an exclusive process, but also to promote the interest of private corporate bodies, the political elites and international financial institutions. There is hardly any consideration of promoting the interests and rights of indigenous communities of the NE region with their rightful participation.

The IFIs projects, and in particular ADB road projects, are marked by absence of detailed socio, economic, health and environmental impact assessments, and clearly defined options with affected communities. The project authorities and the companies failed to conduct a detailed impact assessment of the road projects and also to apply ADB safeguard policies, especially related to indigenous peoples. The ADB funded projects often also failed to conduct a detailed Environment Impact Assessment and Management Plan in accordance with the latest safeguard policies of ADB.

The larger implications of ADB financed projects on the local economy, on the intrinsic role of indigenous women in sustainable and traditional economic system, and on the environment and natural resources in Manipur has not been considered. These considerations are crucial given the primacy of a liberalized economy and trading system among countries with powerful economies in South and South East Asia, relating under WTO guidelines.

The overwhelming priority for privatization and the role of corporates in India's Look East Policy, complemented by IFI's in their project financings and objectives, would definitely usher in an economy defined and controlled by corporates. Such a focus will lead to uncontrolled plunder of natural resources in the region. The failure to consult and take, free, prior and informed consent of affected communities is a significant violation of indigenous peoples' rights outlined in UN Declaration on the Rights of Indigenous Peoples, 2007.

Despite adverse experiences with past privatization moves, the ADB continues to provide private sector loans for infrastructure projects that actually raise utility prices and place risks on governments who only recoup their costs by raising tariffs and levies on their own citizens. Rather than freeing up resources for social sector spending, governments entering into an ADB designed public-private partnership confront increased debt and liabilities, with no legal recourse. The multiple impacts of privatization of essential social basic services on communities, on accessibility and quality of service need careful consideration. The priority should be to ensure accountability of the IFI's and to deliver justice in all their development financing, based on the recognition of communities' rights and their wishes. Delegating responsibility to manage Manipur's resources to multinational corporate bodies, driven sole by insatiable profits, with IFIs facilitation, will further impoverish the state, marginalize its people, devastate its environment and complicates the multilayered conflict, within communities and with the State. A full recognition of indigenous peoples rights over their land and resources and their self determined development by States, IFIs, multinational corporations and other stakeholders involved in fostering development across Manipur and India's North East region, is crucial to usher in real development.

Endnotes

1 "ADB-India Partnership Strategy", Asian Development Bank http://www.adb.org/countries/india/strategy

2 Loan 3073-IND: North Eastern State Roads Investment Program

3 Loan agreement, LOAN NUMBER 3073-IND, PROJECT AGREEMENT (North Eastern State Roads Investment Program –Project 2) between ADB and Government of Manipur with MDONER, 17 February 2014

4 Proposed Multi-tranche Financing Facility and Administration of Technical Assistance Grant India: North Eastern State Roads Investment Program, Project Number: 37143, June 2011 http://adb.org/sites/default/files/projdocs/2011/37143-013-ind-rrp.pdf

5 Inception Report: ADB TA 4378 – IND, Northeastern State Roads Project, Submitted by Technoconsult International Limited, Bangladesh, December 2004. The TA agreement was signed between Government of India (GOI) and ADB as part of the northeastern state roads project (NESRP) to provide assistance in evaluating the feasibility of trade and investment creation for the private sector.

6 North Eastern States Roads Investment Programme (NESRIP), assisted by Asian Development Bank (ADB), Ministry of Development of North East Region, Government of India, http://www.mdoner.gov.in/node/1437

7 With the support of an ADB-financed staff consultant, a long list of about 4,000–5,000 km has been identified.

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Tax Inspectors Without Borders

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"Tax Inspectors Without Borders is a dating agency." Pascal Saint-Amans, Director Centre for Tax Policy and Administration OECD[1]

Introduction

Tax dodging by multinational corporations (MNCs) is currently costing developing countries billions of dollars per year. For example, the United Nations Conference on Trade and Development (UNCTAD) has estimated that one type of international corporate tax avoidance alone is costing developing countries between US$70 billion and US$120 billion per year.[2]

There is broad agreement that this issue is important and urgent. One approach to deal with this problem has been to offer capacity development and technical assistance on taxation to developing countries so that they can increase their capacity to collect taxes from MNCs' activities in their territories. However, there are many questions on how such capacity development and technical assistance should be carried out.

In the area of taxation, the Organisation for Economic Development and Cooperation (OECD) – also known as the 'Rich Countries' Club' –plays a central role. For the past 50 years, it has been the key decision maker for international tax standards, including taxation of MNCs.[3] Not least due to a multitude of large international tax scandals, these standards have been criticised for being ineffective as a tool for taxing MNCs,[4] as well as for disregarding the interests of developing countries.[5] In a related point of criticism, more than 100 developing countries have repeatedly been excluded from the negotiations of the international tax standards.[6]

During the Addis Ababa Summit on Financing for Development in 2015, the Group of 77, which represents more than 130 developing countries, made it one of their highest priorities to push for the establishment of an inter-governmental body on tax matters under the United Nations (UN).[7] Such a body would allow the UN to become the global standard setter, and would pave the way for all countries to participate on an equal footing. However, this proposal was rejected by OECD member states, who wanted to keep the decision making at the OECD.[8]

The OECD has also played a significant role in tax assistance. Since 2011, the OECD has been running a Transfer Pricing Programme, which provides "*support for developing countries seeking to implement or strengthen their transfer pricing rules.*"[9] Among its areas of work, the Transfer Pricing Programme provides assistance for developing countries to introduce and update national legislation on the taxation of MNCs.

In 2013, OECD also initiated a project called 'Tax Inspectors Without Borders' (TIWB).[10] This initiative was announced in May 2012 during an OECD Task Force on Tax and Development,[11] and aims to enable "*the sharing of tax audit knowledge and skills with tax administrations in developing countries through a targeted, real time 'learning by doing' approach.*"[12] Where several other tax assistance programs focus on workshops and training programs for tax administrators from developing countries, TIWB uses an approach where: *"Selected experts will work with local tax officials directly on current audits and audit-related issues concerning international tax matters and general audit practices relevant for specific cases"*.[13]

One of the TIWB's key approaches is the deployment of foreign experts into the tax administration offices of developing countries where they can directly participate in the administration of taxation of MNCs.[14]

At the completion of the pilot phase, in 2015, the UNDP became a project partner of TIWB and a new four-year phase of the project was launched.[15] The goal is to deploy 100 foreign experts to developing countries from 2015 – 2019.[16]

Special sensitivities around taxation of MNCs

Taxation of MNCs is far from an exact science. If the legislation of a country follows the OECD standards (which many developing countries do), its tax administration must use the so called 'Arm's Length Principle'[17] to determine how large a share of the company's profits 'belong' to their country (and can therefore be taxed by them), and how large a share 'belongs' to other countries. Since the Arm's Length Principle leaves large room for interpretation, there is a lot of discretion involved in the auditing process. This discretion has in turn given rise to the increased use of a type of tax rulings called 'advance pricing agreements' (APA) – also known as 'comfort letters' or 'sweetheart deals.' These are agreements between tax administrations and individual MNCs that determine upfront how the arm's length principle will be applied in their case. Advocates of APAs, such as the auditing company, PwC, highlight that APAs are a way of *'removing uncertainty from transfer pricing.*'[18]

From the perspective of TIWB, it is important to emphasize that auditing MNCs is not just a simple matter of following a clear and strict law. Rather, it is a process involving assessments, judgements and decisions. All of these can have a high impact on the level of taxation applied to a MNC being audited, as well as on the amount of profits claimed by the auditing tax administration.

Governments have generally also endorsed the principle that two countries should not tax the same profits. This principle raises a critical issue for governments in the several jurisdictions where a MNC is operating. It means that if an auditing tax administration claims a high amount of a MNC's overall profits, there will be fewer profits for other countries to tax. The result can be conflicts between countries where the same corporation is present, or sometimes with the company being audited, particularly if the MNC is dissatisfied with the tax administration's decisions. In some cases, taxation of MNCs is finally settled through bilateral negotiations between the government and the company, such as in the case of Google and the UK.[19]

The direct involvement of donor technical assistance in the work of the tax administration of a developing country introduces particular risks of conflicts of interest. For instance, MNCs operating in a developing country may have strong connections with or are based in that donor's country. Another potential conflict of interest occurs if the donor country has structures or loopholes in their legislation that provide opportunities for MNCs to avoid taxation.

These loopholes in donor countries are more common than one might think. A study commissioned by the European Commission examined 33 indicators of structures that facilitate or allow aggressive tax planning. It found such indicators in all EU Member States, although some have significantly more indicators than others. For example, the Netherlands' tax system was revealed to have 17 of the 33 indicators – the highest of all the EU countries. This was followed by Belgium with 16.[20] These structures have also become a point of conflict inside the EU. In 2015, *Der Spiegel online* gained access to confidential documents that described how the Netherlands, Belgium and Luxembourg have caused strong concerns on the part of other EU member states by protecting tax practices that provide MNCs opportunities to avoid paying taxes.[21]

The donor country expert is typically a former or current employee of the donor country's tax administration. So, conflicts of interest can easily arise if a MNC is using structures or loopholes from the donor country in order to avoid taxation in the host country. An expert can be placed in a difficult situation of divided loyalties. On the one hand, there is the requirement to train the host country tax administration to identify financial transfers to his/her country as a potential risk factor in relation to tax avoidance of MNCs. On the other hand, there is the desire or need to be loyal to the government of his/her current or former employer, by arguing that no structures or loopholes in the donor country's tax legislation are a reason for concern.

The OECD has produced a Toolkit for TIWB, which includes guidelines for managing potential conflicts of interest. The TIWB Toolkit says that '*The host administration and the expert together determine whether there is a potential conflict of interest.*[22] The Toolkit also suggests actions for host countries to consider in the event of potential conflicts of interest:

1. Reallocating the expert to other audit cases;
2. Limiting the role of the expert in the audit;
3. Discussing the issue with the company which is about to be audited;
4. Anonymising the cases being audited; or
5. Selecting another TIWB expert for the project.

Regarding the last option, the Toolkit underlines that:

> "*Where the expert is a currently serving tax official, the host administration should contact the partner administration prior to changing the terms of, or terminating, the TIWB programme due to potential conflict of interest. This will allow the partner administration the opportunity to discuss the proposed changes to, or termination of, the TIWB programme with the host administration and the expert before a final decision is made.*'[23]

The TIWB Toolkit maintains that the developing host country must have the lead during all phases of a TIWB project.[24] However, examples from the pilot phase have questioned whether this is, in reality, always the case.

Concerns relating to the TIWB pilot phase

Despite the fact that the TIWB initiative has been widely reported in the media, the amount of publicly available information about the actual content and experiences with TIWB is extremely limited. There is no official evaluation of the TIWB pilot phase publicly available.

In its report *For Whose Benefit,*[25] Eurodad published extracts of internal OECD documents that provide a '*Secretariat Review of the Tax Inspectors Without Borders (TIWB) Initiative*' (2014). The internal process that produced these documents is unknown. However, Eurodad decided to release this information because these internal documents raise important issues that should be part of the debate on TIWB. Below are examples from the pilot phase, which are further elaborated in the Eurodad report.

The UK Rwanda Pilot Project

The UK has a long history of providing assistance to Rwanda on taxation. In 2005, Rwanda enacted the *Law on Direct Taxes on Income*, which introduced transfer pricing provisions. According to Attiya Waris, these provisions – and the law – were included,

> "*as a result of a DFID funded initiative. It neither followed as a result of any noticeable misuse of international transfer pricing laws nor was there any discussion within any of the law making and administrative bodies in Rwanda to the effect that there was a need for such a law.*"[26]

The UK and Rwanda also have commercial ties. According to the UK government, there are approximately 150 British companies registered in Rwanda and bilateral trade reached £21 million in 2014. As an example of the commercial ties, the UK government notes that: "*UK companies, including Deloitte, PWC and Ernst & Young, are leading the growth of the financial services sector in Rwanda.*"[27]

The TIWB pilot project between DFID and Rwanda began in 2014.[28] The internal OECD documents raised a number of questions about the project. Among other aspects, the documents pointed out that:

6. No Terms of Reference (ToR) were agreed between the countries;
7. The UK was "*in the lead during the whole process;*"
8. (The Rwanda Revenue Authority was "*not familiar enough with specific features of TIWB-concept and TIWB-programme;*"
9. There was a "*low level of comprehension TIWB-concept by [Rwanda Revenue Authority] (TIWB seen as regular Technical assistance by [Rwanda Revenue Authority]);*"
10. "[*N*]*o actual TIWB work on cases has been done because of lack of preparation by the [Rwanda Revenue Authority];*" and
11. The OECD secretariat provided some "*advice and support*" to the UK. There is no indication that the secretariat provided any advice to Rwanda.

Another key feature of the first UK pilot phase deployments in Rwanda related to implementation. Of particular concern was the body that managed these deployments, namely the Investment Facility for Utilising Specialist Expertise (iFUSE). iFUSE is managed by DFID's managing agent, PricewaterhouseCoopers (PwC). PwC is, according to iFUSE, "*responsible for matching requests from developing countries for support with the best available expertise and managing each deployment from start to finish*."[29] According to iFUSE,[30] key elements of its mission include reforming the investment climate, helping deliver jobs to local people, improving prospects for economic growth and encouraging the development of a greater range of products and services for consumers at competitive prices.

PwC is a controversial name in the tax world. It has been involved in several scandals linked to tax avoidance, helping companies to reduce their tax bills. Perhaps the most famous one is the so-called LuxLeaks scandal. It revealed how PwC negotiated 548 tax rulings from 2002 to 2010 for over 300 MNCs in Luxembourg (including Pepsi, Amazon, Skype and Ikea). The goal of these tax rulings was to create a drastic tax reduction by channelling hundreds of billions of dollars to Luxembourg. In some cases the resulting tax rate was below 1 per cent.[31]

PwC is an active participant in the debate on changes in laws regulating the taxation of MNCs in Rwanda and the East African Community. In 2014 PwC joined other business representatives in a call for the East African Community to use the OECD's transfer pricing rules to create better conditions for MNCs.[32]

The involvement of PwC in the TIWB project has been matter of debate in the UK. Member of Parliament Diane Abbott, the shadow international development secretary, argued:

> "*As the Luxleaks scandal has shown, PwC is in the business of helping multinational corporations avoid tax. For this reason it is abundantly clear that there is potentially a very serious conflict of interest in DFID paying PwC to administer projects designed to help developing countries raise more tax*." She added: "*For a business that claims to provide accountability and transparency, PwC seems to have put itself in a position where conflicts of interest are not only clearly possible, but in fact highly likely. Without transparency how is DFID to know that PwC is not running rungs around them?*"[33]

She also called for *"(…) some immediate clarity to know that we are not paying PwC to bat for poor countries' governments while also batting for big business to steal from those governments*," and underlined that:

> "*PwC and Tax Inspectors without Borders must make public, on an ongoing basis, the affiliations of each individual sent to each developing country tax authority, the identities of corporate taxpayers in those countries over whose tax bills they may have had influence, and the identity of the auditors of those firms.*"

> Abott concluded: *"Following the Luxleaks scandal, it beggars belief that DFID would use a known facilitator of massive global tax avoidance to administer support work to tax authorities in the world's poorest countries.*"[34]

On the issue of whether PwC's involvement could create a potential conflict of interest, a DFID spokesperson said:

> "PwC act as managing agents for DFID's Investment Facility for Utilising UK Specialist Expertise programme but are not involved with advising developing countries, which is carried out by independent tax experts. As with all our

> programmes, we have rigorous checks and balances in place to ensure there is no conflict of interest."[35]

The UK later changed its funding method for the TIWB programme, which is no longer funded through iFUSE.[36]

The Netherlands Ghana Pilot Project

Ghana introduced transfer pricing legislation in September 2012, which, according to the OECD, is now "*aligned with international standards*."[37] At the same the OECD papers affirm, it was the outcome of "*significant input and advice on the drafting of the new legislation*" by, among others, the OECD, the EU, and the World Bank Group. [38] Following the introduction of this new legislation, a TIWB pilot project between the Netherlands and Ghana was launched.

As in the case of the UK–Rwanda initiative, the Netherlands and Ghana have clear commercial ties. In its Multi Annual Strategic Plan,[39] the Dutch embassy in Ghana noted: "*More than hundred Dutch companies are active on the Ghanaian market. General interest in Ghana is growing fast, ranging from large multinationals to small and medium enterprises*." Among these companies are Royal Dutch Shell and Unilever.[40]

From the strategy, it appears that the Dutch engagement with TIWB is part of a larger plan to support international business.

> "The Netherlands, within the framework of the OECD Tax Inspectors without Borders program is cooperating with the "Large Tax Payers" office of the Ghana Revenue authority to improve service levels and predictability for companies and investors in Ghana. The Embassy will establish a top sector fund. Its purpose is to investigate promising business opportunities and to address any bottlenecks experienced by the private sector in the enabling environment with regard to trade and investment between the Netherlands and Ghana."

In terms of taxation of businesses in Ghana, the Dutch strategy emphasizes: "*The economy is still dominated by a large informal sector, only a small number of larger companies pay, very high, taxes. The Netherlands will support Ghana in broadening its tax base by technical assistance and direct cooperation with Dutch tax authorities."*

On the subject of the TIWB deployment in Ghana, the internal OECD documents suggest:

1. The Netherlands were leading the process related to the ToR instead of Ghana. Also the deployment agreement was drafted by the Netherlands, and "*accepted by Ghana without any comments;*"
2. The Ghana Revenue Authority had a "*passive role;*"
3. The communication with Ghana was perceived as "*troublesome;*" and
4. The OECD secretariat provided advice and support to the Netherlands "*throughout the whole process*", but not to Ghana.

The Netherlands Ghana project is ongoing.[41]

Conclusions

Taxation of MNCs is a very political issue. Countries can often behave as competitors in attracting and maintaining MNCs in their respective country, rather than as allies in the fight for fair taxation. This makes tax assistance a highly sensitive area, one filled with a large potential for conflicts of interest.

As noted, the TIWB project includes a Toolkit that addresses conflicts of interest and emphasizes the importance of developing country leadership. However, examples from the pilot projects demonstrate that these principles might not always be respected. The fact that the OECD and UNDP's objective for TIWB centres on quantitative achievements (100 deployments before the end of 2019), increases the concern that the quality and principles of these projects might become compromised.

Focusing on capacity development and technical assistance cannot solve the challenges faced by tax administrators in developing countries. This is evident in the fact that most international tax standards have been negotiated in forums where more than 100 developing countries were excluded. These forums have been criticised for omitting the concerns and interests of developing countries. The issue is compounded by the fact that many developed countries have legislation and practices that provide opportunities for MNCs to dodge taxes in other countries, including in developing countries. Among the countries that have these structures are those that already are, or could become, donors or providers of experts to be deployed in TIWB projects.

In the words of the High-Level Panel on Illicit Financial Flows from Africa:

> "It is somewhat contradictory for developed countries to continue to provide technical assistance and development aid (though at lower levels) to Africa while at the same time maintaining tax rules that enable the bleeding of the continent's resources through illicit financial outflows."[42]

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Technical Assistance to the Kyrgyz Republic, 2016

Chinara Aitbayeva , Director of Nash Vek PF

1. Introduction

Many multilateral and bilateral donors provide external assistance to the Kyrgyz Republic. Donor assistance includes investment projects, such as state investment, which is an instrument of the state for financing development projects. Program assistance is allocated to budget support. Technical assistance (hereinafter referred to as TA) focuses on strengthening internal skills and systems. See Figure 1.

As part of bilateral assistance, the Kyrgyz Republic receives investment from 28 countries and organizations. Multilateral assistance is received from 25 international financial institutions.

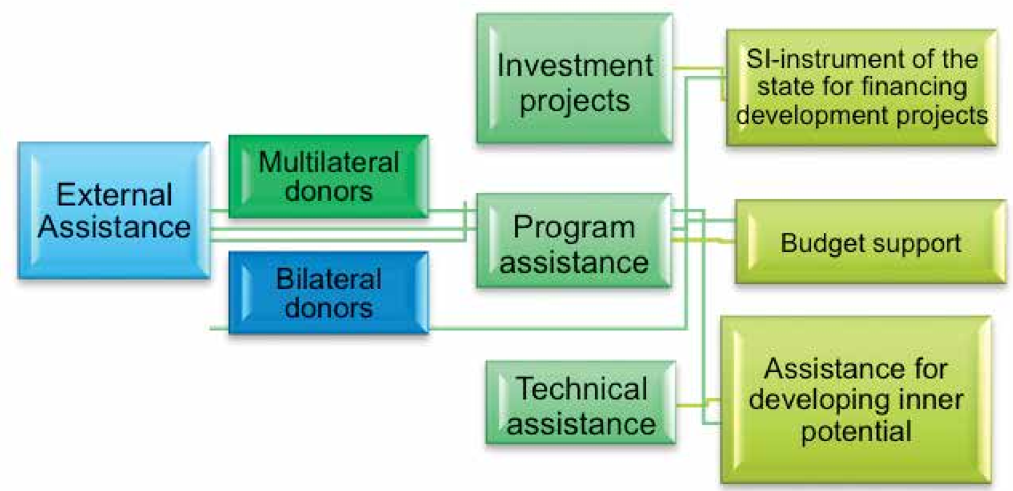
From 2012 to 2015, technical assistance to Kyrgyzstan was provided by, amongst others, Japan, the Asian Development Bank (ADB), the International Development Association (IDA), the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD).

The largest amount of technical assistance was received in the years 2013-2015. Technical assistance provided by donors to Kyrgyzstan amounts to tens of millions US dollars annually.

2. State investment budget by donors

The Department of State Investment and Technical Assistance, Ministry of Finance of the Kyrgyz Republic (MFKR), is responsible

Figure 1



for primary information, credit background, and project implementation. After a loan agreement has been signed, the Department of State Debt of the MFKR deals with debt service. The Department of Project Implementation (DPI) is responsible for monitoring and evaluation. The State Foundation of Economic Development at the MFKR takes the lead with repayment of external assistance to the budget. As of 2016, general debt obligations of the Kyrgyz Republic (KR) amount to US$8.6 billion. Chart 1 shows the main financing organizations by donors. US$1.97 billion is owed to the Export-Import Bank of China, US$1.54 billion to the Asian Development Bank and US$1.48 billion to the International Development Association (IDA).

Chart 2 demonstrates that in the last two years Kyrgyzstan received the highest levels of donor investments. Of this amount, 58.9% was received from China (PRC), 11% from ADB and 6.8% from the World Bank.

3. State investment budget by sectors

Kyrgyzstan has received approximately US$8.6 billion to support its sector priorities and infrastructure needs. As identified in Chart 3 below, this has been allocated as follows: US$2.1 billion for the transport sector, US$1.95 billion for energy, US$1.48 billion for public administration, US$741 million for agriculture and US$638 million for infrastructure related needs.

During 2014-2016 Kyrgyzstan received the highest levels of external finance for these sector investments (Chart 4), contributing 41.9% of the costs for the transport sector, 36% for the energy sector, 6.8% for infrastructure, 6% for agriculture and 3.1% of the budget for public administration.

Chart 1

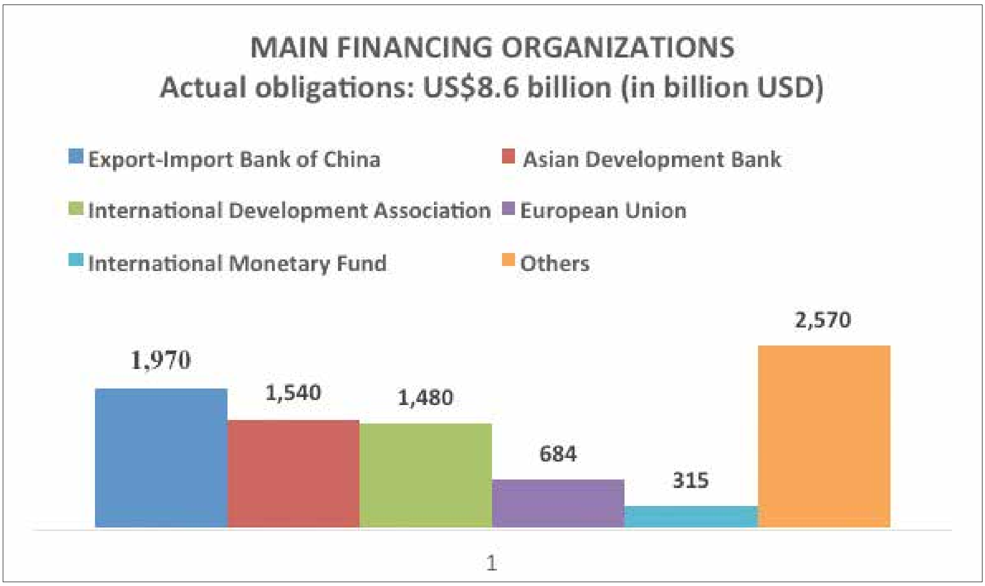


Chart 2

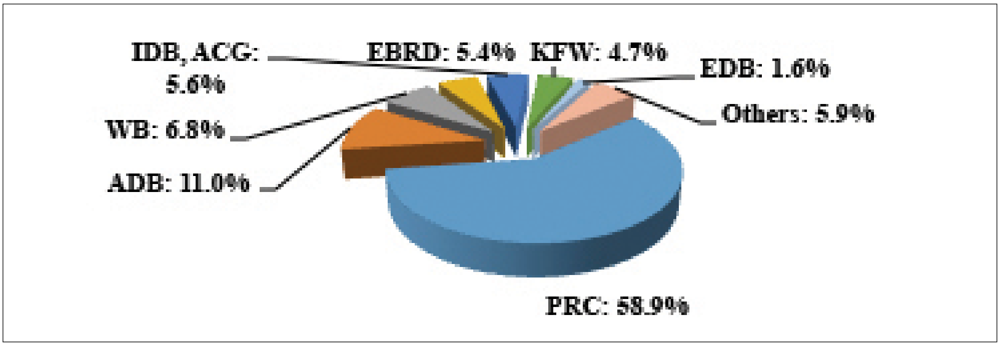


Chart 3

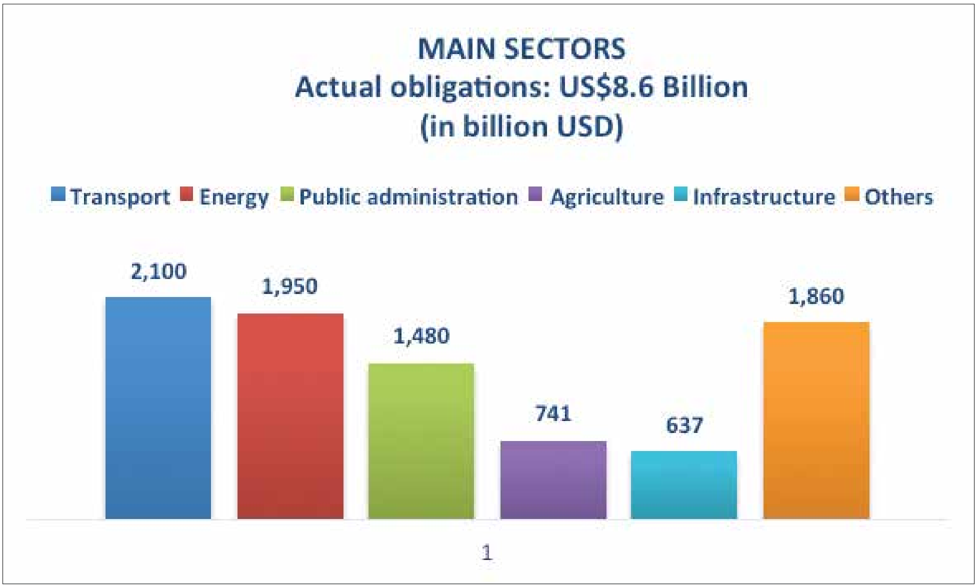
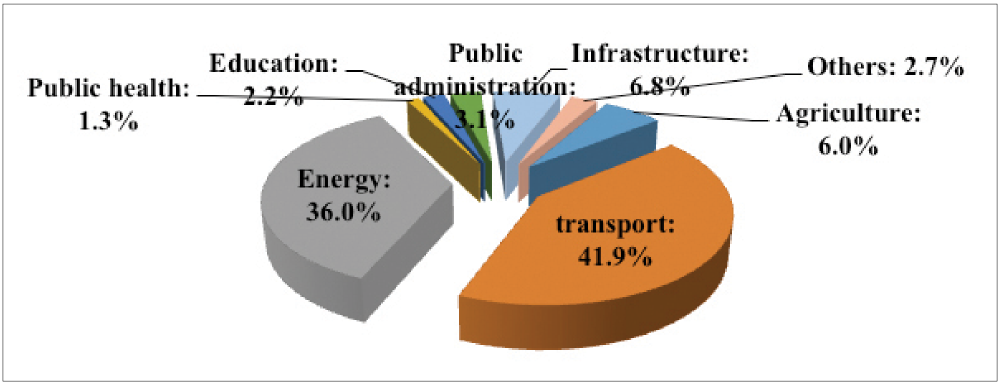


Chart 4



4. The role of technical assistance in bilateral and multilateral assistance

The total technical support1 received by Kyrgyzstan from 2012 to 2015 was US$58 million. Information provided by the Ministry of Finance gives details on the amount of support received from the different donors, as shown on Chart 5 below. This support includes the contributions of the International Development Association, the Asian Development Bank, European Bank for Reconstruction and Development and the Japanese International Cooperation Agency (JICA).

i) Japan's Technical Assistance

Japanese assistance for Kyrgyzstan currently focuses on road administration and maintenance, with approximately US$25 million devoted to the supply of equipment for roadway maintenance. A small fund of $4 million is provided for technical assistance to support administration and expertise needed in road maintenance. (See Chart 6)

Chart 5

Chart 6

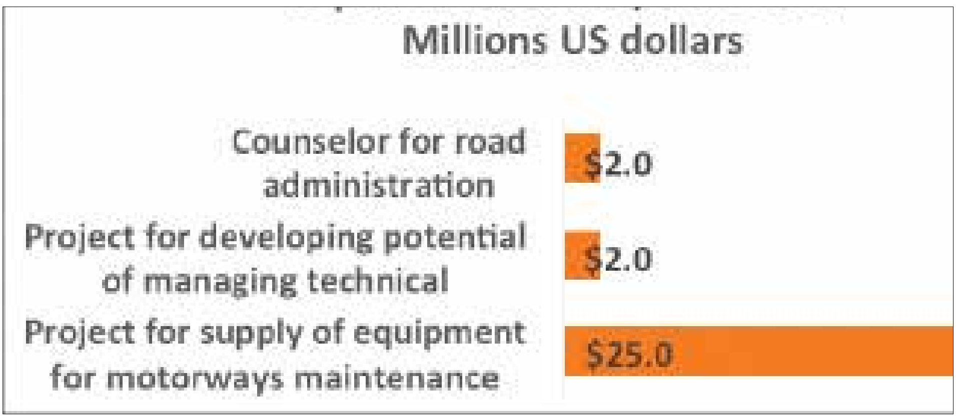
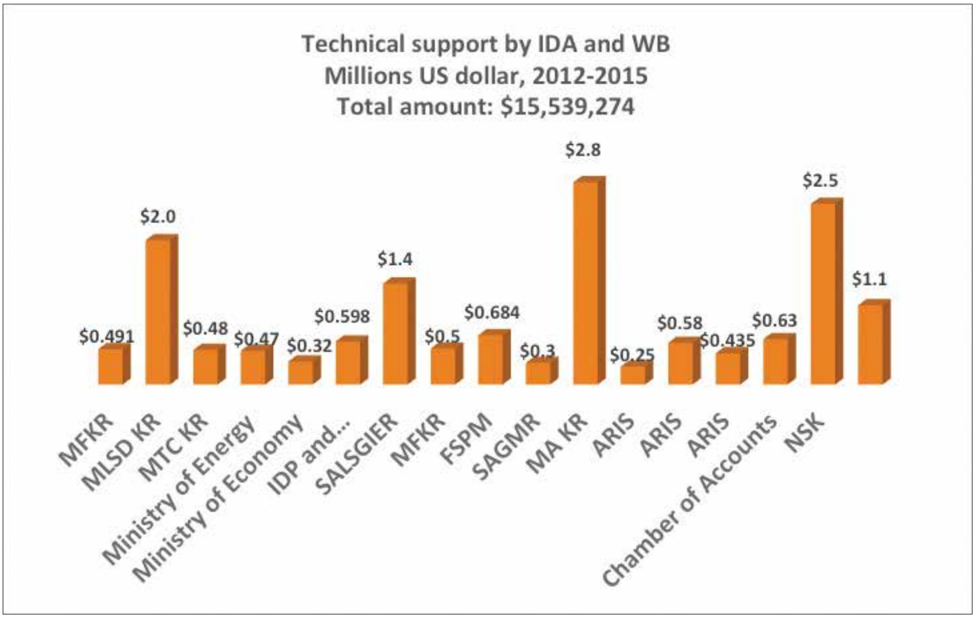


Chart 7



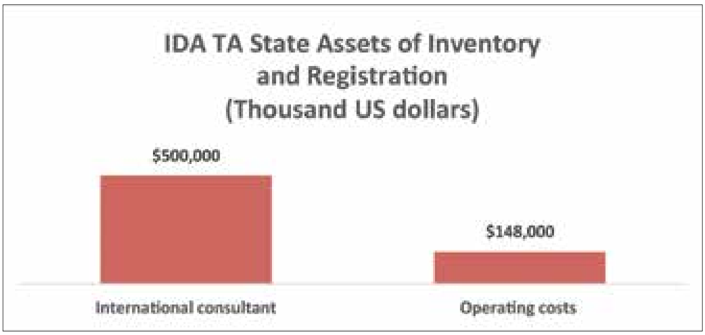
JICA's support in technical assistance totaled US$29 million. These funds were directed to the road administration council as well as reinforcement and provision of equipment to the Ministry of Transport and Communications.

ii) Technical Support from IDA and the World Bank

After Japan, the second largest donors of TA to Kyrgyzstan were IDA and the World Bank. The World Bank (including IDA) provided US$15.5 million over three years (2012 – 2015).

Through the World Bank/IDA, TA of US$2 million was provided to the National Statistical Committee of the KR, US$2.8 million to the Ministry of Agriculture of the KR, US$2 million to the Ministry of Labor and Social Development, US$1.4 million to the State Agency of Local Self-Government and Interethnic Relations, and US$684,000 to the Foundation of State Property.

Chart 8



As part of IDA technical assistance, the World Bank has provided support for the hiring of international consultants. In two IDA technical assistance projects implemented by the Ministry of Finance of the KR and the Foundation of State Property of the KR, approximately 50% to 80% of the total amount for technical support was used to pay international consultants. Companies participating in tenders under IDA TA are usually those from the following countries (based on the analysis of two TA projects): Armenia, Georgia, the Ukraine, Kazakhstan and Kyrgyzstan.

In two IDA projects, TA companies from Armenia and the Ukraine were chosen to be international consultants. As shown in Chart 8, over 77% or US$500,000 of the project funds was used to hire an international consultant from Armenia.

Chart 9 below provides another example of IDA TA. In this case about 41% of the funds for TA were absorbed through the hiring an international consultant from Ukraine.

As part of this project (Internal Auditing of the Public Sector), an evaluation was conducted. The main conclusions were:

1. The tender for hiring an international consultant contained violations. For example, the specifications were repeatedly changed. Qualification requirements were adjusted to suit the organization that won the tender;
2. There was a duplication of responsibilities with several TA projects. The Supervisor of this project and the person conducting correspondence with the World Bank was the chairman of the tender committee;
3. An online system in real time, which was supposed to be created by the international consultant, was not done;
4. Internal trained auditors evaluated the quality of training and understanding of the materials as low; and
5. The project did not meet deadlines.

iii) Technical Support from the Asian Development Bank

Since the Kyrgyz Republic joined the Asian Development Bank (ADB), it has received technical assistance support in the amount of US$43.2 million. Considering that the total amount that the ADB provided for TA to its member countries was US$148 million (212 projects), Kyrgyz Republic was a priority as it received 29% of ADB's funds allocated for technical assistance.

From 2012 to 2015, ADB has provided the Kyrgyz Republic US$8.4 million for

Chart 9

technical assistance. This has included US$4 million to KR's Ministry of Transport and Communications. Of this, US$3 million went to a project to establish connections between Transport Corridors CAREC 1 and CAREC 3, US$1 million for technical assistance for connections between Transport Corridors 1 and 3, US$1 million for TA for a project to improve the CAREC 3 Corridor (Bishkek—Osh road), Phase 4.

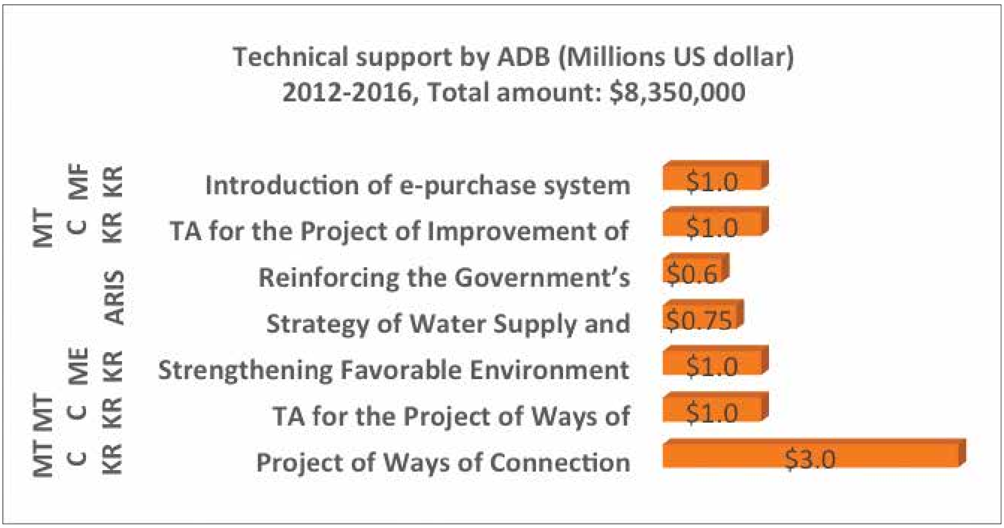
ADB also provided US$1 million in TA to KR's Ministry of Economics for the strengthening of a favorable environment for public-private partnership projects and US$1 million of TA to KR's Ministry of Finance for the introduction of electronic procurement system. (See Chart 10)

iv) Technical Assistance from Germany

Germany's technical assistance has been provided through the Society for Technical Collaboration (GTZ). Contact between GTZ and Kyrgyzstan began in 1993. Funding to a total of US$17 million has been provided for the implementation of projects in several areas, including, 1) planning and monitoring of Germany's contributions to programs and projects; 2) the selection and guidance of experts; 3) training and professional development of technical personnel; 4) purchase of technical equipment; and 5) the provision of general financial contributions, not tied to particular initiatives.

In April 2016, KR's Parliament adopted the law "On Ratification of the Agreement between the KR Government and the Federal Republic of Germany Government on Financial Cooperation for 2015-2016" and "the Agreement between the KR Government and the Federal Republic of Germany Government on *technical collaboration* for 2015-2016, signed March 24, 2016 in Bishkek." In accordance with these ratified agreements, Germany agreed to

Chart 10



provide the KR Government with grants for implementation of the following projects, all under the heading of collaboration programs and sustainable development of the economy:

As technical assistance:

- Facilitation of Employment and Professional Education;
- Perspectives for Young People; and
- Foundation for Development Projects in Rural Areas Conducted in Cooperation with the Civil Society.

As a financial collaboration to following projects:

- Financing Housing Construction;
- Public Health: Public Health Sector Program V; and
- Public Health: Health Protection for Mothers and Children IX.

v) UK Technical Assistance

The UK's assistance has been directed to the promotion of sustainable development of the KR and for reducing the level of poverty. These investments includes:

- GSAC: Support for Kyrgyzstan Government programs;
- Promoting pay rate policies and public utilities reform;
- Assistance to the National Statistical Committee;
- Medical service reform;
- Support for the national HIV/AIDS program; and
- Technical support to the rural investment program.

vi) Islamic Development Bank

Kyrgyzstan has received support from the Islamic Development Bank for six TA projects and four projects of special assistance for a total of US$3 billion.

vii) EBRD's Technical Assistance

From 2012 to 2015 the European Bank for Reconstruction and Development provided Kyrgyzstan with technical assistance support

Chart 11

valued at US$8.6 million. Approximately US$8 million of this amount was directed to improving and restoring KR's water supply, while US$567,000 was allocated to the reconstruction of the Osh—Isfana road, and US$520,000 to electronic ticketing in public transport. Chart 11 shows that TA for KR's water supply was provided via town halls.

viii) Technical Assistance of the International Monetary Fund

Technical assistance is the key component of support from the IMF, particularly funds focused on governance. During the first years of independence, long-term technical experts made significant contributions to improvements in statistics and record keeping, the tax system, and the procedures of the Central Bank. Their efforts were supplemented by a series of short-term TA missions with experts from the IMF headquarters. In recent years, IMF's technical assistance has mainly been directed at reinforcing the banking system and widening the country's systems for debt monitoring. In this way, IMF's technical assistance has supplemented the main economic partnership programs between the Government and the Fund.

The Fund also actively facilitates overall strengthening of the Kyrgyz Republic through training courses for public officials, members of parliament, and representatives of press. These courses are conducted in Washington, Vienna, and Austria. Regional training courses are also offered, which focus on best practices in macroeconomic analysis, fiscal and financial analysis, and record/statistics.

Donor's priorities for technical collaboration and associated assistance

Table 1 below indicates the donors' main priorities in technical assistance to the KR for the period, 2012-2015:

Table 1.

Donor	Objective	Amount (Millions US$)	Percentage
Japan	Transport sector	$29	100%
IDA / World Bank	Public administration and other sectors	$15.5	80%/20%
ADB	Transport sector and public administration	$8.4	60%/40%
EBRD	Transport sector and water supply	$8.6	13%/87%
Germany	Sustainable development of economy	Amount unknown	
Great Britain	Promoting sustainable development of the KR and lowering the level of poverty	Amount unknown	

Conclusions

1. In recent years there has been an increase in the implementation of credits and grants in Kyrgyzstan, which has included the provision of technical assistance. In the projects with international financial institutions technical assistance often sits inside credit or grant projects. There is a direct connection between increased technical assistance and the increase in the level of donor funds.

2. During the 2012-2016 period, technical support has mainly been provided for public administration, transport sector and sustainable development.

3. In technical assistance, most of the funds goes to hiring international consultants.

4. There are a number of problems in implementation of development and technical support projects. Executing Agencies face the most significant problems. One general recommendation, based on calculations of the Department of State Investment and Technical Assistance, is that realistic terms from the donors' side and from the Executing Agencies' side must be determined and negotiated.

5. The Executing Agency is responsible for project implementation. Accordingly, every development project should have both economic and social impacts, as well as a determination of the financial return. It is also necessary to build the capacity of the executing agencies for the implementation of projects. Mechanisms to ensure transparency and monitoring are also critical.

6. In terms of planning, the actual implementation of funds by an Executing Agency often significantly differs from amounts planned by Project Implementation Unit. It seems that this is the fault of weak project planning and monitoring of project implementation. Due to this issue, plans and forecasts often do not correspond to the actual implementation. There is a need for collaborative project planning, implementation and the timely detection of problems resulting in the under-implementation of funds.

7. Results are not sustainable after a project has been completed. Executing Agencies do not track or support results attained from a project. To resolve this issue, there should be post-monitoring of projects after their completion. It is necessary to actively engage CSOs (Civil Society Organizations) interested in transparency in the monitoring of credits, grants, and donors' technical assistance for the KR.

Endnotes

1 This information was provided by Ministry of Finance of the Kyrgyz Republic, in response to an official request by Nash Vek SF.

Chapter 2

Technical cooperation for infrastructure development

Questioning the Effectiveness of Technical Cooperation in Bangladesh

Ahmed Swapan Mahmud and Farjana Akter, VOICE

An Overview of Technical Cooperation

Vision 21 Plan, also known as the Perspective Plan (2010 - 2021), provides a road map for economic growth whereby Bangladesh will become a middle-income country by the year 2021. It was developed with the assumption that foreign aid will continue to play an important role in the country's development. Although foreign aid contributions have been decreasing, they still figure prominently the country's Annual Development Plan (ADP) with more than 30% of the ADP being supported by aid in 2015. However, several studies have identified concerns regarding the management and coordination of foreign aid as well as its alignment with national development plans and strategies. In the case of aid delivered through Technical Assistance (TA), country ownership, alignment and effectiveness are largely absent. Lack of enforcement of these aid principles has frequently been noted in TA projects and activities.

Each year Bangladesh receives at least US$100 million in TA projects. Most often this assistance is linked to strengthening the performance and capacity of public institutions that either provide basic services (education, health, administration, planning) or create employment (agricultural extension, vocational training, productivity centers, public works).[1]

There are two important factors that characterize TA projects in developing countries. Poor countries often do not have the resources to pay for such services, so that "the bulk of the financing has to come from the TA supplier rather than its recipients, and secondly, the provision of TA has to be managed as a public sector activity in accordance with the government regulations and procedures of each supplying country."[2]

Unfortunately in many cases there is limited information available on the effectiveness and success of TA projects in Bangladesh. As well, it is often unclear as to how or whether these projects align with national development plans. Research findings that are available indicate that TA projects are not sufficiently effective. A number of reasons are cited. The design of TA projects continue to ignore local conditions, are characterized by poor performance of the executive agency, an inefficient TA preparation process, and an inappropriate implementation planning.[3] In addition, TA projects are often unable to cover long-term priorities. Among the aid channels, TA projects are the third most ineffective category, after tied aid and food aid. Another report published by World Bank indicated the ineffectiveness of TA projects. This report concludes:

> "The efforts made by the donors to support institutional reform, principally

> through technical assistance both as self-standing projects and as components of other projects, have had limited success in strengthening individual institutions. But, in the absence of a strong drive for reform from the government leadership, progress has been slow."[4]

A common perception is that aid money for TA projects actually benefits donor countries as it usually involves hiring of foreign consultants from these countries.[5] Research shows that the high cost of TA projects is directly related to the involvement of foreign firms/ consultants and the rates that they charge. In these cases the local market also suffers, since it "distorts the local labour market, and creates incentives for corruption because highly-paid consultants in ministries and projects create demands from the less well endowed public service officers they work with."[6] TA is also heavily criticized for its donor-driven approach.[7] For example, the World Bank faced strong criticism for its role in the Bangladesh Climate Change Resilience Fund's (BCCRF) fiduciary management. Civil Society Organizations (CSOs) were deeply troubled by the involvement of World Bank technical assistance in fund management. CSOs were concerned about the implications for country ownership and decision-making authority.[8]

Recognizing this history and current practices in technical assistance, this paper will now focus on a Bangladesh TA project on public procurement reform.

Technical Assistance Project on Public Procurement Reform (PPR I)

Public procurement plays a significant role in a country's development process and economic growth. However, the procurement sector is globally identified as having a high level of corruption. A recent UN Guidebook on anti-corruption stated that

> "An average of 10-25 per cent of a public contract's value may be lost to corruption. Applying this percentage to the total government spending for public contracts, it is clear that hundreds of billions of dollars are lost to corruption in public procurement every year"[9]

Public procurement also continues to be a challenge to ensuring good governance.

In Bangladesh, public procurement accounts for a large percentage of the country's budget. For example, in the fiscal year 2011-2012 it amounted to approximately TK. 287 billion."[10] Bangladesh losses due to overall corruption are generally estimated to cost about 2.5% of GDP growth per year[11]. Considering the significance of these losses, many development documents have acknowledged the crisis of governance in the procurement sector. [12] The World Bank's Country Assistance Strategy (2000) noted governance and institutional limitations as major constraints for Bangladesh in achieving economic growth and poverty reduction. In this regard, "the government's commitment to undertake a broad-based reform agenda on governance is a trigger to Bank's moving toward high case lending support"[13]

The World Bank introduced the "public procurement reform project" in 2002 with the objective of developing legislation and a regulatory framework for proper procurement rules and systems. The main objective was to "establish a series of mechanisms to improve efficiency, transparency, and accountability in the procurement of goods, works and services by government ministries, departments, statutory corporations and other public bodies"[14]. Through TA, the project was designed to strengthen both the country's aid management capacity and its aid effectiveness in order "to gain donor group's confidence to justify continued development assistance to Bangladesh"[15]

An important achievement of this project was the enactment of the Public Procurement Act (PPA 2006) and Public Procurement Rules (PPR 2008). Initially, progress was made in increasing transparency levels through the publishing of procurements opportunities, bidding documents and the awarding of contracts. The legislation included review and appeals mechanisms that considerably improved accountability. Just as significant was the implementation of organizational development initiatives such as an intensive capacity building training program for officials and the start up of a monitoring system.

As the project budget (Table 1) indicates the second largest allocation (32.4%) was for the implementation of procurement reforms, rules and procedures, while the biggest percentage (42.2%) was allocated for improving procurement management capacity. This seems to indicate that the World Bank prioritizes the implementation and improvement of procurement capacity.

Despite these improvements and development in the procurement system, the question of country ownership remains a gray area in Bangladesh. The reform agenda was a prerequisite for World Bank funding and was firmly aligned to the country assistance strategy (CAS) for Bangladesh. In other words, the reform project was essentially a policy condition to receive World Bank funding, which led to the creation of the Anti-

Table 1: Project Summary

Component	Sector	Indicative Cost (US$M)	% of Total	Bank Financing (US $M)	% of Bank Financing
Establish Central Procurement Technical Unit	Institutional Development	$1.25	25.5%	$0.84	18.9%
Implementation Procurement Reforms and Rules / Procedures	Public Sector Management Adjustment	$1.59	32.4%	$1.59	35.7%
Improving Procurement Management Capacity	System Reform and Capacity building	$2.07	42.2%	$2.02	45.4%
Total Project Cost		$4.91	100.0%	$4.45	100.0%

Source: World Bank, Report No.: 23928-BD came 'with consent from development partners', 'reviewed' by the World Bank and the ADB."[17]

A central question is the future use of the reformed procurement system. A lack of coordination, management and planning are still evident in the implementation of the reformed law. Overall, the Bangladesh government is directed by donors and funding institutions. A study by Riddell revealed, "GOB is in the driver's seat but we the donors tell them which direction to go. I do not see any projects planned by the government. Plans are drawn by the TA teams."[18]

The use of donors' procurement systems continues to be a problem, particularly in relation to the reformed laws on public procurement. A lack of alignment with the country procurement system is a critical issue for Bangladesh. For example the World Bank insisted that its procurement rules had to be followed in international tenders, rather than the reformed procurement system.[19] It seems the World Bank does not feel comfortable using the reformed procurement rules, even though they established the project to enact these laws. It seems that the new law is not compatible with the requirements of international tenders. Perhaps there is still some conflict between donor requirements and Bangladeshi law.[20]

Most of Bangladesh's donors in fact do not fully rely on the country's procurement system. There remains a clear lack of harmonization in procurement practices between donor and government systems. According to the Paris Monitoring Survey, 2008, ODA was disbursed through the country procurement system at a rate of under 50%.[21] There is still a lack of trust and political commitment by donors to Bangladesh.

A second question is the effectiveness and sustainability of TA projects. There is a problem of credibility regarding the recruitment of foreign consultants by the World Bank in order to take over the drafting of the regulations. Aid principles confirm that donors are expected to strengthen country systems, and development partners should make it a priority to use these systems. However, development partners often fail to fulfill these commitments. In many cases, the Bangladesh government faces many difficulties while trying to follow the various procurement rules of different donors. This is a major challenge for the recipient administration in both Bangladesh and other countries.

Conclusions

There should be strong and respectful coordination between the Government of Bangladesh and its development partners in technical assistance programs. Information on TA projects should be accessible to the public. Both donors and partners need to improve mechanisms to ensure stakeholders' participation. Many have noted that TA projects have the potential to undermine country priorities and its authority. These issues must be addressed.

TA projects can make a useful contribution in terms of improving capacities, skills and sectoral development. With the Bangladesh Government's commitment to the eradication of poverty, effective and efficient use of demand-driven TA funds is greatly needed. At the same time, development partners should respect and encourage a country's system in the planning and implementation of public sector projects.

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12 This includes poverty reduction strategy documents and Vision 21.

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Technical Assistance of Multi-lateral Donors in the Water Sector in Sri Lanka – A recipe for privatization?

Sajeewa Chamikara, Movement for Land and Agricultural Reform

1. Introduction

In 2015 Sri Lanka elected a new government. The previous government, in power for the preceding nine years, was defeated. Large-scale corruption, human rights violations and economic mismanagement were among the main charges leveled against this government. As with the governments that have ruled the country since 1977, neo-liberal structural adjustment programs were the main economic agenda of that government. Election results were a signal, which has been repeated over and over again after 1977, that a neo-liberal economic agenda cannot solve the economic problems of Sri Lanka. People are seeking a new economic vision.

With the new government comes hope. People believe that this government will listen to its true constituency, the people, in their policies for economic development. The government has already requested support from bilateral and multilateral donors to help in the development of the country's economy.

Technical assistance will be a key component of that support. Key multilateral donors such as the World Bank, the IMF and the Asian Development Bank (ADB) have already offered their support. Will the government be able to obtain technical assistance from these agencies, while maintaining accountability with the real needs of the people? Is there genuine effort from these multilateral donors to support economic development policy, involving a proper consultative process with the people? Experiences from history do not provide positive answers. Technical assistance from key donors has always pushed their economic agendas and compelled governments to develop policies that support structural adjustment programs.

World Bank has released its latest report "Sri Lanka Ending Poverty and Promoting Shared Prosperity – A Systematic Country Diagnostic" in October 2015 with its recommendations for the future directions of the country's economy. In this report, the World Bank has advised Government on the need to move away from food production that is aimed at fulfilling local food security to more export-oriented industrial agriculture.[1] This advice clearly shows that the World Bank has not changed its directions on agriculture. Complete transformation of Sri Lanka's agriculture from local food production based on small-scale food producers to an export-oriented industrial agriculture has always being a top priority for the technical advice coming from the World Bank.

The orientation of World Bank advice has been consistent since 1996. Privatization of water was always seen as an effective way of moving the small-scale producers out of agriculture. The Bank pushed privatization to discourage the production of paddy, which they considered to be a low value crop that was holding back growth in the agricultural sector.[2]

Therefore the Bank has always recommended a pricing mechanism for irrigation water in Sri Lanka to encourage small-scale farmers to leave agriculture and move into cities. The following case study describes how the World Bank and the Asian Development Bank (ADB) has used their technical advice to promote water privatization to make it a profitable business for private corporations and to transform the agriculture in Sri Lanka.

2. The Role of ADB and World Bank Technical Assistance in Water Privatization

It is generally recognized that the Asian Development Bank and the World Bank have been promoting privatization in Sri Lanka since early 1980s. These financing institutions pushed for changes in policy and legislation to allow privatization, while also exerting their influence in the implementation of these steps.

a) Technical Assistance and the promotion of Water Privatization Policies

The World Bank and the Asian Development Bank have provided previous Sri Lankan governments with consultants to design projects, to plan and carry out reforms in institutions, and to draft policy and legislation.

These consultants have been extensively employed in the privatization of water. For example, the World Bank included this type of technical assistance in its Private Sector Infrastructure Project in Sri Lanka, which has been operating since 1996. Water is a key sector for agriculture and the Bank's objective has been to "influence and accelerate the transitional process from public dominated infrastructure to private operation and ownership."[3]

To realize this agenda, the World Bank has also made use of a global fund it manages, titled the Public Private Infrastructure Advisory Fund.[4] This Fund was given an explicit mandate to promote the private sector in water. In a publication by the Public Services International Research Unit it was noted that this Fund "provides funding for a wide range of activities related to the reform of water and sewage and the development of public-private partnerships in the sector [until] 2003 [amounting to] 23% of PPIAF"s portfolio in value terms (although many multi-sectoral projects include water and sanitation components)."

The World Bank has also grasped opportunities to move reforms rapidly when previous Sri Lankan governments have been willing. It funded a $15 million package of technical assistance called the "Economic Reforms Technical Assistance Project" from 2002, which included half a dozen contracts for work on reforms in the water sector, as well as for top-level economic and political advisors for the Prime Minister.[5] The Asian Development Bank tends to make even more extensive use of consultants than the World Bank. They are brought in through water sector projects, which are prepared by consultants and which almost always include technical assistance for consultants to implement reforms in the water sector.

b) Projects: Privatization of irrigation systems

The World Bank and the Asian Development Bank thus consider irrigation to be a commercial activity that both can and should be carried out by private companies. They have used these projects to push for privatization. The projects in turn relied on loans from the World Bank and the Asian Development Bank to finance many of these projects, to the tune of US$750 million (see the list of project loans for irrigation in the accompanying Box).

Further, the finance institutions have come to regard privatization as a means of reducing water available for agriculture and therefore discouraging paddy production, which they believe to be an impediment to economic growth in Sri Lanka. There have been three strategies in promoting these approaches.

c) First Approach: Charging for water

In the early 1980s, the World Bank succeeded in getting the government to declare that it would start charging farmers for water. This agreement was made after the World Bank threatened to cut off funding for irrigation. It was also able to extract a promise from the Sri Lankan government to move towards full cost recovery. This was necessary in order for irrigation to be a viable and attractive undertaking for the private sector. A 2004 World Bank report noted:

"In 1981, during the negotiations for the [Mahaweli Ganga Development Project III], extensive discussions on cost recovery took place between the Bank and the Government. Water charges were to be collected in the Mahaweli starting in September 1982 at a level equivalent to 22% of the expected operation and maintenance costs, rising to 100% of those costs by 1991. The Government initially stalled but eventually responded because the Bank made it clear that it would not support further investment in irrigation if cost recovery was not addressed. In July 1983, the Cabinet approved the introduction of a nationwide program of water charges, aiming to achieve full cost recovery within 5 years."[6]

The Sri Lankan government did not actually implement this cost recovery policy because of resistance by farmers. In response, the Asian Development Bank pressed the government to comply with a list of actions to be undertaken during the first year of their new project, Agriculture Program Loan. It was believed that the enforcement of these mechanisms would pave the way towards the privatization of irrigation, which would give companies the confidence to pursue strategies to privatize irrigation. The steps included:

- "Conduct policy dialogue with the Bank on the findings and recommendations of World Bank study on procedures for the collection of operation and maintenance costs from farmers;
- "Establish an administrative system and implementable procedures for the recovery of operation and maintenance costs;
- "Amend the Irrigation Ordinance Chapter 453 and any other legislation necessary to enable the government to quickly prosecute willful defaulters on operation and maintenance fee payment through civil courts; and
- "Amend the Agrarian Services Act of 1979 in line with the government's thrust for farmer participation in irrigation management."[7]

Loans for irrigation from the World Bank and Asian Development Bank

Project	Amount	Date	Agency
Walawe Development Project	$7.7 million	1969	ADB
Mahaweli Ganga Development Project I	$29 million	1970	WB
Tank Irrigation Modernization Project	$5 million	1976	WB
Kirinda Oya Irrigation and Settlement I	$45 million	1976	ADB
Mahaweli Ganga Development Project II	$19 million	1977	WB
Mahaweli Ganga Technical Assistance Project	$3 million	1980	WB
Anuradhapura Dry Zone Agriculture Project	$15 million	1980	ADB
Kirinda Oya Irrigation and Settlement II	$45 million	1981	ADB
Village Irrigation Rehabilitation Project	$30 million	1981	WB
Mahaweli Ganga Development Project III	$90 million	1981	WB
Walawe Irrigation Improvement Project	$15 million	1984	ADB
Major Irrigation Rehabilitation Project	$17 million	1984	WB
Kirinda Oya Irrigation and Settlement III	$45 million	1985	ADB
Agriculture Program Loan	$80 million	1989	ADB
Southern Province Rural Development Project	$38 million	1991	ADB
National Irrigation Rehabilitation Project	$29.6 million	1991	WB
North Western Province Water Resources Development Project	$30 million	1992	ADB
North Central Province Rural Development Project	$20 million	1996	ADB
Mahaweli Restructuring and Rehabilitation Project	$57 million	1998	WB
North-East Irrigated Agriculture Project I	$27 million	2000	WB
North-East Irrigated Agriculture Project II	$64.7 million	2004	WB
National Water Management Improvement Project	$36 million	2005	WB

The Sri Lankan government lagged behind in the amendments to the Irrigation Ordinance and Agrarian Services Act. The Asian Development Bank then withheld the disbursement of the second installment of project funds until the government adhered to this agreement. The Bank's project report stated: "The second disbursement was delayed due to legislative difficulties in processing amendments to the Agrarian Services Act and the Irrigation Ordinance to enable Farmers" Organizations to collect irrigation service fees."[8]

The World Bank also did not give up on its objectives to push for privatization of water resources. It later made its total financing to the country conditional on progress in this area. In its 1996 Country Assistance Strategy, the World Bank expected to lend only a minimal amount, on average $50 million per year, because of the "unmanageable fiscal deficit and stalled reforms," stating that in order for Sri Lanka to qualify for more finance would require "significant improvements in cost-recovery (e.g. in irrigation)." [9]

d) Second Approach: Devolution

By the late 1980s it was obvious that it was difficult, if not impossible, to make farmers pay directly for water. The World Bank decided to try an indirect approach. It introduced a concept called "participatory irrigation system management." This devolved responsibility for sections of the new or newly rehabilitated system to farmer organizations.

The World Bank explained the objectives of this "participatory irrigation system management," saying that it would eventually lead to full privatization of irrigation. The farmer organizations could buy and sell water from private companies on behalf of their members or they could be converted into or be taken over by private companies. The initial success of these efforts can be found in a report on the private sector in Sri Lanka: "[World Bank] lending has [already] supported the transfer of operations and management of small-scale irrigation systems to local private farmer organizations… In the long-run, these reforms…and supportive technical assistance will provide the basis for the eventual complete takeover by local farmer organizations, with the view toward reducing government expenditure and converting to a market oriented system of irrigation which is user responsive." [10]

The Asian Development Bank also adopted this strategy but took it a step further by insisting that farmer organizations also contribute a percentage of the cost of these projects. Criteria for the selection of a project to rehabilitate an irrigation system were established. For the North Central Province Rural Development Project, for example, they included "the majority of the farmer beneficiaries in a scheme [must be] willing to form a formal Farmer Organization, in case none is operational, and agree in writing to contribute at least 10% of the scheme cost in the form of labour, cash or kind, and assume operation and maintenance upon completion."[11]

e) Third Approach: Reform of policy and institutions

The World Bank was disappointed to find that its participatory irrigation systems management approach also did not work as anticipated as it also received strong opposition from farmers.

In the early 1990s, the World Bank therefore decided that a more comprehensive approach was needed to achieve the desired change and that reform of the entire water sector was required. An important focus were changes in Sri Lanka's overall policy and the implementing institutions for water distribution and irrigation. Privatization from below was not proceeding as planned, so it would have to come from the top. An internal evaluation of their irrigation projects in the 1980s said: "Many lessons have been taken into account in the design of more recently prepared Bank projects. For example, there is widespread recognition today that investment in infrastructure needs to be accompanied by measures to reform the policy environment and to strengthen institutions. Water needs to be priced and irrigation operation and maintenance charges need to be recovered from farmers."[12]

Conclusion

Efforts of all the previous Governments in discouraging local food production (especially paddy) and privatization of water have largely failed due to the protests emerged from the farmers and civil society. As a result of this opposition, the Mahinda Rajapakse Government, which came into power in 2005, had to promise that his government would never privatize water resources in Sri Lanka. Mahinda Rajapaksa confirmed in his manifesto for the 2005 presidential elections: "Water is one of the prime resources of our country. The owner of these valuable resources should be the people of this country. I will firmly assure this position."

With continuous pressure from farmer groups and civil society movements, the efforts of water privatization have been slowed during last decade. Mahinda Rajapakse's government, which had its voter base in rural agriculture communities, had to provide support and protection for its constituency. They had to continue to support paddy cultivation with a fertilizer subsidy and government engagement in paddy purchasing.

But the efforts to develop institutional, policy and infrastructure framework to facilitate water privatization have also continued. Especially in the later part of the Mahinda Rajapakse Government these plans again began to re-emerge. The National Water Services Reform Act, which was rejected by the Supreme Court in year 2000 citing that it has to get approved in Provincial Councils before it become a national act, was presented and got approved in the North Western Provincial Council in 2014. In the same year the World Bank has provided a US$100 million loan to the Sri Lankan Government for a water resource conservation project to address the impacts of climate change.

Water privatization efforts of Sri Lanka have not yet been successful largely because of the protest of millions of people affected by these policies. But it's clear that neither the World Bank nor the ADB has given it up. All the governments coming into power after 1980s have tried to enact and implement water privatization policies according to the advice of those organizations and its clear they will accelerate their efforts with this new Government.

Endnotes

1 http://documents.worldbank.org/curated/en/2016/02/25895855/sri-lanka-ending-poverty-promoting-shared-prosperity

2 In a 1996 Report the Bank suggested, "growth from non-plantation agriculture remains stagnant… Despite its low returns per acre…low valued paddy remains the dominant crop… With free water, farm families maximise income through growing paddy and working off-farm. … Full correction in the current situation requires a policy of full cost recovery (capital costs as well as O&M) from… farmers. … To start, it must be accepted that, in economic terms irrigation water…is a private good, and so should be directed by market forces. For this, the basic legal and institutional structures needed to permit market forces to operate must be developed. These center around enforceable water property rights for individual farmers and water markets. … Treating irrigation water as a public good inhibits much needed institutional reform, and the creation of independent and (eventually) private irrigation agencies." See Non-Plantation Crop Sector Policy Alternatives: Report 14564 CE' by the World Bank, March 1996. This advice was repeated in 2003 (Promoting Agricultural and Rural Non-Farm Sector Growth - Report 25387-CE' by the World Bank, February 2003) and 2005 (Development Forum: the Economy, the Tsunami and Poverty Reduction - Report 32221-LK' by the World Bank, April 2005).

3 "Private Sector Infrastructure Development Project: Staff Appraisal Report 15391" by the World Bank, May 1996

4 "Dogmatic Development: Privatisation and Conditionalities in Six Countries" by Public Services International Research Unit (PSIRU), February 2004.

5 Jim Robertson and John Earl (see http://www.cynosura.com).

6 3rd Mahaweli Ganga Development Project Performance Reassessment Report 29489" by the OED, World Bank, June 2004

7 "Agriculture Program Loan: PPAR SRI 18145" by the Asian Development Bank, December 1996

8 "Agriculture Program Loan: PPAR SRI 18145" by the Asian Development Bank, December 1996

9 "Country Assistance Strategy – Progress Report: Report 18711" by the World Bank, December 1998.

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Technical, Yes — But What Kind of Assistance? USAID COMPETE's PPP Promotion in the Philippines

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Since the 2001 launch of its public-private partnership (PPP) program, USAID has initiated 1,600 "development PPPs" around the world. The countries hosting the greatest number of USAID PPPs are Colombia (109 projects), followed by South Africa (94), India (80) and the Philippines (79).[1] While most of USAID's PPP data focuses on projects under the "development PPP" designation, USAID has also supported the implementation of many "infrastructure PPPs" by means of technical assistance (TA). Its promotion of these projects has been particularly strong in the Philippines.

Although it is not listed as a partner of the Philippines' PPP Center, USAID has played an important role in shaping the Philippine PPP landscape, along with the Asian Development Bank (ADB), the Association of Southeast Asian Nations (ASEAN), the Australian Agency for International Development (AusAID), the Canadian International Development Agency (CIDA, now Global Affairs Canada), and the Japan International Cooperation Agency (JICA). USAID is also accompanied by other influential non-partners of the PPP Center, notably the World Bank and the International Monetary Fund (IMF).

Both development and infrastructure PPPs have stimulated national debate and opposition in the Philippines. These debates increased in intensity since the inauguration of President Benigno S. Aquino, who placed PPPs at the center of his political platform. Infrastructure PPPs have received the majority of the media attention. These responses have been stimulated in part by reported decreases in quality and accessibility of formerly public goods (i.e., water and metro rail systems) that have been subjected to privatization under various PPP arrangements.

While the role of technical assistance in USAID's activities in this area has not received much attention, USAID has allocated considerable resources for this purpose in the Philippines. For example, the USAID-contracted Advancing Philippine Competitiveness (COMPETE) project, managed by the Asia Foundation, has a budget of US$22.5 million. Other major providers of USAID technical assistance include Trade-Related Assistance for Development (TRADE) (US$12.8 million), Facilitating Public Investment (FPI) (US$14.8 million), and Investment Enabling Environment (INVEST) (US$3.2 million).

In addition to having the largest budget, COMPETE also has a particularly broad mandate. This includes: 1) To provide technical assistance to promote "competitiveness" through infrastructure provision; 2) To make prescriptions for what USAID has identified as key national industries; and 3) To promote greater credit utilization. Implementing the first two aims has resulted in unintended outcomes.

Nowhere is this more evident than in the much-publicized case of the Laguna-Lakeshore Expressway-Dike (LLED) PPP. This controversial and now-stalled PPP project has received a significant amount of technical assistance from COMPLETE. It has attracted high levels of media attention due to a series of failed bidding attempts and, more importantly, the potential for serious social and ecological costs associated with the project. Some of these costs are likely to materialize if the project moves into the implementation stage using its current design. Other costs, such as displacement of certain residents in the Laguna area, have already become evident.

This article focuses on three main themes. To provide background, it briefly places PPPs inside the context of the recent wave of the Aquino administration's neoliberal policy reforms and development outcomes. Secondly, it examines the influence that USAID exerts through its technical assistance, and through its significant presence in Philippine government institutions, referring to the instructive example of COMPETE. Thirdly, it considers the implications of technical assistance practices for the LLED PPP project, particularly the roles that TA played in its promotion as a PPP, but TA is also briefly considered as a development instrument more generally.

Political-Economic Backdrop: Aquino Administration, 20101-2016

During its tenure, the Aquino administration presented the Philippines as an "economic miracle" and its development program as largely successful. This presentation was mirrored in the reports of agencies such as USAID, which promote market-driven growth policies in less-developed countries.[2] The Aquino program included anti-corruption and good governance measures, as well as broad legislative actions to support increased liberalization of the domestic financial system, implemented to cultivate an environment that would be attractive to foreign investors. However, repeated revelations in the media suggesting the prevalence of systematic corruption in the government, as well as inconsistencies between reported growth figures, and the unchanged livelihood situations of the majority of the population, worked to undermine this glowing portrait.

One such revelation was the discovery of corrupt activities connected to the administration's use of the PPP program. These included biased bidding practices in connection to the Light Rail Transit (LRT) Line 1 and Metro Rail Transit (MRT) Line 3, as well as the outcomes of these projects. Reports demonstrated that PPP concessionaires reaped huge benefits from the public subsidization of their private business activity while services declined.

As well, the administration's presentation of national growth figures, particularly official employment statistics,[3] has been misleading. A look beyond the reported figures reveals that the "economic miracle" has consisted of unequal growth. Job creation is actually weaker than in previous decades. The 692,000 new jobs created annually during the 2010–2015 period is lower than the average of 732,000 achieved during the 2000–2009 period, a time when the economy was much smaller.[4] Moreover, additional employment in services has coincided with weaker job creation in manufacturing and agriculture, sectors that could play a prominent role in a long-term development strategy, given the Philippines' wealth in terms of natural resources.[5] The shrinking role of these sectors marks the continuation of trends prevalent in the country since the dominance of neoliberal policies, beginning in the late 1970s.

This political and economic context puts into perspective responses by civil society (CSOs) and people's organizations (POs) to President Aquino's decision[6] to move forward with renewed efforts in the LLED PPP with the Department of Public Works and Highways (DPWH), the project's main overseer. In statements by the fisherfolk alliance group *Pambansang Lakas ng Kilusang Mamalakaya ng Pilipinas* (Pamalakaya)[7] and the Save Laguna Lake Movement (SLLM), both of whom have maintained staunch opposition to the privatization from the beginning, there was not only a demand for abandoning the LLED project, but also complete opposition to Aquino's PPP program and a call for the program's outright termination. The PPPs promoted by the Aquino administration, for them and many others, became symbols of rampant bureaucratic corruption and heightened economic uncertainty. Even before resident displacements in the Laguna area began, these organizations and community members were calling attention to the very real social costs that have attended the Aquino development program, costs not reflected in the official growth figures.

Technical Assistance: A Technique for Influencing National Policy

USAID's influence over the policymaking process is perhaps unsurprising, given the fact that the combined five-year operating budgets for two of its above-mentioned projects—COMPETE (US$22.5 million) and TRADE (US$12.8)—is already greater than the 2016 budget for the National Economic and Development Authority (NEDA), which amounts to ₱1.286 billion or US$27.7 million. These and the other above-mentioned USAID projects find institutional housing under the Partnership for Growth (PFG). In this White House initiative, the US and Philippine government officials jointly set development priorities for NEDA's Midterm Philippine Development Plan. All of this implies a level of policymaking influence far beyond whatever might be conjured up by the neutral-sounding label "technical assistance."

As a member of the secretariat of the Technical Working Group (TWG) of the Convergence Program, the USAID COMPETE team occupies its own institutional space between the Department of Tourism (DOT) and the Department of Public Works and Highways (DPWH). From this position, it has wielded significant power in shaping agendas. Among its accomplishments in 2013, for example, COMPETE highlighted technical assistance provided to DOT and DPWH for the identification of tourism road projects. Budget revisions followed, resulting in a 37% increase in the allotment for tourism roads (from US$279 million in 2013 to US$381 million in 2014).[8]

While infrastructure needs are certainly dire, it is questionable whether tourism roads should be such a national budget and development priority, if development goals include equity and sustainability. Furthermore, there are implications for governance. Given that USAID's policy framework remains explicitly tied to the US national security agenda,[9] and guided by powerful US corporate interests,[10] it is alarming that it was allowed to exert such influence in identifying and setting priorities for viable infrastructure projects and key industries. Also, the fact that PPPs figure so strongly in its prescriptions is cause for alarm since there is little clear evidence for the efficacy of PPPs in achieving positive development outcomes.

As suggested above, PPPs have held an important place in the USAID strategy since 2001. On a global level private sector participation in infrastructure projects has been on the rise since at least 1991. Following a decline in 1997, this trend rose sharply again in 2003. In the succeeding ten years (2003-2013), the monetary value of this participation increased from US$182 million to US$322 million. Despite various complexities in generalizing about PPPs and the need for further studies, general trends have emerged in terms of the operation of PPPs in less-developed countries, with similarities between issues identified by PPP critics in the Philippines, and other situations in the world.[11]

Both academic and institutional researchers have pointed out that the cost of PPP infrastructure projects often exceeds the costs of comparable public projects. The reasons include higher private sector borrowing costs relative those of the public sector, and incentives for governments not to reveal PPP-contingent liabilities. Evidence of whether PPPs result in better and more efficient service is generally inconclusive, although there have been many reports of deteriorating service, particularly where PPPs involve social services. The famous case of the Lesotho hospital PPP has been an important reminder.[12]

The World Bank, IMF and European Investment Bank (EIB) have all released studies identifying cases where governments have borne increased burdens as a result of PPP projects. This is in contrast to proponents who claim that PPPs reduce risk. Yet, USAID has continued to maintain a startling degree of confidence in its frequent PPP prescriptions. Whether the aforementioned corporate interests (see Appendix A for a list of USAID PPP company partners) are guiding these prescriptions is difficult to say. What can be questioned, however, is the degree to which PPPs actually contribute to national development.

USAID's unwavering confidence, in fact, seems to have helped pave the way for President Aquino's passage of the PPP Act, which constituted a comprehensive privatization program. This controversial Act brought together key policy prescriptions in a manner unprecedented in the Philippines and possibly the world. For instance, the Act provides generous regulatory risk guarantees (of the kind in force in the Lesotho hospital PPP), even creating a permanent public fund for this purpose in the national budget. It grants tax exemptions for PPP projects such as those connected to the construction and/or operation of power plants, toll roads and mass transportation. Moreover, the Act establishes an alternative dispute resolution (ADR) system, giving investors a venue outside the courts to resolve cases filled by consumers and other stakeholders. This measure has the effect of narrowing the mandates of regulatory bodies and institutionalizes procedures of "justice" biased in favor of investor interests, resulting in diminished social accountability.

A 2006 USAID-funded technical report foreshadowed elements of the recent PPP Act.

Entitled, "A Proposed BOT [Build-Operate-Transfer] Bill to Enhance Public-Private Partnership in Infrastructure Development," the report emphasizes the necessary role of government subsidies in enhancing the viability of PPP projects from the perspective of potential private sector partners. It also asserts the necessity of operational components that "facilitate smooth implementation with hardly any contractual dispute requiring court intervention emerging."[13] This report became the basis for the bills to amend the BOT Law submitted to the 14th and 15th Congress. By the time the PPP Act was passed, the government subsidy proposition had returned in the form of the Contingent Liability Fund (section 24) and Viability Gap Funding (VGF) (section 3). The VGF provision commits the government to the subsidization of the difference between contract-stipulated and actual profits in the event that the latter prove to be less than the former.[14]

USAID PPP policy promotion through COMPETE includes technical assistance[15] to both the DPWH and to Representative Cosalan and Senator Marcos, Jr. to assist in the preparation of their bill, as well as the most recent amendments in March 2016 to amend the current Right-of-Way Acquisition (ROWA) law and ease property acquisition.[16]

In terms of actual PPP projects, USAID activities have recently centered on two in particular: the Bohol Water and Sanitation (BWS) project and the LLED project. Of these two, the LLED is by far the larger. In fact, had it moved beyond the bidding phase, it would have been the largest PPP project undertaken during the Aquino administration (with a budget of US$2.73 billion). For this reason, among others, its status remains the subject of considerable speculation since the newly elected President Duterte's assumption of office in June 2016.

Laguna-Lakeshore Expressway-Dike: Social-Ecological Disaster?

According to the COMPETE year-two report, "The LLED Project was not on the original list of the government's PPP projects [. . .]. But now, it is No. 1 on the list and the biggest PPP project to date."[17] The report describes the LLED project as follows:

> LLED has two components: (a) a 6-lane expressway-dike; and (b) land reclamation. The project aims to mitigate flooding in the Laguna Lake coastal towns, particularly in Southern Metro Manila and Laguna, improve the environmental condition of the Lake, and promote economic activities through the efficient transport of goods and people. LLED involves the construction of a 47-kilometer flood control dike on top of which will be a high-speed tollway. The project will likewise provide opportunities for developing a new business and residential district (Central Business District) in the reclaimed areas.

As in many official descriptions of the project, the aims of mitigating flooding, improving environmental conditions and promoting economic activity are placed side-by-side. While it would be ideal for this to be the case, such a comprehensive approach would require giving equal attention to each element, something that has not occurred in the LLED planning stage. Instead the attention has narrowed to the more profitable aspects, heightening the risks posed by unforeseen complications, which could jeopardize the project and endanger the community surrounding the project site.

Besides being the Philippines' biggest, the project has also become perhaps its most complicated, both technically and politically. In fact the project has been considered by bidders to be "unviable." The government consequently is under pressure to repackage the project to find ways to increase its profitability, something that has happened before with other PPPs failing to secure bids. This is a questionable approach given the government's duty to the public interest.

It is difficult to imagine how the LLED project, with its potentially catastrophic social costs, might be attractively repackaged in the context of public opposition. This opposition to the project focuses on both the large-scale resident displacement that would result and the serious disaster-related risks in its current design, which would threaten the proposed infrastructure, not to mention the endangerment of its future inhabitants, utilizers and maintainers. Given all the technical assistance provided by USAID, it would be disingenuous to suggest that the social costs were undetected by USAID or the government. A more truthful assessment would be that many of these social costs simply were not considered to be real costs, due to overriding private interests in the project.

A Laguna Lake Authority (LLA) document entitled "Laguna de Bay Basin by 2020" reported that the project would require the eviction of 6,800 families in Barangay Malabanan in Biñan, 4,800 families in Sinalhan in Santa Rosa, at least 60,000 families in Lupang Arenda in Barangay San Juan in Taytay, Rizal. Another 10,440 families in the informal settlements situated along the shoreline would also be displaced. The total "relocation cost" has been calculated to be ₱200,000 (US$4,000) per household, bringing the total eviction costs to approximately ₱6.5 billion (US$144 million) for 80,000 households.[18]

In this accounting for the displacement, however, significant costs are not included, particularly the social costs of the undemocratic procedures by which eviction is often implemented. For example, according to the Asian Human Rights Commission, in eviction and demolition efforts that took place in Taguig in March of 2015, a 300-member team jointly consisting of the Philippine National Police (PNP) and the Public Order and Safety Office (POSO) "confiscated whatever little personal belongings the household[s] had like kitchen utensils, blankets, papaya trees, wood, lumber, and padlocks."[19]

There is a tendency to consider these procedures distinct from the PPP project itself, as incidental occurrences during the implementation. However, the institutional context is a critical part of any assessment and should be identified as a constitutive social cost inherent to PPPs.

In the Philippines, a crucial institutional contextual issue for PPPs is the PPP Act, particularly the above-mentioned ADR system, which places constraints on the legal options available to those who contest either the project itself or the state-initiated procedures accompanying it. For example, these constraints include the prohibition on the issuance of Temporary Restraining Orders (TROs) against PPPs by local courts.

Given that TROs have been issued by the Supreme Court against actions of PPP project concessionaires (e.g., those of the MRT and LRT), the prohibition of similar recourse in local courts in cases of legitimate risk to communities constitutes a significant loss of the democratic space. Therefore, while confiscation and displacement may not appear necessarily linked to PPPs,[20] the legislative context that determines the rights of those implementing PPP contracts (and the relative lack of rights of community members) are enabling factors that permit injustices for affected populations.

In addition to mass displacement, reasons that might justify the issuance of a TRO in relation to the LLED project have been identified by a coalition of at least five Catholic dioceses. They have "vowed to support other faith-based groups and people's organizations in opposing the project."[21] Concerns relate to unaddressed safety and environmental hazards, ones that find support in studies by, and consultations with, geologist Kelvin S. Rodolfo. Put concisely, "[i]f the project is constructed and protects Metro Manila from lake-water floods, people living elsewhere along the lake will suffer, simply because the flood water will have to go somewhere."[22] The greatest threat, according to Rodolfo, is an earthquake. Because of the proximity of the LLED project site areas to fault lines, an earthquake is a likely event. He writes:

> Reclamation areas [. . .] closer to the fault zone are underlain by thick, water-saturated sediments. Any structures built there would experience catastrophic damage during a major WMV Fault earthquake. They would shake more strongly from the earthquake waves than structures sitting on solid rock. [. . .] While the earthquake lasts, its shaking would also transform the sediment and its water content into a liquid-like mixture without strength. Buildings would sink into it or topple.[23]

In his article in *Philippine Science Letters*, "On the geological hazards that threaten existing and proposed reclamations of Manila Bay," Rodolfo debunks several misleading assertions by government officials in an attempt promote the project, where they reference "successful" reclamation projects in the past. Rodolfo explains,

> "The Department of Public Works and Highways has long ignored or minimized the problem of land subsidence in planning their expensive but ineffective flood-control projects[24] [. . .]. It would not be surprising if reclamation planners also ignore subsidence to minimize costs and maximize profits, but thereby enhance risks."[25]

Given that much of the Aquino administration's reform efforts, as well as a significant focus for USAID technical assistance, related to the promotion of good governance in order to, among other things, better facilitate infrastructure projects, it is telling that DPWH lapses indicated by Rodolfo were allowed to persist. The issues ignored by DPWH are some of those with the greatest relevance for infrastructure provision. It might be interpreted as a case of technical assistance being freely offered by Rodolfo, a scientist with little apparent political motivation, only to be ignored by government officials in favor of USAID prescriptions, which are far from approaching Rodolfo's level of impartiality. Whatever these officials' motivations, the effect is an institutionalization of "good governance" practices that are proving to be very hostile to ordinary people.

A Plea for Some Real Assistance

While the last attempts to secure a bid for the LLED project have failed, there is still a possibility of further attempts. Mark Villar, the incoming secretary of the Public Works Department, has said that President Duterte plans to undertake the project.[26] But it is as yet unclear what, if any, changes will be made to the project design. Nevertheless, there are important lessons to be learned from the LLED PPP case.

PPP failures are often defined as failures of governance. Proposed solutions have given an important role to technical assistance from development agencies as a means of promoting good governance practices. The LLED PPP case, however, suggests that such a 'solution' is not so straightforward.

In an analysis by the Partnership for Growth (PFG), good governance is understood to have three dimensions: (1) regulatory quality; (2) control of corruption; and (3) political stability and absence of violence.[27] The PPP Act, along with the series of legislative measures promoted through COMPETE technical assistance, might be seen as an attempt to improve the first dimension. But its conception of good governance seems insufficient to deter the kinds of governance and regulatory failures that are apparent in the LLED PPP case, especially when the provisions of the PPP Act could reasonably be viewed as factors contributing to these failures, rather than working to prevent them.

The two main failures considered in this chapter — the state-managed displacement measures and the systemic lapses in good judgment made by the DPWH, leading to serious ecological issues to be overlooked for so long — are both examples of a government failing to accurately account for significant social costs, while being highly concerned with commercial accounting. This indicates, among other things, a clear prioritization of private sector interests.

This study also emphasized the importance of civil society actions to empower affected populations. From the earliest stages of the project, community residents, CSOs/POs — Pamalakaya and SLLM — sought to raise awareness of the breadth of social costs, particularly concerning the threat of displacement. Church groups provided important support by bringing attention to ecological risks.

There are many ways for CSOs/POs to become protagonists to ensure the effectiveness and relevance of development projects. The LLED case suggests that, at a minimum, social costs would be more efficiently and ethically managed if CSOs/POs benefited from governance practices that enable, rather than disable them.

The potential for technical assistance to contribute to equitable and sustainable development is thereby understood in part to require an institutional context in which the project is conceived, planned, implemented and assessed where CSOs/POs are included, rather than excluded.

APPENDIX A
25 Most Frequent USAID PPP Resource Partners[28]

Resource Partner	# of PPPs
Microsoft Corporation	62
Coca-Cola Company	36
Chevron	33
Cisco Systems	26
Intel	25
UK Department for International Development (DFID)	24
World Bank	23
ExxonMobil	19
Citigroup	18
Pfizer	16
Save the Children	15
Kraft Foods	14
Procter and Gamble (P&G)	14
The Bill & Melinda Gates Foundation	14
Winrock International	14
Inter-American Development Bank (IDB)	13
United Nations Children's Fund (UNICEF)	13
Walmart	13
Conservation International	12
World Wildlife Fund (WWF)	12
BP	11
Cargill	11
Evensen Dodge International (EDI)	11
GlaxoSmithKline (GSK)	11
Google	7

Endnotes

1 George M. Ingram, Anne E. Johnson and Helen Moser (2016), "USAID's Public-Private Partnerships: A Data Picture and Review of Business Engagement" (Washington, DC: Brookings Institute), p. 30. http://www.brookings.edu/~/media/research/files/papers/2016/02/usaid-public-private-partnerships-ingram-johnson-moser/wp94pppreport2016web.pdf, accessed 5 Jun. 2016.

2 This chapter uses the terminology "less-developed" and "more developed" to distinguish countries at various stages of "development."

3 "The official unemployment count also uses a new more stringent definition than before that, compared with the old definition, reduces the number of unemployed by about 1.6 million and the unemployment rate by around 3.5 percentage points. It is plausible that a large number of these are job-seekers already discouraged amid the lack of work in the country. Trying to correct for this to allow comparability with historical data would result in around 4.2 to 4.3 million unemployed and a 9.8 to 10% unemployment rate in 2015 [compared to the officially reported 6.3%]. This is barely changed from the employment situation in 2010 and still means a considerable number of unemployed Filipinos." IBON (2015), Yearend 2015 Bird Talk: End of the Road and a New Beginning? (Manila: IBON), p. 13.

4 Ibid.

5 Ibid.

6 Aquino's decision was taken after the failure in 2011 of the previous Laguna Lake privatization efforts.

7 National Federation of Small Fisherfolk Organizations in the Philippines.

8 USAID (2013), Advancing Philippine Competitiveness (COMPETE) Project: Year 1 Annual Report, (Washington, DC: USAID), https://dec.usaid.gov/dec/GetDoc.axd?ctID=ODVhZjk4NWQtM2YyMi00YjRmLTkxNjktZTcxMjM2NDBmY2Uy&pID=NTYw&attchmnt=VHJ1ZQ==&rID=MzU0OTE3, accessed 16 Jun. 2016.

9 For a summary of the basis of the USAID policy orientation, see USAID's Policy Framework 2011–2015, Securing the Future, and Building Trade Capacity in the Developing World, all of which are available at: http://usaidprojectstarter.org/content/cdcs-country-development-cooperation-strategy, accessed 24 Jun. 2016.

10 See Appendix A: Table 1.

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12 Ibid. For more about the Lesotho hospital PPP, see Oxfam (2014), "A Dangerous Diversion: Will IFC's Flagship health PPP bankrupt Lesotho's Ministry of Health?" Oxfam Briefing Note (Oxford: Oxfam), https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bn-dangerous-diversion-lesotho-health-ppp-070414-en_0.pdf, accessed 5 Jul. 2016

13 Dante B. Canlas et al. (2006), "A Proposed BOT Bill to Enhance Public-Private Partnership in Infrastructure Development" (Makati City, Philippines: EMERGE), p. 23, http://pdf.usaid.gov/pdf_docs/PNADH616.pdf, accessed 5 Jul. 2016.

14 For a more detailed analysis of this and the contingent liabilities fund, see the section "Less regulation, more burden" in IBON (2015), "PPP Act: Surrender to corporate interests," IBON Facts & Figures (Quezon City, Philippines: IBON), 15 Jun., pp. 6–9.

15 USAID (2014), Advancing Philippine Competitiveness (COMPETE) Project: Year 2 Annual Report (Washington, DC: USAID), pp. 5–6 http://pdf.usaid.gov/pdf_docs/PA00KF99.pdf, accessed 16 Jun. 2016.

16 Louella Desiderio and Richmond Mercurio (2016), "P-Noy inks law easing right-of-way process," Philippine Star, 11 Mar., http://www.philstar.com/business/2016/03/11/1561609/p-noy-inks-law-easing-right-way-process, accessed 24 Jun. 2016.

17 USAID (2014), ibid., p. 9.

18 Dennis Espada (2014), "Residents spur resistance to road dike, reclamation plans," Bulatlat, 7 Nov., http://bulatlat.com/main/2014/11/07/residents-spur-resistance-to-road-dike-reclamation-plans/, accessed 28 Jun. 2016.

19 Asian Human Rights Commission (2015), "PHILIPPINES: Stop demolition against Laguna Lakeshore community in Taguig," 8 May, Hunger Alerts, http://www.humanrights.asia/news/hunger-alerts/AHRC-HAU-002-2015, accessed 29 Jun. 2016.

20 In fact, displacements have been reported to accompany PPPs in numerous cases. The LRT Line 1 Cavite extension, for example, is also expected to entail displacement of many informal settlers.

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22 Kelvin S. Rodolfo (2016), "The dangerous Laguna Lakeshore Expressway Dike," Rappler, 24 Jan., http://www.rappler.com/science-nature/ideas/120068-dangerous-laguna-lakeshore-expressway-dike, accessed 5 Jul. 2016.

23 Ibid.

24 Kelvin S. Rodolfo and Fernando P. Siringan (2006), "Global sea-level rise is recognised, but flooding from anthropogenic land subsidence is ignored around northern Manila Bay, Philippines," Disasters (Oxford, UK: Blackwell Publishing), Vol. 30, No. 1, pp. 118–139, http://www.paase.org/images/Rodolfo-Siringan2006.pdf, accessed 29 Jun. 2016.

25 Kelvin S. Rodolfo (2014), "One the geological hazards that threaten existing and proposed reclamations of Manila Bay," Philippine Science Letters, Vol. 7, No. 1, http://philsciletters.org/2014/PSL%202014-vol07-no01-p228-240%20Rodolfo.pdf, accessed 29 Jun. 2016.

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28 Data drawn from George M. Ingram, Anne E. Johnson and Helen Moser (2016), "USAID's Public-Private Partnerships: A Data Picture and Review of Business Engagement" (Washington, DC: Brookings Institute), p. 30. http://www.brookings.edu/~/media/research/files/papers/2016/02/usaid-public-private-partnerships-ingram-johnson-moser/wp94pppreport2016web.pdf, accessed 5 Jun. 2016.

Chapter 3

South-South experience in technical cooperation

Horizontal South-South bilateral cooperation experiences: Good practices in Argentina and Paraguay
Karina Cáceres, Fundación SES

People4Change: People to people South-South Cooperation
Lea Sofia Simonsen, ActionAid Denmark

Triangular cooperation among civil society organizations in South America: Institutional strengthening in Argentina, Brazil, and Colombia
Alejandra Solla, Fundación SES Argentina;
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Horizontal South-South Bilateral Cooperation Experiences: Good Practices in Argentina and Paraguay

Karina Cáceres,[1] Fundación SES

"Building autonomous solutions to common development challenges"[2]

Within the Latin America and the Caribbean continent there is an acknowledgement of a collective identity. Despite asymmetries, a combination of common factors is the basis for building and widening an equitable political, economical and social territorial union. With the third wave of democratization in the region during the 1980s, after a period of long dictatorships, fluxuations in local policies, and shifts in the international context, this vision is working to promote political and economic links that support common and clear goals.

This idea is reflected in the political discourses of the heads of government as well as in the search for new policies based in relations of horizontality and solidarity as the driving principle for solving common problems that occur inside the region.

Using these commitments as a reference point, this chapter examines a modality of International development cooperation that is not new, but is one that has advanced considerably in recent years as a non-traditional form of north-south cooperation in Latin America, the Caribbean and other parts of the world.[3] Particularly, we will take a close look at the experiences of Horizontal South-South Bilateral Cooperation (HSSBC)[4] between countries that have a long history, tradition, common frontiers and socio-cultural links inside the South America region: Argentina and Paraguay.

Buenos Aires Action Plan and the Promotion of Technical Cooperation among Developing Countries

The Bandung Conference (1955) was an important milestone in the development of South-South Cooperation (SSC). This meeting of twenty-nine countries from Asia and Africa took place inside the context of a bipolar world marked by the Cold War. It gave birth to the Non Aligned Movement, and thus the first steps towards a new "aid modality," despite the fact that it was set inside the framework of conflicts and tensions between the eastern and western blocs.

Beginning in the 1970s changes in the international system were taking place. With these changes came the Non-Aligned Movement's proclamations for the fundamental principle of self-determination, decolonization and the struggle against all forms of imperialism. The political statements of this Movement called for Third World countries to unite under the banner of the "Global South," exploring new approaches to cooperation and mutual development. According to Gladys Lechini, cooperation among countries of the South was born as a strategy in opposition and/or complementary to the North-South axis. This was a more symmetric relation in comparison with the asymmetrical relations between countries of the North-North axis.[5]

In 1978 delegations from 138 countries adopted the *"Action Plan for the Promotion and Implementation of Technical Cooperation Among Developing Countries"* (TCDC), commonly known as the Buenos Aires Action Plan.[6] This Plan became an important tool in the development and promotion of a strategic framework for South-South cooperation.

During the first decade of the Plan, several countries played key roles in the promotion of the South-South Cooperation spirit at the global level. Today's BRICS (Brazil, Russia, India, China and South Africa) have been among the biggest promoters through their emerging economies. Beyond the BRICS, Argentina was one of the 25 countries convened in 1997 by the UN Special Office for SSC in order to promote, through different policies, financing for development and the exchange of experience in South-South technical assistance.

Though it has been several years since the approval of the Buenos Aires Action Plan, it still is a critical guide for promoting national and regional capacities of developing countries, which face challenges in an increasingly complex international environment.[7]

Horizontal Bilateral South South Cooperation between Argentina and Paraguay

Argentina is one of five Ibero-American countries with a significant level of technical cooperation activity in the region.[8] According to Argentinian Fund for South-South and Triangular Cooperation (FO-AR), one of the biggest achievements in this past decade regarding Argentina's horizontal cooperation has been the widening and deepening of cooperation throughout Latin America and the Caribbean. During the 1990s it was primarily focused on the Central American region. This way, the basic principles of SSC - horizontal, equality and solidarity - supported the strengthening of regional integration and the reduction of asymmetries.

Cooperation between Argentina and Paraguay is a more recent experience. An analysis of horizontal South South bilateral cooperation between Argentina and Paraguay is based on several documentary sources, with information from 2008 to 2013.[9] This material has contributed to the knowledge, analysis, reflection and dissemination of the SSC cooperation experiences in the region.[10]

An important factor in this SSC relationship is the Argentinian Fund for South-South and Triangular Cooperation (FO-AR).[11] The Argentinian Chancellery, as part of its external policy to promote horizontal technical cooperation, created the FO-AR in 1992. This Fund provides mechanisms for association, collaboration and mutual support, primarily in Latin America and the Caribbean, but also supports inter regional relations with other continents.[12]

Documentation is also available that describes the value of international cooperation from the Paraguayan perspective.[13] Experiences of South South Cooperation between Argentina and Paraguay have been elaborated and described as "successful."

From this material it is possible to construct an analysis of technical cooperation with a focus on Argentina as a partner offering SSC projects and programs with Paraguay as the recipient partner.

Argentina, along with other middle-high income countries,[14] has provided a large number of cooperation initiatives. An examination of these figures indicates a correlation between income levels and a country's status as a recipient of cooperation assistance. In the case of Argentina, it appears that there is a direct relation between the cooperation assistance provided to the recipient country and its per capita income.[15]

One example, which operates at the regional level inside MERCOSUR, is the Technical Assistance Commission that identifies, develops and executes support through the Fund for Structural Convergence of the MERCOSUR (FOCEM). This Fund is a mechanism for the direct transfer of financial resources from the largest economies (Argentina and Brazil) in the region to the smaller ones (Paraguay and Uruguay).[16]

> "FOCEM is one of the few examples in Latin America where the countries of the region are the main contributors. It has a re-distributive character and its goal is to improve development and to promote integration achieving a bigger convergence among the regions of the MERCOSUR."[17]

While recognizing the importance of regional south-south cooperation (RSSC), it is also useful to critically analyse HSSBC initiatives.

Paraguay has been a major recipient of Horizontal South-South Cooperation, receiving the most South South bilateral cooperation among nine Latin American countries.[18] Of 519 SSC initiatives by Argentina in 2008, for example, 302 of them were executed in Paraguay [19[According to the 2012 edition of the same report, the main bilateral SSC providers in 2011 were Brazil and Argentina.[20]

For Argentina's projects, 51.8% were provided to Paraguay.[21] However, Argentina's bilateral SSC projects and actions in Paraguay diminished after 2008, which was consequence of several factors. The decrease of projects and actions in 2009 is partly explained by the international crisis and some technical changes in the reporting methodology for these projects.[22] SSC between Argentina and Paraguay also decreased because of the suspension of Paraguay from MERCOSUR.[23] This was in response to an internal crisis described as a *coup d'etat* in June 2012, when an impeachment action dismissed President Fernando Lugo. Because of these political circumstances there were only 14 projects and actions between both countries during that time (2012-2013).[24]

This reduction in SSC raises several questions for further reflection that are beyond the scope of this chapter: What exactly were the factors that caused Argentina to suspend its SSC relations with Paraguay? Secondly, should a crisis in a democratic regime be a determining variable in South-South relations? These and other questions perhaps could be examined in some future research.

Good practices in South South Bilateral Cooperation: Projects on Human Rights, Institutional Strengthening and Cross-Border Territorial Development

From the perspective of Argentina, international cooperation should be rooted in the creation of mutual capacities and opportunities. Of course, it must target the capacity development needs of countries that require technical assistance. But this relationship is useful for both providers and recipients as the countries that provide cooperation develop human resources and more competent institutions to operate effectively in the international arena.[25]

Projects are developed with different modalities of support. In the case of Paraguay, it has received relevant experts from Argentinian organizations, who provide assistance through sharing concrete experiences, practices, processes and methodologies. They also include other forms of capacity building through dialogue, seminars and workshops in subjects such as planning, development, monitoring and evaluation of projects.

Argentina has clearly showed its political will to collaborate with other countries. It has prioritized relations with neighbouring countries, especially Paraguay and Bolivia. Through FO-AR, the Argentinian government has focused on three main themes:

- *Administration and governability*: This includes support and assistance for strengthening the capacities of public officers and promoting the participation of different social actors in decision-making in public policies.
- *Sustainable development:* Focuses on the productive development of agro-industrial and service sectors. The objective is to promote the conservation of natural resources for future generations.
- *Human Rights:* Human rights are key for Argentina's foreign policy. It is based on four pillars: memory, truth, justice and reparation.[26]

Two south-south technical assistance projects executed between Argentina and Paraguay were identified as "good practices" and "successful examples" by both countries (See Boxes 1.5 and 1.6 for more specific details about each project).[27]

A) *Commitment with Memory, Truth and Justice:*

This project provided technical assistance for the organization and investigation of the detained, disappeared, tortured and executed during the dictatorship of Stroessner in Paraguay (1954 -1989). The Argentinian Team of Forensic Anthropology (EAAF) and the Argentinian Secretariat of Human Rights contributed their expertise to Paraguay's judicial system, the Truth, Justice and Reparation Commission and the Ombudsman of Paraguay. The Argentinian organizations were able to give technical assistance in the form of forensic anthropology tools, the systematization of information and the development of a database. They also contributed valuable support in the revision of judicial aspects for the Truth and Justice Commission, transformed by President Lugo into the new Directorate of Truth, Justice and Reparation.[28]

B) *Cross-Border Technical Cooperation Program for Fish Farming, "CARPA*":

This project is contributing to sub-regional and sub-national integration between Argentina and Paraguay through economic and social development of the border municipalities of Cambyreta (Itapúa Department – Paraguay and Campo Viera in the Province of Misiones-Argentina). The project for technical assistance in fish farming aims to provide an alternative source of self sufficiency for small producers, which later successfully evolved, through a "cascading effect," in the building of ponds, associations/working relationships between producers, and commercialization of the surplus. The project was later replicated in several other border municipalities in Paraguay.[29]

Some Conclusions

This chapter's study of Horizontal South-South Bilateral Cooperation between Argentina and the Republic of Paraguay reveals many points for reflection and analysis. The commitment by Argentina to values of horizontality and solidarity with fellow neighbouring countries is an important priority. This SSC represents an abandoning of an approach "based on charity." Instead it advocates for a different relationship, one based on the identification of common interests and mutual benefits to build solutions to the challenges of development and the needs of the countries requiring Argentina's technical assistance. Countries like Argentina that have higher levels of expertise in certain areas can provide important support through transferring these capacities to countries with limited economies or that need institutional strengthening. Such cooperation has the benefit of promoting regional democracy and productive development.

The technical assistance offered by Argentina to Paraguay has benefits for both sides. For Paraguay its value has been through exchange of knowledge, experiences, lessons learned and participative methodologies. The skills and knowledge gained can be replicated at the local level, thus generating human resources with important social capital. On Argentina's side, it has developed its capacity in knowledge exchange and expertise in training.

This modality of cooperation and South-South technical assistance has the added benefit of generating trust among partner countries and the municipalities where the collaboration is implemented. Of particular importance is the strengthening of regional integration among the cooperating countries. For example, South South cooperation involving Paraguay has reaped positive results through the establishment of new cooperation relationships with Argentina at many levels. Paraguay has now moved from an exclusively recipient country to one that is also a provider of South South technical assistance in areas where it has strengths, such as hydroelectric energy generation and production.

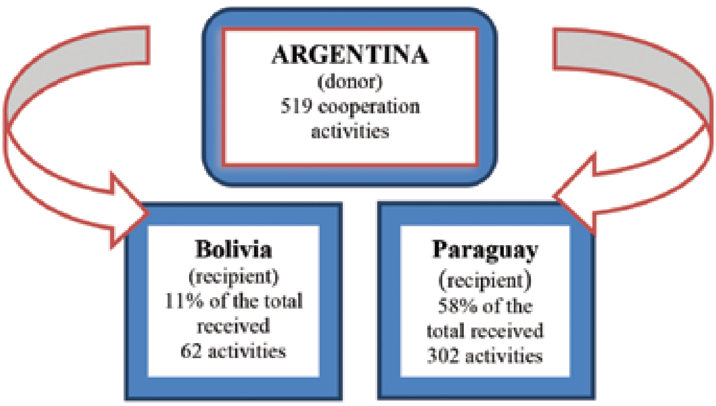
In 2009, along with other developing countries, Paraguay subscribed to the principles of the Paris Declaration on Aid Effectiveness (ownership, harmonization, alignment, management by results and mutual accountability). This commitment to principles for effective cooperation is part of Paraguay's efforts to move away from the effects of 35 years of dictatorship and international isolation from Latin America and the Caribbean. South-South cooperation has provided this country with the opportunity to make connections at the international level with a new role through sharing experiences with fellow countries.

Annexes

Index of Boxes and Graphs:

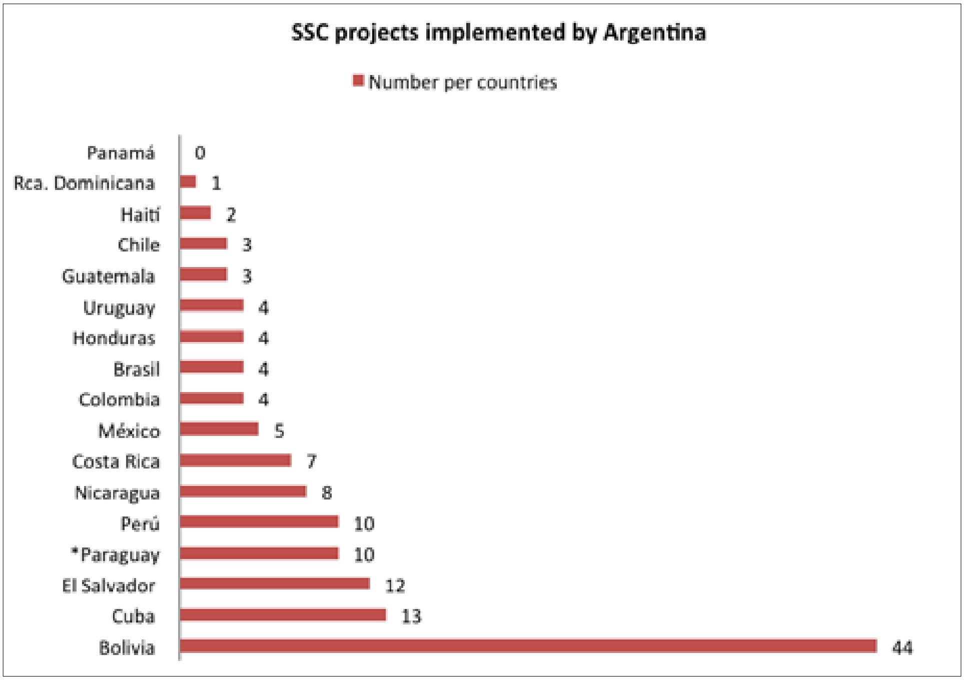
1.1 Box. Relations between Argentina (donor) and Paraguay (recipient)

BoxThe case of Argentina Bolivia and Paraguay



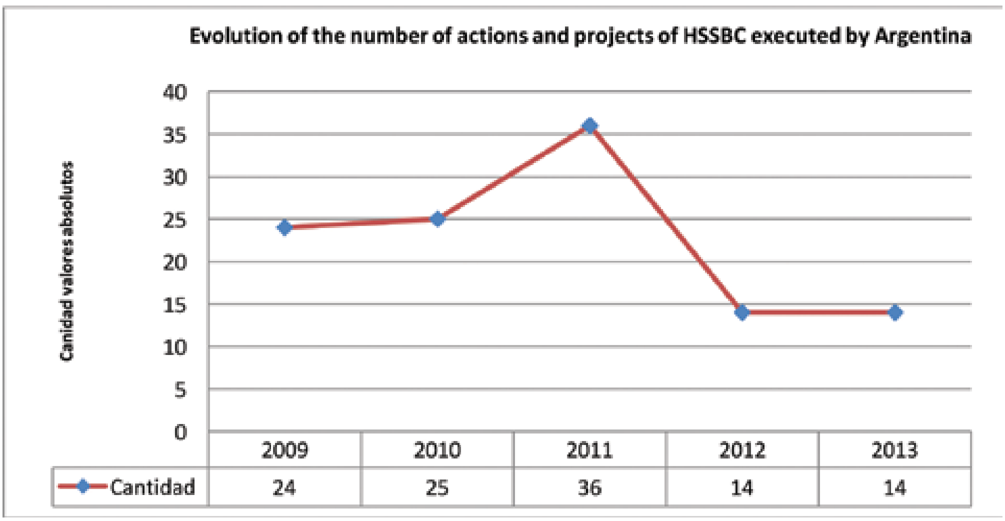
Source: Informe Iberoamericano de Cooperación Sur-Sur año 2009.

1.2 SSC projects implemented by Argentina in Latin America and the Caribbean during 2014



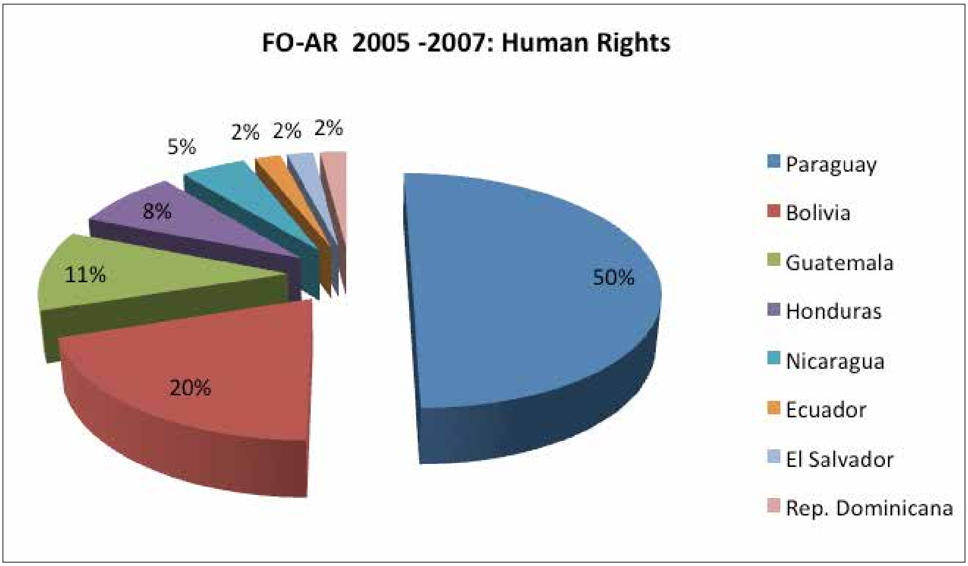
Source: *FO-AR, Presentación Argentina: Financiamiento de Acciones y Proyectos de Cooperación Sur-Sur, pagina 4.*

1.3 Box. Evolution of the number of actions and projects of HSSBC executed by Argentina as donor partner of Paraguay between 2009 adn 2013.



Source: *Data provided by the Iberoamerican Sourth South Cooperation Reports for the year 2009, 2010, 2011, 2012, 2013- 2014 y 2015.*

1.4 Percentages representing the Human Rights Thematic Axis of the Projects of FO-AR in Paraguay.



Source: Revista FO-AR N° 9, Fondo Argentino de Cooperación Horizontal, Periodo julio 2005 – abril 2008.

1.5 Technical Assistance Project about Human Rights from Argentina to Paraguay, "Commitment, Truth and Justice".

<table>
<tr><td colspan="2">NAME AND DESCRIPTION:
Commitment with Truth, Memory and Justice Thematic Area: Human Rights

Technical assistance of the Argentinian interdisciplinary team supporting the organization of the processes of search and investigation of historical truth in Paraguay, and in the judgement and punishment of the responsibles of serious crimes, as well as collaboration in the digging zone where clandestine burials took place.
</td></tr>
<tr><td>ACHIEVEMENTS AND IMPACTS</td><td>❖ Institutional Strengthening through the creation of a body to investigate the two dimensions of this crime: historical truth and judicial truth. It was created by a resolution of the ombudsman and the General Directorate of Truth, Justice and Reparation.
❖ Technical Assistance for the organization and investigation of disappeared detainees and extrajudicial killings taking place in Paraguay between 1954 and 1989. Capacity development on investigation with forensic anthropology tools, systematization of gathered information, development of databases and revision of other juridical aspects. It also facilitated the creation of a local team.
❖ Accompaniment during the digging in the properties of the National Police, ex 40th Battalion", ex "Security Guard", in the city of Asunción, and identification of the skeletons found. It was pointed that at least 2 cases could belong to people who could have been denounced as disappeared detainees.
❖ Support to the presentation and monitoring of cases in penal justice.
❖ The Ombudsman drafted, along with the Argentinian Team of Forensic Anthropology, a new project of South South Cooperation financed by FO-AR, in order to reinforce the existing capacities of Paraguay about the search of disappeared detainees and extrajudicial killings, as well as the creation of a forensic anthropology team and implementing a genetic data bank.
❖ Capacitation in Forensic Medicine for state officers, providing a permanent capacity that helps to the clarification of Crimes and other scientific criminologist applications.
❖ Creation of the ENABI, "National Team for the Investigation, Search and Identification of disappeared detainees and extrajudicial killings in Paraguay", and setting up of a regional data bank that allows the recognition of the victims of the condor Plan, the systematical killing of individuals implemented in Argentina, Brazil, Paraguay, Bolivia and Chile.</td></tr>
<tr><td>FINANCING</td><td>Financed by FO-AR</td></tr>
<tr><td>PERIOD</td><td>The project has been in development and execution for several years</td></tr>
<tr><td>DONOR PARTNER</td><td>República Argentina</td></tr>
</table>

RECIPIENT PARTNER	República de Paraguay
ARGENTINIAN INSTITUTIONS	Equipo Argentino de Antropología Forense (EAAF, Argentinian Team of Forensic Anthropology) Ministry of Justice and Human Rights - Human Rights Secretariat Joint Commissions of Technical Cooperation between Paraguay and Argentina
PARAGUAYAN INSTITUTIONS	Truth and Justice Commission of the Paraguay Ombudsmen Joint Commission of Technical Cooperation between Paraguay and Argentina
ACTIVITIES DEVELOPED	✓ Joint analysis and investigation about the political, economical and cultural conditions and the components which contributed to the serious human Rights violations by the state institutions and other organizations between 1954 and 2003 ✓ Investigation, with the methods of forensic anthropology, of a small number of disappeared individuals in general, and 2 cases investigated by the Truth and Justice Commission in particular. ✓ Review of juridical aspects of the work of the Truth and Justice Commission, as well as the presentation of a report with this material. ✓ Systematization of the obtained information, creating databases. ✓ Monitoring of cases in the criminal courts (judicialization). ✓ Support in the organization of meetings between the Truth and Justice Commission and the representatives of HR organizations and relatives and victims. ✓ Professionals visit possible burial zones and participated in the digging tasks and analysis of the remains. ✓ They also attended to the T&J Commission verifying cases about illegal burials, facilitating the exchange of documents and information related to Paraguayan citizens disappeared in Argentina.
REGULATORY FRAMEWORK **NATIONAL AND INTERNATIONAL LEVELS**	Law **2.225/03 for the Creation of the Truth and Justice Commission of the Republic of** Paraguay **Technical and Scientific Cooperation Agreement between the Republics of Argentina and Paraguay, July 7 , 1974**, Ciudad de Asunción. ✓ **Promoting Cooperation in scientific investigation and technological development between both states.** ✓ Partners seek equivalence and reciprocity in the funding of the projects. ✓ Constitution of a Joint Commission integrated by representatives of both parts. This body will determine the program of activities, the execution and reviewing as a whole.

Source: *Data obtained from the reports of the cooperation agencies of both countries.*

1.6 Technical Assistance Project about Sustainable Development, Cross-Border Technical Assistance in Fish Farming "CARPA Program".

NAME AND DESCRIPTION:
Cross-Border Technical Cooperation Program in Fish Farming "CARPA" Thematic Area: Sustainable Development

It was born with the goal of promoting social and economic development of two border municipalities (Itapua Department in Paraguay and Misiones Province in Argentina) through a bet in fish farming, the transfer of experiences and capacitation of producers, breeding and fattening of fish and development of ponds.

ACHIEVEMENTS AND IMPACTS	• Formation for local coordinators and technicians was achieved, and they now have capacity to replicate the capacitation in other neighbour areas. • 110 ponds were built, increasing the production of carps and the diversification of the diet in rural zones. • After being applied in 7 municipalities, it is expected to replicate it in 6 more with the joint participation of the same Argentinian technicians along with the ones capacitated in Paraguay. • Push for associativism among producers. • Institutional Network of producers and government actors (Municipality, Department and Nation), joint articulation of different sectors. • After the success, there were several consequences. Sign off the Triangular SSC agreement between Paraguay, japan and Argentina, jointly with the National University of Asunción to develop a project of rural fish farming in the whole country, deepening the work of the Argentinian technicians in the Project CARPA. Consequences in the cultural sphere, with the organization of the "First regional fair on Fish Farming – Center Zone of the Department of Itapua" (2009). Institutional Strengthening of the municipalities and department of Itapua in Paraguay. Creation of the "National Plan for the Development of Sustainable aquaculture in Paraguay", among others.
FINANCING	Financed by FO-AR
PERIOD	36 Months
DONOR PARTNER	Argentina
RECIPIENT PARTNER	Paraguay
ARGENTINIAN INSTITUTIONS	National Institute for Fishing Investigation and Development of the Ministry of Agriculture, Livestock and Fishing Campo Viera municipality, Province of Misiones
PARAGUAYAN INSTITUTIONS	Municipality of Cambyretá, Itapúa Department Technical Secretariat of Planning

ACTIVITIES DEVELOPED	• Creation of international networks among the actors. • Diagnosis of conditions for the development of fish farming in the Itapua Department. • Capacitation of local Coordinators and Technicians, along with local producers of Itapua. • Technical assistance for small producers of Itapua about the building and management of ponds for fish farming. • Technical assistance for small produces about fish fattening and harvesting. • Technical assistance for small producers of Itapua on forming associations and commercialization of fish from fish farming.
REGULATORY FRAMEWORK **SUBNATIONAL LEVEL**	There is no legal Framework among municipalities, but it does exist in the Itapua Department and the Misiones Province: Acta de Entendimiento entre la Provincia de Misiones (República Argentina) y el Departamento de Itapúa (República del Paraguay), 5 de Agosto 1998.[30][1] • Consolidation of bilateral relations for the development of the region founded in friendship links • Agreement to develop experience and knowledge sharing in several areas. • Establishment of projects and programs on the short, middle and long terms for the development of cooperation. • Supporting and pushing the participation of different actors. • Facilitating the active participation of civil society organizations and NGOs in their respective jurisdictions, acting according to the spirit of the Understanding Act.
REGULATORY FRAMEWORK **NATIONAL AND INTERNATIONAL LEVEL**	Technical and Scientific Cooperation Agreement between the Republics of Argentina and Paraguay, July 7 , 1974, Ciudad de Asunción. ✓ Promoting Cooperation in scientific investigation and technological development between both states. ✓ Partners seek equivalence and reciprocity in the funding of the projects. ✓ Constitution of a Joint Commission integrated by representatives of both parts. This body will determine the program of activities, the execution and reviewing as a whole.

Source: Data obtained from the reports of the cooperation agencies of both countries.

Endnotes

1 Karina Cáceres studied international relations at the Catholic University of Argentina. She works for the SES Foundation in the regional integration and financing for development area, and is the technical assistant of the regional program of CPDE in Latin America and the Caribbean.

2 After the big political, social and economic crisis of 2001, the accumulation of experiences with southern countries was the framework for development based in growth with inclusion and strengthening of the autonomy of the state. This was the political will of the government elected in 2003. Financiamiento de Acciones y Proyectos de Cooperación Sur-Sur, page 4. http://www.cooperacionsursur.org/images/docs/Argentina_Financiamiento.pdf

3 Ayllon **Pino Bruno** *Cooperación Sur-Sur (CSS) y gobernanza multilateral del sistema de ayuda: Implicaciones para la cooperación española*, Fundación para las Relaciones Internacionales y el Diálogo Exterior FRIDE junio 2009

4 The consensus of countries participating in the Iberoamerican Summit (22 countries of Latin America and the Caribbean, both spanish and portuguese speaking) was to highlight the word "horizontal", in the "bilateral south-south cooperation" concept. This concept implies that none of the partner countries is subject to any conditionality and the relation between countries must be based in equality. *Informe de la Cooperación en Iberoamérica. Estudios N° 2 SEGIB. Noviembre 2008.*

5 Lechini, G, 2009

6 "The Buenos Aires Plan Action" Special Unit for TCDC, New York http://ssc.undp.org/content/dam/ssc/documents/Key%20Policy%20Documents/BAPA.pdf

7 UN Report "Promoción de la cooperación Sur-Sur para el desarrollo: una perspectiva de 30 años" http://southsouthconference.org/wp-content/uploads/2009/11/A-64-504-S.pdf

8 Other countries providing technical cooperation include Chile, Mexico, Venezuela, Argentina and Brazil representing the middle-high income countries. They have played roles as bidders and recipients.

9 Important data and analysis was provided by the *Iberoamerican Reports on South South Cooperation*, published from 2007 to 2015. While the majority of cooperation projects between Argentina and Paraguay occurred in 2008, it is important to note changes in Latin American reports on SSC to count cooperation activities and their modalities as of 2010. Projects were defined as "a set of actions designed to meet a common goal, to a specific recipient in one or more sectors and / or topics. A project has a defined period of execution, budgets, expected results, program publicity and should provide a mechanism for monitoring and evaluation (joint commission, interagency agreement, general cooperation agreements or similar.

10 For more information, see the pages where the 2007-2008-2009-2010-2011-2012-2013 and 2014-2015 reports are included: http://www.cooperacionsursur.org/informes-de-css/que-es-el-informe.html

11 Publicaciones del Ministerio de Relaciones Exteriores y Culto de la Argentina https://www.mrecic.gov.ar/es/publicaciones

12 Presentación Argentina: Financiamiento de Acciones y Proyectos de Cooperación Sur-Sur, http://www.cooperacionsursur.org/images/docs/Argentina_Financiamiento.pdf

13 La Cooperación Internacional No Reembolsable en el Paraguay a Diciembre 2011, Marzo de 2012 Disponible en: http://www.economia.gov.py/v2/index.php?tag=documentos

14 Criteria according to the World Bank: Middle-low (936 to 3,705 dollars); Middle-high (3,706 to 11,455 dollars per habitant).

15 See Box 1.1 Relación entre la cobertura de necesidades (rol receptor) y nivel de renta per cápita (capacidades ofrecidas)

16 See Box 1.3

17 Quote from "II Informe de la Cooperación Sur-Sur en Iberoamérica. Estudio de la SEGIB N° 3"

18 2008 SEGIB report.

19 See Box 1.4.

20 According to the SEGIB 2009 Report.

21 See Box 1.5

22 The distinction between projects and actions in the 2012 report, noted above, meant that the numbers changed.

23 According to the FO-AR 2013-2014 Management Report.

24 See Box 1.3

25 Fondo Argentino de Cooperación Horizontal FO-AR, Revista N° 9. Periodo julio 2005- abril 2008. www.mrecic.gov.ar/es/publicaciones

26 50% of FO-AR projects between 2005 and 2007 in the HR area were developed in Paraguay. See Box 1.4

27 Informe SEGIB 2011

28 For more details please see Box 1.5.

29 This project was highlighted by the FAO and SEGUB as "Good Practices". La Cooperación Internacional No Reembolsable en el Paraguay a Diciembre 2011, Marzo de 2012 Available in: http://www.economia.gov.py/v2/index.php?tag=documentos . For more details, Check Box 1.10.

30 *"Convenios Internacionales de la Provincia de Misiones Periodo 1994 – 2010*". Marzo 2011, Posadas. http://www.cari.org.ar/pdf/provincias-convenios-misiones.pdf

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Publicaciones del Ministerio de Relaciones Exteriores y Culto de la Argentina https://www.mrecic.gov.ar/es/publicaciones. See its reports in years 2009, 2010 and 2013 -2015

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People4Change:
People to People South-South Cooperation

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Introduction

South–South cooperation is a term historically used by policymakers and academics to describe the exchange of resources, technology, and knowledge among developing countries. South-South cooperation is a manifestation of solidarity among peoples and countries of the South, which contributes to their national well-being, their national and collective self-reliance and the attainment of internationally agreed upon development goals, including the Millennium Development Goals and now the Sustainable Development Goals.[1]

There are many ways of understanding and organizing South-South cooperation. It is often understood as collaboration between countries or governments at the institutional level. This chapter expands this view by analysing the strengths and limitations of South-South people-to-people exchange. To do this, it examines a programme undertaken through People4Change, a people-to-people support programme managed by ActionAid Denmark, an independent NGO affiliated with the ActionAid International federation. [2]

What is People4Change?

People4Change is ActionAid's capacity development programme that provides a global approach to people-to-people support with a focus on the meeting and exchange of people and the strengthening of solidarity across borders. The programme is at the heart of the ActionAid's theory of change, which is anchored in the conviction that poverty and injustice can best be addressed by purposeful collective action, where people unite to challenge existing power structures.

The programme facilitates the placement of skilled and experienced development practitioners who enhance the skills and knowledge of the civil society organisations and communities. Strategies include coaching processes, critical reflections and the grounding of innovative tools and methodologies so they are relevant inside a particular context. They also help to establish linkages between the local and national levels, and where relevant, make connections at the international level.

People4Change placements are always cross border placements. This is in keeping with a fundamental commitment to global solidarity and cross cultural respect and understanding. While the majority of placements are South-South, this is not a mandate. Instead, the only factor considered in recruitment of people-to-people exchanges, is that the participants may not be residents of the country where they will be placed to provide support. This is because the objective is to foster global solidarity through a world-wide meeting of people through South-South, North-South, regional and global exchanges.

There are two distinct types of people-to-people support categories:

- Advisors who are salaried professionals with strong relevant skills and knowledge. They provide strategic and programmatic support and are tasked with making links at the local, national and international levels throughout the ActionAid federation.
- 'Inspirators' who are volunteers with significant and relevant practical work experience. They receive allowances and accommodation. Typically, Inspirators are placed with local civil society/grassroots organisations that are working on human rights based approaches to development, internal governance or organizational development.

Advisors and Inspirators aim to build the capacity of individuals and organizations through an increase in useful knowledge and skills. They are also committed to actions that help give people a voice to challenge the existing power structures.

People4Change has placed more than 700 Inspirators and 90 Advisors from 2009 to 2015 in 29 countries. ActionAid's People4Change programme is one of very few people-to-people support programmes that departs from the traditional "North helps South" approach. Currently, more than 90% of the programme's development practitioners are from the Global South.

People4Change support to Uganda[3]

In July 2015, People4Change and ActionAid Uganda carried out a joint assessment of 43 placements in Uganda.[4] At the Inspirator level, support has been 100% South-South, while at the Advisor level there has been 50/50 division between technical support from Advisors from the Global North and Global South.

ActionAid Uganda's theory of change states that:

> "We believe that poverty and injustice can be eradicated when people are supported to discover and use their power and knowledge individually or collectively to confront power relations that perpetuate violence, conflict and vulnerability; build resilience to natural and man-made shocks; and expand spaces for civic engagement in decisions that affect them."[5]

The overall purpose of the evaluation was to identify the long-term impact of the People4Change programme in Uganda in relation to this theory of change. More specifically, the following two aspects were studied:

- What change, if any, has taken place within the organisations and with the people who had received support from either an Advisor or an Inspirator; and
- How have these changes – if any – contributed to concrete results for the communities, local grassroots organisations and ActionAid in general.

The assessment team met with 74% of the partner organisations[6] that had received People4Change support since 2009 as well as seven local rights programmes (LRPs).[7] Community members and staff members from the national ActionAid office were also consulted.

Findings in Relation to the Communities and Grassroots/Local Civil Society Organisations

Visits to community groups and grassroots organisations[8] demonstrated that the People4Change support by Advisors and Inspirators has resulted in considerable organizational strengthening. Community groups and grassroots/local civil society organisations attested that they were stronger and more focused in their work because of these collaborations, leading to positive and lasting results in programmes. At sub-county level, public service delivery has improved many places. Through day-to-day mentoring and guidance as well as training on various governance and budget monitoring tools, partners and community groups have increased their ability to address local issues. Concrete examples of improvements in schools and health clinics as a result of this advocacy work were also identified.

Some of the early Advisor and Inspirator placements continue to have an impact. For instance, a Nepalese Advisor on building local democracy worked with the Iganga NGO Forum, to develop neighbourhood assemblies.[9] Iganga Forum credits the Advisor in introducing this approach to them and supporting them to adjust it to suit their work and local context. Now the neighbourhood assemblies are one of Iganga's main initiatives in the district. The Forum has seen an increased legitimacy and respect for the organization, due to this community mobilization and its accountability mechanisms. Inspirators from the Global South who were placed in the northern and eastern regions of Uganda in 2012 have helped build up youth-led advocacy work. This has resulted in a noticeable increase in youth mobilisation and activation. One stakeholder noted that prior to the Inspirators' arrival, youth had sat on the outskirts of the community playing cards and not interacting on development issues. Today the Activista groups are blossoming and youth are actively

Better Health Clinics

Florence Adoch received leadership and resource track training by a Zimbabwean Inspirator based at the Pader LRP office. Before she participated in this programme, Florence was afraid to speak up. Today, she is an active resource tracker who monitors how public resources are used in Ogum Sub-County. She has addressed issues at a local health center, which has no midwife, no birth facilities nor a space for women to rest after giving birth. The problems were addressed at the sub-county level. The health clinic now has a mid-wife, a delivery room and a place for mothers to rest after giving birth.

participating in groups focused on both economic and political empowerment.[10]

Obstacles were also identified with the placement of Inspirators and Advisors supporting at a local level. In some cases, partner organisations had expectations about the Inspirator or Advisor being able to fill all of the gaps for the communities and CSOs, even issues laying outside their clear terms of references. However, there were not any resources allocated for them to take on such a wide breadth of work. Even when they were able to operate beyond their intended purpose, these efforts could lead to an unsustainable context for the communities and local partners on their departure. Activities that were initiated under those circumstances would not necessarily be maintained once the Inspirators/Advisors were no longer in place, leading to a loss of action and lack of opportunity for the communities and partner organisations to mobilise on their own development agenda. These experiences have led to giving higher priority to inducting the stakeholders involved in the People4Change programme properly prior to any placement, in order to avoid mismatch of expectations.

Findings in relation to ActionAid Uganda's Local Rights Programmes (LRPs)

There is also a wealth of evidence of strengthening and programmatic impact of LRPs from People4Change placements. As the partners' capacity has increased, these programmes have been able to work more effectively and to document the results of their community work. In all LRPs, it appears that the local community groups and Activista in particular have been strengthened as a result of the People4Change support. In most LRPs, there are examples of enhanced youth mobilisation, and improved public service delivery.

Improved Access to Public Services

The Amuru Local Rights Programme (LRP) has received support from a Bangladeshi People4Change governance Advisor on community scorecards and feedback mechanisms. Local ActionAid staff, partners and Activista members participated in the governance monitoring trainings delivered by the governance Advisor. Now, 30 community resource trackers are using the scorecard tools. As a result of addressing various issues with the local governments, the LRP area now has improved roads, functional health clinics and gained water access for some of the local schools.

In the eastern and northern regions, support for youth mobilisation has had a noticeable impact. An Australian Youth Advisor played an instrumental role in linking the LRPs and the Inspirators to national youth work and coalitions. In these regions, youth now play a significant role in advocacy activities and they actively contribute to the community. This has altered public perception of their value with local and national level duty bearers. Youth engagement in their own development as well as that of their local communities has increased.

There are also obstacles at the local rights programme level. For example, due to the limited resources of the ActionAid local rights office, Inspirators could at times be the primary link to the partner organisations being supported. This engagement had positive outcomes, but it also created sometimes sustainability challenges and could lead to undesirable gaps upon departure. In some LRPs, the Inspirators were able to address some of the issues of power dynamic, which were present in the relationship between the LRP offices and the local partners, by building the capacity of the partners to take ownership of their own development and planning. However, once the Inspirator was no longer in place to maintain this relationship, the sustainability of the framework set up for partners could fall away, and limited LRP staff was unable to follow up on the activities started.

There is no doubt that the success of the programme and its impact after the end of placement period is very much linked to the question of how well-equipped the national ActionAid office, ActionAid LRPs, communities and local partners are to take advantage of the support being provided by the Advisors and Inspirators. Throughout the placements, the concept of People4Change is to build up the capacity of the local staff and communities, to be better able to undertake work on their own.

Local capacity development is clearly linked to the level of resources, programmatic priorities and overall commitment to capacity development on the part of ActionAid. In the impact assessment for Uganda, it was noted that there has been varied overall commitment and lasting impact at all levels resulting from ActionAid support. At the national and local level for instance, Advisors and some Inspirators were in some cases used as gap-fillers and implementers, which meant that there were knowledge and resource gaps once these placements ended. In other cases, the impact was minimised due to turnover of staff – meaning that those staff who had been capacitated left the partner organisations and the knowledge and skills accrued were diminished.

The stakeholders interviewed in this assessment emphasized that the advantages of having people come from a different country relate to new ideas and innovation they bring to enrich the program and communities. The benefits accrue from an open and global perspective, which underscores a focus on respect and solidarity. However, all stakeholders agreed that success or failure is to a large degree linked to the attitude and behaviour of the person providing the support.

Conclusions

For the People4Change programme, capacity development is central to the empowerment of individuals or organisations to take action. Its people-centred approach to capacity building recognizes the value of an outsider's perspective to reflect on and address challenges. Many stakeholders interviewed in the above impact assessment noted that the best situation is when the outsider comes with focused and concrete terms of reference. This allows them to focus on specific tasks, which can inspire new ideas and innovation.

The kinds of general 'value-added' contributions referenced by different stakeholders included:

- The provision of a fresh and external perspective;
- The fact that they were someone 'neutral' who could help overcome ethnic or other tensions arising from national prejudices or contexts of conflict;
- Being an 'outsider' allows these stakeholders to say things and be listened to in ways that someone from within that society might not have;
- The skills development work of Inspirators and Advisors could be better integrated into the organisation more thoroughly than was possible with training courses.

One partner organization, LICO, described the benefits as follows:

> "It brings in mutual learning; comes with new things we haven't tried before. Sharing experiences from other countries is enriching."

By placing technical support at the local level, Inspirators and Advisors can work directly with communities and grassroots organisations. The evaluation noted that South-South exchanges often produce the highest benefits. At the local level, there were significant impacts from hosting development practitioners from other Global South countries. Not only do these people-to-people interventions make new knowledge and skills available, they also provide human inspiration from other developing country contexts. Marginalised people see that people in other countries have grappled with similar issues and have been able to overcome these difficulties. These development practitioners have an understanding for the challenges, because they have direct experiences of working in their own countries.

However, as previously touched upon, bringing in outsiders is not a totally problem-free scenario. Outsiders may fail to understand the nuances of the local context; particularly in a North-South exchange, though also in cases of South-South exchanges. There can be significant differences in background, socio-economic contexts and cultural understanding throughout the Global South as well. This lack of contextual understanding can make it difficult to provide useful advice. One stakeholder underlined this point by saying, "Education is not all, it is important that people have relevant thematic experience and the right personality/attitude."

There can be problems in terms of language barriers, particularly in countries where there are many local dialects. Most outsiders will have some lack of contextual understanding of the political and cultural environment in which they are operating. There can be challenges related to unknowingly imposing knowledge that may not be culturally or contextually appropriate in sensitive or traditional environments, or pushing local communities beyond their own interests and developmental agendas. It was noted that these challenges are frequently less apparent in South-South exchanges, as there are often greater sensitivity to cultural adaptability, and there is a less frequent mistrust from the local communities due to the appearance of similar backgrounds in the cultural and political contexts.

As both this case study, as well as previous impact assessments undertaken by People4Change demonstrate, South-South based Advisors and Inspirators provide a significant inspiration to the communities and groups with which they work. Through sharing their own experiences, knowledge and skills they inspire and mentor others to understand that there are alternatives to their current approaches to life and development. They are both role models and coaches to the communities and partner organisations in their struggles to claim their voices and right to development.

Endnotes

1 United Nations Office for South South Cooperation: http://ssc.undp.org/content/ssc/about/what_is_ssc.html.

2 Background on People4Change and ActionAid

ActionAid is an international non-governmental organization whose primary aim is to work against poverty and inequality worldwide. ActionAid works with local partners in over 45 countries and 3,000 local communities, helping over 15 million people. As a global federation ActionAid is governed and run by its worldwide membership. The principle of equality is central to this federation - all member organisations, wherever they are based, have the same voting power and voice. The federation's governing body is supported by an international secretariat based in Johannesburg.

ActionAid's theory of change is based on the conviction that an end to poverty and inequality can be achieved through purposeful individual and collective action, led by the active agency of people living in poverty and supported by solidarity, credible rights-based alternatives and campaigns that address the structural causes and consequences of poverty.

Over the past 65 years ActionAid Denmark's people-centred approach to development has incorporated a variety of personnel assistance programmes. In the early 1960's, the organisation developed a programme where Danish volunteers were posted as gap fillers in specific activities. Over time volunteers became more professionalised "development workers" and by the 1990s, the global partnership programme began sending Danish development workers to build the capacity of civil society organizations in Southern countries. Eventually, the programme was deploying development workers from the global South, albeit on a minor scale. In 2008, an external review of the development worker programme noted that it was achieving substantial results in effective and relevant capacity development of civil society organisations. However, it also raised concerns related to the cost effectiveness of the programme, the lack of diversification in its approach, and the focus on support streaming from North to South. The People4Change programme was developed in response to this review as well as the affiliation of ActionAid Denmark with ActionAid International.

3 The following case study is fully documented in People4Change's report on the Impact Assessment assessing 5 years of People4Change support undertaken in 2015. The assessment summation can be found here: https://www.ms.dk/en/capacity-development

4 ActionAid Uganda was one of the countries that piloted the People4Change Inspirator programme in 2009. It has been one of the greatest recipients of People4Change support over the past six years both in terms of Inspirator and Advisor placements. The summary assessment can be found at https://www.ms.dk/sites/default/files/filarkiv/dokumenter/lande/uganda_impact_assessment_2015_-_summation_-_external.pdf.

5 ActionAid International Uganda, *"Country Strategy Paper IV 2012-2017, Embracing Rights! Improving Lives!"*, p. 16 -17.

6 This included local civil societies, grassroots & community groups

7 A Local Rights Programme is a geographic unit/area, which may be represented by a local ActionAid office, but it may also represent partner organisations only.

8 These were all based outside Kampala, Uganda's capital city area.

9 The Neighbourhood Assemblies are a forum for community members living in poverty to discuss the community-level issues and create a dialogue with local government authorities, to discuss advocacy issues and how to move forward together to address them. The Advisor (from Nepal) developed this idea with another national partner.

10 Activista is ActionAid's global youth network, which has volunteer groups in more than 25 ActionAid countries.

Triangular Cooperation among Civil Society Organizations in South America: Institutional strengthening in Argentina, Brazil and Colombia

Alejandra Solla (Fundación SES, Argentina), Rolando Kandel (Fundación SES), and Ancelin Gautier (Fundación SES , intern, France)

I. Introduction

In the last 15 years the presence of Triangular and South-South Cooperation has modified some of the rules of the game for development cooperation, traditionally understood as "financial – economical support" from countries in the north to those in the south.

Some of these changes are:

- Relations have become more horizontal with the recognition that expert knowledge and contributions can go from north to south, south to north and south to south.
- A definition of "resources" has gone beyond a narrow focus on the economic sphere. There is a growing appreciation of different types of resources that are available in every region. Resources can include elements such as organizational capacity, social capital, public policies, technologies, among others.
- The 2008 economic crisis in the United States and the European Union deeply altered the order of the "welfare state." Formerly countries in the South had seen this model as an important example to follow. At the same time, the decade from 2001 to 2010 was one of growth for Latin America. Several progressive governments, with some differences, placed the state as the guardian of the rights of the population.

These changes have been a key motivation for some countries in the south of Europe to study the learning and innovations of Latin America in order to confront situations of deep social and economical inequity, which was the lived experience of Latin America for decades. At the same time, countries of the South have initiated a number of inter-governmental assistance programs, particularly in the South Cone, with Brazil establishing a strong and vibrant development cooperation agency.

During this period, civil society organizations (CSOs) have also been promoting regional integration and horizontal development cooperation, with the understanding that this model is not only more respectful and egalitarian, but also more effective in the medium and long term.

This new paradigm has stimulated diversity in development cooperation with the understanding that it can be implemented on a state-to-state basis, from CSO to CSO, or through CSO to state partnerships.

In all cases, these new approaches require the respectful exchange of lessons and methodologies, which often involves qualified technical assistance in order to strengthen work teams and to contribute to the institutional development of both public and private entities.

An organization can participate effectively as a development cooperation actor when its practices:

- have been tested, evaluated and have showed good and measurable results;
- can be translated into models that may have meaning for others;
- can be reflected in clear and sustainable institutional processes;
- have a central methodological core, which can be adapted to the specific contexts where they are applied;
- are the result of the institutional trajectory and learning processes, rather than that of individuals or external actors; and
- identifies the resources needed for the implementation of these practices.

These new styles of cooperation require a careful examination of two main questions:

1. *What is the contribution of civil society organizations in these arrangements?*

Network and association building has been an essential part of CSO work for many years. These networks are responding to the needs of the community. It involves the establishment of respectful relationships amongst equals and, often, actors from various disciplines. CSOs have acquired substantial knowledge and skills in the complexities of this work.

2. *How do these contributions relate to concepts of scale and influence in public policy?*

There are various ways that these innovations can be "scaled up." One way is to extend the model so that more people, including young people, are involved. Scaling up can also involve working with the state. This latter approach requires that CSOs are co-partners in both the elaboration and the execution of public policies relating to the purposes of this social organization or network. In this sense, the CSO want to contribute not only to implementing public policy, but also to the elaboration of these public policies, based on the legitimacy and "authority" of their community connections and accompaniment of social processes.

II. "Fortalezas," A Program of Triangular Cooperation

Several South American CSOs participate in international cooperation processes focussed on development. Many are also part of a dialogue with states and contribute to South South Cooperation (SSC) initiatives. While these organizations do not necessarily consider these activities to be "South - South Cooperation" (SCC),[1] they illustrate the contributions and roles civil society can play inside various forms of SCC.

This chapter focuses on the program for institutional strengthening, "Fortalezas," which has been implemented by the SES Foundation (Argentina)[2] with the Jacobs Foundation (Switzerland).[3] It was created to improve the integration of young people into the labour market.

Despite Latin America's recent economic growth young people face problems of chronic unemployment and informal employment. Over 56 million youth are members of the labour force and they represent 43% of the unemployed.[4] For the employed youth, 55.6% have informal jobs, which usually mean low incomes, instability and lack of protection or worker rights.

Despite this context, youth participation in the education system has risen substantially over the past decade, with 34.5% of youth (2011) only studying, and not working. However, the persistence of high levels of inequity and poverty, particularly for the rural population, has limited the expansion of quality education in many areas. It is characterized by high rates of school failures, repetition of grades, absenteeism and dropouts. At the same time, a secondary education certificate, along with other psychosocial skills and abilities, are increasingly basic requirements for many jobs, though this doesn't always guarantee a good position.

The purpose of "Fortalezas" is to strengthen CSOs' work in youth capacity building in education, training, job preparation and integration into their societies. A central objective is to ensure that projects designed in this program are of high quality and have a sustained impact.

Many lessons were learned from earlier youth employment projects that had been implemented in Latin America.[5] These lessons indicated that the most effective interventions were those that provided a range of knowledge, skill training and services. These included technical training, information on job markets, job preferences connected to youth interests and life status, programs to enhance young people's psycho-social capacities, workplace training, and opportunities for youth to complete their education. Other studies confirmed, even if the evidence is scarce, that the capacities of CSOs to implement and sustain quality projects are a factor affecting the effectiveness of the programs. Drawing on these lessons, the SES and Jacob Foundations initiated the "Fortalezas" program in order to strengthen the capacity of Latin American CSOs to develop sustainable, quality projects in this area.

A basic assumption of this program is that institutional strengthening is a necessary foundation to ensure the improvement of program quality and, consequently, the improvement of the occupational inclusion of vulnerable youth who are unemployed or work in precarious or informal conditions.

The Fortalezas program provides technical and financial support for the institutional strengthening of six organizations (two in each country): in Argentina – Crear desde la Educación Popular Foundation and UOCRA Foundation; in Brasil - Centro Cultural Escrava Anastasia and Instituto Aliança; and in Colombia - Comité de Cafeteros del Departamento del Cauca and Microempempresas de Colombia. It also participated in the implementation of projects to include more than 2.500 youths between 18 and 24 years in the labour force, in rural and urban areas, over a three-year period.

Fortalezas intervenes at two levels:

1. Institutional Strengthening

The work begins with an institutional diagnosis of each CSO and its projects on youth employment based on quality standards. This diagnosis identifies strengths and areas for improvement regarding the institution's structure, internal management, project design and implementation, communication and public relations, institutional relations and sustainability.

Drawing on this analysis, a plan is drafted to improve the CSO's projects on youth and employment and to increase their impact of participating youth. This plan is revised and adjusted annually, in accordance with changes in standards and the results achieved with the target population. Strategies for improvement are implemented through the engagement of local/external consultancies, based on a selection process to address the identified needs as well as the technical and economic proposals drafted by the consultants.

2. Knowledge Building

The program methodology is organized to verify and validate lessons from improvements achieved through the plan, the on going evaluation of organizational standards, and through a regular monitoring and evaluation of the youth participating in the project.

Fortalezas also supports a regional network of organizations for knowledge sharing. This aspect of its work includes international meetings of the program's participating organizations, youth who are part of the program, CSOs and public and private actors (representatives from companies, decision makers in public policy, etc.).

As well, Fortalezas facilitates exchange visits among the Fortalezas organizations and other regional CSOs, where they can learn and be enriched by each other's approaches and methodologies. It has also established a website that provides a platform for updates and exchange of information generated by the participating actors.

Finally, it is in the process of systematizing the experience and lessons developed from the projects on youth and employment and the process of institutional strengthening, in order to provide information on good practices that can be used in public policies or the private sector.

III. Results of "Fortalezas"

The medium-term goals of Fortalezas are the following:

- 50% of the youth participating in the program obtain better quality employment or develop their entrepreneurship skills;
- 40% have access to networks to find a job or complete their secondary education;
- 90% strengthen their capacities and future plans; and
- The participating organizations note an improvement of 80% in terms of their strengthened organizational capacities. These improvements include the replication of new ways of working, fostering new opportunities and collaboration with the public sector through exchanges of knowledge and experiences, economic support, and new forms of cooperation.

What were the outcomes and results achieved?

The "Fortalezas" program is a particularly successful experience in organizational development, the enhancement of projects in youth and employment, as well as in outreach and impact of the interventions with young people. Participating CSOs have grown and increased their institutional relations, generating synergies with public and private actors. Institutional strengthening has increased their leadership abilities in building public policies and complementary agreements with actors such as unions, business networks and public institutions. It has nurtured institutional and project sustainability, generating an efficient management of resources and an effective communication with others about their methodologies and expertise in work on youth and employment.

The institutional projects have been particularly successful. They have established a curricula that addresses both youth needs and the labour market. The curricula includes technical and psychosocial capacity building as well as useful mechanisms for the integration of youth into the labour market, amongst others. In terms of the youth participants, the program exceeded its goals in 2016, reaching 2,589 participants, of which 87.5% completed their training and 63.7% completed their secondary education, re-joined the school or are still studying in the education system. The program has also helped 57.1% of its youth find employment with 58% of these having long-term work contracts. Sixty-six percent (66%) of youth declared that they found a job thanks to the program. Likewise, the youth also identified other benefits, saying that the program had increased their abilities in team work, proactivity, self-knowledge and self-esteem. From the youth perspective, the main contributions of the program were related to the acquisition of "soft" abilities, important tools for finding employment and improving their performance in their jobs.

IV. The "Fortalezas" Program and Different Models of Triangular Cooperation

The Fortelezas Program provides a model from CSO experience for how triangular cooperation can be organized and implemented. Some of the basic ingredients of this project, from which lessons learned could be used in other circumstances, are as follows:

1. The program was planned by a Swiss organization that has a background in financing development cooperation. Its priority is to support initiatives based on the paradigm of triangular cooperation. For this project, it worked with an organization from Argentina, which implements cooperation projects in the region and has considerable experience in building CSO networks, inter-sector engagement, and in organizational strengthening. This joint planning was open and valued the knowledge and perspectives of each organization to create a proposal that supported an inter-regional perspective.
2. The program was based on a shared theory of change. This theory of change affirms that organizational strengthening is the foundation on which to improve the quality of CSO projects to integrate vulnerable young people into the job market, who are now unemployed or in precarious and informal jobs.
3. The selection of participating organizations was based on the identification of relevant organizations working in their respective geographic areas. Organizations were also selected with a view toward including a diversity of methodologies in response to youth and employment issues. This organizational diversity provided the foundation for significant learning and cooperation amongst the participating institutions. This diversity varied from sectoral organizations (linked to the construction union and federation of coffee producers), to those with a technical approach or geographic focus. The groups could initiate internal change through lessons learned in the experience of peer exchanges with other countries. This learning increased their ability to have a positive influence on their particular contexts and to contribute to the formulation and execution of youth employment public policies.
4. The definition of the goal of institutional strengthening was formulated by the participating organizations themselves, respecting their context. They did so with a focus on their commitment to the youth and based on local development models.
5. The initial diagnosis was critical. It allowed each organization to be an active participant in reflecting on their weaknesses, strengths and challenges. This process ensured that the goals that were identified were relevant and related to the needs of their context.
6. The program methodology was distinct from standardized approaches.

The improvement plans were locally formulated, with contributions from the regional coordinators, and the strategies of strengthening were built locally, from the organization itself.

7. Participating CSOs also made financial contributions to the project. Even if a CSO received support for the improvement plan, each of them contributed 75% of the resources for the work projects, putting these resources at the service of the program.

8. Resources received for strengthening were used according to the committed improvement plan, but without external constrains, under a criteria of local contracting.

9. Opportunities for regional exchanges were continuous and sufficient resources were allocated for the participation of teams with different institutional roles. The participation of high-ranking public authorities at the beginning was an important factor in building agreements and expanding relations. The participation of technical teams facilitated possibilities for sharing methodologies and practices. The participation of young people gave them a voice and allowed them to contribute their vision and hopes for their lives. It also provided a perspective that was very valuable for regional integration.

10. The bilateral exchanges were critical in sharing the value of different practices of other institutions. They facilitated a process of methodological transference and mutual learning. These processes were pillars of the institutional strengthening work. They allowed for unexpected benefits as organizations discovered interesting methodologies used by their peer organizations, and were able to use and adapt them to their own environments and development plans.

11. The coordinating organization achieved a good balance between valuing and respecting local processes, and making contributions for strengthening institutional capacities through its own methodologies and social capital.

12. A continual promotion of inter-sectorial engagement was important to eliminate suspicions or prejudices among the sectors. This approach ensured that all project actors participated in the processes from their vantage point with a commitment to the project's ultimate goals in furthering participation of vulnerable youth in the labour market.

13. The recognition of all partners as peers at every level of the project's work was essential. In addition to their local work, this approach included an invitation for partners to jointly design strategies for joint work, either in regional networks or in group initiatives, contributing their knowledge and social capital.

Endnotes

1 Cecilia Milesi, Cooperación Sur-Sur: el caso de Argentina,http://ceciliamilesi.com/global/wp-content/uploads/2015/03/CSS-Argentina-Milesi.pdf.

2 Fundación SES www.fundses.org.ar

3 Jacobs Foundation www.jacobsfoundation.org.

4 Although there have been some decreases in the youth unemployment rate (the rate for the 15 – 24 age group) declining from 26% to 24% between 2005 and 2011, it is still high considering that this does not take into account underemployment or informal employment. The rate is 25% for the lower income sectors.

5 Several of these initiatives were supported by the SES Foundation and the Jacob Foundation.

Chapter 4

Global Aid Trends, BRICS Reports, and OECD Reports

Global Aid Trends, 2016
Financing Agenda 2030: Where are the resources?

Brian Tomlinson, AidWatch Canada

Overview

In September 2015 the international community reached an historic agreement at the United Nations on Agenda 2030. This Agenda creates a unique and critical opportunity for all – governments, civil society and the private sector – to focus and deliver on an ambitious set of Sustainable Development Goals (SDGs). In committing to "leave no one behind" in implementing this Agenda, developed and developing countries committed to maximize the required financing to achieving the SDGs over the next 15 years.

The challenge to leave no one behind is considerable. Countries committed not only to eradicate extreme poverty (destitute people living on less than US$1.90 a day), which still affect more than 15% of the population of developing countries, but also to reduce by half those experiencing real poverty below domestic poverty lines (living on between US$1.90 and US$3.10 a day), affecting another 20% of the population of developing countries.

In total, more than 2.1 billion people live in conditions of poverty (often subsiding in the informal economy, with very limited resources for food, shelter and basic health). Poverty remains wide-spread. After more than four "development decades," conditions of poverty (less than US$3.10 a day) continue to affect two-thirds (67%) of the population of Sub-Saharan Africa, 55% of people living in South Asia, and close to 20% of the population of China. Another 1.6 billion people are living just above domestic poverty lines, highly vulnerable to economic or climatic crises, highly susceptible to major setbacks.

In the absence of deliberate and large-scale efforts to mobilize new financial resources, with major priority given to targeting conditions of poverty and vulnerability, hundreds of millions of people are indeed in danger of being left behind.

The international community is expecting a wide range of financing to be devoted to the SDGs. But in this regard, Official Development Assistance (ODA) is a unique and critical public resource, which in comparison to other financial flows to developing countries, can be deliberately programmed to purposes of reducing poverty and inequality.

Unfortunately, analysis in this chapter reveals that in 2016 ODA remains woefully inadequate to the tasks of contributing to the elimination of extreme poverty and significantly reduction of other forms of poverty and vulnerability. It is in urgent need of reform to meet the challenges of the SDGs.

Quantity and Quality of ODA

- **Aid providers must live up to their commitments to increase ODA volume as a critical resource for the SDGs. The value of ODA is largely unchanged over the past five years.** At US$127.5 billion in 2015, the value of Real ODA (discounting in-donor refugee and student costs and debt cancellation) remains largely unchanged since 2010.

If aid providers had met their 2005 Gleneagles G7 Summit commitments, ODA would have increased by US$62 billion, over current levels of US$131.6 billion today. Achieving the UN target of 0.7% of donor Gross National Income (GNI) for ODA would have produced an additional US$170 billion. With these resources, ODA could truly play a catalytical role in addressing poverty, inequality and achieving the SDGs. Unfortunately signs indicate a continued pattern of levelling off of ODA and an increasing diversion of this ODA to provider self-interests.

- **Aid providers must improve country ownership for their bilateral aid. Only 53% of bilateral aid was available to be programmed by developing country partners in 2014. An essential measure in this regard is to remove eligible in-country donor costs for refugees from ODA, as currently allowed by DAC rules.** Country programmable bilateral aid has diminished slightly since 2010, but due to an expected explosive grown in in-country provider refugee costs, it is due to shrink even further. Support for refugees in provider countries is a moral and legal obligation. But the costs of refugee resettlement should not be at the expense of people living in poverty in the developing world. A commitment to country ownership requires full direct country access to bilateral aid resources devoted to priorities determined by developing country partners.

- **Aid providers must respect and promote the value of multilateral aid as a resource for a coordinated approach to financing the SDGs by increasing core contributions and reducing providers earmarked contributions to the multilateral system.** Earmarked contributions have increased by 93% since 2007, while core financing for multilateral institutions increased by only 23%. The former modality dramatically increases transaction costs of multilateral institutions and negates their role in coordinating financing for developing country-driven development priorities.

- **Aid providers need to reduce the use of loans in aid disbursements for low-income and lower middle-income countries to avoid compromising sustainable financing of SDGs in these countries.** Loans as a share in real gross bilateral aid are increasing, reaching more than 20% in 2014. Loans also make up almost half of disbursements from the multilateral system. In the context of continued concerns for debt sustainability for the poorest countries, loans comprised an alarming 30% of total Real Gross ODA in 2014.

- **Aid providers need to meet urgent humanitarian assistance appeal targets, while increasing their investment in long-term development and in conflict affected countries.** Humanitarian assistance has increased by 37% since 2010, and as a share in Real ODA reached 13.4% in 2014, devoted particularly to Sub-Saharan Africa and the Middle East. Increased allocations to humanitarian assistance are of course welcomed, but the demands for humanitarian funding is often the result of past failures in development. Without increased investment in development and climate change adaptation, humanitarian emergencies will grow in scale and in impact on human suffering, with poor and vulnerable people most affected.

- **Aid providers must ramp up financing for initiatives strengthening gender equality and women's empowerment, including increased support for women's rights organizations as drivers for change to achieve SDG-5 on gender equality.** Almost 70% of screened DAC donor bilateral projects in 2014 had no gender equality objectives, in marked contrast to provider rhetoric about gender equality and women's empowerment as an essential condition for making progress in the 2030 Agenda. As a share of the value of all screened projects, support for women's rights organizations is almost invisible at 0.4%.

- **All countries must live up to and increase commitments to measures to limit temperature increases to less than 1.5° centigrade. Financing for adaptation and mitigation must be additional to provider commitments to existing and increased ODA.** Governments must agree on a clear definition of climate finance mechanisms and modalities. Climate finance for Least Developed Countries (LDCs), Low-Income Countries (LICs) and Lower Middle-Income Countries (LMICs) should be in the form of grants. It is essential to achieve a balance between mitigation and adaptation in climate finance priorities. Investment in adaptation in LICs and LMICs is critical, as poor and vulnerable people will be disproportionately affected by extreme climate events in the coming years.

  The OECD DAC has documented approximately US$60 billion in climate finance, with more than 75% devoted to mitigation, mainly in middle-income countries.

Other Sources of Development Finance

- **Domestic Resource Mobilization (DRM) should be given priority in all its aspects, including recovery of illicit flows, but should not be considered by aid providers as a substitute for meeting ambitious ODA finance targets.**Developing country revenue is the key public resource for investing in the SDGs and increased domestic resource mobilization is crucial. However, large gaps will remain in public finances to SDGs obligations in all developing countries, particularly LDCs, LICs, and LMICs, where per capita government revenue is less than US$3,000 (compared to US$15,000 for developed countries). Eight-five (85) countries in all income groups, with less than US$3,000 per capita government revenue, face huge challenges with poverty levels (US$3.10 a day) of 28% or more. Most improvements in DRM to date are in Upper Middle Income Countries. Aid providers, in this context, must not abandon Lower Middle-Income Countries as they also rightly focus on the needs of the poorest countries.

- **Traditional aid providers and South-South providers should seek mutually agreed and beneficial cooperation, including sharing experience and approaches to addressing human rights standards for aid and development effectiveness.** South-South Cooperation (SSC) has increased to at least US$32.2 billion (on terms broadly equivalent to the DAC rules for ODA). But only three donors – Saudi Arabia, United Arab Emirates, and Turkey – account for 85% of the US$20 billion increase in SSC since 2012. These three donors and China make up close to 80% of all SSC flows in 2014. China and India, accounting for approximately US$5 billion in SSC, are the primary providers for SSC allocations beyond the Middle East. Recorded triangular cooperation to date has been very modest in amounts of aid involved.

- **All development actors, including aid providers and partner country governments, must maximize their efforts to reverse the shrinking and closing space for CSOs, enabling CSOs to maximize the impact of their US$70 billion contributions to development, as independent actors in their own right.** ODA from bilateral DAC providers, through and with CSOs, increased to US$21.6 billion in 2014, which represents 22% of Real Bilateral Aid in that year. Accurate figures are difficult, but estimates indicate that approximately US$48 billion is raised by CSOs annually from private sources. Together these sources suggest a total annual contribution of CSOs to development and humanitarian assistance of US$70 billion. CSO-channelled aid, both official and private sources, was greater than total DAC donor Real Bilateral Aid in 2014 (US$63.6 billion, net of official bilateral aid channelled through and to CSOs).

- **The international community must establish clear benchmarks and criteria, consistent with development effectiveness principles, for the inclusion of private sector resources in public/private mechanisms to achieve the SDGs.** The current roles and scale of the private sector as a development actor investing in achieving the SDGs seems somewhat exaggerated. UNCTAD calculates that only US$35 billion in foreign direct investment (FDI), outside of China and Hong Kong, was directed to developing countries for material plant operation (the majority of FDI was for mergers and acquisitions). The OECD DAC records only $700 million allocated from ODA for public private partnerships (PPPs) in 2014. A study of US PPPs, not surprisingly, documents that most PPPs were closely related to existing commercial interests of the business partner. ODA directed to strengthening the domestic private sector in developing countries, with particular emphasis on small and medium enterprises and the rural economy, are the more productive avenues to create livelihood opportunities for poor and vulnerable populations.

1. Introduction

In September 2015, all member states of the United Nations unanimously adopted

Agenda 2030,[1] creating a unique opportunity for all – governments, civil society, and the private sector – to deliver on an ambitious set of Sustainable Development Goals (SDGs) over the next 15 years. The SDGs present both a compelling vision for the planet and its people ("leaving no one behind") and significant challenges for their achievement. Chief amongst these challenges is financing, which some estimate will require morshe than US$1.5 to US$2.0 trillion from all sources.[2] In a world in which annual productive activities were valued at US$77.8 trillion in 2014,[3] this scale of investment is daunting but certainly feasible, requiring less than 2% of global GDP.

Fully financing the SDGs demands an ambitious global vision to extend and maximize development finance. It means abandoning 70 years of 'business as usual' approaches that have been largely driven by measures that advanced the narrow interests of the already rich and powerful. A Third Financing for Development Conference, (Addis Ababa, July 2015), was supposed to set out the financial underpinnings for delivering the SDGs. Unfortunately its outcome, the Addis Ababa Action Agenda (AAAA),[4] failed to break away from 'business as usual,' and produced few commitments towards new funds, nor did it increase existing sources for finance. In the words of Winnie Byanyimi of Oxfam, "we must all admit that we have failed to finance the SDGs."[5]

On a more positive note, at the United Nations Climate Change Conference in Paris, December 2015,more than 190 countries agreed to the Paris Agreement on Climate Change.[6] This historic and legally binding agreement to limit warming to below two degree Celsius was signed in front of 36,000 delegates and observers. As a universal agreement to reduce greenhouse gas emissions and address the impact of climate change, in the words of Kumi Naidoo, executive director of Greenpeace, "the wheel of climate action turn slowly, but in Paris it has turned."

The challenges are nevertheless immense. As Harjet Singh, Global Lead on Climate Change for ActionAid, noted, "As climate change continues to worsen and affect millions more, people are beginning to demand more from their governments and ask for the transformative change to secure homes, jobs and futures. .... Paris is only the beginning of the journey."[7]

An important marker on that journey is climate finance for adaptation and mitigation to ensure implementation of the agreement, particularly for those on the frontline of climate change. Countries reiterated a 2008 commitment to US$100 billion in climate finance from all sources by 2020 and agreed to scale up this finance by 2025. The Agreement calls on all parties to mobilize funds, and "such mobilization of climate finance should represent a progression beyond previous efforts." [Article 9, §3] Unfortunately, there is no re-iteration of previous agreements that climate finance should be "new and additional" to existing commitments to ODA.[8]

Agenda 2030 – Transforming our world: the 2030 Agenda for Sustainable Development – calls for a revitalized and enhanced global partnership, "in a spirit of global solidarity, in particular solidarity with the poorest and with people in vulnerable situations." [§39] The means to implement this *Agenda* requires the mobilization of dedicated domestic resources, international public finance, multilateral organizations and significant private sector and civil society resources.

The Addis *Ababa Action Agenda (AAAA)* of the Third International Conference on Financing for Development (August 2015),

> "… supports, complements and helps to contextualize the 2030 Agenda's means of implementation targets. It relates to domestic public resources, domestic and international private business and finance, international development cooperation, international trade as an engine for development, debt and debt sustainability, addressing systemic issues and science, technology, innovation and capacity-building, and data, monitoring and follow-up." [§62]

While all of these areas of finance will be crucial to the achievement of the SDGs, this chapter looks more closely at the role of aid providers and international development cooperation.

In this context, ODA providers have stated their willingness to "reaffirm their respective commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance (ODA/GNI) to developing countries and 0.15 per cent to 0.2 per cent of ODA/GNI to least developed countries." [§43]

In the AAAA, the global community recognizes shared "common goals and common ambitions to strengthen international development cooperation and maximize its effectiveness, transparency, impact and results." [§50] It re-iterates the importance of all countries meeting their commitments to increase ODA and acknowledges the EU's commitment to "the 0.7 per cent of ODA/GNI target within the time frame of the post-2015 agenda." [§51] The specific commitments made in the AAAA with respect to development cooperation can be found in Annex One.

These outcomes were deeply disappointing to many CSO observers. Despite coverage of areas in urgent need of additional and effective finance, the AAAA only recognizes "that funding from all sources, including public and private, bilateral and multilateral, as well as alternative sources of finance, will need to be stepped up for investments in many areas including for low-carbon and climate resilient development." [§60]

But the AAAA sets no new targets for public finance; makes no new commitments that can be monitored; fails to acknowledge previous agreements that climate finance would be additional to ODA and creates no new measures to strengthen accountability to existing targets.

How ready are current allocations of aid resources and practices in development cooperation to meet the challenges of *Agenda 2030*? To examine this question, this chapter picks up from the 2014 *Reality of Aid Report,* which analysed aid trends in light of commitments to end poverty, trends in the quantity and allocations of ODA, measures to improve the quality of ODA, and the financing resources of other actors in an increasingly complex aid architecture.[9]

2. 'Leaving no one behind' – Trends in Global Poverty

The elaboration of the SDGs in *Transforming our world* begins with the proposition that "eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development." [A/RES/70/1, Preamble, paragraph 1] The Declaration goes on to commit that "as we embark on this great collective journey, we pledge that no one will be left behind." [A/RES/70/1, §4] UN members elaborated this commitment through 17 goals and specific objectives that are to be achieved by 2030. Moreover, they acknowledge that our world in which billions still live in poverty there also are "rising inequalities within and among countries … [with] enormous disparities of opportunity, wealth and power." [A/RES/70/1, §14]

A commitment to end global poverty

Sustainable Development Goal One (SDG-1) has a clear objective: "to end poverty in all its forms everywhere." This goal is translated into several specific objectives. By 2030, the global community has committed to:

- "Eradicate extreme poverty for all people everywhere, currently measured as people living on less than US$1.25 a day [in updated 2011 PPP dollars, US$1.90 a day];
- "Reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions [emphasis added]; …
- "Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including Microfinance." [A/RES/70/1, 15/35]

A commitment to reduce inequalities

The 2030 Agenda uniquely acknowledges the importance of reducing inequalities, within and among countries, to achieve the SDGs. SDG-10 calls for the reduction of inequality within and among countries. It seeks to do so through ten specific objectives, including "progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average." It calls for countries to "progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average." [A/RES/70/1, 21/35] SDG-5 focuses on achieving gender equality as an essential foundation for progress.

Addressing extreme poverty requires substantial progress in the reduction of all forms of poverty.

The elimination of extreme poverty by 2030 is a necessary and exceptionally important objective, one that will be a major challenge for the global community in the coming years. However, it needs to be achieved inside a more holistic approach to poverty.

The eradication of extreme poverty by 2030 builds on the success of the first Millennium Development Goal (MDG). It aimed to reduce by 50 percent the proportion of the population living in extreme poverty by 2015. As the 2014 *Reality of Aid Report* argued, however, addressing extreme poverty is only successful inside the context of policies that aim for the reduction and eventual eradication of conditions affecting the lives of all of those living in poverty, not just those living on the arbitrary measure of less than $1.25 a day [now updated by the World Bank to $1.90 a day in 2011 dollars].[10] Development policy analyst, Andy Sumner, has made the point that very small changes in the global poverty line can affect many million people living in poverty, including the scale and location of global poverty.[11]

Are national definitions of the poverty line, as agreed in SDG1, adequate to achieve significant reductions in global poverty?

In achieving the SDGs, it is crucial to consider their inter-relationships as well as their overall impact on people living in poverty. SDGs related to ending hunger (Goal 2), ensuring healthy lives (Goal 3), guaranteeing inclusive and quality education for all (Goal 4), achieving gender equality and empowering all women and girls (Goal 6), and ensuring availability of water and sanitation for all (Goal 7), require a comprehensive approach that addresses the full scope and extent of poverty throughout the global South. The agreed objective to reduce the proportion of people living in poverty <u>according to national definitions</u> may be very limiting in this regard, as these lines are often highly politicized. In fact, the SDG 1 objective may create incentives to keep national poverty lines at unrealistic low levels in order to achieve this objective.[12]

Chris Hoy, a researcher with the Overseas Development Institute, has studied national poverty lines in 59 countries. Of the countries he has examined, the median national poverty line is US$1.86 a day (2005 PPP), above US$1.25 (extreme poverty), but below US$2.00, considered by many to be the minimal International Poverty Line.[13] Current average measures of national poverty lines are highly dependent on the practices of China, India and Indonesia, which are artificially low and significantly lower cross-country averages. For these three countries, Hoy points out,

> "These countries would have much higher national poverty lines today, given their mean consumption, if they were consistent with the cross-country trend. The national poverty line would be almost four times higher in China, around 2.5 times higher in Indonesia and more than 50% higher in India. This would result in around two thirds of the population in these countries being defined as living in national poverty."[14]

Indeed, poverty lines can be set so that many people live just below these lines and then are miraculously 'lifted out of poverty', without much change in their actual life conditions. Sumner observes that the proportion of people living in extreme poverty in developing countries has declined from 55% to 15% between 1981 and 2012. But at the same time, those living on an income between US$1.90 and US$5.00 increased from 25% to 40% in the same period. The latter are living in highly precarious conditions where they may slip back into extreme poverty. Only at US$10 day is there a measure of security against poverty.[15]

Updating the World Bank's International Poverty Line: What are the metrics for assessing global poverty?

In 2015, the World Bank launched a revision of its International Poverty Line (IPL). It updated 2005 purchasing power parity (PPP) data to new calculations of 2011 PPP (i.e. the equivalent cost in 2011 dollars of a bundle of goods across all countries). A new IPL of US$1.90 a day was established, said to be equivalent to $1.25 a day (2005 PPP), and a similar IPL of US$3.10, equivalent to US$2.00 a day (2005 PPP). Independent researchers have challenged the assumptions and credibility of these new IPLs as well as the notion that poverty is measured only in relation to the cost of a minimum basket of goods.[16]

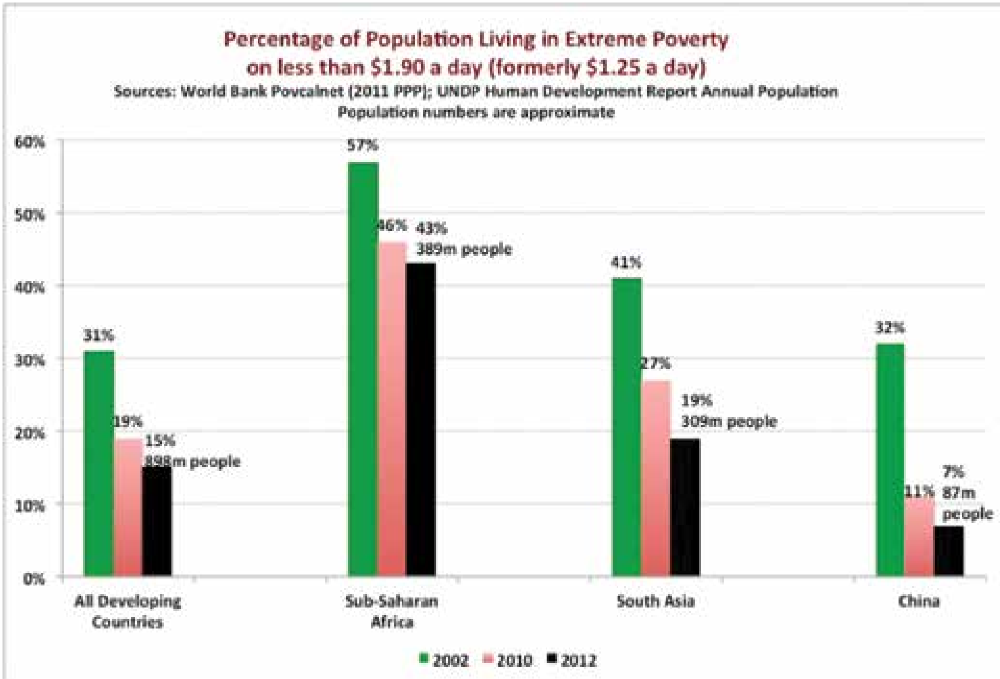
While acknowledging the weakness of these World Bank sanctioned IPLs, they are, unfortunately, the only comprehensive cross-country measurements of poverty available. And despite their limitations, World Bank poverty statistics are still an urgent wake-up call for focusing the world's attention on the depth of poverty in the majority of developing countries.

Following the trends identified in the Global Aid Trends chapter in the 2014 *Reality of Aid Report*, the analysis below examines the extent of poverty for the destitute (US$1.90 a day). It stresses the urgent need to address these conditions as well as the fact that the global community must take into account trends for real poverty measured at US$3.10 (2011 PPP). It must also be recognized that many more millions of people live on the margins of poverty, particularly in middle-income countries. A measure of this vulnerability is the number of people living on between US$3.10 and US$6.00 a day at 2011 PPP (approximate equivalent to US$4.00 in 2005 PPP).[17] Measures to address inequalities (SDG-10) must target this population among those in the bottom 40%.

2.1 The Extent and Depth of Poverty

a) Extreme Poverty - US$1.90 a day (formerly US$1.25 a day 2005 PPP)

Chart 1: Percentage of Population Living in Extreme Poverty



Extreme poverty includes those people living in destitution, at the very edge of subsistence, characterized by severe deprivation of the basics of life (food, water and sanitation, shelter and access to healthcare).

Conditions of extreme poverty continue to affect at least 15% of the population of developing countries.

According to the World Bank poverty statistics, 898 million people continue to live in extreme destitution in developing countries. This represents a substantial drop of 45%, down from 1,645 million people in 2002.

In 2012, the Bank estimated that 15% of the population in developing countries lived in severe poverty, a level that does not meet even the basic human needs for food, health and shelter. As indicated in Chart1, the majority of extremely poor people are concentrated in Sub-Saharan Africa where 43% of people are living on less than $1.90 a day and South Asia (19%). More than 40% of the population of these two regions live in these conditions of absolute destitution.

China has had a major impact on the reduction in extreme poverty from 2000 to 2015.

It is important to note that changes in China have had a substantial impact on these statistics on extreme poverty. For example, comparing 2002 with 2012, more than half (55%) of people who are <u>no longer</u> living on $1.90 a day are Chinese. Over this decade, the number of people in China living in this condition declined by 410 million. Generally, the segments of China's population who continued to live in extreme poverty as of 2012 were subsisting in rural areas.

Extreme poverty is concentrated in politically fragile and vulnerable countries.

In other parts of the world, extreme poverty tends to be concentrated in politically fragile and/or environmentally vulnerable countries. Twenty-two percent (22%) of extreme poverty is located in politically fragile countries and half of those living in extreme poverty are found in countries that are considered to be environmentally vulnerable.[18] Given these conditions, reaching these people may present major challenges, compared to progress that was achieved for the MDGs.

b) Conditions of poverty – US$3.10 a day (formerly US$2.00 a day 2005 PPP)

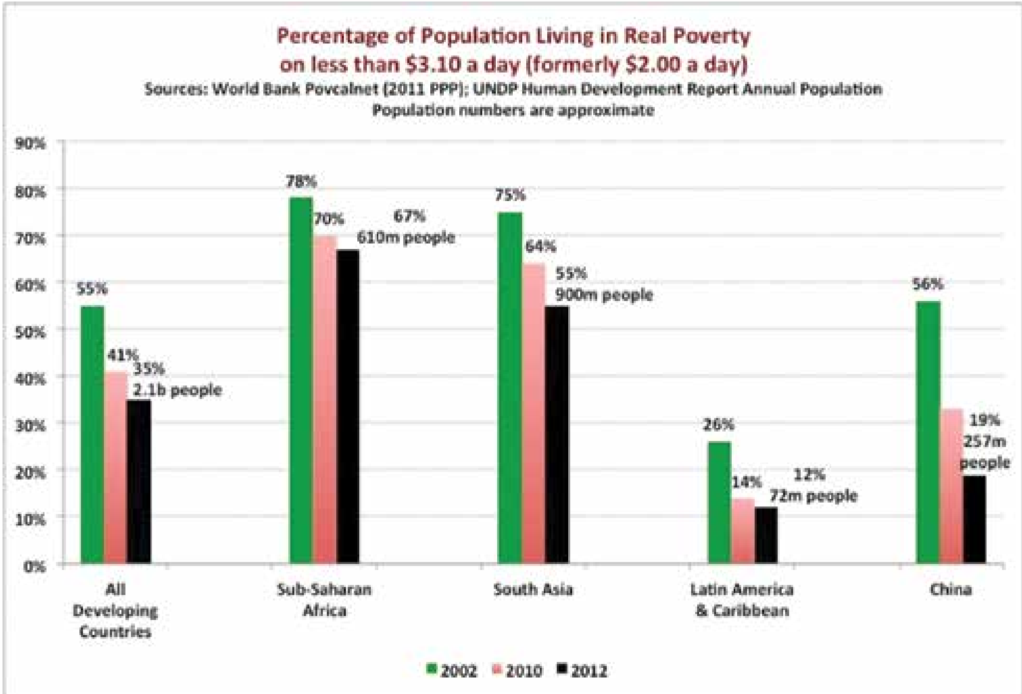
More than 35% of the population of developing countries live in conditions of real poverty.

According to World Bank statistics, 2,100,000,000 people, or 35% of the population of developing countries, live on less than US$3.10 a day. While not officially considered destitute, those living on daily incomes of between US$1.90 a day and US$3.10 a day, are very poor. Costs for food and shelter mean there is little left over for health care or basic education of their children.

Real poverty is wide-spread across almost all developing countries and is a key challenge in realizing the SDGs.

As Chart 2 indicates, in 2012 more than half the people of South Asia and two-thirds of the people of Sub-Saharan Africa were living in conditions of real poverty. While only

Chart 2: Percentage of Population Living in Real Poverty



6% of the population of Latin America and the Caribbean lived on less than US$1.90 a day, 12% of the population, or 72 million people, existed on less than $3.10 a day, a poverty line considered to be very low, given the cost of basic goods. In Asia, nearly 20% of the population of China lives on an income of below US$3.10 a day, with 170 million people living on an income between $1.90 a day and $3.10 a day.

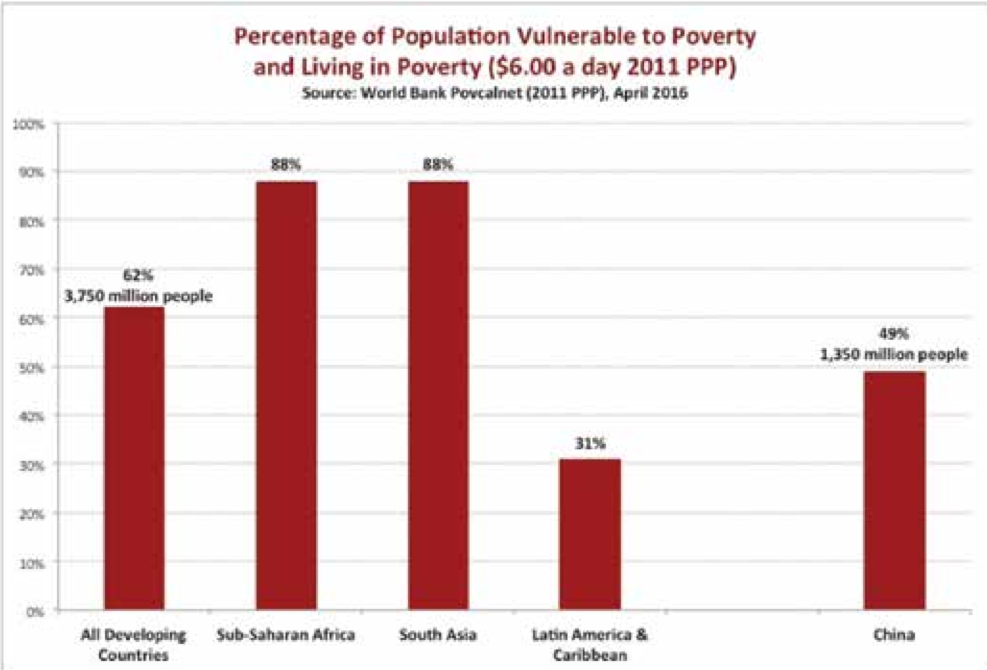
Poverty remains pervasive across the developing world, and it remains the key challenge in realizing the SDGs. Sixty-two of the 128 countries with World Bank poverty statistics report poverty levels at $3.10 a day for more than 25% of their population. Two-thirds (41) of these 62 countries (the majority in Sub-Saharan Africa) have poverty levels higher than 50%. So while there has been substantial progress over the past decade in the reduction of poverty, particularly in East Asia and the Pacific, much greater effort will be required to achieve the ambitious Agenda 2030.

c) Vulnerability to Poverty – US$6.00 a day (approximately $4.00 a day 2005 PPP)

Almost two-thirds of the population of developing countries (62%) are living in poverty or are still highly vulnerable to poverty.

While the modest gains of the MDGs are important, they remain highly susceptible to setbacks. The vast majority of the population (62% or 3,750 million people) in

Chart 3: Percentage of Population Vulnerable to Poverty



the developing world are living in conditions of poverty or are highly vulnerable to poverty. Approximately 1.6 billion people are in danger of slipping back into poverty as they are living just above the US$3.10 poverty line. In many countries without social safety nets these people eke out a living inside an informal and uncertain economy, with a high degree of vulnerability against unexpected economic, climatic or household shocks. The poor and near poor constitute almost all the population of Sub-Saharan Africa and South Asia. In China, they make up 50% of the population, despite its remarkable economic successes over the past decade.

Subsequent sections will locate these poor and near poor geographically and examine the financial capacities of governments in the South to meet their SDG commitments in the context of widespread and deep poverty.

d) Depth of Poverty

The depth of poverty affects the level of effort needed to overcome these conditions. An important measure of poverty is the "poverty gap ratio" which was developed by the UN as an indicator for the MDG1. This ratio, expressed as a percentage of the poverty line, is the average level below the poverty line for all those living below this line. For example, two countries may have the same number of people living below a given poverty line; however, in one country the average level of income below this line may be much lower. In practice this may mean that it will take much more effort for this population to rise above the poverty line.[19]

Sub Saharan Africa is the region where the depth of extreme poverty is the greatest.

In 2012, for extreme poverty (US$1.90 a day 2011 PPP), the average poverty gap ratio for all developing countries was 3.7%. . For Sub-Saharan Africa this poverty gap ratio was much deeper at 16.5%, compared to 3.7% for South Asia. These two regions had the highest proportion of the population living in these conditions.

In certain countries in Sub-Saharan Africa the depth of poverty is extreme: Burundi (32%), DRC (39%), Haiti (29%), Lesotho (30%), Madagascar (41%), Malawi (33%), Micronesia (27%), Mozambique (27%) and Zambia (30%).[20] In these countries, with a 30% poverty gap ratio, the extremely poor are living, on average, at a much deeper level of destitution, at approximately US$1.33 a day.

The depth of poverty is more challenging at a poverty measure of $3.10 a day.

For the broader measure of poverty (US$3.10 a day, 2011 PPP), the depth of poverty is more widespread. At this poverty line in 2012, there were 29 countries with a poverty gap ratio of more than 25% (concentrated in Africa, but from all regions). There were four African countries with a ratio greater than 50%.

The depth of poverty will affect the pace of poverty reduction, with Sub-Saharan Africa facing the greatest challenge in ending extreme poverty by 2030. According to Development Initiatives, the sub-continent has 32 of the 33 countries with the greatest depth of extreme poverty and has seen the slowest progress to reduce poverty over the past decade.[21] While the numbers of extremely poor people in East Asia and South Asia are less than Sub-Saharan Africa, particularly in East Asia, there are additional challenges relating to the fact that the vast majority live in countries that are politically fragile and/or environmentally vulnerable.

3. Mobilizing Aid Resources for the SDGs

3.1 Official Development Assistance (ODA) as a crucial resource for the SDGs

> "ODA providers reaffirm their respective ODA commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of ODA/GNI and 0.15 to 0.20 per cent of ODA/GNI to least developed countries." [AAAA, §51]

The ambition of the SDGs, the broad scope of poverty across all developing countries, and growing inequality, demand concerted 'game-changing' measures to maximize the resources needed to realize Agenda 2030. Dramatic increases in targeted international concessional public finance to complement domestic finance will be essential if the barriers and conditions perpetuating poverty and inequality are to be overcome.

In *Transforming our world,* UN member states agreed to

> "ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate

> and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions."

But are current aid resources, policies and practices on track to ramp up these resources, in ways that target poverty and inequality?

ODA will continue to be a relevant and essential resource for achieving the SDGs.

It is often said that the importance of Official Development Assistance (ODA) for achieving the SDGs is fading as the amount of ODA pales in comparison to the supposed growth in "resources from a variety of sources." The latter include increased domestic resource mobilization in developing countries, growing resources from South-South Cooperation (SSC) aid providers and an expanding role for the private sector as a development actor. There is no question that such sources deserve attention, particularly in assessing and maximizing areas that demonstrably reduce poverty and inequality. But in any resourcing scenario, substantial scaling-up of development cooperation is crucial.

The modest measures to enhance development cooperation in the AAAA were discouraging and incommensurate with the ambition of *Agenda 2030*. Further, there is ample evidence that aid has not measured up as a resource dedicated to poverty reduction. ODA, which remain the main channel for development cooperation assistance, nevertheless is essential as a resource and public policy instrument dedicated to advance many of the SDGs. Why is this so?

ODA is a unique financial resource, whose importance for the SDGs should not be diminished or brushed aside as irrelevant.

ODA's potential contribution should be determined, not by a comparison to other financial flows to developing countries, such as those from the private sector, but by its characteristics as a dedicated resource for development shaped by public policy choices (Box One). Clearly, these potential characteristics have not fully realized to date. This chapter analyzes the current realities for ODA in areas that must be addressed by policy makers if ODA is to realize its potential as a resource in the realization of the SDGs.

Box One:
ODA as a Unique Resource for Achieving the SDGs

1. **Sizable resource flow** While clearly inadequate, ODA at US$137 billion is still a major financial resource. Its value has increased 33% since 2005. While it has not increased in value since 2010, neither has it shrunk.
2. **Purpose determined by public policy** Distinct from other financial flows, ODA <u>can</u> be fully devoted to the purposes of reduction of poverty and inequality. Its priorities and modalities are exclusively a public policy choice. Other resources flows may be important for achieving the SDGs, but they often linked to other purposes. Addressing the SDGs may be one of them, but would rarely be the primary driver that sustains and directs this resource flow.
3. **A flexible resource** ODA can be a flexible resource, available to development actors in ways that are responding to country-level SDG strategies, and evolving understandings of the complex conditions for making development progress for poor and vulnerable populations.
4. **Catalyst in support of country-owned development** As a flexible resource, in coordination with other aid providers and partner countries, ODA can and should be programmed as a catalyst to unique country-led and country-owned development strategies.
5. **Predictable funding for long-term initiatives** Again, as a public policy choice, ODA has the potential to contribute in ways that provide predictable resources for long-term development initiatives. This is essential to achieve real change in uncertain and complex socio-economic realities.
6. **A key resource for multilateral institutions and CSOs** ODA is a primary and crucial source of finance for the multilateral system. It disbursed US$63 billion in 2014 to multilateral organizations for developing countries (US$43 billion in core contributions). It is a crucial contributor to CSOs as independent development actors (US$22 billion in 2014), which in turn have raised an estimated US$48 billion in private funds for development cooperation (see section 6.2 below).
7. **Reaching marginalized communities and key policy objectives (e.g. gender equality)** Working with a range of development actors, and in particular civil society, ODA is a unique resource that can be targeted to marginalized communities. It can address crucial areas such as gender equality or democratic governance, which other flows for the most part cannot do.
8. **An accountable resource** As a public resource, with appropriate levels of transparency, it is currently the only development flow whose impact may be traceable. As well, citizens and parliaments can hold its policies, practices and allocations accountable through legislation and other democratic means.

3.2 Trends in the Level of Official Development Assistance since 2000

This section examines three trends in ODA since 2000: 1) recent trends in annual DAC ODA flows, 2) the comparative performance of DAC donors and 3) the prognosis for DAC ODA in the next few years.

a) Current levels of ODA

Highlights

In 2015 ODA declined by US$5.6 billion in current dollars.

In 2015, ODA was US$131.6 billion, down 4% from US$137.2 billion in 2014 (Chart 4). However, because of the changes in the value of the US dollar, the equivalent value of ODA in 2015 (in 2014 dollars) increased to US$146.7 billion, an increase of 6.9% (Chart 5). While this increase in value is notable, developing countries in reality had available only US$131.6 billion in ODA in 2015.

The value ODA (in 2014 dollars) has increased considerably since 2000, but has registered only a modest growth since 2010.

The value of ODA (in 2014 dollars) has grown considerably since 2000 - by 82.5%. In the past ten years (since 2005) it has increased by only 14.3%. In the past five years, the value of ODA has increased by even less – 8.7%. Nevertheless, ODA continues to be a very significant financial flow for development and humanitarian purposes.

Chart 4: Total DAC Official Development Assistance, 2000 to 2015

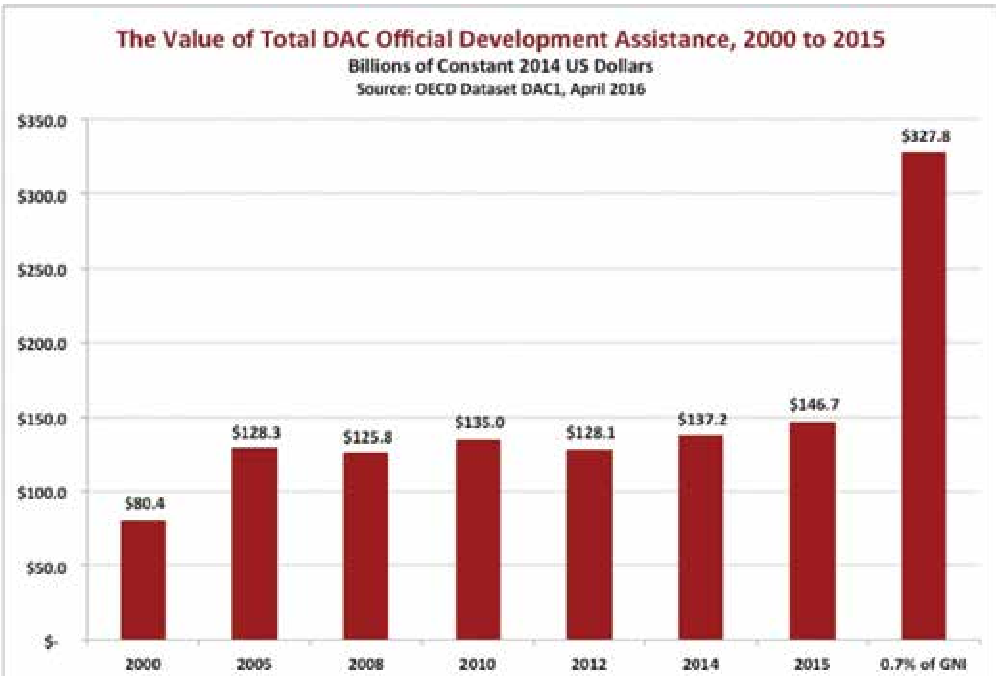
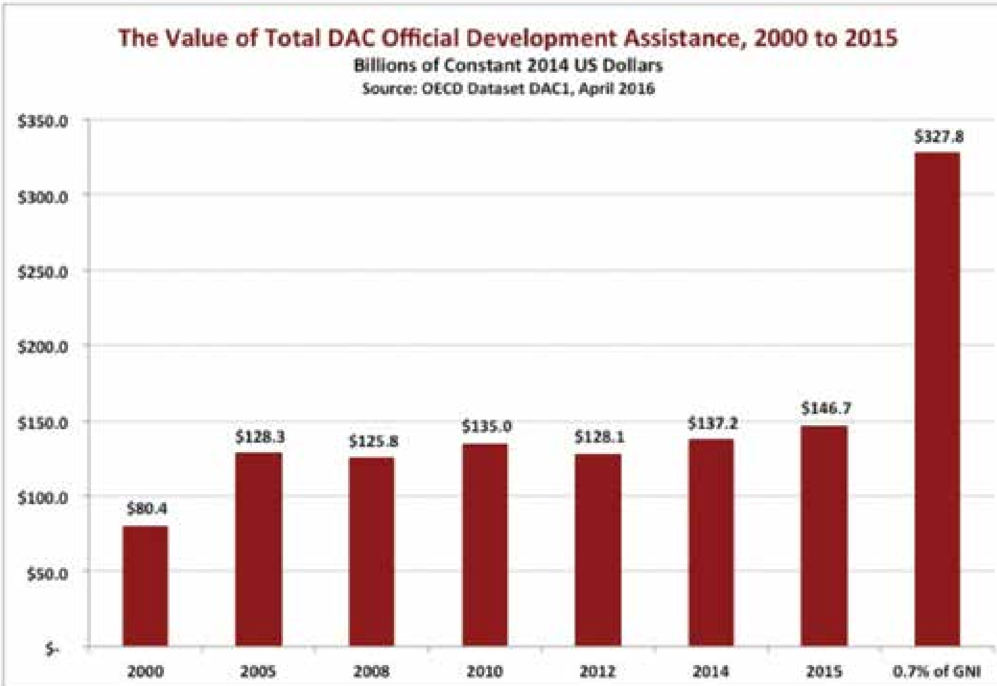


Chart 5: The Value of Total DAC Official Development Assistance, 2000 to 2015



In 2015, five donors contributed almost two-thirds of ODA.

Five donors– France, Germany, Japan, the UK and the US – contributed a total of US$86.1 billion in ODA (at current prices) in 2015. This amounted to 62% of total ODA for that year. The policies and trends of these five donors have a profound impact on overall ODA trends and future directions.

If donors had lived up to the UN ODA goal of 0.7% of Gross National Income (GNI), ODA would have been US$302 billion in 2015.

ODA remains below 50% of the UN designated target for ODA (i.e. 0.7% of GNI). If all donors had lived up to this goal there would have been $302 billion in aid resources in 2015 (or US$327.8 in 2014 dollars). With US$170 billion in additional ODA, ODA would truly play a catalytic role in addressing poverty, inequality and achieving the SDGs.

b) Trends in Real ODA since 2000

The truth is that US$131.6 billion in ODA was not actually available to developing countries in 2015.

As many civil society and academic observers have pointed out, the rules established by the DAC permit the inclusion in ODA of several expenditures that do not reach developing countries. These expenditures include the costs of refugees in the donor country for their first year, institutional costs for students from developing countries studying in the donor country, and the full value of debt cancellation in the year that it is cancelled. While these are legitimate expenditures, they do not belong in ODA, whose purpose is resource flows for people living in poverty in developing countries. Moreover, while donors must deduct from ODA any principal repaid that year on previous ODA loans, they do not include the interest paid by the recipient country.

Real ODA therefore also subtracts these expenditures and interest payments from bilateral ODA. Removing these disbursements, imputed costs and interest payments provides a more accurate picture of the trends for what Reality of Aid has termed "Real ODA," a resource that is actually spent on development cooperation.

Chart 6 provides the trend since 2000 in the value of Real ODA in constant 2014 dollars, in comparison with the figures shown in Chart 5.

Highlights

Real ODA for 2015 (in 2014 dollars) was only 2.4% higher than in 2014, in contrast to the 6.9% recorded by the DAC.

Almost all the 2015 increases in the value of ODA was the result of in-donor expenditures for refugees, students and debt cancellation. When these are removed, Real ODA in 2014 dollars is US$127.5 billion, not US$146.7 billion.

In effect, developing countries had no more ODA resources available to them (in value terms) in 2015 than they did in 2010.

Chart 6: Trends in Real ODA, 2000 to 2015, Constant 2014 Dollars

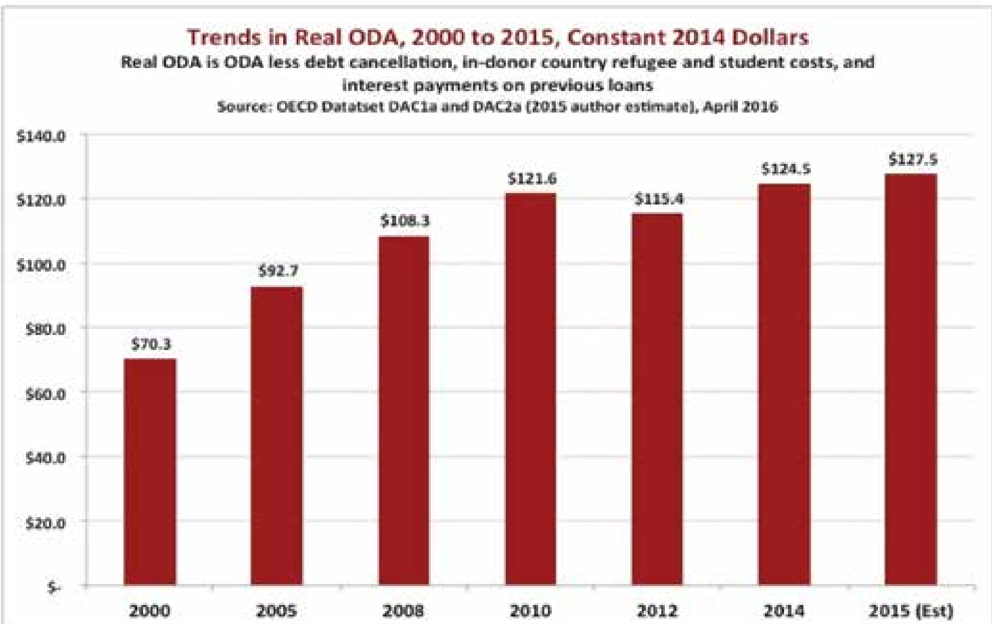
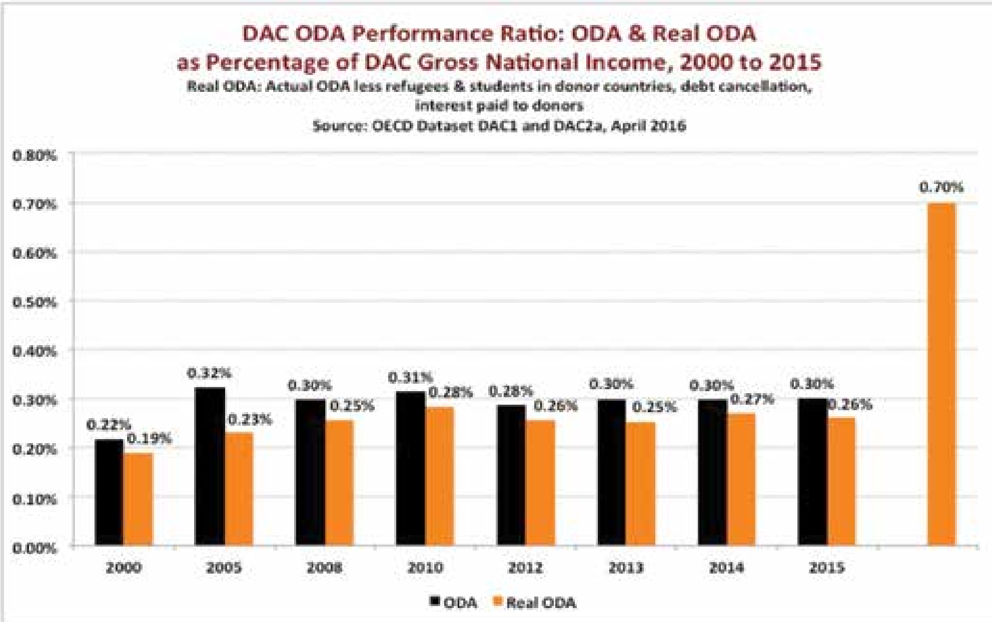


Chart 7: DAC ODA Performance Ratio: ODA and Real ODA



The substantial increases in Real ODA took place before 2010.

The value of Real ODA increased significantly from 2000 to 2015, by more than 80%. However, a considerable proportion of this increase took place between 2000 and 2010 (73% increase). In the last five years (since 2010), Real ODA increased by less than 5%, from US$121.6 billion to US$127.5 billion in 2015.

c) The Generosity of Donors: Trends in the ODA Performance Ratio

With the UN ODA target of 0.7% of GNI as a benchmark, the donor members of the OECD Development Assistance Committee (DAC) have agreed to compare their relative performance as aid providers in terms of the percentage of ODA to GNI.

Highlights

At 0.30% of donor GNI, ODA performance in 2015 showed no improvement between 2013 and 2015. But Real ODA performance declined in 2015 to 0.26% from 0.27% the previous year.

ODA performance for all DAC donors was only 0.30% in 2015, unchanged from 2014 and 2013. At 0.26% in 2015, Real ODA performance declined from a high of 0.28% in 2010. It is a mere two-fifths of the 0.7% UN target for ODA. (See Chart 7)

Average DAC member performance has been decreasing since 2010.

The average country effort is the median performance ratio among the DAC donors. In 2010 the average country effort reached

0.50% of GNI, driven by donors that increased their ODA between 2005 and 2010. The average country effort in 2010 had improved considerably from 2004, when it was 0.42%. But by 2014 this measure had declined to 0.46% for these 22 DAC donors in 2004. It increased to 0.48% in 2015, but only due to very large in-donor expenditures on refugees in key European donor countries in 2015 (see below).

Real ODA Performance has essentially stagnated since 2005.

Improvements in Real ODA performance have stagnated since 2005. Real ODA performance improved marginally between 2005 and 2010, when it reached 0.28%, but declined each year after this high. As noted above, this performance is far below the UN target of 0.70%.

There were six donors in 2015 in the 0.7% club, but only five when in-donor refugee costs were discounted.

In 2015, there were six aid providers that met the UN target – the UK (0.71%), Denmark (0.85%), Luxembourg (0.93%), Norway (1.05%), Sweden (1.40%) and the Netherlands (0.76%). The Netherlands, historically a 0.7% donor, has been reducing its ODA since 2011 and in 2014 reported a ratio of 0.64%. The move back into the 0.7% donor club for the Netherlands in 2015 was because of large increases in refugee expenditures. If these expenditures are factored out, there were really only five 0.7% donors, as indicated in Table One. These five 0.7% donors collectively provided a small proportion of Real ODA - US$29.3 billion - or just over 25% of total DAC Real ODA in 2015.

Table One: 0.7% Donor "Club" in 2015

Donor	ODA Performance	Real ODA Performance
Denmark	0.85%	0.72%
Luxembourg	0.93%	0.93%
Norway	1.05%	0.93%
Sweden	1.40%	0.93%
United Kingdom	0.71%	0.70%
The Netherlands	0.76%	0.58%

Real ODA is ODA less debt cancellation, in-donor country refugee and student costs, and interest payments on previous debt.

d) Missed Commitments: What directions for future DAC ODA flows?

Recently some commentators have speculated that ODA is a tired concept. They maintain that it has been in decline and is in urgent need of "modernization" to make it relevant to the financing needs of the SDGs. In response to this criticism, it must be recognized that while aid has not declined significantly since 2010, neither has it met the expectations created at the 2005 Gleneagles G7 Summit in the UK "to end poverty."

If donors had lived up to commitments made at the 2005 G7 Summit, there would be $62 billion in additional ODA available today.

Following the Gleneagles G7 Summit, donors made ambitious commitments to increase their ODA performance by 2010 and 2015. The DAC documented these commitments in 2008.[22] If the promises made by donors (including President Obama in his first term of office) had been met, ODA in 2015 would have been at least US$194 billion. This would have meant that there would have been US$62 billion more ODA – an increase of 47%.[23]

This additional US$62 billion would have been tangible proof that DAC donors were committed to and ready to invest in the SDGs, irrespective of domestic economic challenges.

The UK increased their ODA to meet their commitment to 0.7% (with three other EU members already at 0.7%).

Nine EU member states (all were members prior to 2002) agreed that they would reach the 0.7% by 2015, including those who were already 0.7% donors. Only the UK achieved this target, and the Netherlands, formerly a 0.7% donor, saw its aid performance fall to a low of 0.64% in 2014 (see above). Other EU members promised to reach at least 0.51% by 2010.

Despite a strong rhetoric, there is an absence of firm commitments to increase ODA to meet Agenda 2030.

At the Addis Financing for Development Conference (July 2015), the EU limited its commitments to achieving the 0.7% target by 2030, with the proviso "taking into consideration budget circumstance." Newer member states have a target of 0.33% of their GNI.[24] While these targets are stretched over a long timeframe, they can be contrasted to other DAC donors that have not set any new aid targets for themselves.

Despite significant cuts by some donors, forward projections of ODA indicate that Real ODA will continue at more or less existing levels, due to ODA increases planned by the large providers - Germany and France.

The OECD DAC releases an annual survey of forward projections for its members' bilateral aid. The 2015 review suggests that aid will continue at the same level from 2015 until 2018, with some small fluctuations.[25]

Similarly, a review of current information from CSOs, government, and media reports on DAC donor ODA budget plans reveal that several large donors are expected to increase their ODA, particularly Germany and France. (See the review of expected trends in Annex Two.) Among the 18 DAC donors that were reviewed, 11 increased their ODA between 2014 and 2015, even when in-country refugee costs were excluded.

Looking to the future, it is expected that at least 10 donors will increase their ODA contributions beyond 2015. These 10 donors made up 58% of ODA in 2015. The outlook for the United States (contributing 23.6% of ODA in 2015) remains uncertain, but current projections suggest a small decrease. Reversing this decrease would substantially affect total ODA available for the SDGs in coming years.

3.3 Trends in Bilateral Aid Allocations

Bilateral ODA has remained constant at 70% of ODA since 2000

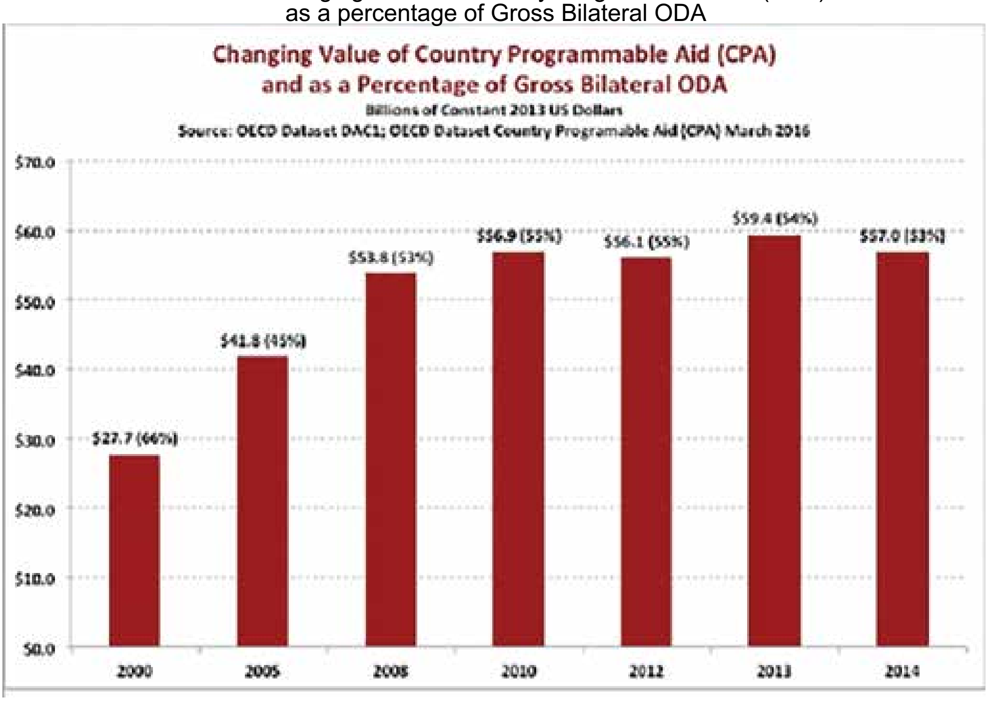
Bilateral ODA, which is development assistance delivered directly from the aid provider to the recipient government of a partner country, has averaged a constant 70% of ODA for the past 15 years. In 2015, bilateral assistance amounted to US$94.4 billion, just over 70% of ODA in that year. Real bilateral ODA, when refugees, students and debt are removed, has been approximately two-thirds of total Real ODA since 2005.

Only 53% of 2014's bilateral aid was available for programming, under developing country ownership.

Both *Transforming our world* and the AAAA stress the importance of "country ownership" where developing country actors determine the priorities and most effective strategies for realizing the SDGs. Country ownership has been a guiding principle for aid effectiveness since the Paris High Level Forum in 2005. Bilateral aid is a key source for financing these strategies. But how much bilateral aid is actually available to be programmed by developing country partners? The DAC has developed a measure of "country programmable aid (CPA)."[26] CPA represents the proportion of bilateral aid disbursements where partner country partners can have a significant say in defining the priorities for its use.

In 2014 only 53% of Gross Bilateral ODA, or US$57 billion, was actually available to developing countries to program according to their country priorities. Chart 8 indicates that CPA has been stagnant and falling slightly since 2010. Another important issue is that this amount is only potentially available to developing country partners. The DAC's CPA calculations included all donor free-standing technical assistance, the majority of which is donor driven. So, at a realistic discount of 80% of the value of technical assistance as probably donor driven, the resulting bilateral aid available to developing country partners in 2014 was US$44.7 billion, less than half (41%) of Gross Bilateral ODA for that year.

Chart 8: Changing Value of Country Programmable Aid (CPA) as a percentage of Gross Bilateral ODA



There has been an explosive growth in donor country refugee expenditures.

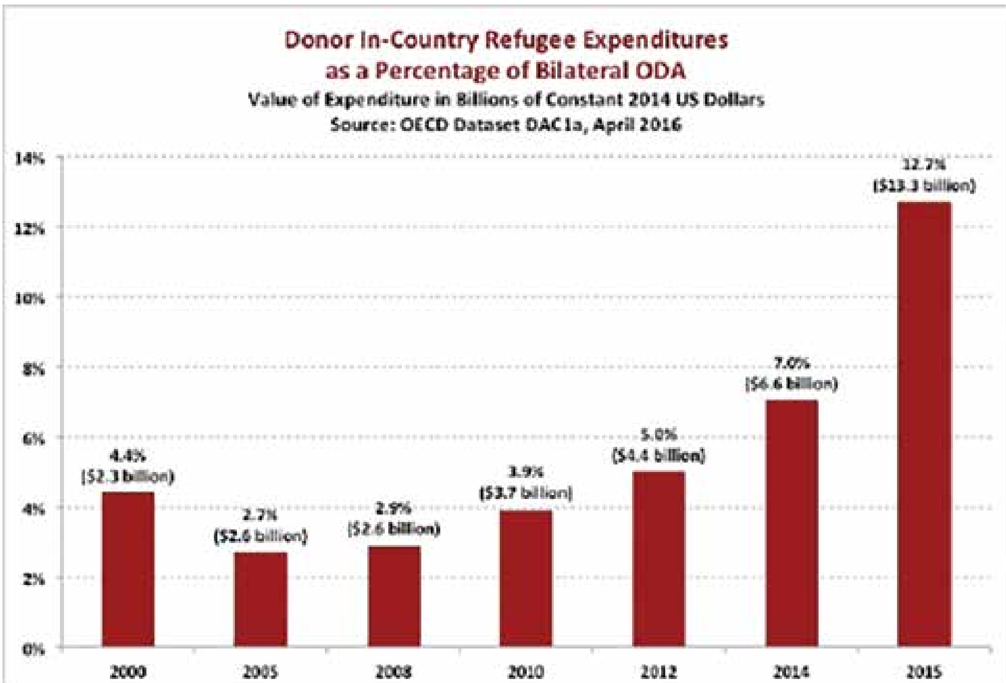
In-country donor expenditures make up a growing part of bilateral ODA that is discounted in the estimation of country programmable aid. As a percentage of Gross Bilateral ODA, the value of key components that inflate aid have fluctuated from year to year, amounting to 36% in 2005, 13% in 2010, 23% in 2013, 13% in 2014, and 11% in 2015. These numbers often reflect the impact of large amounts of debt being cancelled in a particular year. [27]

Dramatic increases in donor expenditures for refugees have recently become a controversial issue for some donors, particularly in Europe. Under DAC rules for ODA, these expenditures can be counted as ODA, and they have been growing considerably since 2010 (Chart 9). In 2015, they more than doubled, amounted to US$13.3 billion (2014 constant dollars) or 12.7% of Bilateral ODA, up from $6.6 billion and 7% in 2014.

Assisting refugees arriving donor countries is a legal obligation. But resources for this support should not be taken from aid budgets, whose target is poor and vulnerable people in developing countries.

There were massive movements of Syrian, Afghani and Somali refugees to Europe in late 2015 and into 2016. The expectation is

Chart 9: Donor In-Country Refugee Expenditures as a percentage of Bilateral ODA



that these expenditures will rise sharply in 2016 to reflect the large numbers of refugees requiring assistance. In several cases donors are financing these costs through their regular ODA budgets. While assisting refugees for their first year in the donor country is a moral and legal imperative, it should not be taken from aid budgets as it inflicts the costs of refugee settlement on the backs of people living in poverty in the developing world.

In 2015, in-country refugee expenditures became a significant component of ODA for some donors. For example, these expenditures represented over 20% of ODA for five donors: Sweden – 33.8%, Austria – 26.8%, Italy – 25.5%, Netherlands – 22.8%, Greece – 20.6%.

Similar ODA expenditures on refugees can be expected from other European donors in 2016. In Denmark close to 30% of Danish ODA in 2016 is likely to be related to refugee settlement costs; in Norway these costs may be up to 20%; and Sweden will probably cap these costs at 30% of ODA.[28] All these donors are 0.7% donors and they risk undermining the credibility and effectiveness of their ODA as a significant resource for progress in the SDGs.

At the February DAC 2016 High Level Meeting, a number of donors advocated for an extension of the inclusion of a one-year period of refugee support as ODA to two years. CSOs strongly opposed including in-donor refugee costs in ODA,[29] and have raised concerns that some European donors may try to charge costs associated with preventing migrants arriving in Europe to their ODA budget, a move that is contrary to DAC rules.[30] At this meeting a decision was taken to clarify the rules, i.e. "improve the consistency, comparability, and transparency of our reporting ODA-eligible in donor refugee costs." The DAC Secretariat will collect information on current practices and the DAC's Working Party on Statistics will bring proposals to the 2017 High Level Meeting.[31] The EU and Japan have been nominated to chair a special working group on in-donor refugee costs and migration issues.

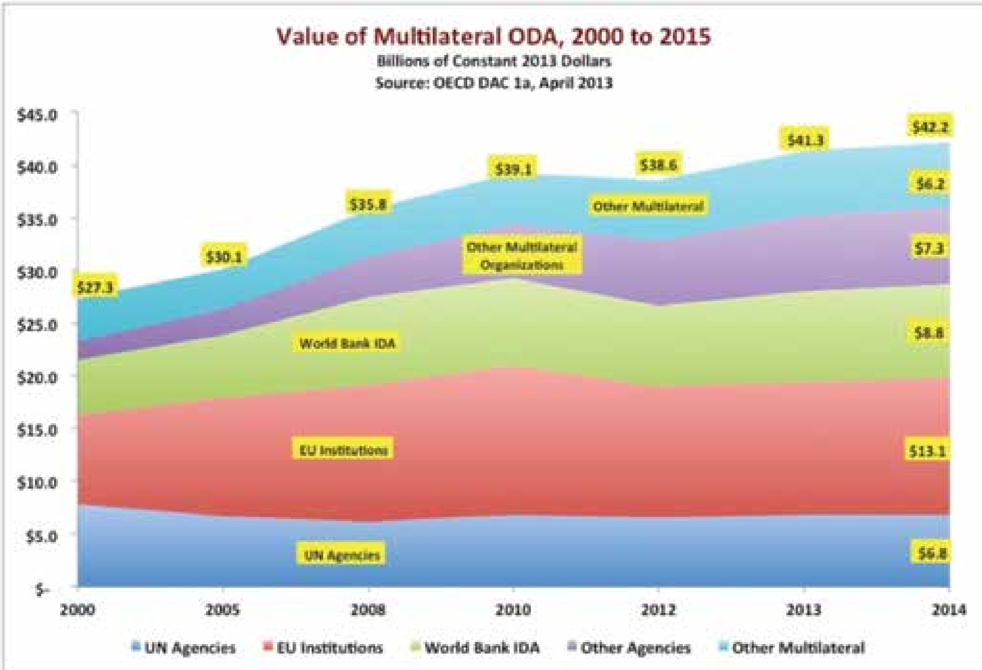
3.4 Trends in Multilateral Aid Allocations

The value of multilateral aid for implementing SDGs by developing country governments has been weakened. It is increasingly driven by donor, rather than developing country, priorities.

Thirty percent (30%) of ODA has been disbursed annually as assessed core contributions to multilateral organizations, including international financial institutions. The value of multilateral aid (in 2014 dollars) has grown slowly from US$17.8 billion in 2000 to US$37.2 billion in 2015.

As a development resource, assessed and core financing of multilateral organizations is often seen as a quality resource. Generally it is allocated by multilateral organizations in ways that respond directly to the expressed needs of developing country governments. The growth in this core financing, however, has been unevenly distributed to different types of multilateral organizations. This has the potential to undermine a balanced and

Chart 10: Value of Multilateral ODA, 2000 to 2015



responsive approach to developing country needs and compromise the ability of the multilateral system to rise above individual donor political self-interests in priorities for bilateral aid.

Uneven distribution of growth in mulitlateral funding: UN organizations fall, while World Bank IDA increases.

UN organizations will be crucial for the realization of the SDGs. Through the UNDP and UNICEF, the UN is well positioned to respond to the expressed needs of developing country partners. Despite the UN's paramount global mandate, donor support for UN organizations has not grown as ODA has increased. Instead the value of donor support for the UN has dropped slightly from a high of US$7.8 billionin 2000 to US$6.8 billion in 2014. On the other hand, the value of donor support for the World Bank's International Development Association (IDA) window, which has been accompanied by many Bank-determined policy conditions for recipient governments, increased by close to 70% over these years, from US$5.2 billion in 2000 to US$8.8 billion in 2014 (in 2013 dollars).[32]

Changing multilateral architecture – increasing attention to thematic vertical funds.

The overall architecture of the multilateral system has been changing. Donors have been able to increasingly impose their priorities through the the creation of specialized vertical funds. This shift can be seen in growing support for "other multilateral organizations," where the value of annual donor disbursements to these funds has grown from US$1.8 billion in 2000 to US$7.3 billion in 2014. Examples include specialized vertical funds such as the Global Alliance for Vacines and Immunizations, the Global Fund to Fight AIDS, Tuberculosis and Malaria, or the Global Environment Facility for Least Developed Countries. While these specialized funds are often championed by individual donor interests, including northern civil society organizations, they have been criticized for how their funding distorts the provision of services, particularly in the poorest countries.[33]

Donor ear-marked mulitalteral funding has been rapidly growing as a preferred donor modality for financing through the multilateral system.

Donors can influence the priorities of cash-strapped multilateral organizations through the provision of ear-marked funding for donor priorities, which are then administered by these agencies. According to the OECD DAC statistics, an additional US$19.6 billion in bilateral DAC ODA was channeled through multilateral organizations in 2014, beyond the US$42.6 billion in core DAC donor support.

Earmarked contributions have increased by 93% since 2007, compared to an increase of only 23% for core financing of multilateral organizations. For UN organizations, earmarked funding makes up almost double its core resources - US$12.7 billion compared to US$6.8 billion respectively in 2014. The World Food Program, UNHCR, UNDP and UNICEF were the largest recipients of ear-marked funding. The World Bank has also received a considerable amount of ear-marked special funding – US$3.7 billion in 2014, compared to US$9.8 billion in core financing.

More than 40% of ODA is essentially delivered by multilateral organizations

If DAC donor core contributions are combined with earmarked funding, more than 40% of gross ODA in 2014 was delivered by multilateral organizations. Several donors deliver considerable proportions of their ODA to and through multilateral organizations – the UK (59%), Canada (48%), France (35%), the United States (34%), Japan (30%) and Germany (30%). In 2016 barely one sixth of UNDP's budget of UNDP is core funding.[34]

Though these funds may be welcomed by a particular organization, they also entail high transaction costs as each donor has specific requirements and often closely manages the rules governing the allocation of its funds. Earmarking can result in program incoherence and ineffectiveness on the part of agencies managing these funds. In light of the financing requirements for the SDGs, the DAC suggests that "a critical mass of core resources and better quality earmarked funding will be essential going forward." They call on the multilateral system to play

> "a major role in mobilising large volumes of finance by combining and blending different instruments and sources of finance in complex financial "packages" and by deploying risk mitigation tools and developing new pooled funding mechanisms to bring in private resources from banks, institutional investors and the enterprise sector."[35]

3.5 Donor Efforts to Broaden the Definition of ODA

Does the inclusion of military-related expenditures and measures to counter violent extremism preface a return to major foreign policy security influences?

Under the rhetoric of the "ODA modernizing process" a number of DAC donors at the February 2016 HLM advocated for a much broader inclusion in ODA of finance for military equipment and training for peacekeeping, as well as costs related to countering terrorism. Other donors, such as Sweden, resisted this militarization of aid, a position that was strongly promoted by CSOs prior to the meeting.[36] In the end, the DAC members affirmed the developmental purpose of ODA and agreed that "financing of military equipment and services is generally excluded from ODA reporting and that development cooperation should not be used as a vehicle to promote providers' security interests."[37]

The rules for ODA support for the military and policy must be clarified.

While maintaining this restriction on "regular" military costs, the new rules allow for more inclusion of "non-coercive security related activities." Examples of these activities could include training of partner military on human rights and sexual violence issues, civilian policy efforts to prevent criminal activities, or the extra costs involved in delivery of humanitarian services by the military, where civilian assets cannot deliver these goods and services in a timely and effective way (under the old rules).[38]

In the Communiqué, DAC donors agreed "to update and modernize the ODA reporting directives on peace and security expenditures […], to clarify the eligibility of activities involving the military and the police." The language for this reporting directive is sometimes vague with more references to exceptional circumstances, which open the door to a more permissive approach in this area.[39] Development Initiatives points out that the revised rules allowing for ODA to finance "routine policing functions" or "the provision of related non-lethal equipment" is subject to wide interpretation by donors.[40]

A key area of concern for the diversion of ODA resources to donor security and foreign policy interests are the new rules that allow the inclusion in ODA of activities focused on "preventing violent extremism." According to Eurodad, "while activities focused on "perceived threats to the donor country" are excluded, a limited number of activities that are "led by partner countries [where the] purpose is primarily developmental" are allowed."[41] Given the highly political dimensions of actions against extremism, this opening requires close monitoring.

Development Initiatives points out that the use of ODA for conflict prevention, peace and security, even under the old rules has increased by 67% since 2005. Of the US$3.1 billion allocated for these activities in 2014, more than half were devoted to peacebuilding (US$1.7 billion). Security sector reform also received significant resources (US$700 million).[42]

ODA priorities towards donor security pre-occupations have been shifting since 2002 with increased aid to Afghanistan, Pakistan and Iraq.

Over the past decade, donor foreign policies relating to anti-terrorism have been a critical driver for the country priorities of major donors. There is no better example than the overall trends in DAC donor aid to Afghanistan, Pakistan and Iraq since 2002.

Between 2002 and 2005 aid from DAC donors to Afghanistan, Pakistan and Iraq grew from US$946 million to almost US$10 billion. It accounted for 20% of ODA in 2005 (not including humanitarian assistance and debt cancellation). While aid to these three countries has declined as a share of total ODA since 2005, it still amounted to US$8.1 billion in 2014, or 7% of total ODA for that year. (See Chart 11)

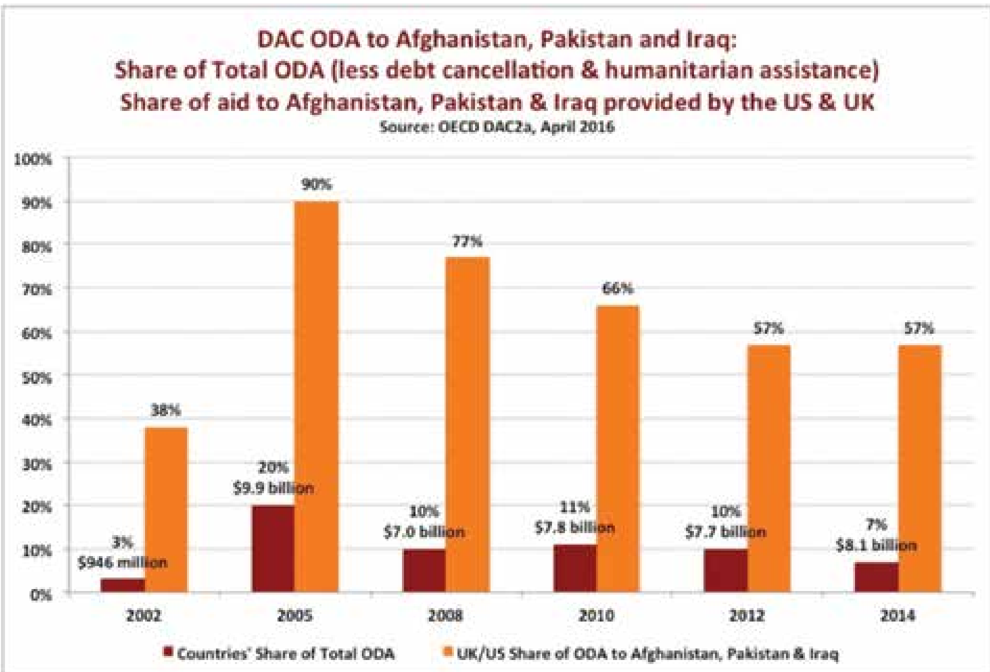
Foreign policy considerations for the United States and the United Kingdom, both large aid donors and heavily invested in the wars in Afghanistan and Iraq, played a large role in these aid allocations. Fully 90% of aid for these three countries in 2005 came from the US and the UK. While their share in this aid has declined since this 2005 peak, contributions from UK and the US still accounted for somewhat under two-thirds of the total in 2014 (57%). In 2013/14, Afghanistan remained the number one recipient of US aid, and Pakistan ranked number 5. For the UK, Pakistan was number three, and Afghanistan number six.

3.6 Increasing Use of Loans in Aid Delivery

DAC rules for counting loans as ODA

By definition, ODA is intended to be concessional transfers of resources from aid providers to partner countries in the South. Concessional loans have been a component of bilateral aid transfers by DAC donors for many decades. Under current (2016) DAC rules that define ODA eligibility, the loan

Chart 11: DAC ODA to Afghanistan, Pakistan and Iraq



must be provided below market rates and the difference between the cost of a market loan and the ODA loan determines the concessionality or "grant" component (which has to be at least 25%).

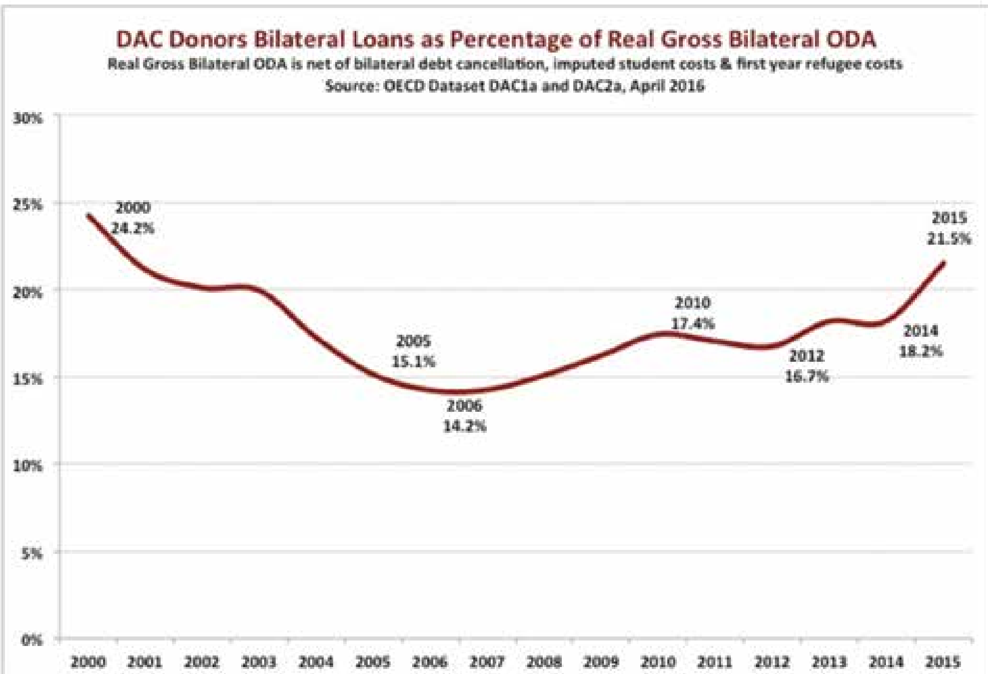
While loans diminished as an aid modality in the early 2000s, they have become more widely used by bilateral donors since 2006.

During the 1990s donors were strongly encouraged to provide their assistance in the form of grants, particularly to low-income and lower middle-income countries, many of whom were emerging from a debt crisis that had crippled their economies. After 2000 the proportion of loans in Gross Real Bilateral ODA declined, reaching a low of 14% in 2006. But since that year, donors have increasingly used loans in the delivery of their ODA. By 2010, the proportion of loans in Gross Bilateral ODA reached 17% and it is expected to exceed 21% in 2015. Since 2010, bilateral aid loans have increased from US$16.2 billion to US$19.1 billion in 2015, an increase of 18% in five years. (See Chart 12)

Loans make up almost half of gross disbursements from the multilateral system.

Developing countries also receive concessional loans from multilateral banks, most notably the World Bank's International Development Association (IDA) window, the regional development banks and the European Union. In 2014 (the last year where data is available), multilateral institutions together provided a total of US$24.3 billion in concessional loans as part of their ODA. Loans were 47% of multilateral gross disbursement in 2014.

Chart 12: DAC Donors Bilateral Loans as Percentage of Real Gross Bilateral ODA



In 2014, loans comprised 30% of Real Gross ODA.

Adding together multilateral and bilateral loans, fully 30% of total Real Gross ODA in 2014 was delivered as loans to developing countries (Chart 13). The trend is upward, largely driven by the policies of major donors, particularly France, Germany and Japan (See Chart 14). Preliminary data for 2015 indicates that Germany has continued to increase its ODA loan portfolio. These three donors have consistently relied on loans in their aid program, accounting for 84% of total bilateral loans in 2014.

There is a high concentration of loans to lower Middle Income Countries.

According to Table One, there is a high concentration of loans to Lower Middle-Income countries (LMICs) (55% of loans by total dollar value in 2014). These are countries where government revenue is usually below $3,000 per capita (see below). Such governments

Chart 13: Total ODA Loans (Bilateral & Multilateral) as Percentage of Total Real Gross ODA

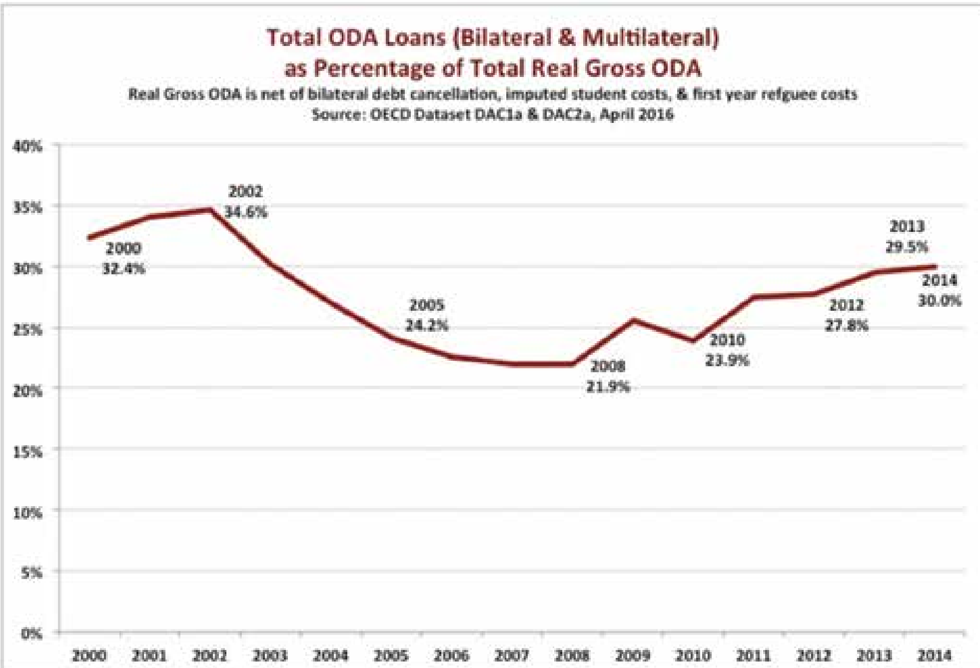
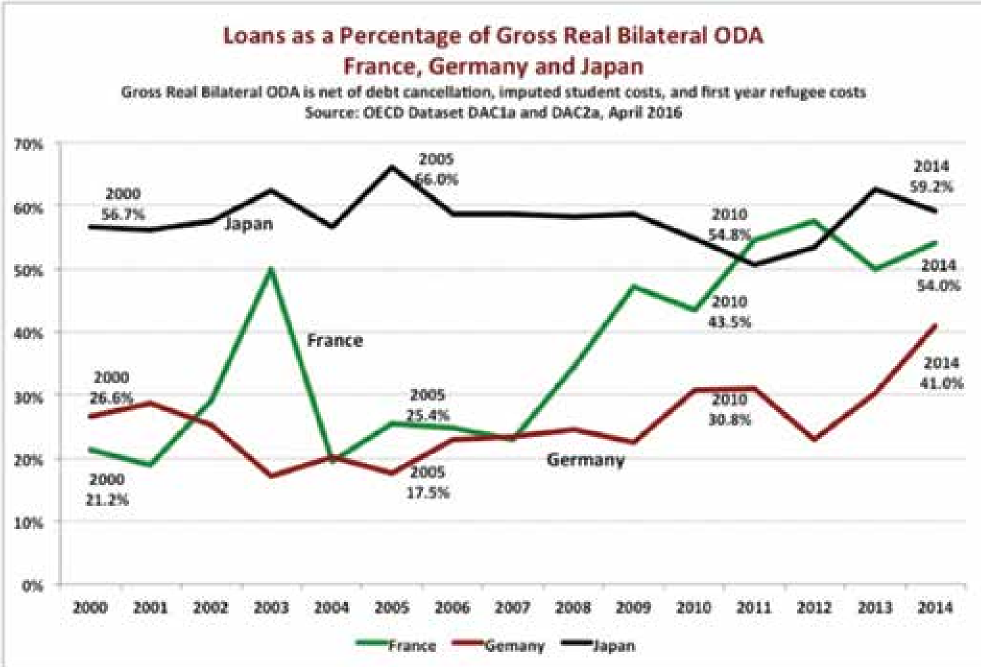


Table One: Allocation of Loans by Country Income Group

Percentageof total loans	Bilateral Loans			Total Bilateral / Multilateral Loans		
	2005	2010	2014	2005	2010	2014
LDCs/LICs	8.6%	6.3%	12.2%	30.2%	25.2%	26.2%
LMICs	50.3%	59.7%	54.8%	48.3%	54.8%	49.4%
UMICs	41.1%	34.0%	33.0%	21.5%	20.0%	24.3%
HIPCs	10.4%	5.4%	7.0%	29.2%	24.5%	20.8%

Source: OECD Dataset DAC2a

Chart 14: Loans as a Percentage of Gross Real Bilateral ODA



can ill afford the increasing debt payments that these loans represent. A surprising 12% of loans in 2014 were directed to Least Developed and Low Income countries, many of which were the beneficiaries of the *Heavily Indebted Poor Countries Initiative* (HIPC). HIPC countries received 7% of loans in 2014. Over 50% of the loans in 2014 were given to ten countries of which half were LMICs (India, Viet Nam, Morocco, Indonesia and the Philippines).

The DAC agree on new rules for the inclusion of loans in ODA.

DAC rules for ODA loan concessionality, established several decades ago, have been controversial in recent years. Persistently low interest rates have meant that an eligible ODA loan under DAC rules can have a higher interest rate than the market rate.[44]

At the December 2014 DAC High Level Meeting, donors agreed to reform the eligibility and treatment of these loans in terms of how they are counted as ODA.[45] These new rules, which will not be fully implemented until 2018, state that only the concessional grant element of a loan will be included as ODA, and repayments of the loan principal will no longer be deducted from donor ODA. The reference interest rate for the calculation of concessionality will be linked to a country's income status. So, for example, this could mean that a higher rate might be given to Low-Income Countries (LICs), but loans to these countries would require a grant element of 45% to count as ODA. The thresholds are lower for LMICs and UMICs.[46]

Changes to the rules for loans are welcomed, but concerns remain that rules may incentivize the use of loans.

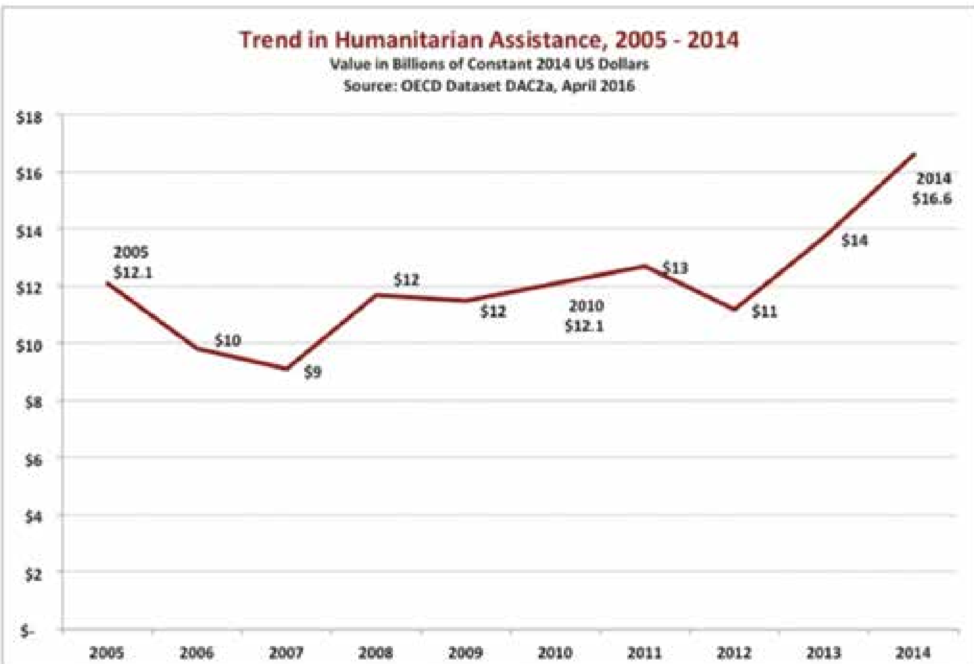
Changes in the rules governing loans are an important improvement. They will affect ODA reporting levels in 2018, the first year they are applied, and consequently the comparability of ODA for that year with earlier years. CSOs have raised concerns about whether the changed rules will meant that donors to will prefer loans over grants, particularly in the Least Developed, Low Income and Lower Middle-Income Countries, which face potential issues in debt sustainability. There is also the worry that DAC donors may use the new rules to broaden the inclusion of donor loans and guarantees through private sector instruments (development finance institutions, export-import banks, etc.), which may not be concessional, but could be eligible under new DAC "risk premia", yet to be agreed.[47]

3.7 Trends in Humanitarian Assistance

Humanitarian assistance has grown rapidly since 2010.

Driven by the refugee crises and conflicts in Syria, Iraq and Ukraine, serious disease epidemics, and natural disasters, humanitarian assistance is again on the rise. According to Development Initiative's 2015 Global Humanitarian Assistance Report, US$24.5 billion was provided in international humanitarian assistance in 2014, up 19% from 2013.48 Humanitarian assistance from DAC donors has increased in value, and at US$16.6 billion in 2014, is up 37% since 2010 (Chart 15).

Chart 15: Trends in Humanitarian Assistance, 2005 to 2014



Humanitarian assistance is also increasing as a share of Real ODA, reaching a level that was last seen in 2005.

The value of humanitarian assistance (in constant 2014 dollars) was US$16.6 billion in 2014, the highest level since 2005 (Chart 16). As a share of Real ODA, humanitarian assistance in 2014 was 13.4% of Real ODA, up from 10% in 2010. As a share of Real ODA, it has reached the highest level since 2005, the year of the Asian Tsunami and humanitarian crises in the Sudan and the Democratic Republic of the Congo.

Sub-Saharan Africa remains a major focus for humanitarian assistance, despite attention to the Middle East.

Significant humanitarian resources continue to be allocated for Sub-Saharan Africa (40% of total humanitarian assistance in 2014, but down from 48% in 2010). Humanitarian assistance for the Middle East rose from 7% in 2010 to 25% in 2014, reflecting the needs of the Syrian/Iraq crisis (Chart 17).

Arab donors and Turkey have become substantial actors in humanitarian assistance.

In 2014, a number of Arab donors became major actors in humanitarian assistance as they contributed US$1.6 billion, up from US$760 million in 2013. Among these donors, UAE, Kuwait, Qatar, and Saudi Arabia provided US$755 million, much of it directed to the crises in the Middle East. As Turkey responded to the millions of Syrian refugees on its boarders it contributed a record US$1.8 billion in humanitarian assistance. By May

Chart 16: Humanitarian Assistance as a Percentage of Real ODA

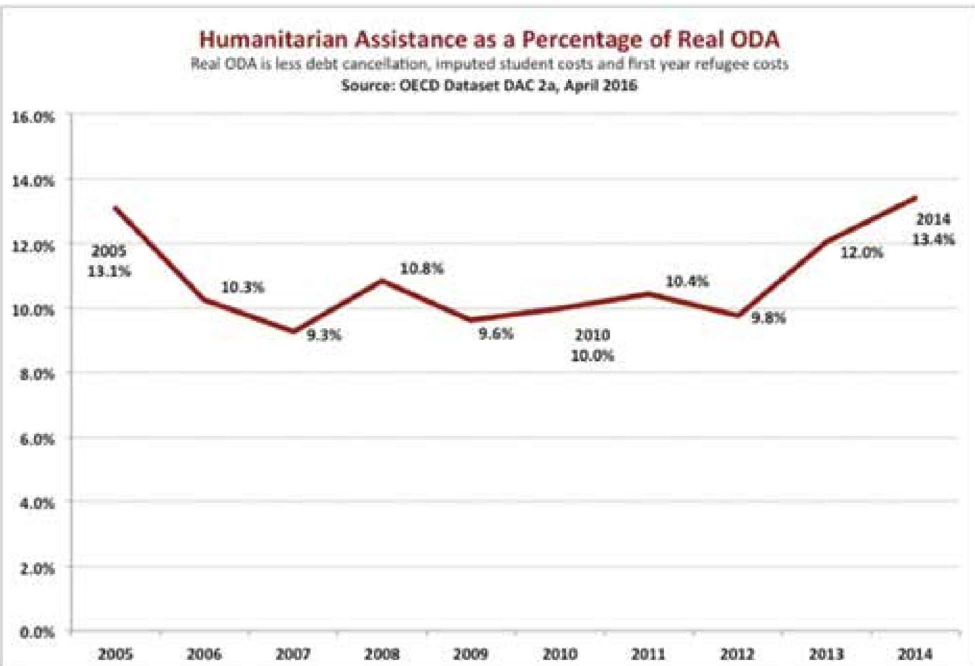
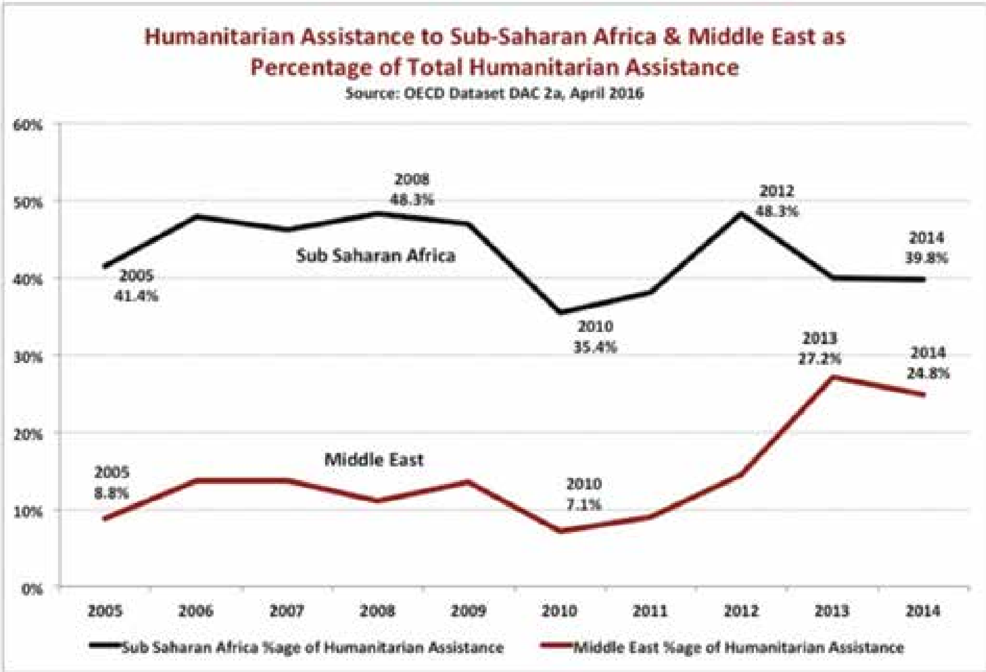


Chart 17: Humanitarian Assistance to Sub-Saharan Africa & Middle East as Percentage of Total Humanitarian Assistance



Private donors contributed 24% of humanitarian assistance in 2014.

Private donors' responses to humanitarian situations have been growing in recent years. While difficult to accurately measure, Development Initiatives estimates that these donors (individuals, foundations and companies) provided US$5.8 billion in 2014. These contributions are up slightly from 2013, but less than 2010, when these donors contributed US$6.1 billion (Haiti earthquake and Pakistan floods). According to Development Initiatives data, "International NGOs (INGOs) are the largest mobilisers of private funding, raising an estimated US$4.7 billion in 2013, and US$22.7 billion (89% of the total of private funding) in the five years between 2009 and 2013."[50]

More than 25% of humanitarian assistance reported to the DAC in 2014 was directed to the Syrian crisis.

Donor assistance reported to the OECD DAC for people affected by the Syrian crisis living in Syria, Turkey, Lebanon and Jordan amounted to US$5.2 billion in 2014. This amount is expected to increase in 2015 and 2016. Turkey, a middle-income aid provider, provided 44% (US$2.3 billion) of the US$5.2 billion, primarily to Syrian refugee populations on its borders. The United Arab Emirates provided US$378 million for humanitarian operations in Jordan and Syria. Together the DAC donors provided US$2.1 billion in 2014, while multilateral organizations contributed US$422 million.[51] For the DAC donors, Syrian related humanitarian assistance was 16% of its humanitarian assistance for that year. But their total contributions accounted for less than 50% of the humanitarian assistance provided by governments for this crisis.

The humanitarian system is in crisis.

Despite record amounts of humanitarian assistance in 2014, the United Nations has reported a funding gap of approximately US$15 billion for critical needs. This represents more than 60% of the funds raised in 2014 from all sources.[52]

The UN High Level Panel on Humanitarian Financing noted that many of the current humanitarian responses are for protracted crises. The Intergovernmental Panel on Climate Change projects a growth in the numbers and intensity of climate-related disasters, with costs exceeding current estimates. The High Level Panel documents the deepening ineffectiveness of the current humanitarian mechanisms:

> "The global humanitarian system is overstretched and is unable to respond adequately. This gap between demands and resources is complex in nature; it is not just the result of more armed conflict, extremism, disaster, disease and displacement. Humanitarian aid's traditional function to provide life-saving assistance— in short, to get in quickly, fix the immediate problems and leave—has evolved to include a dizzying array of additional responsibilities: from building resilience and preparedness to providing long-term basic services such as health, shelter and education."[53]

The Panel pointed to the urgency of overcoming the "benign neglect" between the humanitarian and development worlds, recognizing the increasing need for inter-related interventions from humanitarian, peacekeeping and development.

The first World Humanitarian Summit, in May 2016, produces mixed results.

The international community met in Istanbul at the first World Humanitarian Summit in May 2016. In the lead-up to these meetings a wide range of proposals were made to create a common platform or management framework that brings together all the tools to address the different dimensions of a crisis. Many proposals emphasized the importance of ramping up support for local resilience.[54] Not only more funding, but multi-year and less earmarked funding is required from donors, including consideration of financing packages for middle income countries that are hosting large numbers of refugees.[55] With only 0.4% of ODA spent on disaster risk reduction and preparedness, the Secretary General called for a modest goal of 1% of ODA by 2020 devoted to preparedness.[56]

The outcomes of the Summit were described as "mixed results." On the positive side there were commitments for greater transparency in humanitarian spending. A "Grand Bargain", which was agreed to by 15 of the largest humanitarian donors, 16 aid agencies, including the Red Cross and three INGO consortia, set out 51 commitments in ten key areas to improve the efficiency of delivery in the humanitarian aid system.[57] These commitments include increased use and coordination of cash based modalities (less donor driven food aid), improved joint and impartial needs assessments (to direct priorities in humanitarian responses), reduced ear-marking of donor contributions, harmonized reporting requirements, and enhanced engagement between humanitarian and development actors, among others.

On the less positive side, there was no progress on measures to reduce serious breaches in humanitarian law, including bombing of hospitals, the use of civilians as shields in conflict and the need to address burden-sharing of refugees and migrants. While the Grand Bargain addressed many crucial issues for reform, specific objectives for implementation and demonstrating progress are largely missing. The United States, for example, suggested that while they are committed to the Grand Bargain, their responses to humanitarian emergencies will continue to be situation- specific, and will not be guided by "arbitrary targets."[58] The US provided 50% of all humanitarian assistance in 2014.

The Summit committed to increase access to humanitarian resources, tools and coordination mechanisms for local governments and local CSOs.

Local NGOs, national and local governments are demanding a larger share of humanitarian resources. A number of CSOs associated with the Charter4Change are calling for 20% of this funding to go directly to local implementing NGOs.[59] The Grand Bargain has committed to 25% of humanitarian funding to local and national responders by 2020, greater use of funding tools such as the UN and NGO-led pooled funds, and the inclusion of local actors in coordination mechanisms. It also pledges to develop a "localization marker." As a senior US official has pointed out, recent estimates do not account for indirect delivery of humanitarian assistance through local responders nor do they acknowledge the need to strengthen capacities for larger scale interventions by these actors.[60] However, the Summit made significant progress on engaging local responders more directly in coordinated humanitarian actions.

At the same time, the Istanbul Summit largely failed to consider the deteriorating and dangerous conditions in which many CSOs are working in conflict areas. For example, the impact of counter-terrorism on humanitarian responses, particularly by civil society organizations, was not discussed. Several major organizations have pointed out that operations in high-risk jihadi run areas of Syria, for example, run the risk of being branded "supporters of terrorists" under current anti-terror legislation.[61]

4. What about Local Finance for SDGs: Promoting domestic resource mobilization?

> "We underscore that, for all countries, public policies and the mobilization and effective use of domestic resources, underscored by the principle of national ownership, are central to our common pursuit of sustainable development, including achieving the Sustainable Development Goals." [*Transforming our world*, §60]

ODA is a crucial tool, but not the answer to resourcing sustainable human development.

At best ODA is a catalyst and a complementary resource for addressing key issues in poverty eradication and the achievement of the SDGs by 2030. Clearly, much larger allocations of ODA are required to realize this role and to focus attention on conditions for marginalized populations. Equally important is the urgent need for investment in education, primary health care, climate resilience/ adaptation and infrastructure for sustainable livelihoods for people living in or near poverty in developing countries. At the same time it must be recognized that ODA will never be sufficient to raise billions of people out of poverty, nor should it be seen as having this responsibility.

Developing country government revenue is the key public resource for investing in the SDGs.

Regardless of country income level, developing country governments are the primary source for financing sustainable progress for the SDGs, as they were for the MDGs. Governments have a clear obligation to invest in the social sectors – health, education, water and sanitation – but also to enable economic growth and improved livelihoods for all its people.

Many governments are close partners with aid providers in these efforts, especially in Low-Income Countries, but also in many Middle-Income Countries. What are the current revenue capacities for these governments to fulfill these obligations? Can an emphasis on domestic resource mobilization (DRM) compensate for the financing gaps for the SDGs in Middle-Income Countries? If not, how well is ODA complementing domestic resources to fill these gaps?

Moving beyond aid dependency is a goal of all low-income and Low/Middle-Income Countries. Domestic resources will ultimately provide the basis for achieving this end. But the low starting points for many countries, the economics of poverty and the politics of DRM, will undoubtedly require a continued and critical role for aid, with increasing levels of ODA commitments.

Increasing domestic resource mobilization (DRM) is a crucial challenge.

The AAAA affirms that "[…] the mobilization and effective use of domestic resources, underscored by the principle of national ownership, [is] central to our common pursuit of sustainable development [...]" [§20] During the Addis Financing for Development Conference, many developed countries stressed the importance of domestic resource mobilization as the central challenge in financing for development, arguing that ODA will have an important but diminished role in the future.

National governments are best placed to establish relevant policies and initiatives to sustainably reduce poverty through domestic resource allocation – this is surely the goal for all countries. But, while accepting the challenge in marshalling these resources, the Finance Minister for Malawi, Goodall Gondwe, retorted,

> "We need the space and autonomy to mobilize national resources," … [noting that] "when differences arose and partners became supervisors, governments resented it."

To avoid such situations, he called for "genuine equal partnership." While welcoming domestic resource mobilization as central to the implementation of the sustainable development goals, the Minister urged States to "tread carefully" on the targeted 20 per cent of tax-to-gross domestic product ratio as a threshold above which countries were considered to have sufficient resources and not need technical assistance."[62]

Developing country government must have the policy space and resources to drive country priorities for the SDGs.

Governments that are given the policy space and resources are well placed to assess country conditions and set priorities. Domestic government revenue (tax and other revenue) has indeed been increasing over the past fifteen years. This revenue has almost doubled between 2005 and 2010, and reached an estimated US$5.3 trillion in 2014.[63]

Development Initiatives argues, "For governments to set and drive their own poverty reduction agenda, domestic resources must become the spine around which other development finance flows are coordinated."[64] An analysis of government sector spending for the MDGs concluded, however, that most developing countries had substantially missed the spending mark in their budgets devoted to core MDGs. The study estimated these governments had allocated about 35% of their spending to the core MDGs (agriculture, education, health, environment, social protection, and water and sanitation), when they should have been spending 57% of budgets to reach these MDG targets.[65]

But is this allocation realistic for countries with substantial levels of poverty? Have these resources been broadly available to governments, especially in Low-Income and Lower Middle Income Countries? Can domestic resource mobilization fill the gap for the SDGs? While governments cannot rely on aid to meet its obligations, what is the relevance of aid in this context of domestic resource deficits?

Domestic resource mobilization is not just a technical matter of improving tax collection systems and implementing a range of taxes and revenue generating policies. At the country level, entrenched elite politics and interests, as well as an often-broad lack of respect for government and its institutions fuelled by corruption, greatly affect the effectiveness of a government's fiscal policy. In recent months, there has been irrefutable proof of massive tax evasion and illicit transfers of income at the global level. Wealthy individuals and transnational corporations have successfully avoided contributing their fair share, including many from the developing world.[66]

Can domestic resource mobilization fill the financing gap for the SDGs by 2030?

Building on work by Development Initiatives, this question was asked in the Aid Trends chapter of the 2014 *Reality of Aid Report*.[67] The following section continues this analysis by correlating current government spending per capita with levels of poverty (US$1.90 and US$3.10), and country income status (Low Income / Least Developed, Lower Middle-Income, and Upper Middle-Income). It briefly summarizes research on donor policies in support of DRM. Finally, it examines international issues inside a context where CSOs are advocating to untangle the web of illicit capital flows and tax evasion to ensure that the rich and the corporate world shoulder their responsibilities in poor countries. This is a necessary foundation for the realization of the SDGs.

4.1 Government revenue and levels of poverty

What do trends in developing country government revenue per capita suggest for financing capacities to realize SDGs in these countries?

Development Initiatives' excellent data hub brings together useful data on developing country government revenue per capita (net of ODA and debt disbursed to the public sector) for 124 countries.[68] Revenue per capita is a strong indicator of a government's 'current capacities to finance the SDGs. At the same time this data provides solid proof of the importance of mobilizing new revenue sources for these governments. It is important to keep in mind that per capita government revenue must cover *all* government expenditures for the social sectors, as well as legitimate expenditures for institutionalizing the rule of law, upkeep of infrastructure, conduct of foreign policy, ensuring environmental protection, defence, etc.

Among 124 countries documented in Development Initiatives' database,

- 30 had per capita government revenue of less than US$500 per person;
- 27 had per capita government revenue of between US$500 and US$1,500 per person;
- 28 had per capita government revenue of between US$1,500 and US$3,000 per person; and
- 39 had per capita government revenue of more than US$3,000 per person.

As a point of reference, the average per capita revenue for developed countries, to cover the same set of government expenditures, is approximately US$15,000. This is over five times more than the level available for most Middle Income Countries.[69] It is also important to note that governments' of developed countries are struggling with the challenges of poverty, social and economic inclusion. With much lower revenue, how is it possible for developing countries to create favourable conditions, or even a basic set of services, for their people?

85 countries with less than US$3,000 per capita government revenue face huge challenges in poverty reduction.

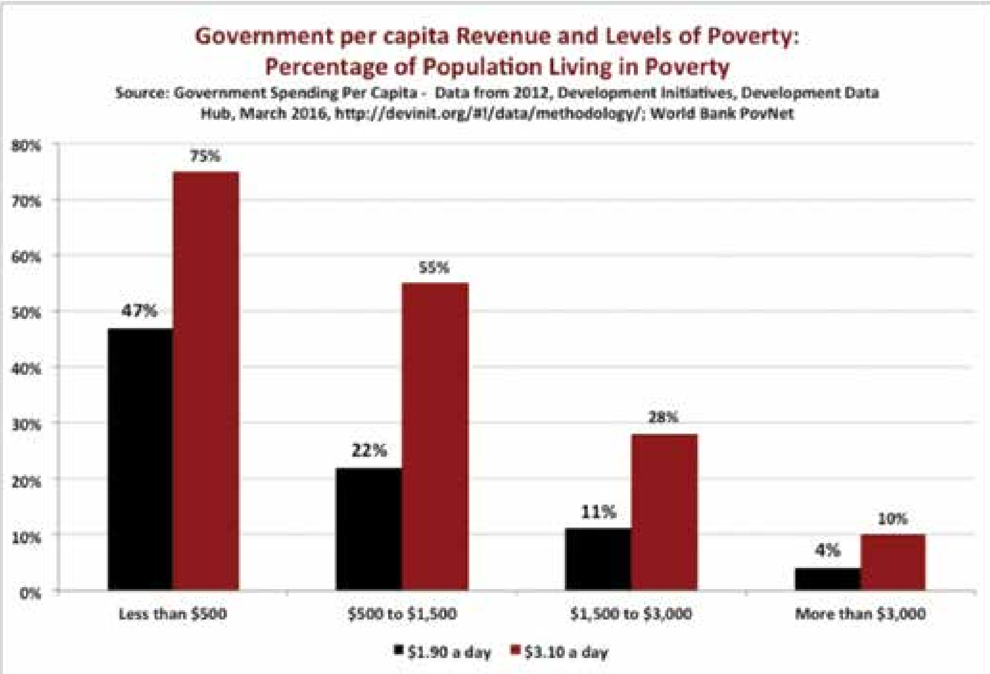
In the 30 countries with less than US$500 per capita in revenue, almost half the population (47%) are living in conditions of extreme poverty. Three quarters (75%) live on less than US$3.10 a day (Chart 18). While the extent of poverty declines with higher levels of government revenue, all 85 countries with less than US$3,000 per capita government revenue face huge challenges in poverty reduction, and the concomitant financing needs by government for education, health and social protection.

4.2 Government Revenue and Country Income Groups

Countries formally labeled "Lower Middle Income Countries" (LMICs) have very low government per capita revenue.

Not surprising, there is a close alignment between countries with per capita revenue of less than US$500 and those with Least Developed

Chart 18: Government per capita Revenue and Levels of Poverty: Percentage of population living in poverty



or Low-Income status (LDCs/LICs) (Chart 19). Almost all Lower Middle-Income Countries (LMICs) had per capita revenue of less than US$3,000, and 13 of these 30 LMICs had revenue less than $1,500 per person. Of the 48 Upper Middle-Income Countries, 12 of them had per capita government revenue of less than $3,000.

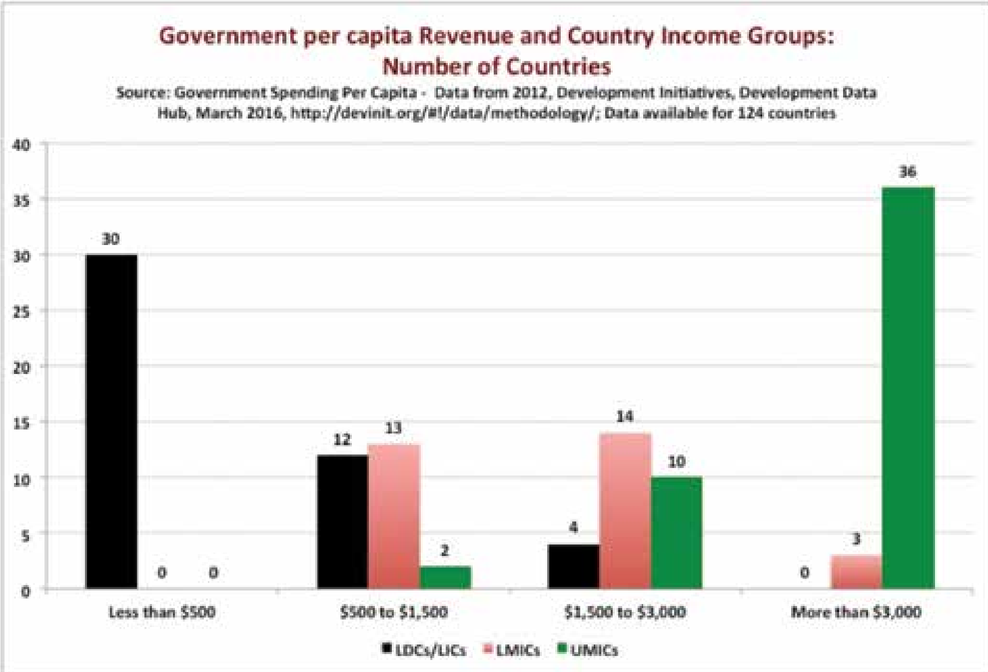
Donors should not ignore the development finance needs of Middle-Income Countries or withdraw ODA as source of government revenue.

With higher levels of gross national income, the potential to increase government revenue among UMICs is clearly high. Many of the increases in government revenue over the past decade have been in UMICs. LDCs, LICs and LMICs, on the other hand, face considerable challenges in improving DRM, certainly to the degree needed to finance SDGs in the next fifteen years. Against this evidence of the extent and depth of poverty and very low government revenue, it is crucial that aid providers not abandon these countries as they rightly focus on the needs of the LDCs and LICs.

4.3 ODA and Domestic Resource Mobilization

In the lead-up to the Addis Conference Erik Solheim, OECD DAC Chair, called on aid providers to "agree to channel aid to those countries with the least access to other sources of finance, the greatest difficulty in attracting

Chart 19: Government per capita Revenue and Country Income Groups: Number of countries



investors, and the weakest tax systems, [with special attention to] vulnerable groups, such as ethnic and religious minorities and indigenous rural populations struggling to break out of poverty ..."[70]

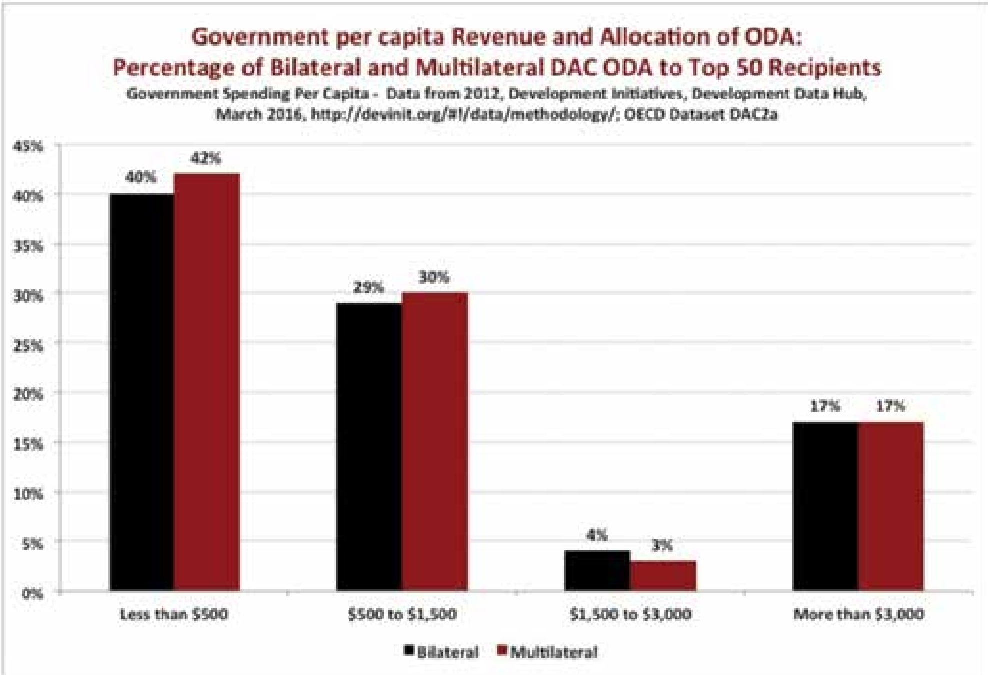
In recent years, ODA has focused on countries with low government revenue.

Chart 20 assesses the top 50 country recipients of DAC bilateral and multilateral ODA (a combination of LDCs, LICs and LMICs). Of the top 50 aid recipients, more than two-thirds of bilateral aid (69%) went to countries that had per capita revenue of less than US$1,500, and 72% of multilateral aid went to recipients with similar per capita revenue. Thus, ODA on this measure appears to be well focused. Many of these countries have weak economic foundations for increases in domestic government revenue at the scale required for Agenda 2030.

Can ODA make a useful contribution to maximizing domestic resource mobilization (DRM)?

Recent research suggests a justification for scaling up aid for DRM as a donor priority. [71] Current aid allocation to DRM is relatively weak. A preliminary assessment pointed to 232 projects, totalling US$92.5 million in 2013, with a core focus on DMR, and an additional 371 projects, totalling US$600.5 million, where DRM was a component but not the focus for the project.[72] It is important to note that technical assistance is the primary

Chart 20: Government per capita Revenue and Allocation of ODA: Percentage of bilateral and multilateral DAC ODA to Top 50 recipients



modality for the delivery of these programs and thus represents 46% of expenditures for core DRM projects. As mainly technical projects focusing on new forms of taxation, administration, auditing, and relevant IT systems, small increases in funding can be effective. Development Initiatives pointed out that 44% of DRM aid went to countries with per capita revenue of less than $500, and nearly half were least developed countries.[73]

The Addis Tax Initiative set out a goal to double technical cooperation to DRM by 2020.

The Addis Tax Initiative, a multi-provider partnership, was launched at the Addis Financing for Development Conference in July 2015. These aid providers committed to double technical cooperation for DRM by 2020. In March 2016, the DAC Working Party on Stats initiated a first step through a project purpose marker for tax administration to track these investments.

DRM in the poorest countries should be guided by principles for fair taxation.

DRM is not only about maximizing government revenue. It also must consider policies for fair taxation, particularly in situations where the informal economy is essential to the survival of millions living in poverty. Wherever possible, the emphasis should be on direct progressive taxes on income or assets such as land, which takes account of the income of taxpayers and their relative ability to pay. Many poor countries instead rely on indirect taxes (e.g. customs duties), as these are easier to collect. However, these indirect taxes often place a heavy burden on poor people as well as the many millions that make up 'the working poor', those living just above the poverty line. An important test for effective policy and technical advice for DRM is an assessment of the impact of changes in the tax regime on poor and vulnerable people.[74]

Donors supporting DRM need to include developing countries in pro-actively tackling the global structural factors that distort available tax resources.

Tax evasion by the rich, profit shifting by multinational businesses, tax exemptions for foreign direct investment and international illicit flows from corruption and criminal activity have all received prominent attention in recent years. Can developing country governments capture these potential revenue streams? Steps towards this goal could include better transparency in access to tax and corporate information on a country-by-country basis, greater regulation of money flowing to so-called "tax havens," and more rigorous structuring of tax regimes for natural resource extraction.[75] While attention has increasingly focused on these areas, the issues are complex in making progress.

However, the potential of these revenue sources cannot be ignored. Maya Forstater quotes IMF estimates that developing countries lose between US$100 and US$300 billion in tax revenue through various profit shifting techniques. She quotes an Action Aid study that values the tax exemptions for businesses in developing countries, often in the extractive industries, at US$138 billion. Total capital flight from developing countries (not just illicit flows) can be as high as US$1 trillion or US$60 billion for Africa.[76] These are significant amounts, ones that could make a real difference to the revenues of developing countries. There is growing concern and public pressure to rein in this massive flow of capital and revenue that has, to date, been largely out of reach to the tax authorities of developing country governments.

But will LDCs and Lower Middle-Income Countries truly be the beneficiaries of a fair global tax regime?

Reversing these flows, implementing fair cross-border taxation rules, improving transparency and shuttering international tax havens have been identified as a prime source of revenue for advancing Agenda 2030. Such measures are unquestionably important. But, with the exception of a few resource rich countries, will LDCs and Lower Middle-Income Vountries be the real beneficiaries of a fair global tax regime?

In their study, Development Initiatives noted that among resource-rich developing countries, natural resources accounted for 58% of total revenue and that this high dependency left them vulnerable to swings in international prices for these resources. Longer-term sustainability of these sources is also a critical issue.[77] Forstater points out that the majority of offshore wealth is held by citizens of OECD countries and by others in upper middle-income countries in the South. Most LDCs and LMICs have limited access to foreign direct investment and therefore multinational tax revenue in their jurisdiction.[78]

5. Current Qualities of ODA: Fit for Purpose for the SDGs?

If ODA is to be an essential and effective source of development finance for Agenda 2030, it must not only grow decisively in quantity, it must also improve upon its performance in several key areas.

What is the quality of ODA in affecting change for people living in poverty?

In 2011 in Busan, South Korea, donors made important and specific commitments to ensure more effective development cooperation. They did so with partner countries, non-state actors in civil society, and the private sector. In Busan, all actors affirmed four principles for effective development cooperation – respect country ownership; focus on results based on country priorities; support inclusive partnerships; and deepen transparency and mutual accountability. Through the Busan-mandated multi-stakeholder Global Partnership for Effective Development Cooperation, a monitoring round in early 2016 reported on progress on commitments that were made to implement the principles.

These results on effective development cooperation will only be available in November 2016.[79] Principles for effective development cooperation were consistent with the goals of reducing poverty and inequality. This section examines ODA performance in several key areas affecting the goal of poverty reduction:

1. Contributions to key sectors affecting the lives of people living in poverty;
2. Balanced allocations to country income groups, according to need;
3. Balanced allocations to regional groups, according to need;
4. Focusing on gender equality and women's empowerment;
5. Allocations of aid for demand-driven, not supply-led, technical cooperation; and
6. The provision of a fair share of resources for climate change, balanced between adaptation and mitigation.

5.1 Trends in the Sector Allocation of DAC ODA: Key sectors for people living in poverty

Transforming our world sets out an ambitious agenda for achieving progress across many sectors by 2030:

> By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers ... [*Transforming our world*, SDG2.3]
> By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births [*Transforming our world*, SDG3.1]
> By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases. [*Transforming our world*, SDG3.3]
> By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes [*Transforming our world*, SDG4.1]

Several of these goals build on the MDGs, which have obtained modest success since the Millennium Declaration of 2000. Without a dramatic shift in both the quantity and focus of ODA on key social, economic, environmental and institutional goals, the prospect for progress by 2030 will be greatly diminished. What then is the starting point for ODA sector investments going forward?

Recently there has been no growth in overall ODA sector investments.

Chart 21 demonstrates the increases in value of ODA disbursements from 2000 to 2005, 2005 to 2010, and 2010 to 2014. Almost no growth in sector allocations has occurred during the 2010 – 2014 period, with the exception of financial services (largely micro-finance).

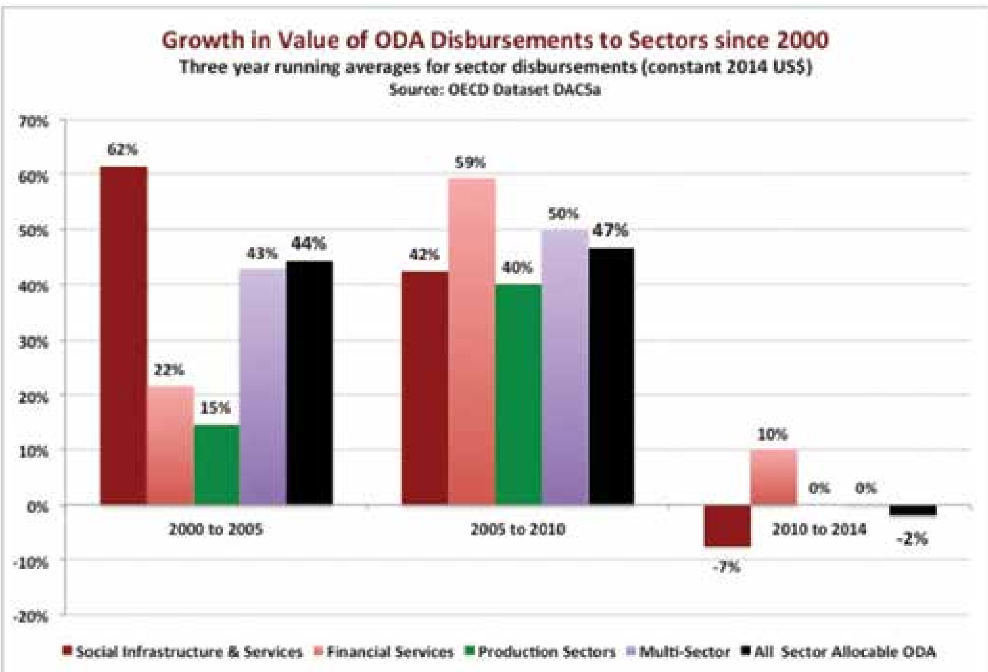
Investments in the social sectors have shrunk since 2010.

From 2000 to 2010, ODA investment in social infrastructure and services (health, education, water etc.) was considerable. The rate of growth exceeded the overall growth in ODA, more than doubling from US$20.3 billion in 2000 to US$46.7 billion in 2010 (2014 constant dollars). But since 2010 these investments have shrunk by 7% to US$43.2 billion in 2014.

Growth in ODA support for the production sectors has been modest.

In the 2005 to 2010 period, ODA investments expanded in the productive sectors (agriculture, industry, mining, trade policy, etc.), at a similar rate to the overall growth in ODA. Since 2010 growth in ODA disbursements for these sectors have been flat at US$7.7 billion (2014 constant dollars). Note: This area was affected

Chart 21: Growth in Value of ODA Disbursements to Sectors since 2000



by special G7 initiatives in agriculture in 2009 and 2010. (See below.)

Will donors ramp up ODA investments in sectors key to realizing the SDGs?

Previous aid trends chapters in *Reality of Aid* documented the degree to which ODA priorities were influenced by the MDGs. Using a proxy indicator for ODA investments in the MDGs, the 2014 chapter concluded,

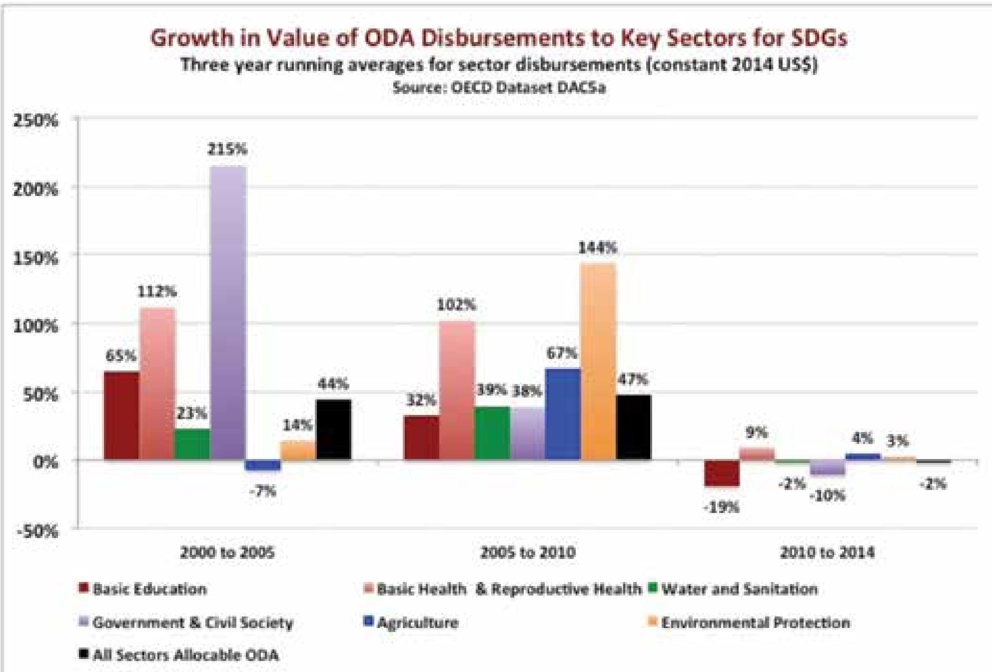
> "…the level of ODA dedicated to the MDGs has been modest at best, with these improvements stalling after 2010. Given the failures to meet commitments in ODA quantity and in addressing the MDGs, as well as limits on government spending …, it should come as no surprise then that the MDGs remain elusive in many countries."[80]

In a similar approach, trends for sector investments in health, basic education, agriculture, water and sanitation, and government and civil society capacities can serve as an indicator of intentions going forward. (See Chart 22)

The pace of large increases for health disappeared after 2010.

During the first decade of the 21st century, ODA disbursements for basic health, reproductive health, including HIV AIDS, and environmental protection expanded appreciably (Chart 22). Basic health /

Chart 22: Growth in Value of ODA Disbursements to Key Sectors for the SDGs



reproductive health increased from US$2.6 billion in 2000 to US$11.1 billion in 2010 (2014 constant dollars). But after 2010, donors failed to maintain this pace of increasing investments in these areas, which are crucial for people living in poverty.

Investments in basic education have shrunk since 2010.

From 2000 to 2010 donor ODA contributions for basic education grew by close to 120%. But since 2010 basic education seems to have declined as a priority. Contributions have decreased from US$3.7 billion in 2010 to US$3.0 billion in 2014 (2014 constant dollars). Progress was made in the 2000s towards achievement of the Education for All goals, but a major effort is needed to complete full enrollment in quality primary education. The SDGs make it clear that it is also important to focus on secondary and tertiary education objectives.

In other sectors, water and sanitation increased until 2008 to US$5 billion, but has stagnated, remaining at US$5.5 billion in 2014.

Investments in strengthening government and civil society capacities grew dramatically up until 2010 (by 335%), but recently they have declined by approximately 10%.

Strengthening government and civil society has been a strong donor focus in the 2000s. But ODA for this purpose declined by 10% after 2010 and is now down to US$12.9 billion. However, this amount is still almost 25% higher (by value in 2014 constant dollars) than a decade ago, in 2005.

Agriculture investments grew from 2005 to 2010, but since 2010 have been more or less flat.

Benefiting from the L'Aquila 2009 G7 initiative in food security and agriculture, ODA for agriculture increased by 67% to reach US$4.5 billion in 2010. Since then, increases have been modest - around 4% to US$4.7 billion in 2014 (2014 constant dollars). Billions of people still rely on small-scale agriculture for their livelihoods, which is under increasing pressure. Issues include access to fertile land, availability and use of appropriate technology and credit, and the impact of climate extremes caused by climate change.

Dramatic increases in ODA are required to meet sector goals by 2030.

There is no commitment in *Transforming our world* or in the AAAA in terms of the extent to which ODA will be called upon to ramp up investments to meet the SDGs. But saying this, there is little doubt that the financial needs are enormous.

Table Two provides an overview of the scale of extra public investments required (including from additional government revenue in developing countries) in several important sectors for poor and vulnerable people. For these four sectors – education, health, agriculture and water and sanitation – the additional annual public investments total approximately US$175 billion. These estimates also presume considerable additional private sector investments. Clearly a dramatic increase in ODA is required irrespective of progress that can be made in domestic resource mobilization.

Sector	Extra Public Spending (US$ billions annually)	2014 ODA Sector Investment
Education	US$22 billion+	US$9.1 billion
Health	US$51 to US$80 billion	US$14.1 billion
Agriculture	US$51 billion	US$4.9 billion
Water and Sanitation	US$22 to US$24 billion	US$4.5 billion

Sources: Development Finance International and Oxfam, Financing the Sustainable Development Goals, Government Spending Watch Report 2015, page 31, accessed April 2015 at http://eurodad.org/files/pdf/1546383-financing-the-sustainable-development-goals-lessons-from-government-spending-on-the-mdgs.pdf*; and OECD Dataset, DAC5, current dollars.*

5.2 Allocation of ODA by Country Income Group

> "Developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of … 0.15 to 0.20 per cent of ODA/GNI to least developed countries; ODA providers are encouraged to consider setting a target to provide at least 0.20 per cent of ODA/GNI to least developed countries." [*Transforming our world*, 17.2, A/RES/70/1, 26/35]

There has been a positive shift in the 2000s in ODA disbursements to Least Developed and Low Income Countries.

The past fifteen years have seen a positive shift in ODA disbursements to the Least Developed and Low-Income Countries. This trend is true both as a proportion of total ODA [46.4% in 2014] (Chart 23) and in the value of the ODA disbursed [US$28.3 billion in 2014] (Table Three). Unfortunately, by both measures, ODA to these countries has leveled off and even declined slightly since 2010.

The share of ODA to LDCs and LICs has leveled off and declined since 2010.

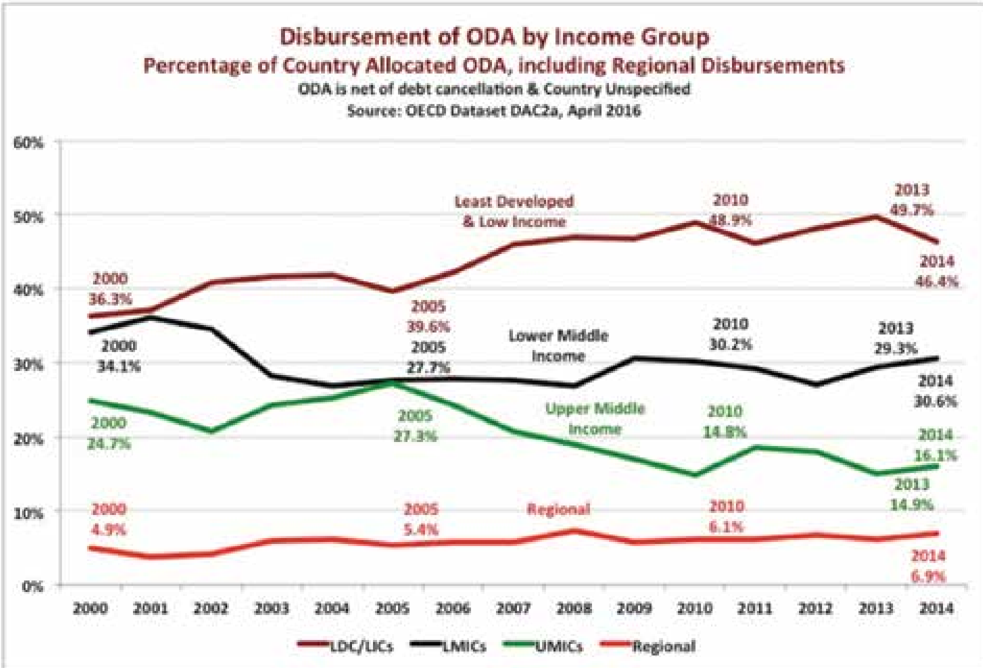
Disbursements, as a proportion of total ODA, to the Least Developed and Low Income Countries (2014 DAC list of LDCs and LICs) have been increasing since 2000 (by 36%). In 2010 they reached 49% of ODA disbursements (country allocated, not including debt cancellation). Since 2010, the share of these disbursements in ODA has fluctuated, and in 2014 it declined to 46% of ODA. The preliminary DAC figures for 2015, however, project an increase in DAC disbursement for LDCs.[81]

While the dollar value of ODA to these countries (in 2014 dollars) has increased by more than 50% since 2005 (Table Three), there has been a decline in its value since 2010. This trend is true for both bilateral and multilateral aid.

Aid to LMICs fell from 2000, but has been holding steady since 2010.

Disbursements to Lower Middle Income Countries (LMICs) declined slightly from 34% of ODA in 2000 to 31% in 2014. In terms of dollar value, bilateral ODA to LMICs increased by 25% since 2005, but has declined slightly since 2010. On the other hand, the value of multilateral ODA increased by close to 80% between 2005 and 2014, with an increase of 30% between 2010 and 2014. It is essential to maintain these ODA disbursements, as poverty in these countries is pervasive.

Chart 23: Disbursements of ODA by Income Group



ODA to UMICs has declined.

ODA targeting of Upper Middle Income Countries, as a proportion of total ODA, declined from a peak of 27% in 2005 to 16% in 2014. The latter figure represented a small increase from 2013. In dollar value, ODA flows to these countries have increased since 2010 for both bilateral (slightly) and multilateral aid (by 50%). (See Table Three)

Table Three: Value of ODA to Income Groups
(Country Allocable ODA, excluding debt cancellation, Billions of 2014 constant US Dollars)

Bilateral	2000	2005	2010	2014
LDCs/LICs	$12.1	$18.5	$29.2	$28.3
LMICs	$12.5	$13.7	$18.0	$17.3
UMICs	$8.6	$17.7	$10.2	$10.4
Multilateral				
LDCs/LICs	$7.3	$12.2	$16.6	$18.2
LMICs	$5.6	$7.7	$10.4	$13.3
UMICs	$4.5	$3.3	$3.7	$5.6
Total				
LDCs/LICs	$19.4	$30.7	$45.8	$46.5
LMICs	$18.1	$21.4	$28.4	$30.6
UMICs	$13.1	$21.0	$13.9	$16.0

Source: OECD Dataset DAC2a, April 2016

Changing membership of income groups over time

Trends in the allocation of aid to different income groups are affected by the fact that some countries have changed their income status several times since 2000. Chart 23 and Table Three use the 2014 list of countries in each income group, which is established by the distribution of per capita income in 2013, to track trends over time.[82] While the number of LDCs has remained constant, with 49 countries in 2000 and 48 in 2014, the number of "Other LICs" declined significantly over these years from 25 countries in 2000 to only four in 2014. Many of former LICs are now in the LMICs grouping. Similarly, LMICs declined from 45 countries in 2000 to 33 countries in 2014, during which time many LMICs graduated to UMICs status. UMICs have increased dramatically from 28 countries in 2000 to 62 countries in 2014.

Sumner notes that graduation from LIC to LMIC status has been precarious for some countries. Where this graduation is not the result of economic growth through structural changes, levels of poverty have remained high and poverty reduction precarious. He points to a sub-set of 19 countries for which 'graduation' from LIC status may have been premature.[83]

Over time, donor aid seems to follows the country, rather than its change in income status.

A comparison of disbursements for the actual LDCs/LICs in 2000 to disbursement for the actual LDCs/LICs in 2014 shows a significant decline in these disbursements as a proportion of ODA in each year. In 2000, 63% of ODA went to the LDCs/LICs in that year, compared to 46% in 2014. This reduction is primarily a function of a decrease in the number of LICs from 2000 (25 countries) to 2014 (four countries). Similarly UMICs disbursements as a proportion of total ODA increased from 3.3% in 2000 to 16% in 2014. Presently there are 62 countries in this income group, rather than 28.

While shifts in donor country priorities occur over time, donors have often continued to follow the country in maintaining disbursements, somewhat irrespective of its change in income status (particularly for LMICs). When LICs move into the LMIC category, as noted above, this pattern of continued disbursements is important, where the numbers of people who live in poverty endures and governments are only able to collect low levels of revenue from domestic sources.

Are DAC donors meeting the AAAA target for allocation of ODA to LDCs?

DAC donors are in fact not far off the mark for the AAAA target, which calls for an allocation of 50% of ODA to Least Developed Countries, when ODA is adjusted for components that can never be assigned to a country (for example, imputed in-donor country expenditures). Only a few donors, however, have achieved the 0.15% of GNI target. If this 0.15% goal had been achieved in 2014 it would have resulted in US$69.5 billion for LDCs, instead of the US$42.5 billion disbursed, amounting to a 50% increase in disbursements to LDCs (US$23.2 billion). This shift in ODA is possible. Further, progress in donors' realizing the 0.7% UN target would greatly facilitate meeting this AAAA GNI target for LDCs in the future.

ODA allocations need to take account of where people living in poverty are living, not just the different income groups. In fact, the majority of poor people live in Middle-Income Countries.

Targets for the allocation of aid between income groups need to take into account the actual disbursement of people living on US$1.90 a day and US$3.10 a day in these countries. Not all people living in poverty live in the Least Developed Countries.

Table Four points out that a majority of extremely poor people (those living on US$1.90 a day) actually live in Middle-Income Countries, principally LMICs. The large populations of extremely poor people in India (LMIC) and China (UMIC) are a major factor in these percentages. For the broader measure of poverty (US$3.10 a day), almost two-thirds (63%) live in Middle-Income countries. Disaggregating those living on a daily income between US$1.90 and US$3.10, (i.e. poor people on the margins of extreme poverty), fully 73% of this group live in Middle-Income Countries.

Table Four: Distribution of Poverty by Country Income Groups

	US$1.90 a Day	US$3.10 a Day	Between US$1.90 and US$3.10 a Day
LDCs/ LICs	48%	37%	27%
LMICs	37%	45%	52%
UMICs	15%	18%	21%

Source: World Bank PolCal Net Dataset, March 2016

5.3 Trends in Geographic and Regional Distribution of ODA

"[We] reaffirm the importance of supporting the new development framework, 'the African Union's Agenda 2063', as well as its 10-year Plan of Action, as a strategic framework for ensuring a positive socioeconomic transformation in Africa within the next 50 years and its continental programme embedded in the resolutions of the General Assembly on the New Partnership for Africa's Development (NEPAD)…. We will enhance international cooperation, including ODA, in these areas, in particular to least developed countries, landlocked developing countries, small island developing States, and countries in Africa." [Addis Ababa Action Agenda §8 and §120]

The proportion of ODA to Sub-Saharan Africa (44% in 2014) has remained more or less static since 2010.

Improving DAC donor allocations for development efforts in Sub-Saharan Africa was a priority in the first decade of 2000s. As noted in Chart 24, there has been some success, moving from 34% of total ODA in 2000 to 43% in 2010.But since 2010, the proportion of total ODA to the sub-continent has remained relatively constant (44% in 2014). A slightly different pattern is apparent in DAC bilateral aid. DAC bilateral aid to Sub-Saharan Africa exhibited smaller increases in the first decade, moving from 33% of total bilateral aid in 2000 to 39% in 2010. But since 2010, the proportion of bilateral aid to the sub-continent has shown a modest improvement, with 43% of bilateral assistance directed to that region in 2014 (Chart 25).

Although aid to Asia has diminished, ODA to Afghanistan is still prominent.

The proportion of total ODA to Asia has declined over the 15 years from 2000 (30%) to 2014 (24%). A similar decline is evident for bilateral assistance to the region. Afghanistan, however, is the exception. In 2000 bilateral aid to this country was negligible, but by 2005 it accounted for 16% of total bilateral aid to Asia. It showed a major increase in 2012, at 32% of total bilateral aid to Asia. The most recent figures (2014) indicate that bilateral aid to Afghanistan accounted for 23% of aid to Asia for that year.

5.4 Promoting Gender Equality and Women's Empowerment

"We reaffirm that achieving gender equality, empowering all women and girls, and the full realization of their human rights are essential to achieving sustained, inclusive and equitable economic growth and sustainable development. We reiterate the need for gender mainstreaming, including targeted actions and investments in the formulation and implementation of all financial, economic, environmental and social policies." [Addis Ababa Action Agenda, §6]

SDG-5 affirms the importance of achieving gender equality and women's empowerment. All countries agreed to "adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and

Chart 24: Trends in Regional Distribution of ODA

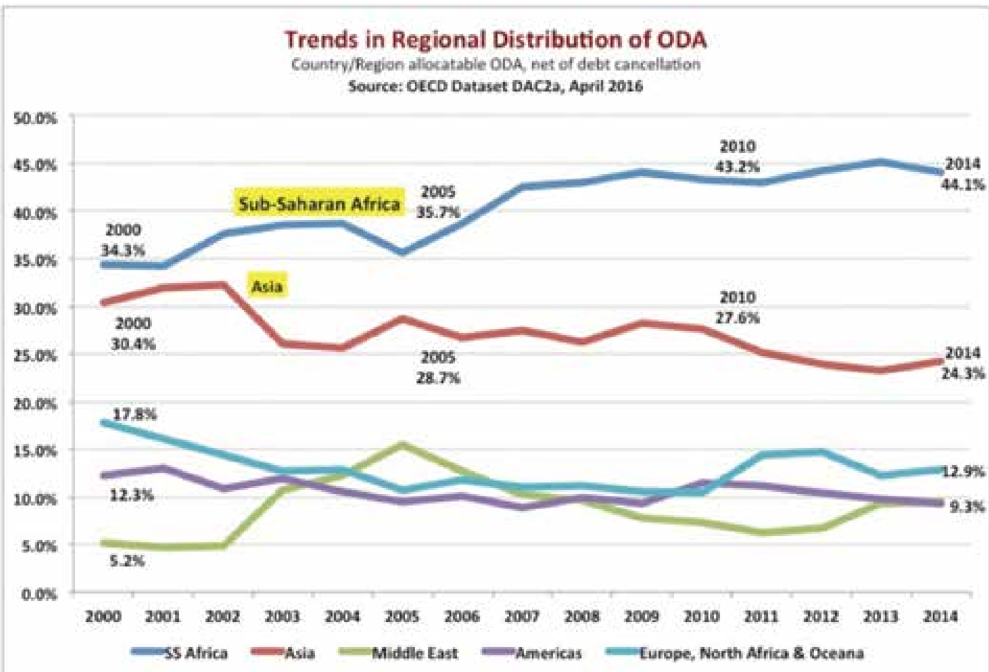
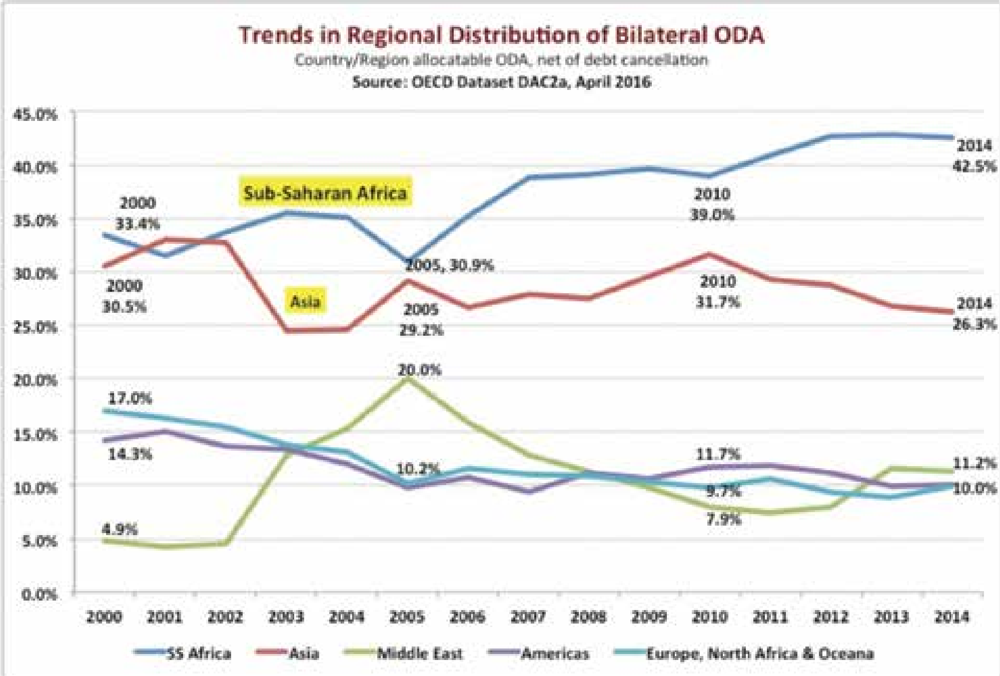


Chart 25: Trends in Regional Distribution of Bilateral ODA



the empowerment of all women and girls at all levels." [*Transforming our world*, 5c, A/RES/70/1, 18/35] Women's empowerment has several dimensions. Realizing gender equality rights is, of course, key but just as important is the establishment of approaches to achieve development outcomes that fully include women and girls and take into account the realities of their lives. How well has ODA contributed to these goals to date?

Measuring ODA that targets gender equality: Questions about the OECD's gender policy marker.

The OECD DAC uses a project policy marker to track donor disbursements for gender equality and women's empowerment. Donors are asked to screen and score their projects according to three criteria: 1) gender equality is the *principal* objective of the project (gender equality is the stated primary goal); 2) gender equality is a *significant* objective (gender equality is one of several objectives of the activity); or 3) there are no gender equality objectives in the activity.

There are several questions related to the interpretation of this system, particularly with the "significant" marker. Donors tend to employ different interpretations of the meaning of a "significant" gender objective, a problem for inter-donor comparability. But also as a policy marker, donors count the full value of the activity when an activity is deemed "significant," even though gender equality may only be one of several objectives.[84] In both cases this can produce inaccurate results, ones that exaggerate the financial commitment to gender equality and women's empowerment.

Focusing on gender equality as a principal objective can be a proxy indicator of donor targeting gender equality in ODA.

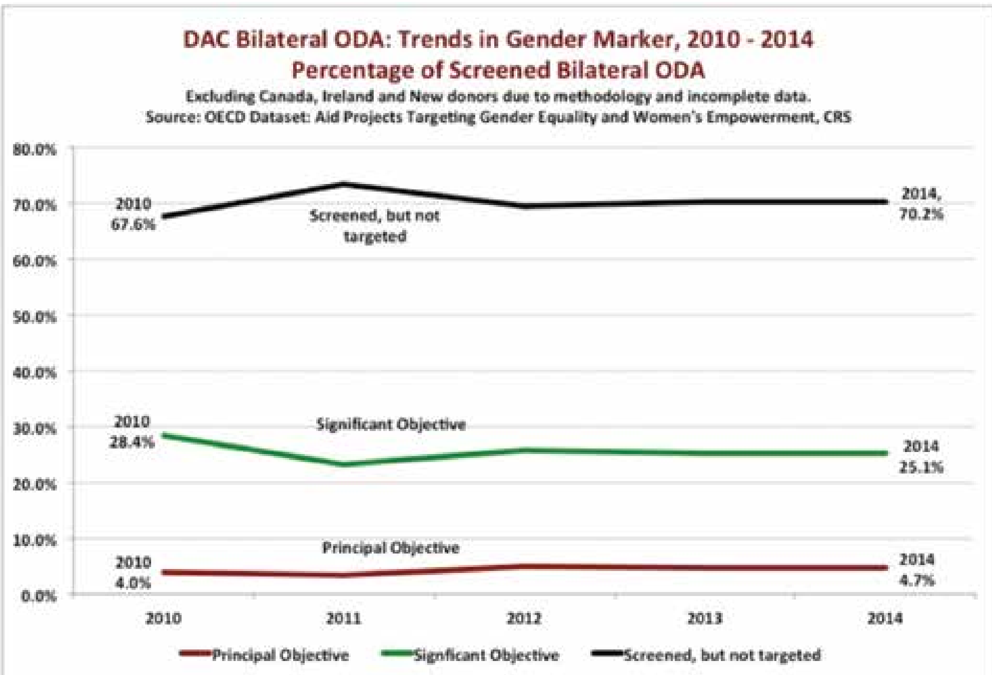
The challenges in determining actual levels of support for gender equality in projects where gender equality is a significant objective (intended to demonstrate gender mainstreaming), requires the use of a proxy indicator. In this regard, activities where gender equality is marked as the "principal" objective can provide an indication of the importance donors give to gender equality in their aid allocations. Chart 26 only looks at DAC data for the period 2010 to 2014, as earlier years are both unreliable and incomplete.

Support for gender equality as a principal objective in projects has increased in value, but remain a very small proportion of screened bilateral ODA.

Over the past five years, allocations to projects where gender equality is a principal objective have increased slightly as a share of screened bilateral ODA, from 4% in 2010 to 4.7% in 2014. The value of this ODA (in 2013 dollars) however increased from US$3.1 billion to US$5.3 billion, a significant increase of 70%, although from a very low base of US$3.1 billion.

Five donors account for 75% of bilateral ODA activities with a gender marker of principal

Chart 26: DAC Bilateral ODA: Trends in the Gender Marker, 2010 to 2014



objective – the United States (37% of the marker total), the UK (16%), Sweden (10%), the Netherlands (6%) and Norway (6%).

There have been improvements in the coverage of the gender policy marker since 2010. However, 70% of projects that were screened had no gender equality objectives.

The percentage of bilateral aid activities that were not screened for gender equality marker has declined sharply since 2010, from 32% to 9% in 2014. In practice this means that there is currently a more comprehensive picture of DAC donors' gender policy priorities. Only 25% of activities in 2014 were marked "significant," implying that they involve gender mainstreaming. In that same year an alarming 70% of screened activities had no gender equality objectives.

This poor performance on allocation of aid for purposes relating to gender equality is in stark contrast to the rhetoric of donors on gender equality and women's empowerment as an essential condition for making progress in the 2030 Agenda.

ODA with gender equality markers is concentrated in health, education and civil society projects.

Table Five sets out the sector distribution of ODA with a gender equality marker (either principal or significant). As might be expected, projects where gender equality is the principal objective are concentrated in the social sectors such as health, education or civil society. Education, health (including reproductive health), government and civil society, economic services (micro-finance), agriculture and humanitarian aid were priority sectors for gender mainstreaming ("significant objective") in 2014.

The share of ODA toward donor support for gender equality organizations is almost invisible.

A second indicator of DAC donors' commitment to gender equality is demonstrated by the support they provide to gender equality organizations. In 2014 this support amounted to US$451 million, an increase of US$30 million from 2013, and the first significant increase since 2010.[85] Two donors – Australia and Sweden – accounted for most of this increase. But as a share of all screened aid activities for the gender marker, support for these organizations is almost invisible at 0.4%. Even as a share the small number of activities marked "principal" for gender equality objectives, women's rights organizations received only 8.5% of this ODA in 2014. These are the organizations that will be the main drivers of the gender equality SDG.

There is limited donor support for an enabling environment for women's rights and empowerment.

In 2015 the Association for Women's Rights in Development (AWID) and 1000 women's rights organizations criticized the international community, saying that

> "[once again it had failed] to recognize the critical and unequivocal role women's organizations, feminist organizations and women human rights defenders have played in pushing for gender equality, the human rights and empowerment of women and girls."

Table Five: Sector Distribution of Bilateral ODA marked gender equality, 2014 Percentage of Total Marker Category (Sector allocable)

Percentage of Marker Total (Sector Allocable)	2014	
	Principal	Significant
Social Infrastructure and Services	80.5%	65.3%
Education	11.0%	16.4%
Basic Education	6.2%	4.0%
Health	17.6%	9.1%
Basic Health	15.5%	6.5%
Reproductive Health	22.1%	8.4%
Water and Sanitation	3.6%	6.4%
Government and Civil Society	24.7%	21.0%
Women's Equality Organizations	8.8%	0%
Conflict, Peace and Security	2.4%	4.1%
Economic Infrastructure and Services	2.7%	10.1%
Production Sectors	9.6%	11.7%
Agriculture	8.8%	8.9%
Cross Cutting, Multi-Sectors	7.2%	13.0%
Humanitarian Aid	1.8%	11.9%
Other Sectors	2.7%	10.1%

Source: OECD Dataset: Aid projects targeting gender equality and women's empowerment, CRS

This picture of the real priorities for gender equality in the allocations of donor ODA confirms this observation. In recent years, women's rights organizations have pushed governments to "to commit to creating an enabling environment and resources to allow women's organizations, feminist organizations and women human rights defenders to be able to do their work free from violence."[86] Their efforts have met with little success to date.

5.5 Demand-Led Technical Cooperation for Partner Countries?

Technical cooperation (TC) has been a strategic resource for donors and partner countries since the launch of aid programs in the 1960s. The dollar value of this resource increased in the early 2000s, but has been declining over the past eight years as a share in donor ODA disbursements. Donors in the 2008 Accra Agenda for Action agreed that

> "Donor support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will i) jointly select and manage technical co-operation, and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation."

Recognizing that it is hard to measure the degree to which technical cooperation has been lead by partner country priorities and management, this section identifies some macro trends in TC.

The value of technical cooperation has been declining since the mid-2000s.

As indicated by Chart 27, the value of technical cooperation (in 2013 dollars) has declined by more than 30% since 2006. The 2014 figure (US$17.8 billion) is below the 2000 level (US$20.2 billion). These shifts in the priority and use of TC have primarily been with bilateral donors. In contrast, the value of multilateral cooperation TA has been relatively stable since 2000.

The changing priority for TC as an aid modality for bilateral donors is apparent Chart 28, which shows the share of TC in DAC Real Bilateral ODA since 2000.

TC has dropped from 24% of Real Bilateral Aid in 2010 to 19% in 2014.

As a share of Real Bilateral ODA bilateral technical cooperation, has declined significantly since its peak of 48% share in 2003. From 2007 to 2013 it maintained a level of around 24% but fell to 19% in 2014. It is difficult to predict whether this decline will continue.

Chart 27: Trends in the Value of Technical Cooperation, 2000 to 2014

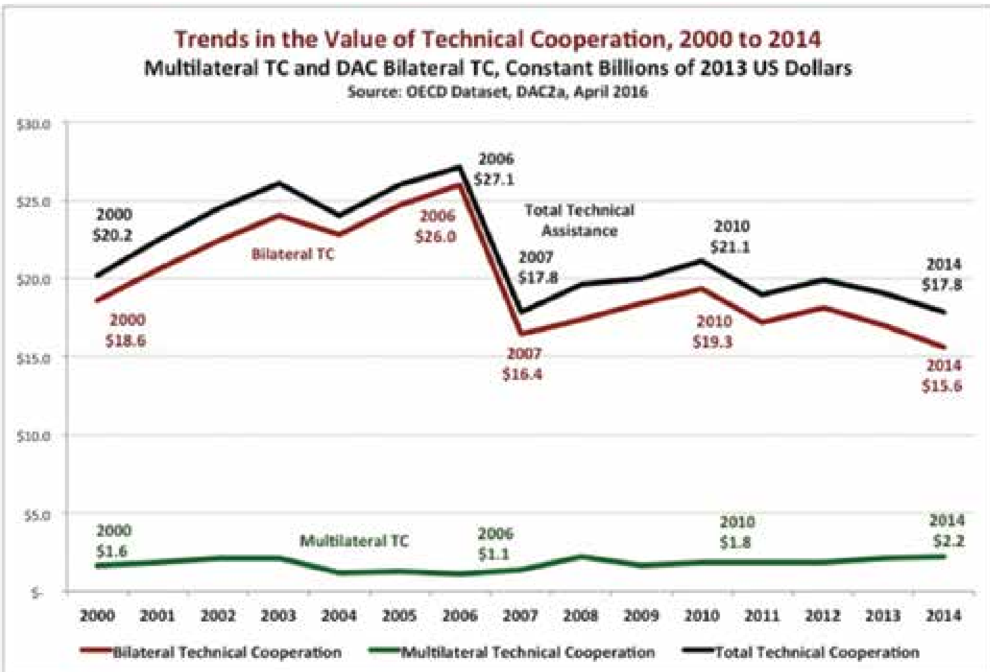
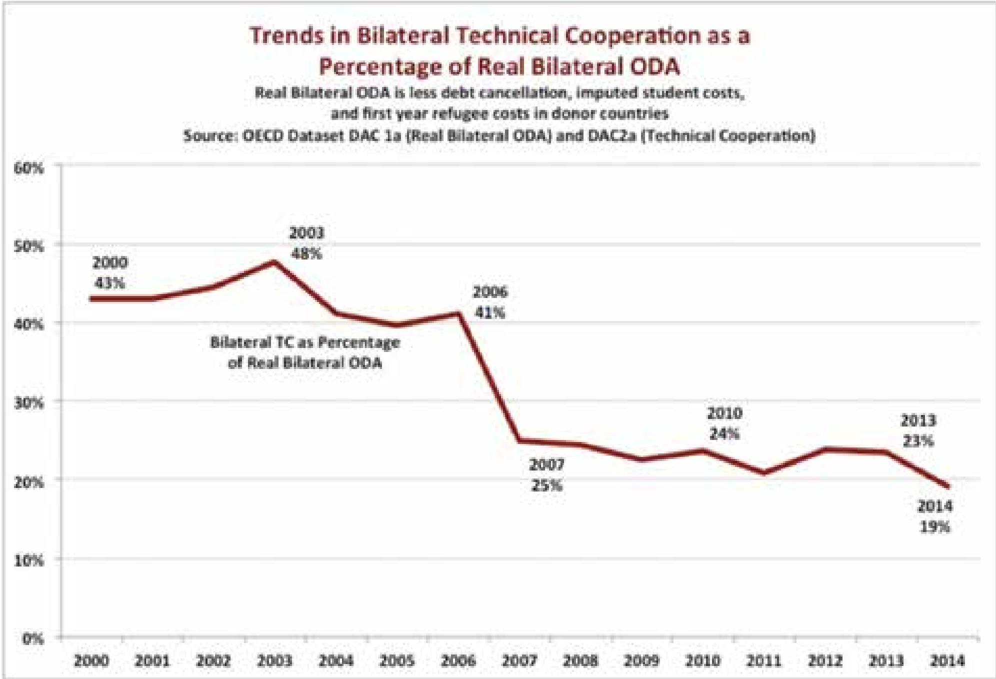


Chart 28: Trends in Bilateral Technical Cooperation as a Percentage of Real Bilateral ODA



The distribution of TC by country income groups indicates that almost half is allocated to LDCs/LICs.

In 2014, 44% of TC was disbursed LDCs and LICs, with 22% in LMICs and 19% in UMICs. About 15% of TC was not implemented in a specific country. Surprisingly governments with low revenue per capita are not a clear priority for this assistance. Although 51% went to countries with less than $1,500 per capita revenue, 43% went to countries with per capita revenue above $1,500 and 23% to those with per capita revenue over $3,000.

As indicated by Table Six below donor countries' share of TC in their ODA varies considerably. For example, Germany allocates close to 50% of its bilateral ODA through technical cooperation, while for United States TC was only 2.7% of bilateral ODA in 2014. Germany, Japan and France accounted for more than 60% of TC in 2014. These three donors also account for the largest share of loans in their bilateral ODA.

Germany, Japan and France account for 60% of bilateral TC in 2014.

Table Six: Share of Technical Cooperation in Donor ODA (2014)
Share of TC in Donor Bilateral ODA

Donor	Share of TC	Donor	Share of TC
Germany	46.9%	United Kingdom	13.4% (2013)
Austria	43.9%	Sweden	13.3%
Belgium	36.9%	The Netherlands	12.0%
Japan	33.2%	Norway	6.2%
Australia	32.8%	United States	2.7%
France	32.2%	Denmark	2.6%

Source: OECD Dataset DAC2a, April 2016

Six sectors receive the bulk of technical cooperation.

An interesting question is the sectors that receive the largest investments in TC. Unfortunately, there is insufficient data for a definitive answer. However, based on the 2014 disbursements of US$5.5 billion in TC (out of a total of US$15.5 billion), Table Seven provides a tentative breakdown. As indicated, government and civil society sectors received the largest share, with education not far behind. Six sectors received more than 87% of these TC disbursements.

Table Seven: Allocation of Technical Cooperation within Sectors (2014)
Note: Due to data limitations this table allocates US$5.5 billion out of total bilateral TC of US$15.5 billion

Sector	Share of Allocable Technical Cooperation
Government and Civil Society	27.7%
Education	21.7%
Multi-Sector	18.2%
Agriculture	9.1%
Health	6.5%
Conflict, Peace and Security	6.1%

Source: OECD Dataset DAC2a, April 2016

Peace and security, social infrastructure, basic education and public sector policy have the largest share of TC within a sector allocation of bilateral ODA.

In which sectors is TC playing the largest role? Table Eight shows the share of TC in disbursements for various sectors. Four areas utilized the greatest amount of TC resources in aid directed to this sector – 1) promoting conflict resolution, peace and security, 2) developing capacities for basic education, 3) public sector policy and administration reform, and 4) modernizing agricultural practices.

Table Eight: Allocation of Technical Cooperation with Sectors (2014)
Note: Due to data limitations this table allocates US$5.5 billion out of total bilateral TC of US$15.5 billion

Sector	Share of Allocable Technical Cooperation
Conflict, Peace and Security	14.0%
Other Social Infrastructure and Services	13.9%
Basic Education	12.6%
Public Sector Policy and Administration	10.3%
Agriculture	9.7%
Production Sectors	8.6%

Source: OECD Dataset DAC2a, April 2016

5.6 Climate Finance and ODA: Balancing adaptation and mitigation

The Conference of the Parties, "*decides* that … developed countries intend to continue their existing collective mobilization goal [USD 100 billion per year] through 2025 in the context of meaningful mitigation actions and transparency on implementation; prior to 2025 the Conference of the Parties … shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries." [Paris Agreement, §54]

"*Decides* that the Green Climate Fund and the Global Environment Facility, the entities entrusted with the operation of the Financial Mechanism of the Convention, as well as the Least Developed Countries Fund and the Special Climate Change Fund, administered by the Global Environment Facility, shall serve the Agreement." [Paris Agreement, §59]

An ambitious Paris Agreement was reached at COP21 in December 2015.

The Conference of the Parties (COP21) to the UN Framework Convention on Climate Change (UNFCCC), in Paris (December 2015), brokered an historic, far-reaching and legally binding Paris Agreement with ambitious measures for the mitigation and adaptation to climate change. While commitments by governments reported to COP21 are still insufficient to meet the stated aim to keep global warming "well below 2º C above pre-industrial levels", the 'parties' have agreed to review emission targets every five years and implement other actions to ensure that this goal is achieved. Furthermore, parties have agreed "to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change." [Annex, Article 2] Article 2 also acknowledges, "This Agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances."

Given these ambitious goals and actions, governments adhering to the Paris Agreement recognize "the urgent need to enhance the provision of finance … in a predictable manner, to enable enhanced pre-2020 action by developing country Parties [Paris Agreement, Preamble]." Article 9 (in the Annex) calls on developed countries to maximize the mobilization of resources from all sources, "noting the significant role of public funds," whereby "such mobilization of climate finance should represent a progression beyond previous efforts."

Currently there is no agreement on what and how to count climate finance to reach the US$100 billion goal by 2020.

While Article 9 calls on developed countries to "to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds," sources for this finance are ambiguous and contested. A central question is what constitutes climate finance and how should it be measured?

After more than a decade of discussion there is no general agreement on this question. The UNFCCC Committee of Finance in 2014 put forward an initial definition:

> "Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing the vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts."

However, the Parties to the Convention have not formally endorsed this statement.[87]

What is the most appropriate modality for climate finance?

Another topic of debate is the most appropriate modality for climate finance – grants or loans. CSOs argue that grants are the appropriate modality, particularly for adaptation. They maintain that developing countries should not be put in the position of increased debt burdens to mitigate or adapt to conditions for which they bear no responsibility.[88] This brings up another question: Should climate finance be measured as gross flows, including all loans, or on a net flow basis (less repayment of debt), and counting only concessional public and private finance? Even more ambiguous is the question of counting private finance and investment for mitigating and adapting to climate impacts. None of these questions have been resolved.

Will climate finance be additional to ODA?

Unfortunately, the concerns of developing countries and CSOs for "new and additional" climate finance (above commitments to ODA) all but fell off the agenda in the Paris meetings. Should climate related activities in ODA, where the donor performance is less than the UN target of 0.7% of GNI, be available for donors to include when measuring their contributions to the US$100 million goal? At the COP17 in Bali in 2007, Parties agreed to the principle of "additionality." Much of the donor-sourced Fast Track Climate Finance, agreed at COP19 in Copenhagen in 2009, was not necessarily new and additional, but was drawn from and reported as ODA. In the Paris Agreement, what constitutes "progression beyond previous efforts" remains ambiguous.

The question is: How much climate finance to date, and for whom?

When it comes to accountability for financing commitments, all the above issues will inevitably affect the accuracy, credibility, and ultimately the ambition, of reported climate finance by the Parties to meet the Paris targets.

How much progress has been made to date with respect to the US$100 billion target? In a comprehensive report, the OECD suggests that private and public finance by developed countries for "climate action" in developing countries reached US$62 billion in 2014, up from US$52 billion in 2013.

For the purposes of the OECD assessment, climate actions are all investments targeting "low carbon or climate resilient development," which do not include coal. According to the report, more than 70% of these flows were bilateral or multilateral public funding (including non-concessional loans) and 25% were private sourced funds mobilized through donor public financial activities. The small remaining funds were export credits. But the report acknowledges that the data gathering methodologies had varying degrees of coverage and consistency, as they were subject to different accounting methods among donors.[89]

The OEDC report also demonstrates that only one sixth of this financing went to adaptation, and that 75% targeted mitigation projects. In Paris, the Agreement calls for an improved balance: "The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties …" [Annex, Article 9] Poor and vulnerable people will be disproportionately affected by extreme climatic events; investment in adaptation is critical for development efforts that strengthen resilience to climate change for the most affected populations and countries.

Donor bilateral climate finance is reported to the OECD on a policy marker basis. This gives unreliable estimates of the total value of actual climate finance.

The OECD has developed an ODA policy marker for DAC donor climate finance targeting mitigation and adaption, either as a "principal" objective of a project, or as a "significant" objective (one among several other objectives). But the full value of a project is included for projects screened as "significant." Projects may also be screened as both mitigation and adaptation.

In 2014, DAC donors marked US$18.8 billion in projects, or 14.4% of aggregate aid, as targeting mitigation (including dual targeting with adaptation). Another US$12.4 billion, or 9.9% of aggregate aid, was marked as targeting adaptation (including dual targeting with mitigation).[90] The OECD estimate that approximately US$19 billion (or about 16% of Real ODA for these years) was reported to the UNFCCC as climate finance for 2013/14.[91] However, this amount should be viewed with caution due to the limitations of the marker system noted above. Each donor also uses its own coefficient and methodology for determining the portion of ODA activities marked climate finance that will be reported to the UNFCCC.[92]

It is also interesting to note that in 2014 five donors (Germany, Japan, France, the US, and Norway) provided more than 79% of marked climate finance for mitigation. These same five donors, with the substitution of Sweden for Norway, provided 67% of adaptation finance. In terms of activities marked as climate mitigation as a principal objective, almost half were concentrated in Asia, with only 6.7% in Sub-Saharan Africa. For activities marked climate adaptation as a principal objective, 21% were focused in Sub-Saharan Africa, with another 30% concentrated in Asia.[93]

What climate finance commitments were made in Paris?

At the Paris Conference, donors made more than US$1.5 billion in new commitments to climate funds. These included US$260 million to the Green Climate Fund, mandated by the UNFCCC as the primary financial instrument for public climate finance. Other commitments were made to the Least Developed Countries Fund (US$252 million), the Global Climate Change Alliance (US$380 million), the Forest Carbon Partnership Facility (US$339 million), the REDD+ Early Movers Program (US$113 million), and the Adaptation Fund (US$75 million).

Additional commitments for new initiatives were made to insurance resilience funds (more than US$2 billion in coverage), the Green Wall for the Sahara and Sahel (US$2.2 billion), and the World Bank's Transformative Carbon Asset Facility (US$500 million), among others.[94]

In the lead-up to the Paris Conference, China made a major commitment of US$3.1 billion in South South Cooperation for climate finance.

The Green Climate Fund is fully operational. But what will be the sources for "new and additional" finance for climate action?

The Green Climate Fund is now the largest climate facility. It has more than US$10 billion in pledges, and US$2.9 billion in paid up funds. The first grants were allocated in September 2015 and the Fund expects to allocate US$2.5 billion by the end of 2016.[95]

The launch of the Green Climate Fund with sizable pledges will play a significant role in meeting the Paris Agreement's climate action goals. However, without clarity and agreement on what constitutes targeted climate finance towards these goals, the ambition of US$100 billion for these actions by 2020 is likely to be unattainable. The World Resources Institute has set out several financing scenarios, which implies that high to medium growth in the levels of developed country climate finance for developing countries will be required.[96] But will these investments be "new and additional" to ODA, or will they come at the expense of the urgent need to expand ODA financing to meet the full range of sustainable development goals?

6. Other Sources of Development Cooperation Finance

> "[A revistalized Global Partnership] will facilitate an intensive global engagement in support of implementation of all the Goals and targets, bringing together Governments, the private sector, civil society, the United Nations system and other actors and mobilizing all available resources." [*Transforming our world,* §39]

> "We acknowledge the role of the diverse private sector, ranging from micro-enterprises to cooperatives to multinationals, and that of civil society organizations and philanthropic organizations in the implementation of the new Agenda." [Transforming our world, §41]

Governments are the foundation for setting the requisite policies, programs and finance to implement Agenda 2030 inside the priorities established by each country. ODA will play a crucial role in complementing government revenues for these purposes. But ODA alone is insufficient to meet the financing needs of developing countries, even if donors were to meet their 0.7% commitments on aid quantity. Other sources of financing are essential. The international community meeting in 2015 on Financing for Development, the SDG, and Climate Change identified middle-income aid providing countries through South-South Cooperation, the mobilization of citizens' resources by CSOs, and investments by the private sector to help fill these funding gaps.

6.1 South-South Cooperation Aid Providers

> "South-South cooperation is an important element of international cooperation for development as a complement, not a substitute, to North-South cooperation. We recognize its increased importance, different history and particularities, and stress that South-South cooperation should be seen as an expression of solidarity among peoples and countries of the South, based on their shared experiences and objectives. … We welcome the increased contributions of South-South cooperation to poverty eradication and sustainable development. We encourage developing countries to voluntarily step up their efforts to strengthen South-South cooperation…." [*Addis Ababa Action Agenda*, §56 & §57]

In the lead-up to the Special General Assembly's adoption of the 2030 Agenda, Secretary-General Ban Ki-moon urged "the acceleration of the development momentum across the global South." He noted the key role South-South Cooperation (SSC) can play in its implementation. Alicia Bárcena, Executive Secretary of the UN ECLAC (Economic Commission for Latin America and the Caribbean), reflected a common refrain in the international community when she recently asserted the unsustainability of "the current pattern of development." She called for a change of paradigm, saying that "here South-South cooperation plays a central role."[97]

The April 2014 High Level Meeting (HLM) for the Global Partnership for Effective Development Cooperation in Mexico welcomed,

> "the initiatives undertaken by Southern partners to deepen the understanding of the nature and modalities of South-South Cooperation and the ways and means to enhance its development impact as well as its potential synergies with the efforts of other development cooperation partners and modalities." [§27]

The second HML, scheduled to take place in Nairobi, November 2016, is expected to continue this focus on SSC as a key resource for the SDGs.

Concessional South-South Cooperation forms only part of an emerging parallel development finance architecture.

South-South Cooperation represents a broad range of assistance efforts between middle-income SSC providers and other developing country partners. SSC financing extends beyond the scope of concessional development finance. In an increasingly multi-polar world, several rapidly developing middle-income countries, lead by China, are creating a parallel development finance architecture. These initiatives include the recently launched the BRICS New Development Bank, the Chinese-sponsored Asia Infrastructure Development Bank, and China's South-South Cooperation Fund.

These Southern-initiated institutions create new and alternative opportunities for country governments seeking development finance. However, some concerns and cautions have been noted. For example, when the New Development Bank made its first loans in early 2016, civil society critics expressed concern about the absence of transparency and sufficient environmental and social safeguards in the Bank's approval processes.[98]

A focus on SSC concessional flows

SSC providers have been allocating highly concessional development finance (loans and grants), whose terms parallel the rules for determining ODA established by the OECD DAC. While not underestimating the medium term importance of the various institutional initiatives noted above, the focus here is on trends for SSC concessional flows. Can they be scaled-up to finance the SDGs alongside more traditional aid flows from DAC donors?

A number of SSC providers have been reporting their aid flows to the DAC, which, in turn, publishes them alongside those from DAC members. Unfortunately, other SSC providers have not regularly published up-to-date statistics for financial flows in support of development cooperation, comparable to DAC ODA. In the absence of this data, it is only possible to make informed estimates of total SSC concessional finance.

SSC aid flows increased to US$32.2 billion in 2014, but the increase since 2012 is highly concentrated among three donors – Saudi Arabia, Turkey and the UAE.

Table Nine provides an estimate for total concessional flows from SSC and other non-DAC donors. For the period of 2014/15, these flows amount to US$32.2 billion. According to OECD DAC sources, SSC flows have increased considerably since 2012, when

Table Nine: Estimates of South South Cooperation Concessional Flows for Development (DAC ODA-like flows)

Aid Provider	Concessional Assistance (millions US$)	Notes
a) SSC Providers Reporting to the DAC		
Saudi Arabia	$13,634	2014
United Arab Emirates	$4,389	2015
Turkey	$3,913	2015
Russia	$1,140	2015
Hungary	$152	2015
Israel	$207	2015
Kuwait	$277	2014
Romania	$214	2014
Chinese Taipei	$274	2014
Nine (9) Other providers*	$344	2014 and 2015
b) SSC Providers Not Reporting to the DAC (estimates)		
China	$3,400	2014
India	$1,600	2015
Qatar	$1,344	2013
Brazil	$500	2010
Mexico	$530	2013
South Africa	$148	2014
Four (4) Other Providers**	$174	2014
Total SSC Providers 2014/15	**$32,240 (estimate)**	**$11,952 in 2012 & $27,325 in 2013 (same sources)**
Percentage of DAC Real ODA (2014)	**26%**	
Percentage of DAC Country Programmable Aid, including Humanitarian Assistance (2014)	**46%**	

Sources: Providers reporting to the DAC: OECD Dataset DAC1a (2015 current prices);
Providers not reporting to the DAC: OECD DAC Table 33a: Estimates of concessional finance for development (ODA-like flows) of key providers of development cooperation that do not report to the OECD-DAC, accessed April 2016 at http://www.oecd.org/development/stats/statisticsonresourceflowstodevelopingcountries.htm; *For India, DevEx, "India's Foreign Aid Budget: Where is the money going?," March 9, 2015, accessed April 2016 at* https://www.devex.com/news/india-s-2015-16-foreign-aid-budget-where-the-money-is-going-85666.
** The nine providers are Bulgaria, Croatia, Estonia, Kazakhstan, Latvia, Liechtenstein, Lithuania, Malta, and Thailand.*
**** The four providers are Chile, Colombia, Costa Rica and Indonesia.*

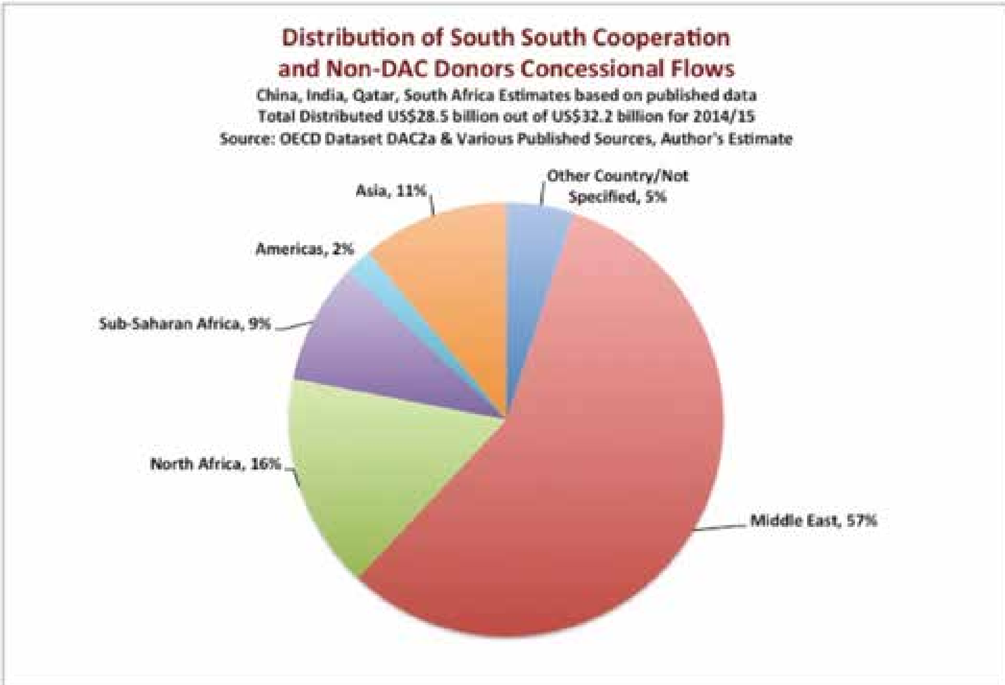
the equivalent estimate put flows from these donors at US$12 billion.

Three donors accounted for 85% of the US$20 billion increase between 2012 and 2014/15 – Saudi Arabia,(increased by US$13.3 billion); United Arab Emirates (increased by US$3.6 billion) and Turkey (increased by US$1.4 billion). The primary focus for these donors, and the dramatic increases in SSC resources, is the ongoing crisis in the Middle East, particularly in Syria and Egypt.[99]

The Middle East accounted for almost 70% of SSC flows in 2014/15.

Chart 29 tracks the regional distribution of SSC and non-DAC donor flows. It is evident that the primary focus for 2014/15 flows is the Middle East and North Africa, which make up 73% of those flows distributed by region.[100] Sub-Saharan Africa received only 9% of the recorded flows, most of which came from China and India. India is reported to allocate at least 80% of its concessional aid to its immediate neighbours, particularly Bhutan.

Chart 29: Distribution of South-South Cooperation and Non-DAC Donors' Concessional Flows



While Arab aid providers are presently contributing much needed humanitarian support in the Middle East and North Africa, this is, hopefully, a time-specific urgency. So a high percentage of this aid may not be available for the 2030 Agenda, as it is likely to decline when the immediate humanitarian crises in the region subside.

China and India are the primary SSC aid providers beyond the Middle East, with approximately $5 billion in flows annually.

Among the other SSC providers, China and India (with a combined estimate of US$5 billion in concessional flows in 2014/15) are the primary providers outside the Middle East. Given the current political turmoil in Brazil, its future as a donor is unclear,[101] and Mexico has not yet reported the regional distribution of its aid allocations.

For some years to come, SSC concessional aid flow targeting the SDGs is likely to be modest relative to the DAC flows.

In terms of concessional flows, it is important to note that several SSC providers under-estimate their contributions to SSC through in-kind technical assistance. But given current realities for middle-income providers, the potential role of SSC in financing the SDGs, beyond China and India, with perhaps some contributions from Brazil, Mexico and South Africa, will be modest, when compared to current ODA allocations of DAC donors. However, the BRICS (Brazil, Russia, India, China and South Africa), as well as Mexico and Indonesia, may also provide significant non-concessional resources bilaterally or through various South-South development banks.

Triangular cooperation is modest to date.

A number of DAC donors have engaged in "triangular cooperation," joint initiatives involving middle-income aid providers with DAC donors and partner countries in the South. These innovations in finance are often promoted at international meetings on development finance.

The OECD DAC recently completed a study that was based on a survey of actors involved in triangular cooperation. These actors were strong advocates for such efforts to build greater collaboration between development partners and to support developing country partners with innovative technical support. However, the findings also pointed to the lack of policies and guidelines for triangular cooperation. It notes, that at this stage, finance through triangular cooperation is still modest, where "most providers [...] invested less than USD $10 million per year," and "most developing countries received less than USD $5 million in total through triangular cooperation."[102]

The role for China in future development cooperation in support of the SDGs is expanding.

At the end of 2015, China made a number of significant announcements regarding future initiatives for its development cooperation. At the Special Session of the UN for the SDGs in September, President Xi Jinping announced the creation of a US$2 billion fund to support South-South Cooperation. He committed to forgiving the debt owed China by relevant LDCs, landlocked developing countries, and small island developing countries.[103]

At the second Summit of the Forum on China-Africa Cooperation (December 2015), China's President announced US$60 billion in funding for Africa over the next three years. This included:

- US$5 billion in interest free loans;
- US$35 billion in preferential loans and export credit;
- US$5 billion in additional capital for each of the China-Africa Development Bank and Special Loans for the Development of African SMEs; and
- US$10 billion to support a fund for China-Africa production capacity development.[104]

There was no indication of the degree to which these announcements would affect the level of concessional finance (ODA-like) in future years.

6.2 Civil Society as Aid Providers

> "Multi-stakeholder partnerships and the resources, knowledge and ingenuity of the private sector, civil society, the scientific community, academia, philanthropy and foundations, parliaments, local authorities, volunteers and other stakeholders will be important to mobilize and share knowledge, expertise, technology and financial resources, complement the efforts of Governments, and support the achievement of the sustainable development goals, in particular in developing countries." [Addis Ababa Action Agenda, §10]

While CSOs are recognized as critical actors in development, particularly in knowledge sharing and accountability, neither the AAAA nor *Transforming our world* put much emphasis on these organizations as important providers of development cooperation. The same can be said of the role of private foundations.

But CSOs provide significant financing for development. It is estimated that CSOs manage approximately US$70 billion in development assistance annually, primarily from DAC countries (taking into account both their privately raised funds and donor resources channeled through CSOs – see below).

As a key partner for civil society in developing countries, CSOs are global development actors, playing multiple roles on the ground in communities. They contribute to innovative sector projects, support humanitarian assistance, and hold other development actors accountable to their commitments and good governance. At the same time, CSOs have witnessed a deteriorating enabling environment for their work in an increasing number of countries.[105]

ODA implemented by CSOs is increasing, reaching US$21.6 billion in 2014.

The DAC documents official aid resources channeled to CSOs (for purposes identified by CSOs) and through CSOs (for purposes identified by the donor and contracted to CSOs). In 2014, DAC donors provided US$18.7 billion to CSOs, with an additional US$2.9 billion channeled to CSOs by multilateral organizations. This makes for a total of US$21.6 billion in ODA implemented by CSOs. These amounts (in current dollars) have been slowly increasing since 2010 when US$18.6 billion of ODA was implemented by CSOs, translating into an increase of over 15% in the past four years.[106]

While proportions varied among DAC countries, together DAC donor bilateral ODA channeled through and to CSOs represented 22% of their Real Bilateral ODA in 2014, up from 20% in 2010.

An accurate estimate of private funds raised for development by CSOs is challenging.

Some DAC members provide estimates of private funds raised by CSOs in their country. Since 2010, these estimates have hovered around US$34 billion, with a small drop in 2014 to US$32.8 billion (mainly due to two donors not reporting in that year).[107] Of this amount, US$26 billion in 2014, or more than 75%, was raised in the United States.

Given the reporting limitations, these estimates do not provide a comprehensive accounting of all private funds raised by CSOs. In 2013, the Center for Global Prosperity put total privately raised CSOs funds at US$48 billion globally, including US$370 million in Brazil, China, India and South Africa.[108] The DAC also records that US$330 million was raised by CSOs in Turkey in 2014, and US$190 million in the United Arab Emirates.

Unfortunately, the Center for Global Prosperity has not produced a report on philanthropic contributions since 2013.

It is estimated that US$70 billion in development cooperation resources are raised and managed by CSOs.

While only an estimate, combining the DAC figures on ODA finance channeled through CSOs and the private financing identified by the Center for Global Prosperity, CSOs currently contribute at least US$70 billion in development cooperation.

6.3 The Private Sector, ODA and the SDGs

> "Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships." [*Transforming our world,* Goal 17.17, 27/35]

> "Projects involving blended finance, including public-private partnerships, should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards. … We also commit to holding inclusive, open and transparent discussion when developing and adopting guidelines and documentation for the use of public-private partnerships…" [AAAA, §48]

> "Aid for Trade can play a major role. We will focus Aid for Trade on developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries. We will strive to allocate an increasing proportion of Aid for Trade going to least developed countries …" [AAAA, §90]

Private sector investment is a crucial component to achieving the SDGs by 2030, particularly in areas of economic infrastructure, sustainable livelihoods and decent jobs. As a strategy to deal with the financing gap, donors have been eager to bring the business sector to the table to discuss financing options for the SDGs. At the same time, they are expanding options for using ODA as a means to increase private sector investment in support of the SDGs in the poorest countries.

Corporate foreign investment is concentrated in the wealthy developing countries.

It is suggested that there has been a major shift towards private sector finance now available to developing countries that can be tapped for the SDGs, essentially marginalizing ODA as a development resource.

However, current allocations of private foreign direct investment (FDI) to developing countries tells a different message. Of the $690 billion in FDI directed to developing countries in 2014, 76% was invested in Upper Middle Income Countries, 17% in LMICs, and a mere 6.5% in Least Developed (LDCs) and Low Income Countries (LICs).[109]

Goodman and Hilton, in the Australian chapter for this Report, point to UNCTAD calculations demonstrating that foreign direct investment in physical operations (removing mergers and acquisitions) was only US$63 billion in 2014 for all developing countries, outside of China, Hong Kong, Taiwan, South Korea, Singapore and the UAE, with only US$1.5 billion to least developed countries.[110] These investments of US$63 billion are just under DAC members' total Real Bilateral ODA in that year (US$85.2 billion) – excluding in-donor student and refugee costs and debt cancellation.

Given the absence of significant investment opportunities in LDCs and LICs, the foreign private sector investment is unlikely to turn the tide with private financing for the SDGs, particularly in the poorest countries. In these countries the route to expanding opportunities for better livelihoods lies with strengthening the domestic private sector, and particularly small and medium enterprises, and the rural economy, as *Reality of Aid* argued in its 2012 Global Report.[111]

ODA support for private public partnerships (PPPs) is increasing, but remains a very small portion of ODA.

Calls for strengthening "private public partnerships" (PPPs) in support of the SDGs was a persistent refrain at both the Addis Financing for Development Conference and the SDG Special UN Session approving the SDGs in September 2015.

Indeed, several donors have devoted increasing amounts of ODA in PPPs. This support has grown from US$84.8 million in 2005 to US$700.7 million in 2014 (2014 constant dollars). (Chart 30) Five donors account for more than 85% of these PPP disbursements in 2014 – Belgium, Denmark, the Netherlands, the UK and the US. However, despite this growth, ODA directed to PPPs accounted for only 1.3% of the ODA of these five donors in that year.

Social sectors rank high in sector distribution of allocable PPP ODA.

For DAC donors as a whole, close to 40% of ODA devoted to PPPs was directed to the social sectors in 2014. The productive sectors accounted for 20% of sector allocable PPP ODA, with agriculture making up 9.4% of this amount. Approximately 21% of sector allocable PPP ODA was directed to business support services, and 16% to multi-sectors (including 11% devoted to environmental protection).

Among PPPs supported by USAID, 89% were with business sector partners, and 83% were highly associated with the commercial interests of the business partner.

The Brookings Institute recently published an interesting study of PPPs initiated by USAID, a major promoter of engaging the private sector in USAID development efforts. The study reviewed 1,600 projects between 2001 and 2014.[112] The total value of USAID's investment in these PPP projects was US$16.5 billion, averaging US$880 million a year, with the expectation that private partners contributed at least an equal share.

A review of these projects presents a different profile that the macro picture in the DAC data:

- Only 26% (by value) targeted UMICs, while 42% targeted MICs, and 32% targeted LDCs and LICs; and
- In relation to sectors 47% (by value) was concentrated in the health sector (in part due to one very large project worth US$4.2 billion), 13% in agriculture and food security, 12% in economic growth, trade and entrepreneurship, 7% in education, and 12% were considered multi-sectoral.

The Brookings study also explored several questions on the nature of the partnerships. It found that 89% of the PPPs (by value) were with business sector partners (with the remaining 11% with NGOs). The PPPs (83% by value) were highly associated with the commercial interests of the business partner, which can be considered an informal modality for tying US aid to US corporate interests. Technical advice and expertise represented the main resource offered by the business sector (88% of the PPPs by value). They also found that where the business sector contributed expertise, the PPP was more likely to be tied to their commercial

Chart 30: Donor ODA to Public Private Partnerships, 2005 - 2014

interests. The study, unfortunately, did not assess these PPPs in terms of a sustained development impact and poverty reduction.

Allocation of ODA to key sectors targeting aid-for-trade held constant since 2005.

Aid-for-trade has been a long-standing interest of donors following the collapse of the WTO Doha Development Round of trade talks in 2005. However, an accurate assessment of aid for trade is difficult, both in terms of the amount invested and the impact of trade on development outcomes for poor and marginalized populations.[113] The most recent DAC figures put ODA devoted to aid-for-trade at US$42.8 billion.[114]

Given the fact that the DAC does not disaggregate large allocations in the finance and production sectors, this amount appears to be a significant exaggeration of the real ODA resources devoted to strengthening the trade relations of developing countries. For example, the figure includes all ODA in support of economic infrastructure, including micro-finance, and all of agricultural investments, with unknown amounts focusing on production for trade..

Perhaps a more accurate picture is provided through an examination of the detailed DAC sector codes. The DAC CRS records $763 million in 2014 devoted to trade policy and regulation. Other elements, such as transportation and storage, business support services, mineral resources and mining, and commodities support could arguably be included. The sum of all of these components for 2015 gives a total investment of US$9 billion, far removed from the $42.8 billion claimed. It is also useful to note that these sectors have been a constant proportion of allocable sector aid resources since 2005, hovering between 10% and 12% over the decade.

Annex One

Addis Ababa Action Agenda: Development Cooperation Commitments

1. **ODA Levels**: "ODA providers reaffirm their respective ODA commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of ODA/GNI and 0.15 to 0.20 per cent of ODA/GNI to least developed countries." [§51]
2. **Focus on least developed countries**: "We recognize the importance of focusing the most concessional resources on those with the greatest needs and least ability to mobilize other resources," including praise for those countries that devote at least 50% of their ODA to least developed countries. [§52]
3. **Predictability and transparency**: "Encourage the publication of forward-looking plans which increase clarity, predictability and transparency of future development cooperation, in accordance with national budget allocation processes." [§53]
4. **Tracking resources of gender equality**: "Urge countries to track and report resource allocations for gender equality and women's empowerment." [§53]
5. **Catalyze resources from other sources**: Support domestic resource mobilization and "unlock additional finance through blended or pooled financing." [§54]
6. **Effective development cooperation**: "Welcome continued efforts to improve the quality, impact and effectiveness of development cooperation and other international efforts in public finance, including adherence to agreed development cooperation effectiveness principles" and will "take account of efforts in other relevant forums, such as the Global Partnership for Effective Development Cooperation, in a complementary manner." [§58]
7. **Humanitarian finance**: "We recognize the need for the coherence of developmental and humanitarian finance to ensure more timely, comprehensive, appropriate and cost-effective approaches to the management and mitigation of natural disasters and complex emergencies. We commit to promoting innovative financing mechanisms to allow countries to better prevent and manage risks and develop mitigation plans." [§66]
8. **Peacebuilding**: "We recognize the peacebuilding financing gap and the role played by the Peacebuilding Fund. We will step up our efforts to assist countries in accessing financing for peacebuilding and development in the post-conflict context." [§67]
9. **Innovative finance**: "We invite more countries to voluntarily join in implementing innovative mechanisms, instruments and modalities which do not unduly burden developing countries." [§69]
10. **Multilateral Development Banks**: "We encourage the multilateral development finance institutions to establish a process to examine their own role, scale and

functioning to enable them to adapt and be fully responsive to the sustainable development agenda." [§70]

11. **Middle-income countries**: "We recognize that middle-income countries still face significant challenges to achieve sustainable development. … We also acknowledge that ODA and other concessional finance is still important for a number of these countries and has a role to play for targeted results, taking into account the specific needs of these countries." [§71]
12. **South South Cooperation (SSC)**: "Recognize its increased importance, different history and particularities, and stress that South-South cooperation should be seen as an expression of solidarity among peoples and countries of the South, based on their shared experiences and objectives. It should continue to be guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit." [§56]
13. **Development Banks**: "We welcome efforts by new development banks to develop safeguard systems in open consultation with stakeholders on the basis of established international standards, and encourage all development banks to establish or maintain social and environmental safeguards systems, including on human rights, gender equality and women's empowerment, that are transparent, effective, efficient and time-sensitive." [§75]
14. **Strengthening health systems and universal health coverage**: "We commit to strengthening the capacity of countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks, as well as to substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States." [§77]
15. **Delivering quality education**: "We will scale up investments and international cooperation to allow all children to complete free, equitable, inclusive and quality early childhood, primary and secondary education, including through scaling-up and strengthening initiatives, such as the Global Partnership for Education." [§78]
16. **Climate finance:** Look forward to a Paris Agreement that "reflects the principle of common but differentiated responsibilities and respective capabilities, in light of different national circumstances." [§59] The AAAA "recognize(s) the need for transparent methodologies for reporting climate finance…" [§60] It notes the decision of the Board of the Green Climate Fund to "aim for a 50:50 balance between mitigation and adaptation over time on a grant equivalent basis and to aim for a floor of 50 per cent of the adaptation allocation for particularly vulnerable countries, including least developed countries, small island developing States and African countries." [§61]

Annex Two

Future Trends in DAC Donor ODA

Donor	Expected Trend	2014 to 2015 Increase / Decrease & Percentage of Total DAC ODA in 2015
Australia	**Decrease:** The May 2016 budget projected another decrease in Australian aid. From a high of AU$5,053 million in 2012-13, aid fell to AU$4,052 million in 2015-16, and is projected to be AU$3,828 million in 2016-17, AU$3,912 million in 2017-18 and AU$4,014 billion in 2018-19. Aid in 2016/17 is 24% less than in 2012-13.[115]	Decreased 11.1%. 2.4% of ODA in 2015
Austria	**Uncertain:** Planned cuts in 2015 to the Austrian Aid Agency budget were postponed at the last moment. Aid levels may rise due to debt cancellation (Sudan) and increased in-country refugee costs. Real aid may be affected, but direction of real aid uncertain.	Increased 15.4%. But declined by 7.4% excluding refugee costs. 0.9% of ODA in 2015.
Belgium	**Decrease:** Since 2012 aid has been cut more than €900 million. The development minister has announced further cuts of €1 billion over next five years.[116]	Decreased 7.8%. Declined by 12.2% excluding refugee costs. 1.4% of ODA in 2015.
Canada	**Increase:** Very modest increase in aid expected from 2015 to 2016; Expect modest increases thereafter.[117] The increase from 2014 to 1015 was due to a special one-off loan to the Ukraine and double payments to the IFIs in the calendar year 2015.	Increased 17.1% 3.3% of ODA in 2015.
Denmark	**Decrease:** New government will reduce aid to 0.7%. Budget for 2016 fulfills this promise and the 2015 budget is projected to be 0.73% of GNI down from the expected level of 0.83%.[118]	Increased 0.8%. Declined by 6.8% excluding refugee costs. 2% of ODA in 2015.
Finland	**Decrease:** New conservative government in 2015. Finish ODA will decrease by 43% between 2014 and 2016, from around €1.2 billion to €715 million.[119] In early 2016 the government announced an additional €25 million cut to Finland's ODA.	Decreased 5.7%. 1% of ODA in 2015.
France	**Increase:** France's development agency — Agence Française de Développement – annual financing capacity will rise from €8.5 billion ($9.22 billion) to €12.5 billion by 2020 and half of that increase will be directed towards climate change — raising annual climate financing from 3 billion to €5 billion by 2020.[120]	Increased 2.8%. Increased by 3.4% excluding refugee costs. 7% of ODA in 2015.
Germany	**Increase:** In March 2015 the German government announced that German ODA would increase by €8.3 billion by 2019. This would be the highest increase in German history.	Increased 25.9%. Increased by 5.8% excluding refugee costs. 13.5% of ODA in 2015.
Ireland	**Increase:** After repeated cuts in ODA since 2011, ODA will increase by €40 million to €640 Million in 2016.	Increase by 1.9%. 0.5% of ODA in 2015.

Italy	**Increase:** The government's ambition is to reach 0.30% of GNI by 2020. In 2015 the ratio was 0.21%.	Increase by 14.2%. But increase cut to 7.5% excluding refugee costs. 2.9% of ODA in 2015.
Japan	**Increase:** According to the General Account Budget (the main budget), Japan's ODA budget was increased by 1.8% for fiscal year (FY) 2016. This is first time since FY 1997 that the ODA budget has been increased.	Increase by 12.4%. 7.1% of ODA in 2015.
Netherlands	**Decrease:** Total ODA levels are expected to increase, but only because of substantial increases for in-country refugee expenditures.	Increased by 24.4%. But increase 15.4% excluding refugees costs. 4.4% of ODA in 2015.
Norway	**Increase:** The 2016 budget proposal entails an overall increase in the ODA budget of NOK1.2 billion compared with the initial budget proposal for 2016, bringing the ODA budget for 2016 to NOK34.8 billion, which represents 1 percent of Norway's total income (GNI).[121]	Increased by 8.7%. But increase reduced to 2.2% excluding refugee costs. 3.3% of ODA in 2015.
Spain	**Increase:** Spain has publicly announced reversing the decline in its ODA as its economy increases and has projected increases in its 2015 and 2016 budgets. However, it also failed to spend its full allocation in 2014. (DAC Peer Review, 2016).	Increased by 1.5%. But increase reduced to 0.4% excluding refugee costs. 1.2% of ODA in 2015.
Sweden	**Increase:** Small increase for climate finance included in ODA. A new accounting method will put Sweden below 1% of GNI in 2016.	Increased by 38.8%. But increase reduced to 9.9% excluding refugee costs. 5.4% of ODA in 2015.
Switzerland	**Unchanged:** The government has earmarked just over CHF11 billion ($11.2 billion) for international cooperation over the next four years, including development and humanitarian aid as well as trade promotion and other economic measures.	Increased by 6.7%. 2.7% of ODA in 2015.
United Kingdom	**Increase**: Tied to 0.7% of GNI. But increases will not be as large as originally expected. Because estimates of growth has been halved, the country's aid budget, estimated in November at $23.4 billion for 2019-2020, will be about 650 million pounds ($932 million) less than expected.[122] These estimates will be even further reduced with the impact of the Brexit vote. The future of the 0.7% target is also uncertain.	Increased by 3.2%. 14.2% of ODA in 2015.
United States	**Decrease:** ODA is projected by CSOs to be lower in 2017.	Decrease by 7%. 23.6% of ODA in 2015.

Endnotes

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4 See http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf.

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9 Brian Tomlinson, 2014. "Fit for Purpose: ODA and the financing of the Post-2015 Development Agenda," in The Reality of Aid 2014: Rethinking Partnerships in a Post 2015 World: Towards Equitable, Inclusive and Sustainable Development. Manila: Ibon, accessed April 2016 at http://www.realityofaid.org/wp-content/uploads/2014/12/1.Fit-for-Purpose.pdf.

10 See Brian Tomlinson in Reality of Aid, *op. cit.*, pp 136 -141.

11 Summer, A., 2015. "When does One Dime = 100 Million People," Center for Global Development Blog Post, November 5, 2015, accessed April 2016 at http://www.cgdev.org/blog/when-does-one-dime-100-million-people. He notes that "Approaches to global poverty need to be informed by a broader understanding of the overall global consumption distribution and how very modest changes to the assumed poverty line lead to significantly different understandings of the scale and location of global poverty. It would therefore be better, we suggest, to make estimates with a range of poverty lines, probably up to at least $10 a day, so as to pay greater attention to the global distribution overall."

12 The issues relating to national poverty lines in developing countries are both complex and controversial. See Hoy, C., 2016. "Projecting National Poverty to 2030," Overseas Development Institute, March 2016, access April 2016 at http://www.odi.org/sites/odi.org.uk/files/resource-documents/projecting_national_poverty_to_2030_final_web.pdf. Hoy documents the poverty lines in 59 developing countries and found that approximately one third of the population or 1.2 billion people live below these national poverty lines. There is a great deal of variability across countries and regions. See also Reddy, S. & Lahoti, Rahul, 2016, "$1.90 a day: What does it say? The New International Poverty Line," New Left Review, #106, January-February 2016. Reddy and Lahoti provide an excellent overview of the many significant issues in the Bank's methodologies for calculating an International Poverty Line at $1.90 a day, which as they suggest calls for a new approach based on an assessment of clearly defined basic

human requirements and the commodities needed to meet those requirements (with both income and non-income components.

13 Hoy, op. cit. p. 13. He found the median poverty line to be around $1.80 a day (2005 PPP) and the mean to be around $2.36 a day (2005 PPP). This result correlates with the World Bank measure of poverty at $2.00 a day (2005 PPP) or $3.10 a day (2011 PPP), which is used in this chapter as an approximate measure of both extreme poverty (absolute depravation) and highly vulnerable poor people.

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15 Sumner, A., 2016. "The World's New Middles – Implications for the future of development and aid," UNU-WIDER Blog, May 2016, accessed June 2016 at https://www.wider.unu.edu/publication/world%E2%80%99s-new-middles-implications-future-development-and-aid.

16 See Reddy and Lahoti, op. cit. for a summary of these criticisms.

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20 World Bank, PovcalNet, http://iresearch.worldbank.org/PovcalNet/index.htm?1.

21 Strawson, op. cit., p. 11.

22 OECD DAC, 2008. Aid Targets Slipping Out of Reach, See table 4, page 13, Accessed April 2016 at http://www.oecd.org/dac/stats/41724314.pdf. There was no goal expressed by the United States following Gleneagles. President Obama in his first campaign for Presidency promised to bring US aid to US$50 billion and in his first term postponed this goal to his second term. This goal is the one that is used here for the US. First year support for refugees is counted in 2015 in the same proportion as refugee support in 2005 for Denmark, Germany, Italy, Netherlands, Norway, Sweden, the UK and the United States.

23 Author's calculations based on OECD DAC 2008, op. cit. [note 21], and OECD Dataset, DAC1a.

24 See *Looking to the Future, Don't Forget the Past – Aid Beyond 2015,* Concord AidWatch 2015, accessed April 2016 at http://www.concord.se/wp-content/uploads/FINAL_AidWatch2015.pdf.

25 OECD DAC, "2015 Global Outlook on Aid," Accessed April 2016 at http://www.oecd.org/dac/aid-architecture/2015%20FSS%20Survey%20flyer.pdf.

26 The DAC defines CPA as Gross Bilateral Aid less: humanitarian aid and debt relief (unpredictable aid); administrative costs, imputed student costs, development awareness, research and refugees in donor countries (no cross boarder flows); and food aid, aid from local governments, core funding to NGOs, ODA equity investment, aid through secondary agencies and aid which is not allocable by country or region (do not form part of cooperation agreements between governments).

27 These include donor country refugee and imputed student expenditures, full amount of debt cancellation for which the benefit to recipient countries are spread over decades, and interest paid to donors, not deducted with the principle in ODA loan repayments to donors. Donor administration costs and disbursements for public awareness are not included as these are legitimate expenses in managing an aid program.

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30 Concord AidWatch 2015, op. cit., page 19.

31 Development Cooperation Directorate, "Follow up to Decisions at the February 2016 DAC High Level Meeting," DCD/DAC (2016) 15, accessed April 2016 at http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC%282016%2915&docLanguage=En

32 Author calculations from OECD Database, DAC1a, April 2016.

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Financing, Report to the Secretary General, December 2015, page v, accessed April 2016 at http://www.un.org/news/WEB-1521765-E-OCHA-Report-on-Humanitarian-Financing.pdf.

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88 Ibid, page 5.

89 OECD and Climate Policy Initiative, 2015. "Climate Finance in 2013-14 and the USD 100 billion goal," OECD October 2015, accessed June 2016 at http://www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.pdf. The report notes, with respect to methodology: "It is important to acknowledge that recent developments in definitions and accounting methodologies to track climate finance are a staging post on the way towards more complete and transparent estimates of climate finance. Improving the quality and coverage of data collection is an evolving multi-year process. Methodological choices made this year on refined definitions and accounting approaches represent progress but it may be some time before they can be systematically implemented and before data can be consistently and routinely collected."

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research/files/papers/2016/02/usaid-public-private-partnerships-ingram-johnson-moser/wp94pppreport2016web.pdf. All the data in these two paragraphs are derived from this study.

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South – South Experience in Technical Co-operation in India

Jyotsna Mohan, Voluntary Action Network India

Overview

In the last few years, India has become recognized as an aid providing country, largely due to its emergence as a rapidly emerging developed country, despite the contradiction of it still being at a lower level of the Human Development Index (HDI). For several years now, India has been operating as a traditional donor, providing aid to neighboring countries. [1] It has also been noted that India's foreign policies are not considerably different from those of western countries, despite claims on being 'demand driven'.

This paper analyses these issues using a South-South Co-operation (SSC) framework. The objective is to identify and critically examine the processes and policies of India's development assistance programmes, including major trends in assistance and target beneficiaries. India's strategic interests and objectives in SSC will also be studied as will the scope and involvement of civil society organizations. The chapter identifies the major areas of Indian engagement in the immediate region of South Asia and in Africa. It also explores the various agencies and instruments employed by India in extending development co-operation, such as Lines of Credit (LoCs) and technical assistance programmes through the Indian Technical and Economic Cooperation Programme (ITEC).

South-South Co-operation is by no means a new process. In fact, many developing countries have a long history of extending technical assistance or economic and political support to other developing countries. But since the decolonization and globalization era began at the end of the World War II, the international system has been largely dominated by the North-South development relationships. In recent years, however, the focus has moved to SSC in response to a resurgence of the Global South, as several developing countries have become more assertive and their economies have grown stronger.

Agenda 2030, particularly with the adoption of the Sustainable Development Goals (SDGs), the Addis Ababa Action Agenda on financing for development (AAAA) and WTO meetings, SSC has assumed new importance across various international forums. The evolution of SSC calls for new coalitions and information exchanges amongst Southern research institutions and think-tanks, which can contribute to the building of a consensus on suitable models for promoting Southern development co-operation for mutual benefit.

Evolution and Development of South-South Co-operation

The evolution of SSC can be traced back to the non-alignment movement in the 1950s, which eventually created the impetus for the development of global institutions like the G20 or the BRICS (Brazil, Russia, India, China and South Africa). Sometimes there can be a tendency in the South to assume that these institutions are directed against the North and its institutional dominance, but that is not the case. Northern actors are closely following the process of SSC, recognizing it as a very important element of a developing international order. Some are quite positive about SCC as it allows for diversification of actors leading to new economic opportunities for all.

According to Dr. Sachin Chaturvedi, Director General, Research and Information System for Developing Countries (RIS),

> "SSC is understood as a process of establishing government-to-government linkages as it is visibly led by the governments of developing countries. But to see the genesis of SSC in government linkages is not entirely correct, as historically it was a reflection of people's aspirations to connect with other countries in similar stages of development and assert collectively against colonial rulers. This led to collaboration on the level of capacity creation for self-reliance and also expression of political solidarity between developing countries. It is in this context that development co-operation evolved as a policy in independent India."[2]

There is a need for a common understanding of the concept of SSC and also for a collective analysis of how the processes of SSC can be strengthened. SSC should not be viewed in isolation from North-South Co-operation (NSC), as they are complementary processes. Also, the development process in many countries has taken place in a manner that has transcended the traditional constructs of a Global North and a Global South into a politics where there is a North in the South and a South in the North.

While rising powers such as the BRICS have been engaged in official and non-official development co-operation for decades, the development community has only recently acknowledged their role as development actors. Countries that were once predominantly regarded as aid recipients are now emerging as aid providers in their own right. In addition to bilateral and multilateral donor activity, these countries are increasingly sharing their experiences with other countries through horizontal 'South-South Co-operation ', or through 'Trilateral Co-operation,' where South-South Co-operation is facilitated and/ or funded by a Northern donor country.[3]

India's role as an aid provider in a SSC perspective

India has a long history in technical co-operation and business partnerships. In many initiatives, it has helped create an environment for mutual learning. India's political and economic strength has meant that it has played an important role in this work. Therefore, development partnerships have an important place in the country's foreign policy. According to the Ministry of Foreign Affairs,

> "This development co-operation is based on two main pillars. First, development co-operation incorporates[s] the idea of partnership, i.e. working for mutual benefit, and secondly, development co-operation [is] based on priorities determined by the partner."[4]

India has engaged in capacity-building initiatives with its neighboring countries and has also extended its program throughout the African continent where it shares historical bonds. The focus of India's engagement includes connectivity, human resource development and institution building. For example, during the India-Africa summit in March 2015, India was commended for having "a partnership beyond strategic concerns and economic benefits."[5]

With the establishment of the Development Partnership Administration (DPA) in 2012, the delivery of the various elements of India's development assistance have been streamlined. It is useful to delineate how DPA is structured.

India's external development assistance programs include lines of credit, grant assistance, technical consultancy, disaster relief, humanitarian aid, educational scholarships and a wide range of capacity building programs including short-term civilian and military training courses. To implement these programs, DPA has three divisions:

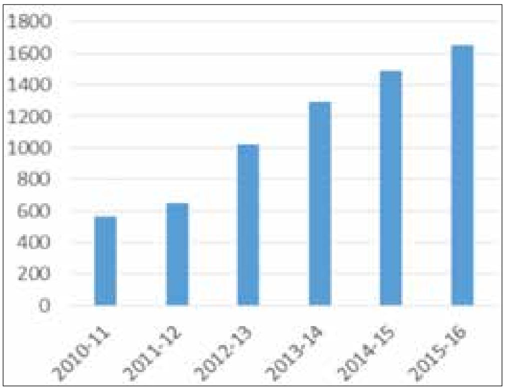
Evolution of Indian Development Cooperation Architecture: A Chronological Expose

Year	Programme	Purpose
1949	Cultural Fellowships Established	MEA established cultural fellowships for fellow developing countries
1954	Indian Aid Mission (IAM)	Launched at Kathmandu for coordinating and monitoring implementation of various Indian projects in Nepal
1964	First Agreement for Periodic Review of development projects	This was signed with Nepal, during the visit of the Indian External Affairs Minister, to undertake a periodic review of the progress made on Indian-aided projects
1966	Indian Cooperation Mission (ICM)	The PM rechristened the IAM to ICM signifying the fact that Indian cooperation goes deeper than aid.
1969	Joint Commission (JC) at Afghanistan established for project reviews. Later expanded to other countries	Entrusted with (a) identifying resources and capabilities for undertaking projects of mutual interest and (b) exploring possibilities for expanding trade including land transit trade arrangements.
1961	Economic and Coordination Division (ECD)	A new Division was established at MEA to coordinate technical cooperation among other MEA programmes
1964	Consolidated Training programme launched as ITEC	Indian Technical and Economic Cooperation Programme (ITEC) launched as a part of the Economic Division for which a special cell was formed.
1980	New Economic Cooperation Wing (ECW) launched at the Nepal mission	Economic Cooperation Wing was established at the Nepal mission, subsuming ICM
1994	Special Volunteers Programme (SPV) launched	India launched a special programme targeting 10 countries in Asia and Africa to assist in development programmes of partners countries
1995	Establishment of ITEC Division	ITEC; SCAAP and Aid to Disaster Relief (ADR) hived off from the Economic Division to provide greater focus on Indian economic diplomacy. Later subsumed in the Technical Cooperation Division
2003	India Development Initiative (IDI)	Budget Speech announcement for supporting fellow developing countries.
2004	IDEAS Lines of Credit (LoCs) Launched	India Development and Economic Assistance Scheme (IDEAS) launched to provide Lines of Credit by the EXIM Bank.
2005	Development Partnership Division	A new Division created for better delivery of development projects. This was later merged with Technical Cooperation Division.
2007	India International Development Cooperation Agency (IIDCA)	Budget Speech announcement for setting up of IIDCA as one-stop shop for coordinating all projects, lines of credit, technical cooperation, deputation of experts and training of foreign nationals in India
2012	Development Partnership Administration (DPA)	A new division within the MEA established for coordinating India's development assistance.

Source: Sachin Chaturvedi, Indian Development Partnership: Genesis and Evolution, Forum for Indian Development Co-operation, January 2014.

- DPA I is responsible for project appraisals and lines of credit (LoC). It handles all LoCs, grant projects in East, South and West Africa regions, grant assistance projects in Bangladesh and the Sri Lanka Housing project.
- DPA II is responsible for capacity building schemes, disaster relief, and India's technical and economic co-operation programme (ITEC). Forty seven (47) institutions conduct around 280 courses annually.
- DPA – III is responsible for the project implementation of grant projects in Afghanistan, Maldives, Myanmar, Nepal and Sri Lanka.[6]

Indian Development Assistance
(Figure in USD Billion)[7]



Development projects in infrastructure, hydroelectricity, power transmission, agriculture, education, health and industry, as prioritized by the host governments, are being implemented in several countries, including Afghanistan, Bangladesh, Bhutan, Myanmar, Maldives, Nepal and Sri Lanka. In addition, several projects have been initiated on strengthening cross-border connectivity with India's neighbours, and are in various stages of development. In South East Asia, Central Asia, Africa and Latin America, bilateral projects in information and computer technology (lCT), small and medium enterprises and archaeological conservation, have been undertaken.

The Third India-Africa Forum Summit (IAFS-III) was held in New Delhi in October 2015. This summit, where Heads of State/ Heads of Government from 54 African nations participated, reinvigorated age-old partnerships between India and Africa and brought a new vision to the relationship. The vision document, entitled 'Delhi Declaration 2015,' and the accompanying 'India-Africa framework for Strategic Cooperation, outlined a multi-faceted strategy for dovetailing the India growth story with Africa's Agenda 2063 to spur mutual resurgence.
The Summit placed development co-operation at the heart of the India-Africa partnership, unveiling US$10 billion in lines of credit for a host of development projects over the next five years as well as grant assistance of US$600 million. DPA played an active role in the Summit, as bilateral discussions were being conducted on the sidelines relating to various projects being undertaken in Africa with India's assistance.

Extension of lines of credit on concessional terms to developing countries has been an important instrument of India's external development assistance. Over the years, 226 LoCs, amounting to US$16.9 billion have been allocated to different countries in various sectors. Of this, US$8.7 billion has been allocated to African countries and US$8.2 billion for non-African countries.

During 2015-16, more than 8,360 civilians were offered as training technical assistants (TAs) to 161 partner countries in a wide range of disciplines under the previously mentioned ITEC and SCAAP programmes. In order to strengthen the continued engagement with ITEC alumni, as well as to be consistent with the objectives of the Digital India initiative, an ITEC portal is now available. Over 2,000 defense training TAs was provided to partner countries through various Indian defense institutions. As well, 500 civilian training TAs was offered under the technical co-operation scheme of the Colombo Plan for cooperative and economic social development in Asia and the Pacific. In addition, special courses in a variety of disciplines were conducted in response to requests from partner countries. Humanitarian assistance was provided to Syria, Philippines, Jordan, Lebanon, Yemen and Nepal in 2015-16.[8]

As the table above indicates, the principal beneficiaries of India's technical co-operation programmes in the financial year 2015-16 were Bhutan (51%), Bangladesh (4.4%), Afghanistan (11.8%), Sri Lanka (8.8%), Nepal (7.4%), Myanmar (4.7%) and African countries (3.5%). Other beneficiaries include Maldives, Mongolia, Latin American countries and Eurasia.

Lines of Credit (LoCs)

From April to November 2015, four LoCs, amounting to US$2.3 billion, were approved. Of this amount, US$279 million was available to African countries and US$2 billion to other countries. During the same period, seven LoC agreements to a value of US$565 million were signed.

A line of credit of US$1 billion was extended to Bangladesh in 2010. In 2012, US$200 million of this amount was converted into a grant for projects prioritized by the Bangladesh Government. The balance of US$800 million was increased to US$862 million to cover 15 projects focusing on supplies and infrastructure. The supply projects have

Principal Destinations of India's Technical Co-operation Programs (2015-16)[9]

S. No.	Technical Cooperation Budget	(In Rupees crore)	% of India's Total Aid & Loan
1.	Bhutan	2919.40	32.06
2.	Bangladesh	250.00	2.75
3.	Afghanistan	676.00	7.42
4.	Sri Lanka	500.00	5.49
5.	Nepal	420.00	4.61
6.	Myanmar	270.00	2.96
7.	African Countries	200.00	2.20
8.	Eurasian Countries	20.00	0.22
9.	Maldives	25.00	0.27
10.	Latin American Countries	15.00	0.16
11.	Mongolia	2.50	0.03
12.	Others	410.32	4.51
	Total	**5708.22**	
As on 03.12.2015			

been completed. The infrastructure projects, which include construction of rail bridges and new rail lines, are in various stages of implementation.[10]

In June 2015, the Government of India announced a second line of credit of US$2 billion to Bangladesh for various social and infrastructure development projects. These projects included initiatives in power, railways, road transportation, information and communication technology, shipping, health and technical education sectors. The progress of these LoC projects is monitored regularly through periodic review meetings with the Government of Bangladesh and other stakeholders.

A LoC of US$1 billion has been extended to Nepal for hydropower, irrigation and other infrastructural development projects. Of this amount, an allocation of US$450 million and an additional LoC of US$300 million was committed to Nepal for post earthquake reconstruction work. These LoCs are in addition to two Indian LoCs for Nepal of US$100 million (2007) and US$250 million (2010). The LoC of US$100 million has been fully utilised for road projects, rural electrification projects, power transmission and hydro power projects. The US$250 million LoC, which covers power transmission and road projects, is progressing well. At least 19 road projects, totaling US$69.37 million, have been approved under this LoC.[11]

India's Foreign Policy and DAC Donors: Similarities and differences

As discussed in the earlier sections, the Ministry of External Affairs (India) has clearly indicated that India's assistance to the other countries is demand-driven and focuses on the benefit of mutual learning. Most of the aid and grants are decided bilaterally, based on need and country priorities.

Purpose behind India's Development Assistance[12]

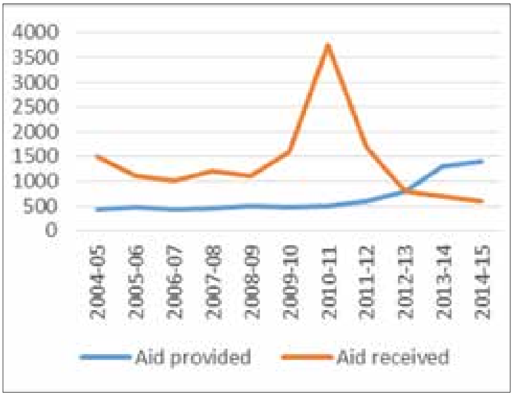
Most of India's foreign assistance is granted to her neighbours – Bhutan, Afghanistan and Nepal – with a second priority being African countries. According to Nigam Shailly,

> "'Approximately 60 % of India's development assistance is allocated for training of civil servants, engineers and public-sector executives of recipient countries; approximately 30 % for 'easy funds' to help overseas governments buy Indian equipment or services, such as ground-water pumps, medicines, health care infrastructure and railway equipment. The final 10% is disbursed for costs incurred in projects abroad, such as feasibility studies or technical expertise from India on government-run institutions such as hospitals, railway services or universities. Thus it can be noticed that India doesn't provide much aid as outright cash grants".[13]

As Agrawal notes,

> "Up until the mid-1990s, India increasingly relied on official development assistance (ODA) from OECD countries, at one point even becoming the world's largest aid recipient. However, today, as a consequence of its economic rise, foreign aid has become only a marginal feature in India's overall economic development, accounting for less than 0.3% of the country's GDP."[14]

Aid Received and Provided by India[15]



As the figure above depicts, up to 2012/13, India received more aid than it provides. Recent initiatives have reversed this proportion, which has much to do with its projection as a world leader globally. Recent changes in India's foreign policy have included the provision of aid, grants and loans directly to governments, an approach similar to the OECD DAC modus operandi.

An important distinction with the DAC donors is the scattered availability of data on India's aid. The lack of institutionalized, homogenous processes means that information on India's aid activities is scattered, irregular, incomplete and therefore difficult to compare with others.

Two types of data would be helpful in order to assess the nature and pattern of India aid: 1) data from India as aid provider, which ideally should be a head division for India managing data, and 2) information from recipients of India's assistance. Up until 2012, data was completely scattered. It was a struggle to collect and collate data from the Exim bank, departments of the Ministry of Foreign Affairs and Ministry of Economic Affairs, think tanks such as Research and Information System (RIS), Institute for Defence Studies and Analyses (IDSA) or from relevant universities. Data coordination improved with the creation of the Development Partnership Agreement in 2012. But since the department is barely four years old, it will still take some time to get all the data in one place. It can also be difficult to collect data from recipient countries since most of these agreements happen bilaterally, and do not come under public notices in India. The result, however, can be a lack of transparency. As noted above, there is no overarching institutional structure that has an overview of aid flows.

Because India is not classified as a "donor" or a "new donor" under the OECD DAC paradigm, there has been a conceptual problem with India being identified as a "donor." India is still a developing country, and for many years to come may well require that resources be diverted inside the country. Therefore it cannot be bound to obligations required of more conventional donors.

There is very limited participation of citizens in planning, implementation and evaluation of programmes under SSC in general, and India in particular. India's interpretation of processes such as the Busan Partnership for Effective Development Cooperation, Financing for Development, and Agenda 2030 is different than what was established by North South Cooperation (NSC). Consequently, the processes that India has adopted for providing development assistance and evaluating its impact are also different. In fact, they are continuing to evolve. However, efforts are being made at DPA to streamline India's development co-operation. A key challenge is to compile and consolidate data relating to the lines of co-operation managed by different ministries. To date DPA has achieved some results in data collection and dissemination, but there is still work to do.

As part of its approach to SSC, India's Government understands that development is a process that requires multi-stakeholder engagement. The Government has shown that it is eager to collaborate with civil society, which has been endorsed and welcomed by Indian civil society. It has previously engaged CSOs such as SEWA, TERI and Barefoot College in its programmes, and has also set up the Forum for Indian Development Cooperation (FIDC -2012) as a platform for the government, civil society and academia to come together and explore various facets of Indian development co-operation.

India has been engaging multilaterally with southern countries through various platforms such as the IBSA Forum (India, Brazil, and South Africa), the BRICS Group (Brazil, Russia, *India* and China), the South Asian Association for Regional Co-operation (SAARC), and the Association of Southeast Asian Nations (ASEAN) (at the regional level). Of these, BRICS and IBSA have emerged as crucial fora to improve dialogue and co-operation in SSC. These platforms have also given better visibility and opportunities to initiatives such as Make in India, Digital India, the Swachh Bharat campaign (Clean India campaign) and Smart Cities in India's efforts to boost development co-operation with other nations.

India's Initiatives in BRICS and the New Development Bank

For India, the BRICS platform is extremely important, as is IBSA. Both aim to collectively boost bargaining power and influence on global issues, and also to strengthen economic and political ties among the member-countries along the lines of South-South Co-operation. Among the BRICS countries, India's expertise lies in the software industry, the availability of cheap labor, the service sector, and the pharmaceutical industry, particularly in the area of generic drugs. According to the Ministry of Commerce and Industry, trade with BRICS partners is about US$95 billion in 2013/14. The Ministry suggests, "there are significant synergies with other BRICS partners which may be tapped to further strengthen intra-BRICS linkages in these areas."[16]

The initiative to establish the BRICS' New Development Bank (NDB) during the 2012 BRICS Summit in India was part of overall efforts by BRICS to promote international development and to reflect their priorities. India sees this Bank as a good opportunity to strengthen the role of emerging market economies, particularly India. The recent appointment of Indian national, KV Kamath, as the head of the NDB might be a stepping stone for India to become a dominant influence in both the BRICS and the region. It may also be a way to position Indian interests in the system and to reflect India's increasing role in emerging markets.

Other Indian initiatives include a BRICS report focusing on synergies and complementarities amongst BRICS economies. This report highlights BRICS role as growth drivers for the world economy. The report was released by the leaders at the Delhi Summit in March 2012. India added the Urbanization Forum to BRICS co-operation mechanisms to bring greater focus on intra-BRICS co-operation so members could learn from each others' experiences in tackling challenges of rapid urbanization, an issue faced by all BRICS members.[17]

India introduced the practice of holding a BRICS academic forum as a preparatory mechanism, feeding into the annual Summit agenda. The first such meeting was held in New Delhi in May 2009, just prior to the first BRIC Summit held in Yekaterinburg, Russia in June 2009.[18]

The theme of the 2014 BRICS summit at Ufa, Russia, was titled "BRICS Partnership - a Powerful Factor of Global Development." The focus was on strengthening co-operation in areas of common interest in the international economic and political agenda. For India, there were three major takeaways from the Ufa Declaration:

1. A focus on increasing trade-ties amongst BRICS nations;
2. The need to strengthen co-operation amongst BRICS members in areas of information, communication, and technology (ICTs); and
3. India's role at the United Nations.

The declaration states that the BRICS nations will strengthen their cooperation to counter international terrorism, giving the central role in this action to the United Nations. However, there is no mention of India's attempt to secure a permanent seat at the United Nations Security Council (UNSC). According to one analyst,

> "While Russia and China support India (along with Brazil and South Africa) in playing an important role at the UN, the declaration document does not have such mention of expanding the UNSC to include India. This complicates matters as the other three permanent members, United States, Britain, and France, have openly backed India's claim."[19]

Other notable features of the Ufa Declaration include:

- Expanding the use of BRICS national currencies in transactions (India and Russia were expected to announce an agreement in 2016.); and
- A framework for BRICS e-commerce co-operation and the strengthening of Intellectual Property Rights co-operation amongst members, which is expected to substantially aid the ongoing recovery process in the Indian economy.

India will take advantage of opportunities to revitalize and reinvent its economy in hosting the BRICS Presidency (starting February 2016) coming out of the Ufa Summit.[20] The 8th BRICS Summit is scheduled to take place in India in Goa, in October 2016. It is expected that there will be more than fifty meetings and events, at ministerial, senior officials, working groups, technical, and track-II levels. The core theme is "Building Responsive, Inclusive and Collective Solutions," with a special focus on institution-building, the implementation of past commitments, and the exploration of innovative solutions.

People-to-people interactions, business, youth, and sports will be the key priority areas for India's BRICS Chairmanship. Many BRICS-based initiatives will be hosted during India's Chairmanship: The under-17 football tournament, a film festival, the friendship cities conclave, a wellness forum, a trade fair, a youth summit, a think-tank forum, an academic council are some of them. The participation of people from across Indian states will be encouraged, and BRICS events will be organized in different states across the country.[21]

Breaking Financial Monopoly of the West

The New Development Bank and the China-led Asian Infrastructure Investment Bank[22] will break the monopoly of the World Bank and IMF. It also could make their functioning more transparent. China's official newspaper, Global Times, suggests "it will motivate the IMF and the World Bank to function more normatively, democratically and efficiently, in order to promote the reform of [the] international financial system as well as democratization of international relations."[23]

Conclusion: Scaling up SSC and engaging the Civil Society

The issues and ideas of South-South Cooperation are being given prime importance by India as well as by civil society. The launch of the 'Network of Southern Think-tanks (NeST)'[24] in March 2016 bringing together Southern think-tanks, civil society, academia and media on South-South Co-operation exemplified this fact.

The SDGs stress the importance of South-South Co-operation in implementing Agenda 2030, the post-2015 development agenda. Goal 17 to revitalize the global partnership for sustainable development, in particular, places emphasis on the critical role of South-South and Triangular Co-operation in achieving this ambitious development agenda. It sets targets for SSC and Triangular Co-operation that emphasize both technology[25] and capacity building,[26] where all countries have committed to achieve progress.

In all these efforts, there are huge possibilities for involving civil society organizations for public education, awareness building, advocacy and outreach work to scale up South-South Co-operation. It is widely agreed that CSOs are well positioned to promote and implement various forms of SSC, particularly at this moment where its processes and institutions are still being constructed. In order to do so, civil society must showcase its knowledge and skills acquired through experience. It is also important for civil society to demonstrate that it has the track record, expertise and capacity to contribute in a meaningful way to the principles and practices of South-South Co-operation.

Civil society linkages have been challenged in examining and documenting potential adverse negative impact on local populations of partner countries from Indian corporate or government projects in SSC. CSOs need to strengthen their linkages and skills to document experiences in order to monitor whether SSC is moving in the right direction. They also need to support and mentor local NGOs to ensure that they are not exploited by Indian entities.

It is important to understand that Indian civil society is still in the nascent stage when it comes to voicing opinions on India's foreign policy. In fact, there are very few that have started to engage on these issues. Earlier, it was a subject largely left to academics and think tanks. The civil society sector needs to understand and connect with these issues in order to provide useful opinions.

More broadly, civil society needs to engage in government programs and become involved in the monitoring and evaluation of ongoing projects, both domestic and international. Civil society can play a major role in bringing global issues to the local level. It can help make connections between the local and international by demonstrating their relevance to grass root organizations as well as the wider population. For instance, civil society played a major role in encouraging people to be actively involved in discussions on issues relating to the SDGs and Financing For Development (FFD) by showing how these issues had a direct connection to the local level. These discussions were largely absent during the implementation of the Millennium Development Goals.

The Ministry for Foreign Affairs (MFA) has been quite welcoming of research and policy work from independent organizations. This is evident in the establishment of the think tank Research and Information Systems for Developing Countries (RIS) with funding from MFA and the subsequent creation of the Forum for Indian Development Co-operation by the RIS in 2012. Now there is a need for a continued dialogue with MFA, which includes higher levels of involvement by voluntary organizations that are willing to work on South-South Co-operation national or internationally. The government needs to be more vocal and understanding of the concerns and contributions of voluntary organizations.

At present, discussions are taking place on how to engage more civil society organizations in the BRICS 2016 New Delhi Summit and to find ways to formalize the 'Civil BRICS'. Though both the agenda and dates for the Summit remain uncertain, civil society has begun planning and mobilising strategies with regard to a Civil BRICS. Think tanks, academia and business have institutional space within BRICS; civil society does not yet enjoy institutional recognition inside this framework. Yet civil society plays an important role in drawing attention to the collective socio-economic challenges of the BRICS countries. Further, robust engagement with civil society from all the five countries will strengthen the foundation of BRICS as a Southern grouping.

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Donor Priorities for Technical Cooperation and Tied Aid

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"If you have come to help me you are wasting your time. But if you have come because your liberation is bound up in mine then let us work." quoted in Interaction 1991

In the past few years, technical assistance (TA) has become an integral part of development aid and assistance. Yet it continues to provoke tension and epistemological questions about its relevance, appropriateness, efficacy, ethics and unequal power dynamics.

In 2005 the Blair Commission for Africa identified tied aid, food aid and technical assistance as the three most problematic aspects of current aid modalities. Recent world donor agencies' reports have highlighted a reduction of tied aid and food aid. In contrast, technical assistance has remained a big consumer of aid resources and, in some instances, has even increased.

This paper focuses on TA in order to identify and reflect on its underlying concepts, in the context of poverty reduction development projects in post-colonial Sub Saharan Africa and other developing countries in the 'South'. It outlines the history of technical support in donor institutions, the inaugural vision for TA, and its evolution to become a permanent fixture of powerful donor financial institutions, such as the World Bank and IMF. It looks at the controversies that have shaped the discourse around the concept. A second objective is to examine structural adjustment programs (SAP), where the assumption has been that TA is an effective approach to poverty reduction. It shows, however, how these programs epitomize contradictory ideological questions relating to tied aid and technical assistance. The paper cites various examples of TA in describing the prevailing arguments for and against this modality of aid.

This section will be followed by a reflection on the technical cooperation and possibilities for ways of conceptualizing it to become more efficient, relevant and transformative in future.

What is Technical Cooperation/ Support/Assistance?

In Arndt's (2007) paper *Foreign Aid and Development*, he defines technical assistance as "the provision of donor funded personnel to supply missing skills and train local people."[1] This definition is comparable with its use by international financial institutions such as the World Bank and IMF, both of which argue that technical support is critical for improving policies and project design, strengthening implementation, and enhancing organizational skills.

A more layered definition of technical assistance reveals that technical cooperation is generally concentrated into three main areas:

1. Technical assistance to strengthen a country or organization's knowledge gaps. In this case, outside consultants and advisors are hired (and funded) to examine a project. They are generally given access to critical organizational information

on budgets, expenditures and staffing. This ultimately allows them to become a monitoring arm of the donor organization. The insertion and immersion of outside personnel into the funded organization is premised on the donor's perception that existing systems, as designed by local personnel, are inefficient. The assumption is that this type of assistance is critical to strengthening an institution.

2. Technical assistance to create or strengthen institutions. Derived from donors' beliefs that existing rules are either inefficient or missing altogether, this form of TA generally aims to improve bureaucratic procedures, particularly those associated with the monitoring and accounting of expenditures.[2] The assumption is that without such procedures or placements, resources are unlikely to be properly monitored.. Technical assistance to fill this perceived gap is provided through the insertion of the funder's own personnel as technical assistants in a critical arm of the funded institution.

3. Technical assistance through the provision of training programs to recipient countries or organization officials. This form of TA, which is often less controversial, is designed as training initiatives to support oversight or capacity building activities. While training opportunities, especially those that include foreign travel, can be distributed to political supporters as prizes, the amount of technical assistance being used in these ways is relatively low.

An examination of the history of technical cooperation provides insights into why, after so many years, it continues to be a source of tension, such that there are calls to 'rethink' its underlying concepts. Technical assistance was initiated by the United Nations following the Second World War. At that time it was thought of as support or assistance. Over time and with the demand for a more politically correct and nuanced approach to technical support, words such as 'assistance' and 'support' were replaced by 'cooperation' to suggest an egalitarian and reciprocal arrangement between the donor agency and the funded counterparts. The term 'technical cooperation' suggests a concept that is regularly reviewed and contextualized, an approach that challenges a 'one-size-fits-all' approach.

Institutions such as the UN argue that learning from technical assistance initiatives is a two way process and that knowledge exchange is not a simplistic linear commodity. The UN denies the portrayal of funded institutions' local personnel as passive consumers of knowledge.

Despite this rhetoric, both the IMF and the World Bank have been instrumental in provoking polarizing notions and experiences in their use of technical assistance, which deviate from the more 'politically correct' and nuanced framework advanced by the UN.

Even a superficial examination of some of the practices of technical assistance raises questions regarding organizational synergy and efficacy. For example, the insertion of personnel who might not ascribe to an organization's ethics, histories and values has the potential to disrupt internal power dynamics. In addition, the presence of outside personnel who report to a different authority can be problematic. In many instances it has provoked tensions between local and embedded staff. Academics have long called for a rethink around this and other TA concepts.

Questioning of technical assistance gained traction in the 1990s. It can be linked to that period's increased presence of technical assistants with the expansion of the IMF and World Bank's structural adjustment programs. The dominance of IMF and the World Bank in the technical assistance debate is related to the critical but problematic role TA played in both institutions during the implementation of structural adjustment programs.

By 1993, SAPS were found everywhere in West Africa, as well as in all 36 countries in Sub-Sahara Africa. They were usually negotiated between individual governments and the Bretton Woods Institutions (IMF and World Bank). The governments had often been identified as having the potential to fail to pay back existing loans after acquiring independence from different colonial powers. The IMF and World Bank typically played a key role in the program design. Contract obligations usually included technical support, which entailed assigned personnel as technical assistants, who were embedded into the funded government institutions. This ushered in an era when 'experts' of a different race and culture became a permanent feature of post-colonial black majority government institutions. Today this history is associated with the uncomfortable memory of austerity, hardships and violation of human rights, past practices that are quickly recalled when engaging in debates on technical cooperation today.

An examination of the IMF's history demonstrates that historical developments have enabled these donor institutions to mold technical assistance in ways that to cater to their own institutional and political agendas. So, for instance, during the Cold War Western and Eastern donors scrambled to find spheres or countries/organizations of influence in terms of the competing ideologies of socialism or neoliberalism.

The ability to control aid resources is generally blamed for the establishment of many dictatorships in post-colonial Africa. It is argued that before the era of the structural adjustment (1985-1995) African dictators maintained authoritarian power through patronage networks, whereby they paid off supporters using resources provided through loans from international financial institutions. It saw the entrenchment of dictators such as Mobutu Sese Seko of Zaire, Daniel arap Moi of Kenya to name a few.

All this changed with the fall of the Berlin Wall. This new era provided an opportune moment to rethink models of aid provision. Previous experiences of abuse of loans motivated a deviation from the UN advocated model of technical assistance into a more visible, hierarchical and often 'racialized' concept. The word 'racialized' is used here to reflect the fact that the race of the provider and the consumer of knowledge were usually different, with the 'provider' being white and the 'consumer' black or brown. The mushrooming of dictatorships across post-colonial Africa in the 80s gave justification for this model of technical assistance. It is important to note that although simplistic and lacking in nuance, the association of neoliberal with 'fiscal success' in countries where SAPs had been introduced provided the Bretton Woods institutions license to reproduce technical assistance in its most linear form.

Technical Assistance Problematized

Following the above analysis, the first form of TA focuses on the deployment of advisors and consultants from the donor country to fill a knowledge gap. Many who work in social science disciplines have criticized this kind of arrangement. They point out that the confirmation of foreign advisors and consultants as 'the knowledge inhabiting bodies' is highly problematic on many levels. The underlying assumption is that the funded institution is lacking in skills and knowledge. It positions the advisors as superior, privileged personnel with power over other long-standing local team members. The consequence is a disruption of an organization's power dynamics while also closing off any opportunity for these positions to be challenged.

These inserted TAs often arrive with little knowledge about the people, culture, religion, language and society that the local institution serves. The model also does not have the flexibility whereby the positions of provider and consumer of knowledge can be adjusted, shared or reversed even though logic demands that this should be the case. In practice, it would make sense that the incoming TA spend time, and seek advice from the host organization to learn about the country's culture and the constituency that the organization serves, as well as the particularities about doing business in that environment.

The above argument can be applied as well to the execution of second type of technical assistance. Here, again, the donor agency seconds personnel to watch over the utilization of resources. Tensions can escalate to high levels when an outside expert is deployed to monitor these processes. The origin of these conflicts begins with the fact that these outside personnel are utilizing program resources that have been marked for benefit to the local community.

The allocation of these costs inside a project's total budget has elicited questions about how aid is done and who is benefiting. In many cases countries continue to pay interest on loans that include the costs of this technical assistance, long after the conclusion of the project. Most often the actual money never passed through the local government institution or ministry's hands. In many instances the funds never left the country of origin as often the TA personnel were paid in their home country or through their own country's banks. The implementation of SAPS, with their rigid administration through technical assistance, has tended to blur their focus on poverty reduction.

There are major questions as to how and who should evaluate the contribution of technical assistance in SAPs. The many countries that signed onto SAPS are either still poor or worse off. In this context, the resources assigned to technical assistance are recalled with discomfort and hostility. Technical assistance cooperation provided by the World Bank and IMF was expected to usher in economic growth. Instead, the achievements were often in another direction, ones which popularized neoliberal thinking while weakening dictatorships and promoting tenets of democracy among previously authoritarian governed societies.

Thus, the experience of technical assistance, particularly in the post-colonial period, was profound and continues today to reinforce old stereotypes of the African as the powerless, passive receiver of knowledge, against the all-powerful, all-knowing westerner dispensing knowledge.

The Argument for Technical Cooperation

A critique of the current model for technical cooperation, or calls for doing things differently, run up against the history of TA and its representation in the neoliberal narrative. This narrative is one that aligns SAPs with the democratization of independent Africa.

A study of this history reveals that earlier (prior to 1985-1995), some autocrats allowed the exercise of certain civil rights, such as permission to organize opposition parties or a (more or less) free press. In still other countries, governments created commissions to examine the country's constitution. In most countries, these initial movements led to multiparty elections. By 1994, 29 African countries had held 54 elections, with observers judging the majority as "free." These elections boasted high turnouts and many opposition victories: voters removed 11 sitting presidents with three others declining to run. During 1995–97, 16 countries staged second round elections, so that by 1998 only four countries in all of sub-Saharan Africa had not staged some sort of democratic contest. Given the continent's poor record of competitive elections in the post-independence period, rapid political liberalization during this time was a monumental political change and accomplishment.[3]

Although the link between technical assistance, SAPs and democratic rights are difficult to clearly establish, there are certain aspects that were useful in this regard. For example, a critical arm of SAPs entailed a monitoring function, carried out by embedded personnel. In the 1980s and 1990s donors paid close attention to government spending and signs of corruption, making it more difficult for governments to use foreign aid for patronage systems. Enhanced monitoring through immersed technical assistants, and investment into this function, reduced the resources a political leader could employ to remain in power. A study of TA and SAP practices during this period indicates that close monitoring and a reduction of resources to maintain patronage networks forced Africa's autocratic incumbents to concede political rights to their opponents.[4]

Institutions such as the World Bank and IMF argued that technical assistance played a significant role in the ushering of democratic principles and practices in national institutions in post-colonial Africa. In their quantitative analyses of linkages between donor funding and democracy building, technical support is cited as a key driver against coercive rule by would-be-dictators. Technical assistance personnel have been hailed as being instrumental in the displacement of 'dictatorial' leaders during the 90s through their efforts to eliminate the subverting of donor resources by dictators. Technical assistance personnel have also been credited with cutting government budgets, the privatization of parastatal organizations, and the starving of subsidized public service to make resources available for debt servicing. Ultimately, technical assistance is portrayed as playing a key role in reducing debt and laying a foundation for what was perceived as being future economic growth.

But the fact is that poverty levels did not really decrease and even the incidences of growth never translated to an improved quality of life. Therein lies the irony that invokes a call for evaluation of technical assistance.

The argument against Technical Assistance within the context of SAPs

The IMF and World Bank represent SAPs as an era of successful poverty reduction. This characterization is in opposition to common critiques of SAPs as being key drivers of strategies resulting in the escalation of inequality levels, and thus poverty levels.

The IMF and World Bank have evaluated structural adjustment programs as major successes in poverty reduction. But in reality, the World Bank set conditionalities that worked against the poor, included liberalization of markets, devaluation of local currencies, the abandonment of state subsidies in the provision of health and education services and the transformation of industry to being export market oriented. Technical assistance was a primary instrument in ensuring the implementation of these policies. As a modality of aid they also raised questions about the extent of tied aid in donor programs.

The fact is that technical personnel associated with SAPs spent little, if any of their salaries in their country of operation. They usually enjoyed free accommodation, as it was catered for by the project budget. Most often they returned home for holidays, creating the expression "money returning back through the back door."

Against this reality is another that is promoted by donor countries – one that tells its citizens how their tax dollars are being used to uplift poor Africa. These stories conveniently forget to factor in the amounts that return back to the donor countries as allocations for technical cooperation costs. As well, procurement clauses often require that funded institutions purchase key equipment and vehicles from the funder or approved brands. So, while the project's main objective might be poverty alleviation, the promotion of local small businesses or services seems to be excluded from the agenda.

Rethinking technical cooperation for the future

There is no doubt that technical cooperation has provided opportunities for reciprocal learning for both the developed and the developing world. While it is easy for post-colonial Africa to reject technical assistance, the reality is that a total elimination of TA is not the solution for Africa. Instead, a reformed approach to aid for Africa calls for a replacement of old inequitable concepts of TA with ones that are more egalitarian and that recognize the strengths and needs of recipient countries and organizations. The following are suggestions that can transform the way technical assistance is executed and experienced:

1. Rethinking and organizing the costs of technical assistance

Currently the cost of TA personnel is borne by the funded institution. However, technical assistance personnel are chosen, recruited, supervised and answerable only to donor organizations. Given this reality, it is worth rethinking the financial and institutional responsibility for technical assistance. Is it logical for the organization receiving assistance, which has little direct control over TA, to have to meet these costs from project budgets? This is particularly problematic considering that the organization cannot undertake an evaluation of the value of the personnel or the assistance.

The Blair Commission of 2005 criticized donor organizations who, through tied funding, insisted that recipient organizations had to purchase donor products or services, including technical assistance. The Commission found that this practice effectively reduced the value of aid by 30 percent. The continued tying of TA to donor country experts requires a thorough research into this modality of development aid.

2. Questions on Local Ownership

Problems with local ownership are directly relating to the issues identified above. The unquestioned authority of TA personnel brought from the outside underlines this connection, especially when local personnel become aware of the remuneration disparities. Thus the project remains a 'donor's thing' and little long-term uptake by recipients takes place.

There needs to be a comprehensive evaluation of technical assistance, which juxtaposes its costs against its real value in terms of the reduction of poverty experienced by the affected communities. Because technical assistance is generally seen as problematic, agencies need to demonstrate that they are aware of the critique. They should start making efforts to reduce technical assistance costs and its domination in development aid modalities.

3. Rethinking definitions of knowledge

Simplistic notions of knowledge suggest that it is a commodity given in a linear form with the learner being a passive receiver from a superior provider. Over the years, researchers have rejected this model, arguing that knowledge is fluid and the roles played by knower/learner are inter-changeable, not static.

This new model of knowledge transfer should be adopted for technical assistance. Hired experts from abroad should endorse and facilitate a 'learning with' approach. Donor personnel should be hired for medium-term tenure to facilitate assimilation, a deeper understanding of local cultures, and their ability to incorporate this knowledge into their work.

4. Recognizing the history of the society

Knowledge of the economic and social history of the society and communities affected by aid interventions should be a pre-requisite for all technical assistance personnel. This will help ensure that their approach is not a-historical and does not assume a context-less superiority. With reference to post colonial Africa the impact of colonialism and slavery should inform an understanding a context of unparalleled levels of poverty. Donor personnel should be able to position themselves in that history. If this process is recognized and followed, it is less likely that donors will continue to promote the distortions of the grand narrative, "look how much we have given Africa."

5. Inclusion of the local society in all stages of the project

In many instances local communities are not involved in the project design. Instead they are relegated to be passive receivers of donor resources, solutions, or experiments. This approach perpetuates dependency - development becomes a donor's thing. Without any contribution to the project it is very difficult to convince a community or society that they have a responsibility to find solutions to the problems highlighted and targeted by the project.

One way to remedy this phenomenon is for donors to reconfigure program designs, to ensure that the targeted society is included. A project approval should only be implemented when there is evidence of approval at both local and donor levels.

Procurement of equipment should also emphasize local development, with a priority given to the potential to supply at local and regional level. On this topic, Makonen Getu argues that there needs to be a shift from needs assessment to a focus on potentials. He argues that such an approach would frame internal factors as primary and external factors as complimentary.[5]

Africa is not a homogenous territory. Its nations, ethnic and cultural groups represent diverse and unique histories, which should be factored into each project design and the configuration of technical support.

6. Move away from a 'one-size-fits-all' template

The early, one-dimensional form of TA was a function of the context and state of Africa 30 plus years ago. Today's Africa is much different. Strangely enough, however, the philosophy and execution of technical assistance has not responded to this changed world. For example, most African countries have university-educated populations that can easily be assimilated into technical assistance roles in development.

A new reality is that hostilities against former colonial powers have escalated. This makes it imperative for donors to continually rethink technical assistance, to ensure that it suits a space and time.

Conclusion

While recognizing major difficulties, it is as important not to totally reject technical support. An approach whereby donor and recipient organizations are learning side-by-side in an egalitarian atmosphere provides opportunities that extend beyond technical knowledge. It provides opportunity to understand different cultures and the incorporation of distinct knowledge systems. It can accelerate development though the positive attitudes and enthusiasm these relationships foster.

As a continent devastated by colonialism, Africa can benefit from aid from western governments. But African institutions want and deserve the right to have an input in shaping this aid. Africa, like its donors, realizes that trillions of dollars have been directed its way in the name of poverty reduction. Yet progress in reducing poverty in Africa has been highly problematic. African thinkers and development practitioners are eager for opportunities to provide local solutions to these problems, ones using local resources, skills and knowledge. A rethink of aid and technical assistance can become the first port of call to make this a reality.

Post-colonial Africa has strongly endorsed the tenets postulated by development aid effectiveness. Many who are in the development industry believe that this provides an opportune moment to transform aid modalities. Technical assistance and tied aid are a critical part of this agenda.

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European Union

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Overview

- For the European Union (EU) collectively, the sum of ODA from the 28 EU Member States, remains the world's biggest ODA donor in absolute numbers by providing €64.4 billion[1] to ODA in 2015. However the EU's genuine ODA reaches only €52.4 billion. The €12 billion difference is spent on in-donor costs such as refugees, support for students, debt relief, interest and tied aid.
- The EU collectively did not reach the 0.7% target in 2015,delivering instead 0.45% of its GNI in ODA. Only five EU member states reached the 0.7% ODA/GNI target: Luxemburg, Sweden, Denmark, the Netherlands and the UK.
- In the UN financing for development negotiations, the EU merely recommitted to a collective 0.7% target within the timeframe of the post-2015 agenda (by 2030).

2015: Missed 0.7% target

The EU has been more ambitious then other countries in (re)committing to the 0.7% ODA/GNI target. However, in 2015 only five EU countries met this target: Luxemburg, Sweden, Denmark, the Netherlands and the UK. The EU, collectively, is a long way off the target, delivering 0.45% of its GNI in ODA compared to 0.41% in 2014. Nonetheless, the EU member states together still maintain their position as the world's biggest ODA donor with an increase in nominal terms from €57.1 billion in 2014 to €64.4 billion in 2015.

It is important to note that the EU's genuine ODA is really only €52.4 billion.[2] The €12 billion or 18% of all ODA includes spending on students in donor countries, refugees in donor countries, debt cancellation, repayment of interest on concessional loans and future interest on cancelled debts and tied aid.

In 2015, EU institutions managed €12.3 billion in development assistance, making them one of the world's largest donors. However, the EU institutions alone cannot achieve the 0.7% goal. EU collective ODA is the sum of the ODA from the 28 EU Member States and the part provided by the EU institutions that is not credited to Member States. Most of the EU institutions' ODA is, for the purposes of ODA/GNI reporting, imputed to EU Member States, i.e. Member States data include part of the EU institutions' spending.

For years the EU has upheld, but failed to deliver on, collective and national aid quantity targets, intended to be met by 2015. This includes a collective 0.7% of GNI target, an individual one of 0.7% for older EU Member States and a less ambitious one of 0.33% for the countries that joined the EU after 2002. If all the EU Member States had met their ODA/GNI targets in 2015 the collective EU aid would have reached €105 billion[3]

Old/New Aid Commitments

The repeated failure of the EU to meet its targets and keep its promises has eroded its reputation and credibility as a development actor. Both within the EU and among other donors it has failed to create positive pressure for stepping up efforts.

During one of the two major international development events of 2015, the Third Financing for Development Conference in Addis Ababa (July, 2015), the EU only recommitted to a collective 0.7% target within the timeframe of the post-2015 agenda (by 2030). Meanwhile, individual EU Member States' targets have been diluted and weakened. Old member states are now only required to meet their 0.7% commitment "taking into consideration budgetary circumstances, while new member states merely have to "strive" to reach their 0.33% target."[4] Along the same disappointing lines, the EU has unilaterally recommitted to a specific ODA target of 0.20 % ODA/GNI for Least Developed Countries (LDCs), between 2015 and 2030, instead of considering civil society's proposal of allocating 50% of aid to these countries.

Arguably the most innovative initiative emerging from the Addis Ababa conference was the EU institutions' non-binding and non-financial commitment to the Addis Tax Initiative. The European Commission (EC), the Netherlands, Germany, the UK, Luxembourg, Finland and Sweden launched this Initiative, with the aim of doubling capacity building efforts in order to increase domestic resource mobilization. However, the EU failed to advocate for complementing the Initiative through the establishment of an inter-governmental tax body under the UN, which would have been in charge of monitoring the implementation of fair tax cooperation mechanisms between countries.

Another relatively new initiative was the European Union pledge to join Power Africa by allocating €2.5 billion in grants from the 2014-2020 budget to support power generation and electricity access across sub-Saharan Africa by bringing together African and donor governments, private companies and international financial institutions. However, the authors of the initiative have been criticized for failing to accompany it by an impact and sustainability assessment.

Development effectiveness as a priority

Development effectiveness was one of the EU's priorities for the Addis Ababa conference and for implementing the SDGs. But the EU missed a great opportunity to make development effectiveness principles a global standard for all development flows. While the principles were reiterated in the Addis outcome document, the Addis Ababa Action Agenda (AAAA), in the part related to aid flows and were thus recommitted at the global level, the language fell well short of what is needed. The principles of democratic country ownership, inclusive partnership, transparency, accountability and results remain completely relevant in the international debate about the future of all forms of development finance.

The EU must honour its long-standing commitments on development effectiveness by monitoring the progress of its implementation. For example, as part of efforts to strengthen accountability and transparency in international cooperation and development, the European

Commission published, in July 2016, a first report on selected results, (July 2013 - June 2014).[5] This report has been released a few months ahead of the High Level Meeting (HLM) of the Global Partnership on Effective Development Cooperation to be held in Nairobi in November 2016. It was useful, but the EU and its member states must also explain how they are going to reach development effectiveness targets and demonstrate progress against indicators set out by the GPEDC.

The second GPEDC monitoring round will provide opportunities to review progress and for the EU to agree on an ambitious and action oriented joint position to ensure that the Second HLM in Nairobi will deliver a plan to accelerate progress and foster inclusive partnership.

Joint programming

With regard to EU joint programming, some progress, albeit modest, was made on implementing joint modalities for delivering aid. For example in Ethiopia EU representations agreed on a roadmap to implement EU-spear-headed pilot joint actions in the field of nutrition and health. However, there is still a lot to do to on the implementation of joint programming, which could contribute to greater harmonisation of EU development efforts in partner countries.

New aid mechanisms

In 2014 and 2015 EU institutions launched new types of aid mechanisms, such as the Bêkou, Madad and the Africa Trust Funds. These initiatives which are managed by the EU, with a total contribution of around €3 billion from both the European Development Fund (EDF) and EU budget 2014-2020, will further drain away resources from aid mechanisms such as various forms of budget support, which are arguably more (aid) effective with regard to ensuring country ownership.

New directions in development policy

As 2015 was a year of big international events, 2016 is a year of changes in EU development policy directions. The first of these is the new EU Global Strategy on Foreign and Security Policy, which will guide the EU's global actions amidst a rapidly evolving global context.

This strategy comes at a time when Europe is facing a deep identity crisis, creating a temptation to promote 'quick fix' solutions, and thus endangering the EU's core values and international commitments. Instead the Global Strategy should be seen as an opportunity to reinforce the importance of the European project, to affirm the EU's commitment to the 2030 Agenda for Sustainable Development (2030 Agenda) and the Paris Agreement on Climate Change. It is also an important moment to ensure policy coherence for sustainable development (PCSD) while addressing the deteriorating space in which civil society operates in many countries.

The EU Global Strategy needs to address the root causes of today's global challenges, especially rising inequality and power imbalances within and outside Europe, through a gender and human rights-based approach, together with a human-centered understanding of security and development finance.

Since 2005, EU Development Cooperation has been guided by the European Consensus on Development. However, the world scene has changed and the revision offers a tremendous opportunity to factor in the policy implications of these changes in the global social, economic and environmental landscape. The revision is at least a threefold endeavour as it will have to capitalise on the visionary features of the 2005 Consensus, adjust and respond to the intervening changes, and envision the trends that might emerge in the coming fifteen years which will need to be addressed.

Brexit: back to EU27

Sadly, one of the European Union's few members who had made a firm commitment to the 0.7% ODA target in its law, is now to leave the club. The Brexit's first direct negative impact on the volume and value of EU development aid in general has resulted from the devaluation of the British pound. Medium- and long-term consequences for the EU's institutions' own development budget and the European Development Fund are even more daunting. According to European Commission annual reports the loss of U.K. contributions could leave some EU pooled funds reduced by as much as 19%. Aid officials have predicted that the EU's funding for humanitarian action may be particularly affected by this loss.

Conclusion

EU institutions are currently facing what many see as their biggest challenges in the history of the European Union. The recent Brexit, with its potential repercussions on the membership of other EU countries, the European refugee crisis and the rise of populist, anti-immigration and anti-EU parties in a number of European member states, are just two of the major concerns which have deeply and darkly marked the EU's recent history. This has translated into, and perhaps reflects, a general loss of confidence in the model of the European Union as a source of greater political, economic and social stability for the continent.

Despite these challenging circumstances the EU must stand firm on its principles, commitments and actions, as well as its' international solidarity and responsibilities, in order to prove those wrong who are trying to undermine the European idea by putting into doubt its value and benefits.

Recommendations

- The EU should meet existing aid commitments (0.7% for EU-15; 0.33% for EU-13) by 2020, and allocate 50% of aid budgets to LDCs by the same deadline.
- EU institutions should take the lead in establishing and encouraging Member States to endorse a joint action plan to accelerate the implementation of the development effectiveness principles.
- The EU should stop using ODA for in-donor refugee costs and climate financing. Instead, it should search for alternative ways of funding these costs separately.

Endnotes

1 All numbers are in constant prices of 2014.

2 2016 CONCORD AidWatch Report 9to be published in October 2016)

3 Ibid

4 European Council (2015). "A New Global Partnership for Poverty Eradication and Sustainable Development after 2015." Council Conclusions, 9084/15

5 http://ec.europa.eu/europeaid/sites/devco/files/eu-results-report-2016.en_.pdf

Australia's 'New Aid Paradigm': Beyond ODA?

James Goodman, Chair, AidWatch Australia and University of Technology Sydney and Matt Hilton, AidWatch Australia

Overview

Since 2013 the Australian Government has transformed Australian overseas aid.

- Aid has been redirected, to serve national interests first, poverty reduction second.
- Aid is distributed directly by the Department of Foreign Affairs and Trade.
- Aid programs are geared to 'economic diplomacy' over aid effectiveness.
- Aid funds are dubbed 'aid investment', not 'Official Development Assistance'.
- There is no target to increase aid, and it is a regular source of budget cuts.
- Aid is at its lowest level in relation to national income since the early 1970s.
- As aid is discredited, re-channelled and cut, it is losing public support.
- A new paradigm for aid is needed, grounded in solidarities.

Introduction

Since the election of a conservative Government in late 2013 the Australian aid program has been radically transformed. Under the Government's 'new aid paradigm' it is difficult to recognise aid as having a meaningful development mandate beyond promoting the private sector and growth. The official purpose of aid is now to promote the national interest, with aid explicitly geared to Australia's commercial, security and diplomatic interests. AusAid has been dissolved into the Department of Foreign Affairs and Trade, with aid fully integrated into Australia's 'economic diplomacy'. Private finance is lauded as the cure-all for poverty reduction and the primary purpose of aid has been transformed into a means of leveraging Australian private interests.

Having established its new aid ideology, the Government has cut the aid budget by almost 25%, reducing aid to its lowest level as a proportion of national income since the early 1970s. This recent Australian experience shows us the neo-liberal model of aid at work - negating the traditional conception of aid as development assistance and instead enabling a new corporate-state nexus, branded as 'economic diplomacy'.

Is it still Official Development Assistance (ODA)?

AidWatch believes it is now time to seriously question whether Australian aid indeed qualifies as 'official development assistance' (ODA). For the OECD, ODA must be "administered with the promotion of the *economic development and welfare of developing countries* as its main objective" (emphasis in original).[1] As with other donor countries, Australian national interests have historically impinged on these primary objectives. But, officially, national interest was always defined as a secondary concern. Until 2011 AusAid's objective was to "assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest".[2]

The national interest proviso was itself questioned by the Labor Government's 2011 'Review of Aid Effectiveness,' which proposed a rewording that prioritised anti-poverty. The rewording positioned national interest as a secondary by-product rather than as a precondition:

> "The fundamental purpose of Australian aid is to help people overcome poverty. This also serves Australia's national interests by promoting stability and prosperity both in our region and beyond."[3]

The change was implemented, but disappeared with the demise of AusAid in 2013. The declared objective of Australia's Department of Foreign Affairs and Trade (DFAT) 'Australian Aid' division is quite simply to "promote Australia's national interests by contributing to sustainable economic growth and poverty reduction."[4]

In official terms the 'main objective' of Australian ODA is no longer the "**economic development and welfare of developing countries" as required by the OECD, but** the promotion of "Australia's national interest." The question arises, is it still aid?

At one level this concern could be seen as a simple accounting matter to confirm whether public funding for Australia's overseas national advantage qualifies as aid. At a more fundamental level, however, it signals disenchantment with, and potentially undermines, the Australian public's commitment to overseas aid.

For all its shortcomings ODA expresses development solidarity and a sense of public responsibility in the face of global needs. In recent years public support in Australia for overseas aid has fallen. For instance Australian National University (ANU) polling showed support for aid falling from 85% to 75% between 2001 and 2014. In 2014 only 20% of respondents to an Essential Media poll supported the 0.5% GNI target; in 2015 only 35% of those polled by the Lowy Institute opposed the AUS$1 billion cut in the aid budget. At the same time, the ANU poll confirmed that only 12% of the population supports the use of aid to promote Australian commercial or political interests, and in contrast, 75% support overseas aid geared to humanitarian objectives. [5]

Aid certainly has been discredited as successive governments have sought to direct aid for political and commercial purposes. The previous Labor administration favoured Australia-based International Development Contractors. They used aid to promote trade agreements, to create a market in climate offsets and, most controversially, counted on-shore refugee detention as ODA. The current Government announced aid cuts on the eve of the 2013 election and has since dramatically reframed the role of aid to the point that it is now little more than an adjunct to private interests and diplomatic objectives. The overall effect has been "damaging [to] the integrity of the aid program… making it look like a piggy bank ripe for raiding".[6] The Government's 'new aid paradigm' dovetails with populist anti-aid rhetoric, and has contributed to the erosion of public confidence, which, in turn makes it easier to cut the aid budget.

Discarding the GNI target

Until recently there was a bipartisan political consensus in Australia that the aid program should be linked to a Gross National Income (GNI) target. Following the adoption of the Millennium Development Goals, the coalition under John Howard (Australia Prime Minister, 1996 – 2007) increased the aid budget to about 0.25% of GNI. When Labor gained the government in 2007, they continued this trend, raising ODA to about 0.35% by 2011. The Rudd Labor Government initially set a target at 0.5% of GNI to be achieved by 2017, and the target, but not the timing, was formally supported by the Coalition in its 2013 election platform.

Breaking this consensus on aid two days before the 2013 election, the Coalition announced major cuts to ODA and abandoned the timetable to reach the GNI target.[7] In making the announcement, Joe Hockey, who became Treasurer in the 2013-15 Abbott government, set ODA against domestic priorities: "We have to cut the growth in foreign aid, to fund Australian infrastructure because the stronger the Australian economy, the more generous we can be in future."[8] The target was later abandoned altogether by the Abbott Government's Commission of Audit (NCA). The Commission, which was established to conduct a '"thorough review of the scope, efficiency and functions of the Commonwealth government," was headed by the President of the Business Council of Australia.

The Commission's final report recommended that ODA be delinked from GNI, with "increased resources justified in terms of the overall fiscal context rather than to a set of funding targets." It also recommended that ODA be focused on "countries of strategic interest."[9] In its response to the NCA report the Government simply stated "Reforms to Foreign Aid are in the 2014-15 Budget." In formal terms the Coalition remained committed to the GNI target, but the "overall fiscal context" justified an immediate 20% cut with further reductions to follow.

In order to reach the 0.5% target in 2018, aid spending would have had to rise to AUS$9,482 million.[10] Yet maintaining this level even eluded Labor: In 2013 the Labor Government cut aid by AUS$100 million to AUS$5,032 million, and extended the deadline for achieving the 0.5% goal by a year. Under the Coalition, aid spending was maintained at this level through to 2015 and then cut by close to a billion to AUS$4,052 million. The most recent budget, in May 2016, planned a further AUS$200 million cut, to approximately AUS$3,800 million. As a result, in 2016 Australian aid is projected to fall to 0.22% of GNI, comparing with 0.30% for the OECD as a whole in 2014.[11]

This decline puts Australia out of step with the rest of the OECD, where a "fiscal context" of heavy indebtedness has generally not been weighed against ODA. In the United Kingdom, for instance, the Conservative Government has increased ODA to 0.7% of GNI even though it has a public debt equivalent to more that 90% of national income. In contrast Australia's public debt is equivalent to about a third of national income. "Fiscal context" is thus politically defined, as is whether ODA has legitimacy over and above domestic spending priorities. The current Government has effectively delinked aid spending from GNI, thus breaking the key means of ring-fencing aid. Ever-shrinking aid is now routinized into the budget process, and this reflects the "new paradigm" in aid policy.

Aid Effectiveness – for Australia?

The OECD debate on aid effectiveness, centred on the 2005 Paris Declaration and the 2008 Accra Agenda for Action, had its echo in Australia with the creation of the Office of Development Effectiveness (ODE) in 2006. The ODE retains its status as an "operationally independent unit" in DFAT, and also with the 2011 Independent Review of Aid Effectiveness, which itself led to the Independent Evaluation Committee overseeing the ODE.

The aid effectiveness agenda was transformed by the 2014 policy, "Making Performance Count", which links aid to a series of ten key targets.[12] These are essentially policy and performance targets focusing on private sector assistance and 'aid for trade' (discussed below).

The fifth performance target, which focuses on the Indo-Pacific region, seeks to ensure that at least 90% of country aid is spent in the region. Ironically, this regional re-focusing trumps concerns about aid effectiveness at the country level. The 2011 Review of Aid Effectiveness specifically recommended low expansion in PNG, the Solomon Islands and East Timor, citing governance concerns, whilst recommending high expansion in sub-Sahara Africa, Indonesia and East Asia. In large part the reverse has occurred as the aid program has almost completely retreated from areas where Australia is not deemed to have a foreign policy objective and maintained spending in areas where it arguably does.

The 2015/16 budget saw 40% cuts to programs in Indonesia, Sri Lanka, Afghanistan, Pakistan, Bangladesh, Vietnam, Burma, Laos and the Philippines. The program in Africa was, for all intents and purposes, phased out. Multilateral aid was cut by 40%. These cuts, however, have not been uniform. Countries of strategic importance, and those which cooperate with Australia's punitive and illegal offshore detention program, or have agreed to resettle asylum seekers, such as Cambodia, Nauru and Papua New Guinea, have been largely untouched by the cuts. This refocusing of aid on the 'Indo-Pacific' is not uniform, nor is it consistent with aid effectiveness criteria.

Indeed, the OECD's aid effectiveness framework implicitly assumes the focus of ODA should be on development results for developing countries. Donor countries have legitimate priorities but these should be subordinated to the goals of development. Australia aid effectiveness is now circumscribed by Australian government priorities, as expressed in the 2014 'performance targets', not by development effectiveness. With the re-distribution of aid cuts at country level, the emerging geography of Australian aid now directly reflects Australia's diplomatic priorities. Australia now directs its ODA in ways that, first and foremost, deliver 'effectiveness' for Australian interests.

Assisting Private Finance?

The Government's 'new development paradigm' rests on the assumption that prosperity is best enabled by inflows of private finance. The official policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, argues there is a "need for change [as] aid represents an increasingly small proportion of development finance." Specifically, it argues, "private investment in developing countries is approximately six times the size of ODA flows."[13] This claim assumes development finance includes all private finance flows, which is patently untrue.

In 2014 OECD ODA reached US$137 billion, while aggregate foreign direct investment (FDI) to developing countries stood at US$681 billion and has been around this level since 2010. Contributions from NGOs and private benefactors provided an additional US$32 billion.[14] Unlike ODA, private finance can flow in the reverse direction (from poor to rich countries such as repatriated profit). The relevant comparison, then, is with net FDI flows to developing countries. In 2014 this flow stood at US$403 billion.[15] Setting aside personal remittances, which are not really a meaningful form of development finance, we can estimate that ODA is about a third of total net private investment.

Unfortunately, not all of this net FDI is development finance as such. A large proportion, US$233 billion in 2014, is in mergers and acquisitions, which delivers no extra local investment.[16] For developing countries the key is 'greenfield' investment, which in fact has fallen dramatically, from US$350 billion in 2009 to US$208 billion in 2014. UNCTAD defines "greenfield" investment as "all new investment projects and expansion of existing investments… where they lead to a new physical operation."[17] Not surprisingly, most FDI 'greenfield' inflows are to industrialising countries. In 2014 Hong Kong, China, South Korea, Taiwan , Singapore and United Arab Emirates together accounted for US$145 billion of the total $208 billion in 'greenfield' investment flowing to developing countries.[18] This means there was only US$63 billion in private 'greenfield' investment flowing to other developing countries, with US$13 billion to Africa. Even less 'greenfield' investment, about US$1.5 billion, flows to the least developed countries (LDCs), while about a third of all ODA, or US$41 billion, went to LDCs in 2014.[19]

ODA and other forms of non-private development financing therefore are critically important for developing countries (aside those that have industrialised). The OECD emphasizes the role of non-concessional official flows such as those through multilateral development banks and state-owned investment funds, as opposed to private FDI.[20] ODA is even more important for LDCs and the OECD itself confirms, "ODA makes up more than two thirds of external finance for the least-developed countries."[21]

It is important to recognize that ODA and FDI are very different financial flows. FDI is money invested for profit; ODA is money granted (or loaned) on the expectation of social and environmental impact. Aid is thus critically important for the poorest countries. It is misleading to suggest that all aggregate private finance flows are a form of development financing, and that they offer a meaningful alternative to ODA for developing countries. Furthermore, it is crudely self-serving for a government to make this assertion as a way to rationalise large cuts to ODA.

Aiding Private Players

When the Australian Government announced its 'new aid paradigm' in 2014, it argued that aid should help countries create strong economies. The examples given were China and South Korea, pointing out that both have delivered prosperity for their people and are now able to become aid donors in their own right.[22] This was offered as a key rationale for focusing on growth and the private sector. The irony is that a focus on facilitating the private sector directly dismantles exactly the very kind of developmental state that enabled China and Korea to industrialise.

Furthermore, private sector-led growth based on a neo-liberal model tends to concentrate wealth, thus exacerbating inequality and poverty, which negates development goals. The UNDP's *Human Development Index* reveals there is no direct correlation between GDP growth and human development. A 2013 report maintained that instead high public expenditure on health and education is the key factor.[23]

Australia's record on integrating ODA with existing public sector programs has been weak. Under the Accra Agenda for Action on Aid Effectiveness, and later the Busan Partnership for Effective Development Cooperation, donors are required to ensure country ownership of aid through integration with national budgets. Australia has lagged on this, with the OECD, and then the Global Partnership for Effective Development Cooperation, reporting its failure to meet the required targets.[24] Post-2014 the focus of the aid program has been to downplay the role of the public sector and instead to fund 'market access' for private players. Increasingly, ODA promotes Australian interests at the expense of developing country priorities.

Under 'Making Performance Count' the first target for the aid program is promoting prosperity. The policy collapses prosperity into trade by defining the target in terms of "promot[ing] economic development by increasing Australia's aid-for-trade investments." There is no justification for this approach beyond an assertion that, "the evidence is clear that economic growth is the most effective means of reducing poverty."

The next two targets focus on benefiting private companies, including the stipulation that "all new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes," and that "all new investments … will promote private sector growth." The policy further requires that "all country and regional programs have aid investment plans that describe how Australia's aid will promote economic growth in ways that provide pathways out of poverty."[25]

The new paradigm directly uses aid as an instrument for leveraging market access for Australian commercial interests. One of the key targets announced as part of the new 2014 package is the requirement that 'aid for trade' increase to 20% of total aid spending. In 2016-17 about US$750 million is to be spent on 'aid for trade,' which represents approximately 19.5% of the overall aid program. The first priority for this spending is to "encourage unilateral reform, promote open and transparent markets and deepen regional economic integration." [26] As part of this approach Australia is working with the World Bank to "address legal, regulatory, and administrative impediments to investments."[27]

Trade can play an important role in development but only when it is founded on human development and sustainability objectives. In Australia's program the emphasis is on free trade as part of the aid program and market-driven regional integration, often at the expense of local development, the protection of the environment and human rights. Australia is currently negotiating the PACER-Plus trade agreement with the Pacific Island countries. It seeks to extend market access in the region for trade in goods, services and investments as well as to improve trade and investment facilitation and economic cooperation. It is clear that this agreement will disproportionately benefit Australia and New Zealand to the detriment of many of these countries.[28] DFAT directly links its "economic diplomacy" to advancing PACER-Plus, stating that "negotiations... include elements of trade capacity-building and trade development assistance designed to strengthen Forum Island Countries' ability to trade."[29]

Australia's ODA has been organised in ways that will directly assist private players. DFAT quotes the International Finance Corporation (IFC), a World Bank private financing agency, as endorsing the private sector as the key source of jobs in developing countries. To justify this claim it focuses on job growth after the 2007-8 financial crisis, a crisis largely caused by the private sector.[30] In terms of policy directions, the IFC analysis finds "almost no benefit" from reducing corporate taxation, and instead recommends more direct forms of assistance in the form of "investment facilitation" and especially "secured transactions."[31] Here, investments are insured against losses by the developing country government, which means in practice that developing country taxpayers bear the risks of private overseas investors.

Currently, donor country Export Credit Agencies (ECAs) play a key role in guaranteeing investments.[32] ECAs regularly under-write investments, especially where a country is identified to be high-risk. As a result, ECAs are estimated to create 80% of developing country debt.[33] In the 'new aid paradigm' ODA is literally renamed as 'aid investment,' and is to be directed to facilitate public-private partnerships, for example in infrastructure, to enable private finance flows to developing countries.

In this respect Australian ODA offers a new source of 'soft' public funding to bolster private sector projects. One focus has been on supporting private sector innovation, including an 'Innovation Xchange', launched in 2015 with a budget of AUS$140 million. There is no evidence that the Xchange has achieved anything substantial, as very little public information is available. The reference group is dominated by big business, including executives from Mastercard, private venture capital groups and corporate conglomerates. Another private sector funding stream, the 'Business Partnerships Platform,' offers 50% funding for any corporate initiative that can "deliver a combined social and financial return on investment."[34]

DFAT has also introduced direct corporate partnerships into the aid program. Of particular concern are the memoranda of understandings (MOUs) signed with two of

Australia's biggest banks, Westpac and ANZ Bank. Both operate in many Pacific islands that are in competition with local banks (e.g. Westpac in Papua New Guinea, Fiji and Vanuatu and ANZ in 12 Pacific countries). These MOUs have not been made public and it has never been clear what financial value is attached to them. The agreements are pitched as increasing access to finance, support to private sector development and even female financial literacy. In reality, the aid program is working with Australian banks to bring more customers. The Australian Foreign Minister, Julie Bishop, in a media release at the launch of the Westpac Memorandum quite openly stated, "The agreement forms part of the Coalition Government's economic diplomacy agenda, which aims to more closely engage with the private sector, the business community and non-government organisations to promote prosperity in our region."[35]

DFAT's first corporate MOU was actually with Carnival Australia in 2013. Carnival Australia, the Australian branch of the global cruise ship brand, Carnival, runs a large number of cruise ships from Australia to the Pacific Islands, especially Vanuatu. Again, this corporate partnership was made with little transparency. To date the only public information of the agreement has been a study based on a survey of cruise ship passengers in 2014.

In 2015 DFAT canvassed a partnership with Coca Cola to deliver medical supplies in the Pacific. Here a problem with health logistics becomes an opportunity to create a private sector monopoly. The benefits to Coca-cola are clear, in terms of making it harder for governments to take action against soft-drink consumption and the related obesity crisis in the region.[36]

An invisible Aid Program

Winding-up Ausaid was one of the first actions of the incoming conservative Government. It was not foreshadowed in the election campaign, but was announced in the Government's first day in office. An important impact of this move, as noted, has been the lost development mandate for aid. A related impact has been a significant decline in openness and transparency.

There is now almost no public information on projects being financed by Australian aid. One key means of holding AusAid to account was its 'blue book' yearly budget statement, detailing aid expenditures. In contrast, in May 2015 the ODA budget papers ran to less than ten pages. In May 2016 there was a longer document, centred on highlights rather than financial openness, adding nothing to public information about the aid program.

Detailed project-level information is no longer available on the Australian aid website. For example, the Nauru Aid Program Performance Information 2014-15 runs to just four pages with very little useful information about what the program is actually doing or achieving. In its annual ODA performance assessment, DFAT states that information on projects is available through the AusTender website.[37] However, information is minimal: drilling down to actual projects not possible, even if such projects disburse considerable amounts of public funding to private operators.[38]

Transparency about performance is woeful. As noted, the DFAT performance framework substitutes policy objectives for effectiveness criteria. The objectives and associated targets are simply asserted, and not in any way justified in terms of their effectiveness. In this respect, the effectiveness agenda has been radically subverted.

This reduction in transparency is reflected in the first official performance review issued under the new policy targets. It simply reports on whether the ten policy targets were achieved, not whether they were effective. For instance, Target 8 reports on 'Aid Quality Checks', where "investments rated as satisfactory against the efficiency and effectiveness criteria [are] considered to be delivering high standards of value for money."[39] The purpose of projects is not assessed. Instead all of the quality standards relate to process requirements and, whether the planned outcomes have been achieved, not whether or how those outcomes contribute to development goals. The same applies in the country reports where overall success is rated against benchmarks and assessed as to whether it is 'on track'.

In this context, program information is opaque. It is simply impossible to find out how much of the AUS$1.2 billion in spent on offshore refuge detention in Nauru and PNG is being claimed as ODA. The OECD reported that Australia claimed US$343m in 2013 as "in-donor" (ie, "on-shore") refugee costs. As there is no counting of "off-shore" detention figures, are not available for 2014 or 2015: as the OECD reports, "Australia considers that its processing of irregular migrant arrivals does not align with the DAC's rules in-donor refugee cost."[40]

Remarkably, in February 2016, a year after the 2015-16 aid cuts, it was still unclear which projects DFAT had cut. In its budget submission in February 2016, the Australian Council for International Development stated, "We do not yet have detailed information on all the specific programs which have been discontinued as a result of aid cuts."[41]

Freedom of information requests could provide an avenue of last resort. However the Department of Foreign Affairs grants less than one-in-five freedom of information requests in full, and 25% of requests are denied completely.[42] Foreign policy is routinely veiled in secrecy: Australia's aid is now folded into DFATs economic diplomacy, and is by definition off-limits for public scrutiny. In this context official leaks become the only reliable source. This avenue is how, for instance, Australians learnt about DFAT promotion investor-state provisions in the Trans-Pacific Partnership, a trade deal that will have extensive impacts on the region's developing countries.[43]

Re-asserting ODA as development assistance

The impact of the current Government on Australia's aid program has been extensive. In 2015 the ANU's Development Policy Centre surveyed the sector and found that three out of four non-government aid practitioners, both from NGOs and for-profit contractors, believed aid had become less effective since 2013. 'Transparency', 'strategic clarity' and 'predictable funding' had suffered the most. In terms of strategy, the main concern was that "helping poor people in developing countries has become a less important goal for Australian aid," with close to 70% of respondents rejecting the idea that aid should be directed at trade and infrastructure.[44] Remarkably, given DFATs own glowing assessment of aid 'performance', more than a third of respondents (38%) did not believe that Australian aid was effective.[45]

Aid no longer has its institutional advocate in the form of AusAid, allowing ODA to become a 'diplomatic ATM', as predicted by a former AusAid deputy in 2013.[46] Most importantly, aid has become a soft target, with little in the way of political pain associated with redirecting or cutting it. The key question is how and whether these problems can be addressed politically. Aid practitioners certainly have a voice in the political debate, but they are often characterised as self-interested, speaking as part of an industrial sector that depends on taxpayer funds, rather than as speaking in the public interest.

There are attempts to rebuild public support for the aid program, notably by the peak agency for aid NGOs, the Australian Council for International Development (ACFID). Its Campaign for Australian Aid asserts the legitimacy of aid in meeting human needs, and seeks pledges of support for a 'fairer world' through increased aid spending.[47] This misses the bigger question of what aid should be spent on and the extent to which aid is now directed at private sector growth rather than ending poverty or creating a more just world.

Unfortunately, neither the key NGO members of ACFID, or ACFID itself, are financially independent of DFAT. ACFID membership is a condition of DFAT accreditation, and most ACFID members are recipients of DFAT funding. ACFID itself relies on DFAT grants for half of its AUS$1.4 million income. Whilst financial independence from DFAT would not necessarily guarantee a more critical and public voice on ODA, it should be seen as an important precondition, especially in the context of a Government that in the past has taken a vindictive approach to punishing its critics by discontinuing their funding.

More broadly, the limited objective of restoring public confidence in aid must address the question of what aid is being spent on. Raising this question would force a more productive debate and allow a more broad-based questioning of the 'new aid paradigm'. Clearly, re-creating an effective political base for ODA requires a radical re-think of the terms of political engagement on aid.

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Canada: Continuity with change?

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Overview

- Canadian official development assistance (ODA) for Fiscal Year (FY) 2016/17 is estimated by the Canadian Council for International Co-operation (CCIC) to be Cdn$5.6 billion or 0.28% of Gross National Income (GNI), assuming no supplementary estimates and GNI growth remains consistent with current levels.
- In 2015 Canada's performance ranked 14th among 28 member countries in the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) with respect to ODA as a percentage of GNI – increasing from 0.24% in 2014 to 0.28% in 2015. Although welcome, this increase is overstated, as noted below.
- After Canadian aid peaked at Cdn$5.51 billion in FY2011/12, major cuts announced in Budget 2012 saw Canadian aid dropping to Cdn$4.84 billion in FY2013/14. In the first two years, the government in fact surpassed the planned cuts of Budget 2012, returning hundreds of millions in unspent allocated money to the Treasury. While Canadian ODA seemingly bounced back in 2014/15 to Cdn$5.68 billion, the increase is made up of two one-off payments. Consequently, if you subtract these amounts, the real ODA amount is actually closer to $4.8 billion, slightly lower than in 2013/14.
- Budget 2016, the first by Canada's new Liberal government, announced modest increases to the international assistance envelope in 2016/17 and 2017/18 of Cdn$128 million per year. The Budget also announced that Canada would be conducting a review of Canada's international assistance policy framework in the coming year.
- With the exception of 2013/14, when aid to Sub-Saharan Africa (SSA) fell to Cdn$2.0 billion, ODA to SSA has remained above Cdn$2.3 billion since 2011/12. This amount is nominally above the Cdn$2.1 billion Canada hit in 2008, when it doubled aid to SSA, but now falls short of the target calculated in real terms. In 2014/15, aid to Asia increased to Cdn$1.3 billion after hovering around Cdn$1.1 billion in previous years. After hitting a peak of Cdn$986 million in 2011/12, aid to the Americas sharply declined in 2012/13 and 2013/14, levelling off at Cdn$558 million in 2014/15.
- Humanitarian assistance has risen substantially. The average from FY2008/09 to FY2012/14 was Cdn$567 million per year. In FY2013/14 and FY2014/15 it jumped to Cdn$857 million and Cdn$847 million respectively, mainly due to responses to the humanitarian situation in the Philippines (2013-14), South Sudan and West and Central Africa (2014-15) and the Middle East.

In 2014, the government increased its countries of focus from 20 countries to 25, including three more in SSA. It added Burkina Faso, Benin, the Democratic Republic of the Congo (and substituted Sudan for South Sudan) in Africa. In Asia, Burma, Mongolia and the Philippines were added and in the Middle East Jordan was included.

Canadian Aid and Development: A time of transition

With the election of a new Liberal government in October 2015, Canada has shifted from being an introverted and obstructionist player on the world stage to a much more collaborative and constructive one. Its 180 degree pirouette with regards to addressing climate change – even pushing for the more ambitious target of keeping global warming below 1.5 degrees – and its very public bid for a seat on the United Nations Security Council in 2020, are perhaps the two most obvious signals that “Canada is back” – at least in principle.

The new government, however, has not completely shifted tack relative to several of its predecessor’s initiatives. For example, the merger between the Department of Foreign Affairs, Trade and Development (DFATD) and the former Canadian International Development Agency (CIDA) has not been undone. However, the former DFATD has been rebranded to Global Affairs Canada (GAC) with a much greater emphasis on inter-departmental collaboration.

To maternal, newborn and child health (MNCH) the Liberals have added a focus on sexual reproductive health and rights – an election promise – with a strong emphasis on women and girls, not just mothers and babies. Democracy and governance is focused more on inclusion, pluralism, and diversity, than on exclusion. For example, the Conservatives’ Office of Religious Freedom, which focused on religious rights and freedoms, has been replaced by the Office of Human Rights, Freedoms and inclusion. The Liberals have retained a strong emphasis on humanitarian assistance, initiated by the Conservatives, with increasing focus on tackling the middle ground between disaster relief and development. These subtle yet important shifts have been dubbed by many as “continuity, with change.”

The election of the new government has signaled other, more dramatic changes. The focus of Canadian aid has shifted from poverty alleviation (addressing the symptoms of poverty) to poverty reduction and inequality (addressing its root causes). The new government has reversed years of significant declines to the aid budget with modest increases. They have promised a new funding framework for Canadian international assistance. In this initiative, they are consulting the Canadian development community, alongside a full policy review of Canadian international development and humanitarian policy. Both are scheduled to be completed in 2016.

Unlike their predecessors, the Liberals have also accepted that the new *2030 Agenda for Sustainable Development* applies as much to Canada as Cameroon, and have committed to developing a national plan for addressing this agenda both at home and abroad. Finally, climate change is now a top priority, with the government embracing the full range of players needed to realize the ambitions of Paris, and announcing Cdn$2.65 billion in funding for climate change adaptation and mitigation over the next five years.

But there are also areas where there is no change. Some initiatives, like the Civil Society Organization Partnership Policy, which was welcomed by CSOs last year, remains in place, as is the support for the Canadian private sector, and in particular the extractive sector.

What all of this means for Canada in the coming years is still unclear. A major question is whether the emphasis will be on continuity or real change. To realize the ambition of Paris on climate change and the 2030 Agenda, substantive, transformational action will be required.

Canadian Aid back on Track?

After the International Assistance Envelope (IAE) was frozen at Cdn$5 billion in 2011/12, the Conservative government announced reductions in FY2012/13 that brought the IAE to Cdn$4.62 billion by FY2014/15 and through 2015/16. The IAE is a better measure than total ODA of our real aid commitments to reducing poverty in developing countries as it focuses on budgeted financial flows for aid.

Not only did the government implement these cuts, it also allowed hundreds of millions of dollars authorized for poverty eradication to lapse (i.e. go unspent) in 2012/13, 2013/14 and 2014/15. – former CIDA and DFATD respectively were required to return it to Treasury.[1]

In April 2015, the OECD confirmed this sharp fall, noting that Canadian aid allocations had dropped by 11.4% in 2013 and 10.7 % in 2014, or from US$5.65 billion in 2012 to US$4.91 billion in 2013 and US$4.20 billion in 2014.[2]

A year later, Canadian aid statistics and the OECD provisional aid numbers had a good news story to tell. Canadian aid seems to have bounced back in 2014/15, hitting an estimated Cdn$5.7 billion, up from Cdn$4.9 billion the previous fiscal year. However, the increase was entirely the consequence of two extraordinary factors: 1) a one-off concessional loan of Cdn$400 million to Ukraine in 2014/15; and 2) a double payment in 2014/15 of Cdn$441.6 million to the World Bank's International Development Association (IDA). This second payment occurred due to a technical change in how payments will be made to these institutions. If you subtract these amounts, the real aid budget is actually closer to Cdn$4.8 billion, lower than in 2013/14.

The trend of *apparent* increases to Canada's ODA is not likely to change in the coming years. One example of this is an unintended consequence of Canada's recent acceptance of 25,000 Syrian refugees. Although government support towards the integration of 25,000 Syrian refugees is wholly welcome, this could increase ODA by Cdn$876.7 million in 2015/16.[3] The cost of refugees for their first year in a donor country can be included as ODA for that year. Costed outside of budgeted aid in the IAE, refugee resettlement typically adds Cdn$260 million per year to Canada's ODA. In 2015/16, this resettlement figure will likely increase significantly – as it has for European donors. This one-off commitment will again overstate an increase to Canadian ODA without any commensurate increase to the IAE.[4]

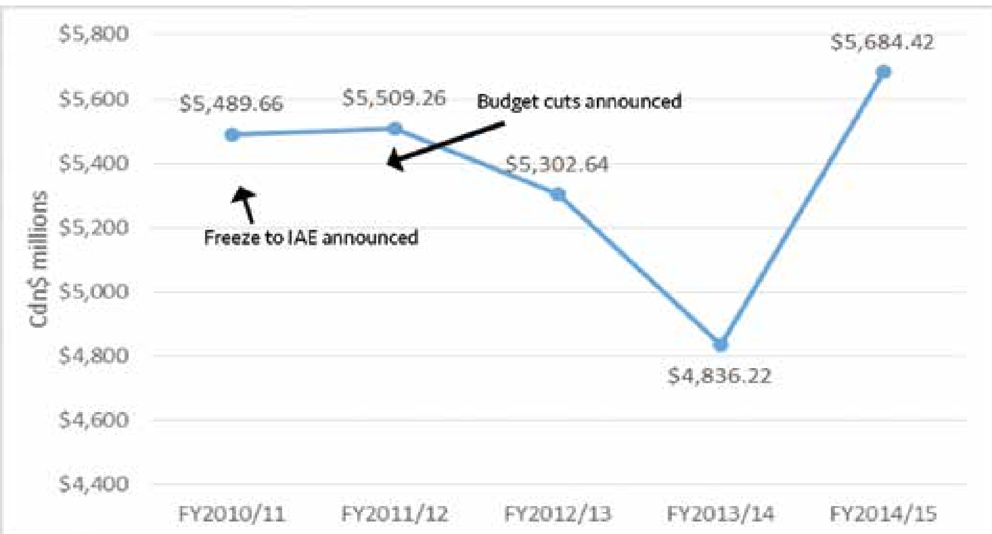
Budget 2016 – the first by the new Liberal Government – did reverse the trend in declining Canadian aid, announcing welcome increases of $128 million per year to the IAE for 2016/17 and 2017/18. But these limited and modest increases are not enough to position Canada as a leader on the global stage, nor do they match the government's rhetoric of "being back" with clear commitments to invest in sustainable development internationally.

Furthermore, there continues to be a lack of transparency around details on the budget. For example, as of time of writing, we do not know if the government's welcome pledges of $2.65 billion over five years to climate finance, made in November 2015, and $1.1 billion in humanitarian and development assistance to Iraq and Syria, made in early February 2016, are new and additional. The climate financing will comprise a mix of grants and loans, but we do not know in what proportion, nor the balance between adaptation versus mitigation. Budget 2016 is a step in the right direction, and a welcome course correction from the repeated cuts of the past five years. But it's a very small step. Much more will be needed to match the ambitions of the new government to the needs of the planet and its people.

Responding to Agenda 2030 and Paris: Hole in Government, or Whole of Government?
Under the previous Conservative government, Canada officially recognized the universal nature of the sustainable development goals (SDGs)[5] – that is, that the goals were to be applied to all Member States, including Canada. However, a confidential memo leaked in June 2015 noted that "Canada has no plans to apply the Post-2015 Agenda domestically, or to take on new reporting obligations beyond what we are currently producing."[6]

As with climate change, the Liberal government has taken a new approach to the issue of universality and the SDGs. In response to a survey conducted during the 2015 Federal Election, the Liberal government accepted the universality and applicability of the SDGs both at home and overseas and committed to a domestic and international plan of action.[7] Accordingly, implementing the SDGs is the second priority in the mandate letter of the new Minister of International Development.[8] And while it is not referenced

Figure 1: Canadian ODA 2010/11 to 2014/15. Source: Canadian Statistical Report on International Assistance, various years.



in any other Minister's mandates, in February 2016, Environment and Climate Change Canada released a draft Federal Sustainable Development Strategy that makes numerous and clear references to the 2030 Agenda. (That said, the draft Strategy falls short as it is primarily focused only on the environmental pillar of sustainable development.)

Global Affairs seems to have established at least informal relations with other government departments with respect to the implementation of the SDGs. Collaboration and coherence across silos and between branches and departments is a core theme of the Liberal government's new approach.[9] Global Affairs' implementation of the SDG agenda will be an important test of the merged departments' ability to ensure policy coherence (or not) between diplomacy, trade and development on the broad and comprehensive SDG agenda.

Beyond the federal level, the extent to which the government is liaising with provincial and municipal governments to discuss domestic implementation remains unclear. Going forward, this will be essential since a number of goals, including ones on health, education and infrastructure, span jurisdictional boundaries.

What elements of the SDGs Global Affairs intends to implement in the coming year should also soon become clear. In May 2016, the government launched a consultation and review of the policy and the corresponding funding framework necessary to guide Canada's aid decisions – this is the International Development Minister's top priority in her mandate.

This review will be a litmus test of the government's commitment to integrating the outcomes of the Paris agreement and Agenda 2030 into their work internationally. On this latter point, civil society and Canadians have already submitted ideas as part of a government consultation on Canadian priorities post-2015.[10] The results from the consultation affirm, among other things, the importance of universality, rights based approaches, climate change, environmental sustainability, women and girls' empowerment and truly sustainable and inclusive growth that reduces poverty, inequality and the burden on the planet.[11] This input should form the basis for the next round of consultations for the policy review.

New Partners in Development: Civil Society and Private Finance

After four years (2008 – 2012) of tense relations between the Conservative government and the Canadian international development community – which saw defunding of numerous organizations, lengthy and unpredictable funding delays, an abandonment of support for public engagement, and *ad hoc* and selective consultations – relations began to improve under Conservative International Development Minister Christian Paradis. Since early 2014, the former government took definitive steps towards re-establishing a more positive relationship with civil society.

The International Development and Humanitarian Assistance Civil Society Partnership Policy, launched in February 2015, marked a significant turning point in the relationship between the international development and humanitarian assistance community and DFATD, as it was then known.[12] The policy, which was developed in direct consultation with civil society, establishes a new framework with nine clear objectives for how the government would engage with civil society.

The policy identifies CSOs as independent development actors with their own set of values to guide their work (the Istanbul Principles for CSO Development Effectiveness and the Humanitarian Principles), while also recognizing the role that governments have to play in generating an enabling environment for civil society to realize its full potential. Finally, the policy commits to an annual review of its implementation in consultation with CSOs. To help inform this process, CCIC has developed a set of milestones and indicators for the coming one to five years to benchmark progress.[13] The first report against these benchmarks will be produced just ahead of the first consultation on implementation, which is expected in September 2016. Some changes have already occurred in terms of funding modalities, dialogue and renewed interest in public engagement, among other things.

Around the time that relations with civil society were becoming strained, the government began to actively promote the Canadian private sector in its development strategy. The government demonstrated this priority with the launch in October 2010 of the government's Sustainable Economic Growth Strategy (SEG)[14] and with the June 2013 announcement of a new International Institute for Extractive Industries and Development (to support and build natural resource management capacity in developing countries).[15] Another moment occurred in November 2013 with the establishment of the government's Global Markets Action Plan, under which "all diplomatic assets of the Government of Canada will be marshalled on behalf of the private sector."[16]

Six years later, with the new Liberal government still supportive of a role for the Canadian private sector, it still remains unclear how exactly any such strategy will be implemented in practice beyond supporting *ad hoc* initiatives, nor how such initiatives have leveraged positive development impacts and change for the poor. Perhaps recognizing the limits of this approach (and the lack of interest among the Canadian private sector to engage), the Canadian government has shifted tack to focusing on several initiatives to try to leverage private finance for development.

The announcement of a Development Finance Initiative in April 2015 was followed by the June 2015 launch of the Convergence Blended Finance Platform, intended to support and enable the blending of private, public and philanthropic capital around development initiatives for the greater good. Looking forward, the ability of both initiatives to demonstrate clear development and financial additionality will signal how well they are able to actually contribute to reducing poverty and inequality in developing countries.

Conclusion

How will these trends in Canadian ODA and development cooperation policy converge with global efforts to implement Agenda 2030 and the new Paris agreement? Cooperation for effective development will not be achieved unless Canada re-establishes a timetable of predictable increases to our aid budget and makes clear commitments to support developing country national action plans on climate change and the SDGs. Canada needs to promote inclusive partnerships with all development actors and insist on sustainable outcomes that reduce poverty and tackle inequality, leave no one behind. For Canada to really "be back", it needs to move confidently forward.

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Dramatic aid cuts and increased spending on refugees in Denmark

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Overview

- In 2015 Denmark elected a new government. The previous centre-left government was replaced by a centre-right government. Amongst other things, this new government promised to reduce aid to 0.7% of GNI.
- Aid for 2015 was cut as much as possible (to 0.73% of GNI). The budget approved for 2016 has reduced Danish ODA to 0.71% of GNI.
- The new government has promised to focus Danish aid on geographical home countries of the refugees that have recently arrived in the EU. This is mainly Syria and its neighbouring countries.

Danish ODA Performance

Following the national elections in June 2015, the new centre-right government dramatically cut ODA. Not only were cuts made in the budget for 2016, but halfway through the year, the 2015 budget was also cut. The planned ODA of 0.87% of GNI for 2015 (approved by the former government) was slashed to 0.73% by the new government from June onwards. For 2016, aid will be reduced to 0.71% of GNI and is expected to stay more or less at that level during the tenure of the current government whose stated objective is for Danish ODA to be no higher than 0.7% of GNI. However, the smaller Conservative party, a supporter of the current Liberal government, sought a higher level of ODA. In the negotiations for the 2016 budget, this party was able to increase Danish aid to 0.71% of GNI.[1]

While the opposition continues to argue that current ODA levels are too low, the traditionally pro-aid Social Democrats will not guarantee an aid increase if they regain power.

In Denmark there is broad political consensus that the country's ODA should be above the UN minimum target of 0.7% of GNI. However, the recent cuts bring it far from the former centre-left government's objective of ODA at 1% of GNI. In addition, it is important to note that less than 0.5% of GNI is actually spent on development objectives in developing countries, as the cost of receiving refugees in Denmark is now the largest budget line in ODA. In 2016, almost 30% of ODA will be spent in this area, a dramatic increase from under 2% in 2008. Consequently, in 2016, the largest recipient of Danish aid will be Denmark itself.[2]

Thus Danish aid was hit by two changes in 2015: a huge cut of overall ODA spending, as well as a refocusing of Danish aid away from developing countries to financing costs for receiving refugees in Denmark.

While Danish aid was cut by about 15% in 2016 against the 2015 budget, aid channelled through Danish civil society has been cut even more. All Danish CSOs with framework agreements with the Ministry of Foreign Affairs saw those agreements cut by 27%. An additional cut was placed on the channelling of funds from the Ministry to small and medium sized CSOs and CSOs with a special focus on youth, people with disabilities as well as religious organisations. This funding was cut by 36%, which taken together has seriously inhibited the broad Danish civil society's work.[3]

In order to enhance transparency, the previous government reported its ODA spending under two budget frameworks. The first focused on poverty reduction; the second on the "global frame" for efforts not directly linked to reducing poverty, but included other forms of international assistance. This reporting made it easier for civil society to monitor changes in the policy focus and objectives of Danish ODA. However, the current government has removed this system of transparency, thus seriously inhibiting civil society's ability to monitor Danish ODA.[4]

In previous years, spending under the poverty framework increased slightly, to about 82% of total spending (excluding administration). In 2016, spending under what used to be the poverty framework has declined to a fraction of what it was. This shift in the Danish aid budget will undermine the poverty reduction focus and the legitimacy of Danish aid.

New Development Strategy

Following the 2015 agreements in Addis Ababa (Financing for Development), New York (Agenda 2030) and Paris (Climate Change), as well as the election of the new government, the newly appointed Foreign Minister initiated a process to create a new Danish development strategy.[5] The intention is to replace the 2012 strategy titled "The Right to a Better Life."[6]

The new strategy is expected to be approved by a wide majority in Parliament in late 2016. It will combine long-term development aid and humanitarian assistance, something the government has pushed internationally at both the 2016 Istanbul Humanitarian Summit and in European policy. The strategy will provide the framework for Denmark's international support and contributions towards the implementation of the Sustainable Development Goals (SDGs). In terms of the SDGs, Denmark's priorities for international cooperation are SDG 5 on gender equality, SDG 7 on sustainable energy, SDG 13 on climate change, as well as SDGs 16 (governance) and 17 (means of implementation).

SDG 16 focuses on peaceful and inclusive societies, access to justice and effective, accountable and inclusive institutions. SDG 17 concentrates on the means of implementation and the global partnership for sustainable development. Both these goals will be crosscutting issues to be addressed with partner countries.

Where the 2012 strategy was built on objectives for fighting poverty and ensuring human rights, the new strategy is likely to be quite different. It has four 'guideposts': 1) Security and development – peace, stability and protection; 2) Migration and development; 3) Inclusive, sustainable growth and development; and 4) Freedom and development, democracy, human rights and gender equality. These areas represent a marked shift from the previous focus areas. As well, the policy emphasis on limiting immigration and refugee flows to Denmark is new.

Conclusion

There is cause for great concern regarding these new directions and trends in Danish aid. Although the government seems committed to maintain Danish aid at 0.7% of GNI, it legislated dramatic and rapid cuts to get to that level. Added to these cuts is the fact that the cost for the rising number of refugees will be taken, as much as possible, from ODA. In fact, Denmark is amongst the countries that allocated a high percentage of its ODA for pre-asylum costs. These are alarming trends as they not only limit the amount for actual aid, but also make it very difficult to predict the funding levels that will be available for developing countries. It is also predicted that the current government's objective to prevent future refugee crises, especially from areas close to Europe and conflict areas, is likely to translate into an increase in Danish funding in the years to come for work in these areas.

All of these issues, coupled with the decrease in ODA, mean that Denmark's position and contributions towards the realization of the SDGs come into question.

Endnotes

1 Research by the Timbuktu foundation: http://www.timbuktufonden.dk/wp-content/uploads/2016/04/Analyse-af-dansk-udviklingsbistand-2014-2016-.pdf

2 http://www.altinget.dk/artikel/bistand-bliver-i-danmark-ulande-faar-fem-milliarder-mindre

3 https://www.information.dk/indland/2015/09/danmarkshistoriens-stoerste-besparelse-paa-ulandsbistand

4 http://www.timbuktufonden.dk/wp-content/uploads/2016/04/Analyse-af-dansk-udviklingsbistand-2014-2016-.pdf

5 http://www.altinget.dk/misc/Udkast%20til%20udviklingspolitisk%20og%20humanitr%20strategi%20-%20med%20forside.pdf

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Development cooperation shores up efforts to rebuild Italy's global profile

Luca De Fraia, ActionAid Italy

Overview

- Italy's aid levels are going up with a performance of 0.21% of GNI reached in 2015, although aid inflation plays a big part. In fact, about one quarter of the total Italian ODA is inflated with refugee costs.
- New development cooperation architecture is in place including, for the first time, an Italian Development Cooperation Agency and a financial development arm.
- The Italian development system creates space for a wide range of actors, from traditional NGOs to the migration diaspora organizations.
- The overall Italian effectiveness performance may improve if the new provisions for better planning and policy coherence are implemented.
- Increasing the role of the for-profit private sector is part of the new ambition, but the operational framework is still to be agreed.

The general outlook: changes underway

The new Development Cooperation Act, endorsed in 2014, introduced a number of innovations, including a statutory cabinet post for development cooperation. This much-welcomed advance is now going through an implementation process with the expected highs and lows. There are strengths, difficult and grey areas, but surely something new is underway. In many regards, the adjustments the Italian system is experiencing echo current global discussions. This is especially true when it comes to the role of the private sector as well as to non-concessional finance. Italy has a special interest in the latter, as the overall poor quantitative performance in aid may have created expectations that working with the private sector can improve the record in the very short term. But these high hopes may be misplaced as real transformations do require time.

On the other hand, it must be acknowledged that the national political leadership seems to care about development. This is a sea change compared to the policies implemented up until 2011. In that year, a government reshuffle, brought about by an economic crisis and pressure from global markets as well as the EU leaders, ushered in a new political cadre and reversed the negative trends of the previous decades.

A comprehensive reform of the development cooperation legislation was accomplished under the current cabinet. This was backed by several visits by Prime Minister Matteo Renzi and the President of the Republic to Africa over the past eighteen months. While different interests, such as trade and migration policies, may lie behind these efforts, it is also true that improving Italy's international profile is back on the government agenda. Development cooperation and aid volumes are both part of this strategy.[1] It is notable that Mr. Renzi[2] was one of the few Heads of State to attend the Addis Ababa Financing for Development conference. On that occasion, he committed to increasing aid levels in view of the G7 Summit that Italy will lead in 2017. This promise was reflected to some extent during the annual budget session, when additional resources were allocated to the development cooperation budget.[3]

Last but not least, Italy's outlook is seemingly benefiting from the diminished ambitions in the donor community, particularly at the European Union (EU) level. In fact, the EU's original aid target of 0.7% of GNI by 2015 was missed and postponed for another fifteen years, claiming alignment with the 2030 Agenda's time framework. In reality, it is a radical scenario change. EU Member States, with poor aid performances such as Italy, will not feel the pressure as they had in the past. A few years back, some NGOs were arguing that Italy had to leave the G7 club in light of its poor ODA achievements. These times seem to be behind us now.

Italian Aid Volume: Migrants help Italy

The early figures for 2015 published by the OECD Development Co-operation Directorate (DAC) have been welcomed by Italian Government officials as they portray another good year data-wise.[4] Italy's aid reached 0.21% of GNI, an increased performance from 0.19% for the previous year. Italy's ODA for 2015 translates into US$4,577 million at 2014 prices, a 14% increase on the previous year.[5] However, the inclusion of refugee costs is now worth US$1,169 million at 2014 prices, compared to US$840 million in the previous year, which amounts to a 40% increase. Italy's aid is mostly channeled through multilateral institutions (57% of total aid) and the EU in particular (65% of the multilateral component). Bilateral disbursements to Least Developed Countries (LDCs) totaled US$221 million at 2015 prices, which is a mere 0.01% of Gross National Income (GNI).[6] The Government's ambition is to reach a 0.30% target by 2020; Canada's good performance in 2015 (0.28% and 17% increase) may thwart PM Renzi's best intentions to come fourth in a G7 aid ranking in time for the G7 Summit Italy will host in 2017.

Italy's situation speaks to the strategies European donors are implementing in response to the massive humanitarian crises that have been gathering in North African and Middle East, not far from their borders. There are many lessons to learn, including the fact that ODA policies can be adjusted to match immediate needs. The numbers are clear: in 2015 more than 25% of Italy's total aid was in-donor costs to assist refugees. There has been a refugee surge since the Arab spring in 2011 and, sadly, the political regional scenario is not positioned to change for the better any time soon.

It is fair to note that in Italy's case the actual level of ODA is inflated as aid volume incorporate large amounts of finance that do not leave the country. These resources however are not being diverted from the development budgets, but rather they come from other government departments such as the Ministry of Interior. For this reason, it is possible to claim that Italy is the first beneficiary of its own aid. But, among the EU donors, this reallocation is not among the most questionable practices: other European donors have diverted resources originally earmarked for projects abroad to address the refugee crisis.[7] This practice has meant a net loss in terms of support for partner countries.

Improving the machinery

The new Italian development cooperation system is now underway. Legislation to reform the whole framework was introduced in August 2014. It included many substantial changes, which *Reality of Aid* described and evaluated in its previous report (2014). To sum up, there have been normative improvements in different areas from multi-stakeholder participation to implementation through the creation of the Italian Development Agency. The National Council for Development Cooperation held its first meeting in July 2015 to bring together a wide range of players that the new legislation qualifies as *soggetti del sistema della cooperazione,* or actors of the Italian development cooperation system.

It is notable that the community of officially recognized development actors is currently much broader than public institutions and specialized NGOs. It now extends to include a wide array of not-for-profit organizations as well as the for-profit sector that operates according to global standards in the area of social responsibility.

The new architecture is already producing results in terms of multi-stakeholder dialogue. The National Council is in place and its working groups are operational. In fact, the thematic agenda has been organized in four streams: 1) Agenda 2030 (including effectiveness, coherence and evaluation); 2) Planning; 3) role of the private sector; and 4) Migration and Diaspora. Agenda 2030 and the Diaspora working groups are led by CSO representatives, planning by delegates from the business community, and the private sector working group by the cooperative movement. Already these working groups have proven to provide the accountability space that was not available before. The challenge is now to turn them in forums where policies can be drafted.

This current set up, one that brings together all kinds of players, may also present drawbacks. On the one hand, it is likely to raise questions on the driving forces and interests behind development policies. On the other hand, it definitely offers the opportunity to bring to the fore issues that would formerly been discussed without good transparency standards. This is particularly the case of the for-profit sector, whose role in development cooperation is now debated in public. CSOs' concerns can be taken into consideration, especially the practical implications emerging from the new arrangements. In fact, the framework for the business sector will only become operational in 2017. Both general CSR standards and access to concessional funds for the private sector are yet to be defined.

There may be good reasons for such a slow implementation pace. All the different pieces are coming together step-by-step. In fact, the Italian Agency for Development Cooperation just became operational in January 2016. The Director, Laura Frigenti, was selected through a public process, which included many applications, and was only appointed by PM Renzi in November 2015. She brings expertise from the World Bank as well as from Interaction, where she led on public and private partnerships. Also, the role of the new financial arm – *Cassa Depositi e Prestiti* – is still in the process of being fully defined, particularly in terms of the basic rules for the Italian private sector and the incentives to mobilize the bulk of the Italian companies, which are generally small and medium in size. As mentioned above, the ambition to have resources from the private sector flowing quickly may prove not to be the case.

Despite this slow pace, Italian development cooperation has been changing its landscape and mission. In this regard, there are two telling policy decisions in the pipeline at the moment, both spearheaded by the Deputy Minister now in charge, Mario Giro, who has a strong CSO background.[8] The first focuses on broadening the number of priority countries and the second is about opening the calls-for-proposals with respect to CSO funding to include partnerships between specialized and for-profit organizations.[9]

These new directions may prove problematic, including their compliance with aid effectiveness principles. Italy's limited bilateral ODA volumes would hardly justify managing more than 20 priority countries and even the operational capacity of the Italian Development Agency may not be in line with the ambitious. On the other hand, these new directions are part of an effort to push Italian development cooperation out of its comfort zone and to make it central to the political agenda.[10] So, contradictory as it may seem, such an approach may have its strong points.

The challenges ahead: Meeting the expectations

The reforms that ushered in the new era of the Italian development cooperation were premised on several assumptions, both implicit and explicit. With the new system now in the implementation stage, it is apparent that there were strong ambitions for the private sector to take a leading role. The plans to broaden the community of development actors beyond the traditional group of NGOs may have been filled with deeper political views and ambitions. They may also relate to a misinterpretation of the role of development cooperation NGOs, which may be nurtured with some profound Italian political culture traits whereby the public and private realms tend to be suspicious of each other.

In this scenario, the Italian development community will have to focus on several challenges:

- How to enhance and take advantage of the space of participation allowed for in the new legislation;
- Safeguarding the development mission of the Italian cooperation in the face of threats in terms of instrumentalization, such as in the case of strategies to adjust ODA to the refugee crisis or to support the Italian national privates sector; and
- Ensuring that effective and genuine Italian ODA, targeting poverty reduction and the SDGs, will actually increase in volume in the years to come.

Endnotes

1 The new three-year (2016 – 2018) plan will broaden the set of the priority countries (21 at the moment) by including more partners from central and east Africa. There are concerns such a move is properly backed with long-term substantial financial commitments. On the other hand, such an expansion corresponds to Italy's ambitions to find allies on the continent to address key challenges such as the management of migration flows.

2 Matteo Renzi exemplifies a new generation of political leaders that emerged in the early 2000s. For example, in a press conference at the Addis Ababa Conference he claimed that he started getting involved in politics with the debt cancellation campaign of the early 2000s, which actually succeeded in passing ad hoc legislation through the Parliament.

3 A total of additional €360 mil annually by 2018.

4 April 13th, 2016.

5 ActionAid Italy's estimates based on OECD DAC data.

6 There are no estimates for the imputable aid for LDCs through multilateral agencies and therefore cannot be measured against the global target of 0.15% for LDCs.

7 A most notable example is Sweden, which in 2015 spent on refugees 33% of its total ODA, which is nevertheless well beyond 0,7%.

8 Mario Giro comes from the *Communità di Sant'Egidio* with strong presence both domestically and internationally.

9 The call for proposal now in place is a kind of multi-tier system: A) A not for profit organization should first meet the criteria to qualify as a development actor; B) It should then apply to enter into a roster of organizations matching more stringent management and thematic conditions. Organizations on the B tier can apply for funds. New policies are encouraging partnerships of B types with A types as well as with for profit organizations.

10 In this regard, consider also Italy proposal on a migration compact at the EU level.

Japan: Recent Trends in Aid Policy and Technical Cooperation

Akio Takayanagi, Japan NGO Center for International Cooperation (JANIC)

Overview

- Japan's ODA in 2015, according to the OECD preliminary data in April 2016, was US$9,320 million, a slight increase from US$9,266 million in 2014. The ODA/GNI ratio in 2015 was 0.22%. In real terms (at 2014 prices and exchange rate), ODA increased by 12.4%. There was also increase in aid to least developed countries (LDCs) and countries in Africa.[1]
- Since Shinzo Abe's government came into office in December 2012, Japan's aid policy has been increasingly aligned to its self-interests: national security and commercial. The government's vision of development has become growth-oriented rather than focused on poverty reduction and social development. These characteristics of Japan's aid policy under the Abe government are evident in the renaming of the "ODA Charter" to the "Development Cooperation Charter."[2]
- Securitization of aid is often about linking security interests and aid in the context of failed and fragile states or the "War on Terror" after 9/11.[3] These linkages certainly have been an important aspect of the securitization of Japan's aid since late 1990's,[4] but under Abe there is a trend emerging where aid is used as a countermeasure against China's increasing global influence.

The New "Development Cooperation Charter"[5]

In the 2014 Reality of Aid Report, it was noted that Japan was undergoing a revision of its ODA Charter. The revised charter, renamed "Development Cooperation Charter," was approved by the Cabinet in February 2015.[6]

Immediately after the government's announcement concerning the new Charter, civil society organizations (CSOs) made an urgent statement with two main recommendations: 1) Japan should strictly adhere to "the principle of non-militarism;" and 2) The new charter should further strengthen cooperation with CSOs/NGOs (non-governmental organizations) of both developing countries and Japan to eradicate poverty and genuinely realise "inclusive growth."

Several elements in the new Charter are welcomed by the CSO community: 1) "promoting women's participation" as a main principle; 2) strengthening partnerships with CSOs as one of the "implementation arrangements;" 3) noting the internationally-agreed 0.7% ODA/GNI target; and 4) emphasizing the importance of development education and public engagement.

However, there are also several concerns with the Charter.

1) Securitization of Aid

A strengthened linkage between aid and security is the leading concern. Abe's review of Japan's security policy has included the following components: 1) allowing the exercise of collective defence, 2) loosening of restrictions on arms exports, and 3) utilizing ODA for strategic purposes. When the ODA Charter revision process began in March 2014, the Cabinet made it clear that the new Charter was to be closely related to the national security strategy, which was approved in December 2013. Vice Foreign Minister stated, "In order to promote such universal values as freedom, democracy and human rights, ODA will play a role in security-related fields."[7] It was also reported that the government was planning to provide ODA for construction or improvement of seaports and airports that could be used for military purposes in the Philippines and Vietnam,[8] both having territorial issues with China.[9] The new Charter explicitly states that the National Security Strategy is the basis for the new Charter.

In establishing these provisions the Abe government made a shift away from the non-military principle of past versions of the ODA Charter. The 1992 and 2003 versions of the ODA Charter both emphasized that "any use of ODA for military purposes or for aggravation of international conflicts should be avoided." This exclusion is based on the peace principle of Japan's Constitution. In contrast, the new Charter states :

"Japan will avoid any use of development cooperation for military purposes or aggravation of international conflicts. In case the armed forces or the members of the armed forces in recipient countries are involved in non-military purposes such as public welfare or disaster-relief purposes, such cases will be considered on a case-by-case basis in light of their substantive relevance."

According to the OECD-DAC's definition of ODA,

> "No military equipment or services are reportable as ODA. Anti-terrorism activities are also excluded. However, the cost of using donors' armed forces to deliver humanitarian aid is eligible."

In practice, for many donors, there has always been ambiguity as to what can be counted as ODA. Japan, which had traditionally strictly prohibited military aid, has now stepped into this "grey zone."

In September 2014, as part of the "Japanese NGOs' 10 Recommendations for the Revision of Japan's ODA Charter," CSOs made the following recommendation:

> "Deployment of militaries in conflict or disaster affected areas, even if it were for 'non-military purposes', could further destabilize the power balance of the localities and cause new conflicts. If such military deployment were carried out in any relations with ODA, the local people would doubt the peaceful and humanitarian objectives of ODA and eventually lose their trust in Japan."[10]

While it may be that the government stepped into assistance for armed forces for non-military purposes in response to these criticisms, there still remains the fear that the government will expand the scope of its military-related aid. CSOs are also concerned that equipment provided for non-military purposes could be converted for military purposes in the future.

The new Charter did not include measures to prevent this possibility.

2) Commercialisation of Aid

The new Charter also has the potential to open ways whereby development cooperation is used as a mechanism for pursuing Japanese commercial interests. At the beginning of this process, "Japan's Revitalization Strategy" (Abe's domestic economy strategy) was presented as a justification and foundation for the new Charter, although this was not explicit in the final version. Among the Charter's basic policies and principles, "dialogue and collaboration based on Japan's experience and expertise" and "cooperation that takes advantage of Japan's strength" were identified. The new Charter refers to the possibility that Japan would be "proactively presenting proposals while giving full consideration to policies, programs and institutions" of developing countries. These ideas could prove to be at odds with the ownership principles agreed by Japan at High Level Forums on Aid Effectiveness starting in Paris (2005), Accra (2008), Busan (2011) and Mexico City (2014).

The idea of utilising Japan's experiences and expertise should not necessarily be completely rejected. But the issue is that these ideas seem to reflect mainly the voices and views of Japan's business community. A policy paper by the Japanese Business Federation (Keidanren), published in June 2014, made the following proposals: 1) Aid should be used to expand Japanese presence in the South; 2) Japan should proactively propose projects to develop countries' governments through public-private collaborations; and 3) Aid should make use of Japanese knowledge and experiences through technical cooperation.[11]

3) Growth-oriented View on Development

The new Charter has also been criticized for being too growth-oriented. While the 1992 and 2003 Charters both had poverty alleviation and growth as priorities, the new one puts forward "'quality growth' and poverty eradication through such growth." The new Charter maintains that "quality growth" must be inclusive, sustainable and resilient, but these statements give the impression that the assumption is that growth is the priority and poverty reduction is the result of growth.

4) Contrasts with earlier Charters

So what are the differences between the previous "ODA Charter", first adopted in 1992 and amended in 2003, and the new "Development Cooperation Charter"? A comparison of these documents reveals several differences.

The 1992 Charter emphasised the humanitarian and developmental objectives of ODA. In the 2003 amendments "assuring Japan's security and prosperity" was added to the aid objective. This contrasts with the new Development Cooperation Charter. As the first two concerns noted above, there appears to be a substantial shift in Japan's aid objectives away from an emphasis on humanitarian and developmental objectives to a concentrations on Japan's security and commercial interests. The new Charter explicitly states that development cooperation "will also lead to national interests." This emphasis is consistent with the Abe government's narrow-minded nationalism and hawkish approach to foreign and security policies. Added to this orientation is the fact that Japan has to increasingly compete with China, which is an emerging non-DAC aid provider, and which has displayed no interest in complying with DAC's norms and standards. Regional geo-politics is considered to be a factor behind Japan's shift in its aid objectives.

The DAC peer review in 2014 recommended that

> "Japan should establish a prioritised agenda for ensuring [that] domestic and foreign policy choices are informed by an assessment of development goals along with other goals. The planned revision of the ODA Charter could provide an opportunity to set this approach out clearly [and that] Japan should use the updating of its ODA Charter to emphasise its focus on meeting international development effectiveness commitments."[12]

Sadly, it seems that the peer review recommendations have, for the most part, not been realised. In fact, it seems that policy is going in the opposite direction.

Trends in Aid Volume and Allocation

According to the General Account Budget (the government's main budget), Japan's ODA budget was increased by 1.8% for fiscal year (FY) 2016. This is first time since FY 1997 that the ODA budget has been increased. However, since Japan's ODA includes additional financial sources such as the Fiscal Investment and Loan Program (FILP),[13] the increase in the main budget does not automatically mean that the aid volume will increase in the coming year.

The trends in the regional and sectoral allocation of Japan's ODA have remained unchanged. In 2013-14, 66% went to Asia (38% to South and Central Asia, 28% to other Asia and Oceania). Only 13% was allocated to Sub-Saharan Africa. The top ten recipient countries were: Myanmar, Vietnam, India, Indonesia, Afghanistan, Iraq, Thailand Bangladesh, Philippines and Sri Lanka. Sectorally, 45% went to economic infrastructure, while only 17% was allocated for social infrastructure. These proportions are in sharp contrast with the majority of DAC members where 37% of DAC members' aid went to social infrastructure and 19% to economic infrastructure.[14] Probably behind this difference is Japan's growth-oriented view on development.

Technical Cooperation: Japan's Technical Cooperation at a Glance

According to the OECD aid statistics for 2014, Japan was the third largest provider of technical cooperation among the DAC members for that year.[15] The Japan International Cooperation Agency (JICA), the executing agency of Japan's ODA programme, provides five major types of technical cooperation:[16]

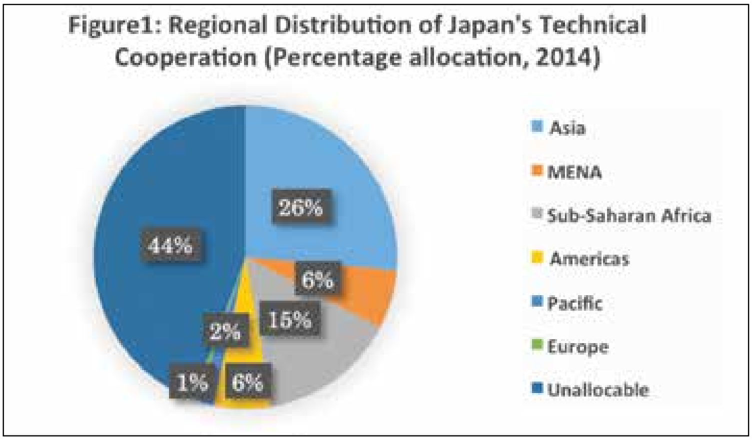
- Dispatch of experts
- Acceptance of training participants
- Provision of equipment
- Technical cooperation projects
- Technical cooperation for development planning

"Acceptance of Training Participants" is a programme whereby competent personnel in developing countries are invited to participate in training programmes held in Japan. "Technical cooperation Projects" refers to a scheme that combines the dispatch of experts, acceptance of training participants and provision of equipment.

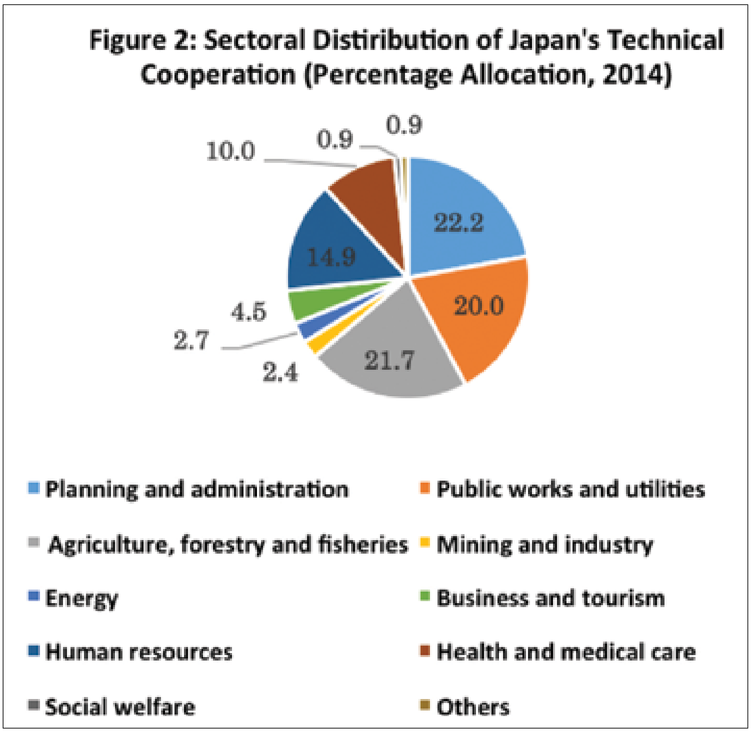
JICA has three types of volunteer programmes: 1) Japan Overseas Cooperation Volunteers (JOCVs) (ages 20-39), 2) Senior Volunteers (ages 40-69) and 3) Youth and Senior Volunteers for

Nikkei Communities.[17] In 2014, 9,889 experts and 1,617 volunteers (1,267 of which were JOCVs) were dispatched to Southern countries and 24,101 representatives from the South travelled to Japan to participate in training programmes.[18]

Of the US$12,465 million of ODA (gross disbursement), US$2,634 million (21%) was technical cooperation in 2014.[19] Figures 1 and 2 describe the regional and sectoral distribution of Japan's technical cooperation.



Source: Japan Ministry of Foreign Affairs, Japan's Development Cooperation White Paper 2015.



Source: JICA Annual Report 2015

Geographically, the share allocated to Sub-Saharan Africa is relatively large compared to the total ODA allocation. Sectorally, a big share of "public works and utilities" reflects the large proportion of economic infrastructure in Japan's ODA. As well, planning and administration, agriculture and human resource development are sectors that are emphasised in technical cooperation.

JICA partners with civil society and local governments in its technical cooperation programme. Through its partnership programme (JPP), JICA supports technical cooperation projects initiated and proposed by Japanese NGOs/CSOs (including Japanese affiliates of international NGOs), local governments and universities.[20]

Issues around Japan's Technical Cooperation

(1) Technical Cooperation, Commercial Interests and Developing Country Ownership

JICA defines the objective of technical cooperation as follows:

> "Technical Cooperation draws on Japan's technology, know-how and experience to nurture the human resources that will promote socio-economic development in developing countries. Moreover, through collaboration with partner countries in jointly planning a cooperation plan suited to local situations, technical cooperation supports the development and improvement of technologies that are appropriate for the actual circumstances of these countries, while also contributing to raising their overall technology levels and setting up new institutional frameworks and organizations. These enable partner countries to develop problem-solving capacities and achieve economic growth."[21]

The fact that "technical cooperation draws on Japan's technology, know-how and experience" is a double-edged sword. As noted earlier, the business community has been proposing the use of Japanese knowledge and experiences through technical cooperation. With this focus comes the danger that technical cooperation becomes a tool for the promotion of Japanese commercial interests and potentially adds to Japan's tied aid. Japan does not report to the DAC the tying status of technical cooperation and also argues that "tying its ODA contributes to transferring Japan's technology, knowledge and experiences."[22]

In some sectors or areas (for example, railways), Japan's technology and experiences are unique compared to those of other donors. In these situations technical cooperation could lead to planning based on Japan-specific technology and know-how, with the consequence that future procurement of products and services from other countries would be difficult. Technical cooperation drawing on Japan's technology, know-how and experiences, if badly implemented, could also narrow choices and undermine ownership in recipient countries.

In 1980's and 1990's, there were several media reports on failed technical cooperation projects in which the high-technology equipment provided by Japan was inappropriate. More recently these failures have been much less common.

To be fair, Japan's contributions in several sectors (for example, public health, water, and pollution prevention) have been highly valued by developing countries. Also, a process of "triangular cooperation" has become increasingly popular in Japan's technical cooperation. In this practice, JICA, when considered relevant, dispatches third country experts (for example, Southeast Asia middle-income countries' experts to Africa) rather than Japanese experts, leading to expansion of South-South Cooperation.

The 2014 DAC peer review of Japan's ODA was quite positive about Japan's technical cooperation, stating that "Japan's model of technical co-operation is robust, responsive to need, and well executed."[23]

(2) Grassroots Sharing of Experiences and Mutual Learning

Training programmes in rural development, agriculture, and public administration for invited personnel are often held in rural communities. These programmes sometimes become opportunities for not only participants from the developing countries to learn from Japanese experiences and expertise, but also for Japanese local communities to learn from developing countries' skills and knowledge. It also can provide a platform for discussions on common issues the South and rural Japan face. In this way, training programmes are not just a one-way training based on Japanese expertise, but can also promote mutual learning between the invited personnel and local communities that host the training programmes.[24]

(3) Project-based or Programme-based

The 2014 DAC peer review stated:

> "Japan makes good use of instruments, consisting of grants, technical co-operation and concessional lending, to match partner countries' needs and capacity. … The skills and expertise Japan brings through its programming is responsive to need."[25]

This review also pointed out, however, "project-based assistance continues to be Japan's preferred approach for delivering aid" although it noted that Japan had begun to "move away from stand-alone projects towards a more holistic approach." The review said that increased use of programme-based approaches could facilitate the complementary use of the three instruments.[26]

Conclusion

After almost twenty years of decrease, Japan's aid budget in the government's main budget showed a slight increase in FY 2016. This positive development is somewhat undercut by the fact of the government's interest in linking aid with its security and commercial policies, which has the potential to be in conflict with objectives of poverty reduction and meeting the new SDGs. Securitization of Japan's aid policy is evident in the new "Development Cooperation Charter." Also, there is an increased interest from the business community to commercialise Japan's aid. Technical cooperation is in danger of being used for this purpose.

From a CSO perspective, aid policies in the mid-2010s should focus on action plans to achieve the SDGs. This has not been the case with Japan's Abe government. In fact, it has adopted a strategy to securitize and commercialise aid policy. For CSOs, it is important to keep advocating that the primary objective of ODA must be to end poverty and achieve the 2030 agenda.

Endnotes

1 http://www.oecd.org/dac/development-aid-rises-again-in-2015-spending-on-refugees-doubles.htm

2 The full text (English version) of the Development Cooperation Charter is accessible at http://www.mofa.go.jp/files/000067701.pdf.

3 See, for example, Stephen Brown and Jörn Grävingholt eds., *The Securitization of Foreign Aid*, Houndmills: Palgrave and Macmillan, 2016.

4 Pedro Amakasu Raposo and David M. Potter, "Peacebuilding and the 'Human Securitization' of Japan's Foreign Aid" in Brown and Grävingholt eds, *op.cit*.

5 This section is based on Akio Takayanagi, "Japan's New 'Development Cooperation Charter': Securitization & Instrumentalization of Aid", CPDE Blog written on 11 February 2015. (http://csopartnership.org/japans-new-devt-cooperation-charter-securitization-instrumentalization-of-aid-2/)

6 It was originally expected that the revised Charter would be announced by the end of 2014, but because of the general election, suddenly called by Abe and held in December 2014, and some comments from the ruling Liberal Democratic Party, the cabinet approval was delayed by more than a month.

7 *Asahi Shimbun* (English Version), April 1, 2014. (http://ajw.asahi.com/article/behind_news/politics/AJ201404010044)

8 Regarding the Philippines and Vietnam, it should be noted that, although it will not be counted as ODA, Abe government has been expanding technical cooperation and providing equipment to the militaries of the two countries.

9 *Asahi Shimbun* (English Version), April 1, 2014. (http://ajw.asahi.com/article/behind_news/politics/AJ201404010044)

10 JANIC, "Japanese NGOs' 10 Recommendations for Revision of Japan's ODA Charter." (http://www.janic.org/MT/pdf/Japan-oda.pdf)

11 Keidanren, "Keidanren Asks for Promotion of International Cooperation under a New Philosophy: Business Community's View on the Revision of the ODA Charter," June 2014: (http://www.keidanren.or.jp/policy/2014/046.html: In Japanese language)

12 *OECD Development Co-operation Peer Reviews*: Japan, 2014, pp.14-15. The reviewers were Australia and France.

13 According to the Ministry of Finance, "FILP are long term low interest loans and investments by the government to achieve policies: financial support for small and medium enterprises, construction of hospitals and welfare facilities, scholarship loans, and securing of overseas resource rights. Procuring the capital through issuing FILP bonds, (a kind of Japanese Government Bond), FILP enables the execution of providing long-term and low-interest funds and large-scale and long-term public projects, which have strong policy needs, profitability and expected returns but are difficult for the private sector to deal with. Considering the harsh fiscal conditions, FILP are becoming increasingly important as fiscal measures which do not rely on tax funding."

14 All the figures in this paragraph are all from OECD's "Aid at a Glance" charts, http://www.oecd.org/dac/stats/aid-at-a-glance.htm.

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Republic of Korea: A New Model for Rural Development? Limits and problems of Saemaul Undong (SMU) ODA

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Highlights

- In 2015, South Korea provided US$1.9 billion in net ODA (preliminary data). This ODA represented 0.14% of gross national income (GNI).
- Between 2010 and 2013, Korea's ODA increased by 50% (to US$1.76 billion from US$1.2 billion). But after that year the rate of increase was significantly reduced, when the current Park Geun-Hye administration came into power. Between 2013 and 2015, Korean ODA has only increased by 9%. The result has been that Korea failed to meet its target of 0.25% of GNI in 2015.
- Despite criticism from civil society, the target for Korea's aid volume to be achieved by 2020 was adjusted down to 0.20% in late 2015.[1]
- At the same time, South Korea's government has been focusing on spreading Saemaul Undong (SMU) in its aid program. SMU began as a rural development project and government-led consciousness reform movement implemented by President Jung-hee Park, the dictator in South Korea during the 1970s. The Park Geun-Hye administration maintains that its SMU ODA promotes technological cooperation with partner countries, in the name of passing on the experience of developing the nation.
- There is an on-going debate on whether SMU is indeed an appropriate model for development. The rural development experience of South Korea in 1970s may no longer be relevant for developing countries in 2016. The context and socio-economic environment are very different. The 'competition and incentive' systems of SMU produced adverse results not only in South Korea in the1970s, but also in current pilot program countries. Examples of impact of SMU approaches include the undermining of community solidarity and increases in inequality. Saying this, it must be acknowledged that the sustainability and long-term impact of SMU ODA has not been thoroughly assessed. For these reasons, South Korea's civil society is very concerned about the current SMU ODA policy.

Introduction

The past two years have been frustrating times as it is clear that ODA is not a priority for Korea's current government. Since the inauguration of the Park Geun-Hye

Saemaul Undong (SMU) was a community-based rural development program of South Korea in 1970s, which was initiated by Dictator Park Chung-hee, the father of current South Korean President Park Geun-hye. SMU's contribution to narrowing the developmental gap between urban cities and rural communities over a decade SMU has often been criticized as government's tool for mobilization of people for its propaganda.

administration in February 2013, Korea's ODA has been increasing by a small amount each year, in contrast to the period between 2010 and 2013, when ODA increased by 50%. Despite civil society's criticism and appeals, no progress has been made to change this trend.

The Park administration has failed to live up to its campaign promise to increase the ODA budget to 0.25% of GNI by 2015. Instead, this administration has reduced its 5-year target to 0.20% by 2020. In addition, despite persistent criticism of 'trophy projects' and involvement of many different departments in Korean ODA, the Park administration has also showed no sign of resolving the problem of fragmented ODA.

The Korean government's Second Basic Plan for international cooperation development (2016-2020), announced in late 2015, fails to address the government's stated intentions for its ODA programs in coming 5 years. The government was criticized for building this Plan in haste, with limited prior consultation with civil society. While the government heavily promotes its participation in International Aid Transparency Initiatives (IATI), in practice it provides only the most basic of ODA information and has failed to meet standards of transparency demanded by the international community.[2]

The Korean government maintains that its ODA approach promotes technological cooperation with partner countries in the name of "passing on the experience of developing the nation," and "Korean-style assistance model." However, many critics argue that this is no more than a "show off." The SMU ODA globalization strategy the Park administration is putting forward is a good example. This article reviews and discusses this approach inside the context of the problems of Korea's overall ODA policies.

A modest target diminishes further

The 2016-2020 Five-year Plan for development cooperation did not provide any practical solutions for long-standing problems with Korean ODA, such as expanding the volume of ODA, overcoming aid fragmentation, stabilizing the priority countries' system, or organizing the sectoral focus of ODA.

Prior to 2013, Korea's ODA had experienced significant and steady increases for the previous 10 years. After that year, these increases slowed dramatically, coincidental with the Park administration's assumption of power. In 2015, the performance of Korean ODA reached only 0.14% of its GNI. (The target for 2015 had been 0.25% of GNI.) The targeted performance of Korean ODA proposed by the government for 2020 was decreased to 0.20%. Instead of advancing, the Second Plan has retreated from the target set in its earlier Plan.

In defense of this move, the Korean government claimed that it had to come up with a realistic performance target, as the one for past five years could not be achieved. This is in contrast to the President's campaign promises of "0.25% by 2015." The Korean government has been publicly declaring to the international community, including in the Memorandum for the 2012 OECD DAC Peer Review, that it would meet this earlier target.[3] By lowering the target, the Korean government has contradicted its public statements and demonstrated that it will not honor its promises and obligations to the international community. The OECD DAC, which visited South Korea for the OECD DAC Peer Review, commented in its report that South Korea should "sustain its recent increases in aid volumes to achieve its target of giving 0.25% of its gross national income (GNI) as ODA by 2015."[4]

An Examination of the History: SMU in the 70s Revisited

Saemaul Undong (SMU) began as a rural development project and a government-led consciousness reform movement implemented by President Jung-hee Park, the dictator in South Korea during the 1970s, to modernize the rural Korean economy. Saemaul leaders, who were community trainers, were trained to give farmers instruction in how to introduce and grow new agricultural products. The green revolution increased rice production and was responsible for the building of houses and roads from cement supplied by the government. This explanation cannot provide a whole picture of SMU's success and failure. In South Korea, SMU receives such mixed feedback and critique.

From the mid-2000s, the South Korean government started to apply the SMU experience of the 1970s to ODA projects, and since the Park Geunhye administration, the share of budget for SMU ODA has skyrocketed. SMU ODA was categorized as a rural development project although its vocational training programs and leader training programs were classified as technology cooperation.

Supporters of SMU claim that its policies and practices made Korean farmers richer in the 1970s. There were indeed those who followed the government instructions, modernized their production methods, and enjoyed greater income. However, critics say it is an exaggeration to claim that the income of all farmers who participated in this program increased substantially. Instead, it would be more accurate to say that the country's official rural income has improved as a result of economic growth, political and economic circumstances, and the dual price system for rice that was established in the 1970s.

Critics also point out that the Korean rural economy has become debt-ridden since the start of SMU. They claim this was because the movement promoted the use of chemical fertilizers and mechanized farming. In their view it is inaccurate to say that the rural income actually increased during a decade of SMU, rural debt also increased by 21 times.[5]

Supporters of SMU maintain that the strategy improved rural infrastructure. However, critics question if it was really a result of 'spontaneous rural development movement' as the government claims, since the government channeled surplus cement to rural villages and incited competition between villages.

SMU emphasizes diligence, independence and cooperation. SMU has been highly acclaimed for its emphasis on cooperation between villagers and participation in village-level projects. However, cooperation wasn't something new for Koreans - rural villages already had long history of village-level social cooperation. What would be more accurate to say is that SMU was the government's tool for the mobilization of people for its propaganda.[6] This view is the most widely accepted criticism of SMU.

Despite the fact that the view on SMU are divided, the South Korean government is currently promoting a Saemaul ODA approach, which is aimed at raising awareness on SMU and passing on its approach and practices. The government claims that SMU is a Korean development experience worth passing onto developing countries. President Park, the daughter of Jung-Hee Park (the dictator President who gave a green light to SMU), has been the main force behind this expansion.

Is SMU ODA a model for success?

From the mid-2000s, national and local governments departments started to promote SMU in ODA, to "pass on the Korean experience of development" to the world.[7] They intended to convey South Korea's "successful" experiences from the past (1970s) to developing countries in the present. Some of the key promotion strategies included field trips to South Korea, infrastructure building and consulting. In 2009 the South Korean government designated Laos, Rwanda and Myanmar as pilot countries, providing SMU ODA to them. When the Park administration came into power, the scope was increased significantly. SMU ODA is now provided to 498 villages in 24 countries.[8]

The Park administration is focusing on spreading SMU ODA even further. In 2014, the Korean government announced a comprehensive plan for global SMU to integrate and coordinate SMU ODA projects implemented by different departments and local governments. At the UN Development Summit in September 2015, the President proposed that SMU should be publicized and introduced throughout the international community.[9] And in March 2016, Park Geunhye administration proposed the 'Plan for International Proliferation of SMU.'[10]

SMU ODA has received a huge increase in terms of both its scope and budget. For example, in Myanmar where there used to be only three pilot villages, the number skyrocketed to 100 in 2014.[11] In 2015 the SMU ODA was approximately KRW60.1 billion, representing 2.5% of total ODA (KRW 2 trillion 378.2 billion).

Alongside these developments and the government's promotion of SMU there has been an on-going, heated debate on whether it is an appropriate model for development. Is Korea's rural development experience in the1970s a valid model for developing countries in 2016? Is Korea' experience relevant for countries with totally different context and environment? How does SMU differ from other generic rural development projects? Was SMU indeed a successful grass root movement? Can the result of SMU be sustained over a long period? I s there a danger that SMU will cause the governments of countries that adopt it be even more authoritarian? These are some of the major issues surrounding SMU ODA. Despite these questions and reservations, the Korea's government is anxious to promote SMU ODA and its 'best cases,' rather than being open to criticism and questions.

In the Plan for International Proliferation of SMU, the Korean government cited Hakxai (Laos), Musimba (Rwanda) and Kakao (Colombia) as the best examples of what SMU ODA can accomplish. The government claims that in these countries SMU ODA has been responsible for increasing income and improving the environment. However, it is not clear if SMU is the only cause for the improvements and successes of these countries. Other factors include the community's traditions and assets. Outside stimuli were also important. It must also be recognized that many of SMU's practices, such as providing new breeds of seeds adapted to the local environment, and teaching farming methods are not unique to it. In fact, these are strategies typical of most rural development projects. Even more important is the fact that there have been no assessment of the long-term impact and sustainability of the results for those projects before they can be regarded as model cases. It is too early to call them model cases, because they just have been or will be closed, respectively in 2014, 2015 and 2016.

A study of an on-going SMU ODA project in a rural village in Myanmar tells us different story. Researchers who closely monitored this project found that SMU's focus points of 'competition and incentive' alienated poor households and worsened inequality in the community. They also found that the Saemaul leaders, who were backed up by external sponsors, committed misconducts and caused discord in the villages where the projects were being conducted. Such phenomena were also identified in SMU projects in South Korea during the 1970s.[12]

International proliferation of SMU?

When promoting the Plan for International Proliferation of SMU in 2016, South Korea's government admitted that "the implementation of SMU ODA until now hasn't been systemic - they lacked clear concepts, failed to strategically approach, and projects by many departments were fragmented and failed to be organically interlinked." It suggested "clarifying concept of SMU ODA by applying its core values" as one of the solutions for these problems.[13]

However, as has been pointed on earlier in this chapter, a central question is the effectiveness of a 1970s strategy inside the present context. In the 1970s, an important concept of SMU was a 'consciousness reform'. Is this still relevant? Further, this approach ignores the inherent capacities and spirit of people in recipient developing nations.

As noted above, SMU's approach of competition and incentive has produced adverse results in South Korea. Critics maintain that it has been responsible for destroying community solidarity in villages and alienating poor farmers who were not able to participate in village-against-village competitions.[14] Given these facts, the globalization of a standardized, nationalistic SMU would be hard to justify.

It is also questionable whether 'spontaneous participation by people,' which has been lauded as SMU's core value, can be achieved. In its own evaluation of the SMU ODA programs the Korean government admitted that the pilot projects failed to mobilize people to spontaneously participate. The evaluation continues, projects achieve certain objectives but are "not followed up and sustainable."[15] Village Development Committees of SMU ODA were established to organize people for spontaneous participation in and execution of projects, but the Committees lacked practical authority as people's decision-making body. The Korean delegation (volunteers or liaison officers) practically led the projects.[16] The Korean government is making a mistake in promoting an unproven value as the core value, particularly as there is evidence that this approach is likely to cause problems.

Table 1. Concept of SMU ODA[17]

Spirit	Core Value	Project Element
Diligence	Competition and incentives	Performance review and reward
Independence	Spontaneous participation by people	Formation of people's self-governing committees
Cooperation	Leadership of the leader and people's reliance thereto	Saemaul Leader training

Modernized method of materializing the concept		
Partnership	Appropriate Technology	Value Chain

Implementation of SDGs
Increased rural income and capacity for independence

Conclusion

The Korean government utilized the 66th UN DPI/NGO Conference in Kyungju (May 30 to June 1,2106) to promote SMU. This effort included exhibitions and special sessions. The hosting organizations, Kyungsangbuk-do Provincial Office and organizations related to SMU, advocated for the conference's final document to recognize SMU as "an exemplary civil movement that narrowed gaps between urban and rural communities," and, as such, is an important new development model.[18] After a long debate SMU was finally excluded in the document.[19] However, this was a clear indication of how eager the Korean government is to beautify and globalize SMU despite its many controversies.

In the past few years he Korean government has been actively promoting a Knowledge Sharing Program (KSP), claiming that it will teach "how to catch fish."[20] It maintains that SMU is one of the know-hows. However, as noted in this chapter, SMU continues to receive mixed evaluations in South Korea. Some elders in rural areas highly praise SMU for having raised their living standards, while others criticize it as a national mobilization system sustaining the dictatorship.

For those developing nations wondering how South Korea developed so quickly, stories about SMU may sound fascinating. It is true, as the Korean government claims, that some countries and international organizations have asked South Korea to share its experiences from SMU. However, no one can deny certain facts: 1) SMU may not be suitable for other contexts and environments; 2) SMU's government-led, top-to-bottom style of implementation may be abused; and 3) the existing SMU projects have lacked accountability. Critics have also raised other issues, such as the spontaneous participation or sense of ownership, factors that are alleged to have made Samaul Undong so successful, have not sufficiently taken hold. SMU's 'competition and incentives' approach has affected some villages rather adversely. Said again, SMU ODA has not been time-tested.

For these reasons, civil society of South Korea has been very concerned about the current SMU ODA policy and its impact. Contrary to the myth of SMU's success, there are limits and problems, which must be examined and addressed. If the Korean government truly wishes to solve rural problems in partner countries, it must stop idealizing SMU. Instead it should objectively and carefully revisit its limits and problems as well as its benefits. Though it may be late, the Korean government must reconsider its strategy of globalizing SMU, and appropriately validate and evaluate SMU ODAs together with civil society, academic circle and experts.

Endnotes

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OverviewAid 2.0?
A new strategy for UK aid

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Overview

- The referendum in July on leaving the EU returned a surprising result with a vote for Brexit with far-reaching implications and impacts.
- The UK government announced a new aid strategy in late 2015 which saw priorities shifted to focus more strongly on tackling global challenges, while also advancing and protecting the UK's national interest.[1]
- The UK continued to meet the 0.7% ODA/GNI target[2] and remains one of only a few countries to meet this promise. As the UK economy and GNI grew, aid also increased to US$19.3 billion (£11.7 billion) in 2014 and to US$18.7 (£12.2 billion) provisionally in 2015.
- Following a sustained campaign by civil society and clear political commitment from all the major political parties, in 2015 the UK met its promise to put the 0.7% target into legislation – enshrining that promise in law and protecting the aid budget into the future.[3]
- Reversing the trend from previous years, UK bilateral aid also increased by 12.7% as a proportion of overall UK aid to £870 million while multilateral aid fell by 7.3%.
- The amount of aid spent by departments other than the Department for International Development (DFID) increased, with DFID's share falling to approximately 80% in 2015 from 86% in 2014 – part of an ongoing shift to a more cross-government approach to development and aid.
- Africa remained the largest recipient of UK aid in geographical terms receiving 60% of DFID bilateral aid.
- Reported technical assistance remains a relatively small proportion of UK aid overall – just US$615.73 million in 2014[4] and has remained steady at approximately 3-4% of total UK ODA since it was first reported in 2010.
- The political context for aid remains challenging with continued attacks from a vocal collection of aid critics including some media and politicians.[5]
- The UK remains a champion of transparency, but action has been slow or lacking on the rest of the aid effectiveness agenda – a more complete picture will be available with the release of the next monitoring survey, but substantial progress on Paris, Accra and Busan commitments seems unlikely.

Introduction

The past two years[6] - and 2015 in particular - have been important years which have seen continued significant shifts and developments in the United Kingdom (UK)'s development and aid policies. While the UK remains one of a very select group who have met the 0.7% ODA/GNI commitment – and as such one of the largest single donors save the US in absolute terms – there are growing concerns and questions[7] about the direction of UK aid policy. Reaching 0.7% and enshrining it in legislation, even in sometimes difficult economic circumstances and in the face of substantial opposition from a vocal minority of critics, remains something the UK can and should be proud of but the quantity of UK aid cannot be a replacement for quality.

These concerns were perhaps most obviously reflected in the new UK aid strategy. While this new strategy outlined a potentially more coherent cross-government approach to UK aid, it also raised serious concerns about possible conflicts between pursuing the British national interest and supporting real, sustainable development with a clear focus on reducing poverty and inequality. The particular emphasis on security and economic development or the private sector reflects a continuation of Britain's increasing specialisation in fragile or conflict affected situations and economic development.

Underpinning these concerns are real questions about the future of development effectiveness and what real progress has been made in meeting commitments made in Busan. The UK has continued to push forward the transparency agenda, including recent promises to substantially improve the transparency of departments other than the Department for International Development (DFID). However, in other areas of development effectiveness it is harder see exactly what progress has been made. Further, a more complex landscape of delivery channels, modalities and suppliers for UK aid, including more government departments spending more of the aid budget, more diverse suppliers from NGOs to the private sector and a continuing shift away from inherently more effective modalities like budget support, will mean that these commitments are more important than ever. However, implementation appears to be limited at best.

Brexit and beyond

The single largest challenge and threat facing the UK – and the development community – for the coming years will be dealing with the implications of Brexit. While a period of political and economic uncertainty is already affecting programming and projects as the value of the pound drops, longer-term implications are as yet unclear. The precise nature of the UK's future relationship with the EU will have a significant impact on the UK aid budget and effectiveness as it will determine, amongst other things, whether the UK remains engaged in EU development instruments, joint programming efforts, with impacts on the UK and EU's negotiating positions in global processes. As well, the larger and much harder to answer question is the impact on the UK's role in the world. The same political shifts and uncertainties may also strengthen domestic anti-aid critics, which could place pressure on the 0.7 commitment.

Still an aid champion?

At a time when aid is apparently less and less important or 'popular' – and beyond aid is the watchword of the day – the UK has remained a firm champion of both the importance of aid and donors meeting their commitments. Promoting aid is not just important because it is vital to delivering the ambitious Agenda 2030, but also it is an important signal of the government's credibility and willingness to contribute to development.

This political stance was clear in the UK's positioning and lobbying during the Financing for Development (FfD) negotiations in 2015. The UK pushed hard to ensure a strong EU position recommitting to the 0.7% target and advocated for development effectiveness principles to be restated in the Addis Ababa Agenda for Action (AAAA). At home, the passing of legislation to protect the 0.7% promise was a clear signal of this commitment. To date (early 2016) the UK is the only country to do so. This legislation provides much needed protection against the attempts of a vocal if relatively small opposition keen to significantly cut the aid budget, and will likely continue to do so in the future.

While these initiatives deserve praise, other recent changes in UK aid and development policy do call into question how effective UK aid will be in the future. Increased spending in areas of more dubious development impact like in-donor refugee costs, alongside the focus on UK national interests, may undermine the impact of UK aid in helping to eradicate poverty and inequality in developing countries.

The new aid strategy laid out four new or re-focused objectives for UK aid:

- Strengthening global peace, security and governance at home and abroad;
- Strengthening resilience and response to crises;
- Promoting global prosperity for the UK and developing countries; and
- Tackling extreme poverty and helping the world's most vulnerable

For many, these objectives represent an acknowledgement of current trends and thinking on the future of development, the need to shift energies increasingly to global challenges.[8] Whether this strategy is consistent with the commitments of the Prime Minister, Secretary of State and other political leaders to end poverty and leave no one behind remains to be seen. The new strategy has however clarified and strengthened many of the trends already seen as the UK focuses more and more on security and prosperity as the road to development. This approach includes commitments to new targets (50% of DFID ODA to fragile or conflict-affected situations), increased spending to resettle Syrian refugees in the UK, and re-announced an increase to climate finance. There are also several new cross-government funds (the Prosperity Fund, the Ross Fund for research in health and a new cross-government crisis fund) as well as increased funding allocated to the existing Conflict, Stability and Security Fund. The strategy is still relatively new and details are somewhat thin in some places and the outcomes of other reviews of UK's aid policies (including the bilateral and multilateral aid reviews expected in the coming months)[9] are likely to inform implementation. So there is still much at play.

Despite these uncertainties about what this new strategy will mean in practice and caution therefore on the part of many experts, initial assessments point to several welcome developments:

- Increased funding for research in areas like health and resilience;[10] and
- Strengthened funding and mechanisms to understand and respond to crises with a focus on a whole of government

approach. This approach is also reflected in the Strategic Defence and Security Review[11] released at the same time.[12]

Another potentially positive outcome is the possibility of a more coherent, whole of government approach to development - an area that civil society and others have been pushing on for some time.[13] This does come with some disclaimers however. Accountability and scrutiny are likely to be more complicated and potentially less comprehensive as aid spending is spread through different funds and departments. This concern was picked up by both UK aid accountability mechanisms, the International Development Select Committee and the Independent Commission for Aid Impact, who have now committed to looking across government at aid policy and practice. Similarly, ensuring that other government departments are sufficiently skilled and knowledgeable about good development and aid practices will take both time and resources though it remains unclear where the responsibility for building this institutional knowledge will lie.

But the most fundamental and difficult question is whether the national interest and development interests will really always line up as this strategy claims. In the not unlikely scenario that they sometimes don't, which will win?

Security, the Economy and a Return to Tied Aid?

At least until 2020 with the current government, the aim of a substantial portion of UK aid will be to promote prosperity and security. While this could turn out to be effective, and may be delivered through modalities that support developing countries' own strategies, the requirement to also deliver positive benefits for the UK makes this objective somewhat more challenging.

A parallel and long running issue in the UK has been the tied status of UK aid. While all UK aid is formally untied, much of it remains informally tied, as the majority of contracts go to UK based businesses.[14] As such, this informally tied aid arguably does relatively less to support better governance, institution building or to foster a stronger, better resourced civil society in developing countries – all of which mean less impact on tackling poverty. This concern has led some experts to speculate on the so-called 'privatisation' of UK aid.[15]

Though the question of who gets the benefits of aid is not a new one, it has a renewed urgency as more spending seems to be tagged for activities in the UK or for activities with less clear development impact. The increase in funding for research is a useful example – while not problematic per se and in fact much lauded by some – it will possibly signal a return to tying at least some proportion of the UK aid budget.[16]

Increased funding for activities like research in the UK – basically funding the promotion and sharing of UK expertise – may result in an increase in technical assistance (TA). Aid spending in the UK on TA has remained small relative to the total budget in recent years. But the focus on promoting the UK national interest, which includes to some extent UK businesses, ideas and innovation overseas, may generate more TA. Already the UK is increasingly supporting programmes such as Tax Inspectors without Borders and the Addis Tax Initiative, which aim to share and promote British expertise and know-how. While these sorts of programmes and investments may be good development, more attention and scrutiny will be needed to ensure they deliver good value for money in terms of building local capacities and tackling the root causes of poverty and inequality in developing countries.

As highlighted above, there are also fears that theses changes will lead to a 'securitisation' of UK aid. The focus on delivering SDG 16, peace-building and supporting development in the inherently more complex and sometimes difficult circumstances of fragile states, is welcome and much needed. Extreme poverty is increasingly concentrated in such places. At the same time, care is needed to ensure this does not lead to a greater blurring of the lines between genuine development and protecting UK national security. Alongside changes in the OECD DAC definition of ODA that will permit more and different forms of spending on peace and security, including with the military and police, strong and robust safeguards will be necessary to deliver on the spirit of the commitment.

Similarly, targeting aid spending at creating jobs and economic growth in developing countries is a potentially welcome development. Decent jobs, economic opportunities, a vibrant domestic private sector and inclusive growth are all clearly an important part of development and a real priority for the UK government. This priority was demonstrated once again in 2015 when the CDC Group (formerly the Commonwealth Development Corporation and the UK's version of a development finance institution) received a £735 million recapitalisation, the first in over 20 years.[17]

Equally, the SDGs and climate commitments will require levels of finance far beyond what can reasonably be raised or expected from public and official sources. Finding ways to mobilise sustainable, alternative flows such as private finance will be key. But again, this requires safeguards and principles to ensure that these forms of finance and intervention not only do no harm but also do some good. More and better evidence is also needed to understand when, where and why modalities such as blending or leveraging ODA work to deliver both financial and development additionality.[18] The AAAA committed to a transparent and inclusive process to develop sustainable development principles for Public Private Partnerships, this process could be a useful starting point and space to pursue this conversation.

Where next for aid effectiveness?

An obvious answer to many of these questions and concerns is a renewed focus on implementing the principles of development effectiveness and aid effectiveness. And yet at a time when it has never been more important, it is hard to see what progress is being made. So where next for effectiveness in UK aid?

As the UK aid landscape becomes more diverse, issues of effectiveness are also important questions for other government departments, as they are increasingly able to access and spend greater proportions of UK aid. DFID has a long history as a major player in aid and development effectiveness processes, including as co-chair of the GPEDC post Busan, but this will be largely new territory for many other departments. The commitment to substantially improve the transparency of these departments (to good or very good in the Publish What You Fund Aid Transparency Index)[19] is a welcome start and should help to enable progress in other areas. But clearly more effort will be needed to ensure that this growing proportion of the aid budget (potentially up to 25%) delivers real value for money, in line with aid effectiveness commitments.

On paper the UK remains committed to many elements of the effectiveness agenda, and is still a vocal champion of some principles such as transparency. But many of the other development effectiveness principles seem to be far from the reality of UK's aid policy, programme design and delivery. It is difficult to get an accurate picture of UK progress in the implementation of its effectiveness commitments since the last Global Partnership monitoring report in 2014 as DFID, like most donors, does not regularly provide this information in a public and verifiable way.

The evidence from the 2014 monitoring report does suggest relatively little progress has been made – save in the priority area of transparency – and the perception is that this reality has not changed significantly since then. DFID officials claim that effectiveness is in the organisation's DNA and mainstreamed through all their processes. But this claim has proven difficult to verify, or come up with a measurable means of assessing whether these claims are true. More to the point, decisions such as the one announced in the new aid strategy to end traditional general budget support are worrying signs.

Conclusion

It seems fair to say that there is a mixed and uncertain picture for the future of UK aid– some good and some concerning. Brexit will undoubtedly have a far-reaching and multiple impacts on the future of aid and development in the UK. The debate and negotiations about what kind of Brexit we want will consume much political and technical energy. – this work will be incredibly important to protecting UK aid and promoting a more progressive, socially just vision of Britain in the world.

As one of the few aid champions – and one of the very few actually living up to their quantity commitments – there is much to be lauded and celebrated in the UK. The strong UK support for the 0.7% target has helped to keep it on the agenda in Europe and beyond. Progress here has helped sustain a vital space for campaigners and supporters to seek progress from other donors.

But there are also worrying trends in the quality of UK aid as it appears to be increasingly tied to the UK's national interest and prosperity. Successfully and effectively navigating the sometimes competing priorities of the UK's interests with a commitment to end poverty will require substantial effort. Safeguards, clear sustainable development principles and an orientation towards development effectiveness can all be part of the answer to that challenge, but it is a question that remains, so far, fundamentally unanswered.

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The State of US Foreign Assistance

Alicia Phillips Mandaville, Christina Hoenow, InterAction

Overview

- The 2015 Quadrennial Diplomacy and Development Review (QDDR) reaffirmed core strategic priorities for US foreign assistance:
  1. Preventing and mitigating conflict and violent extremism;
  2. Promoting open, resilient, and democratic societies;
  3. Advancing inclusive economic growth; and
  4. Mitigating and adapting to climate change.
- The ongoing Syrian refugee crisis and continuing threats to global health pose extreme challenges to foreign assistance programs.
- Official development assistance continues to be overshadowed by private sector projects though the impacts of this trend are not yet fully understood.
- Institutionalization of current effective development projects and initiatives is a major trend within the administration and could have lingering impact into the next administration.

"…If we make the choice to invest in the future and not just the right now, we can usher in a new era of progress. If we persist through the inevitable setbacks and shocks of a country's transformation, in years to come we will have capable and responsible partners. If we come together as a global community to say we can do this better and do it, we'll have systems worthy of our complex and changing world."[1]

-USAID Administrator, Gayle Smith, 2016

In the realm of foreign assistance, the final years of the Obama Administration's tenure have been subject to inherently contradictory forces. On the one hand, the last two years of any President's term naturally lend themselves to a focus on institutionalizing an administration's own initiatives in an effort to secure hard won progress and establish a recognizable legacy. Pressing back against that instinct however, are the events of the past few years, which not only threw into relief fundamental changes in our global context, but also created humanitarian crises of a scale not seen since the days following World War II. Against this backdrop, foreign assistance in the United States remains a complicated combination of reactive and proactive efforts.

Strategy and Budget Context

From 2008 to 2012, the US saw a reinvigorated focus on strategies underpinning its foreign assistance. Elements included a 2010 Presidential Policy Directive (PPD), the first ever Quadrennial Diplomacy and Development Review (QDDR), and a high profile "USAID Forward"[2] initiative whose goal was to transform the United States Agency for International Development "into the world's premier development agency."[3] The first two initiatives emphasized broad strategic goals for foreign assistance, while the latter addressed operational challenges around internal reform, local or private sector partnerships, and the need for innovative practices at scale.

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1. Preventing and mitigating conflict and violent extremism;
2. Promoting open, resilient, and democratic societies;
3. Advancing inclusive economic growth; and
4. Mitigating and adapting to climate change.

Each of these priorities is a credible, if extremely broad, goal for development and humanitarian assistance. However, they also reflect a continued alignment between broader US national security concerns and development assistance.[4] Discussion around the rationale for advancing resilient societies or inclusive economic growth are, for example, often organized around the idea that a lack of either can, "…alienate citizens from government and make populations more susceptible to extremist or authoritarian ideologies."[5] There is an ongoing debate between policy makers who see foreign assistance as a soft power means of demonstrating US leadership in the world, and those who see it as purely transactional (to prevent extremist ideologies). The effect of these debates is evident in how funds are allocated. For instance, in budgetary terms, the volume of funds allocated to Afghanistan, Israel, Iraq, Egypt, Jordan, and Pakistan far outweigh those allocated to other countries.[6]

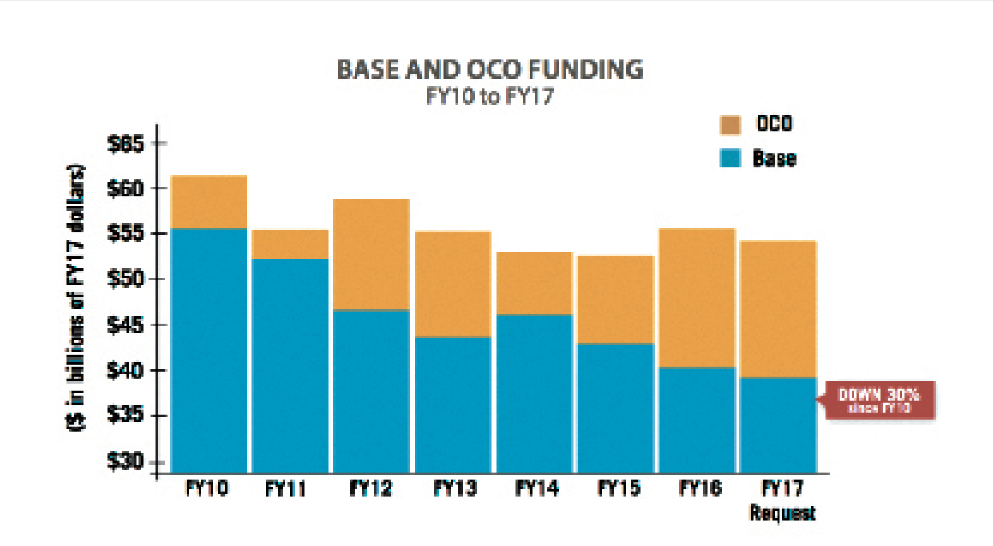
US Congressional politics and a new budget law also continue to alter the shape of US foreign assistance allocation. The Budget Control Act (BCA) of 2011 set limits on all US discretionary spending (including foreign assistance) from FY 2011 to FY 2021. In order to prevent the "extraordinary but temporary costs of … [US civilian agencies]… operating in front line states of Iraq, Afghanistan, and Pakistan," from eating all of the resources typically applied to development and humanitarian assistance, a larger and larger share of the international development budget has being funded as special Overseas Contingency Operations, a wartime mechanism not subject to budget caps.[7] (See figure 1) On the positive side, this has prevented the disastrous effects of budget caps during a time of increased global need. However, many civil society organizations worry that the consistent, artificially low budget figures in the regular annual appropriations process will create expectations of a much lower figure than can actually sustain critical US foreign assistance programs.

Driving Forces and Emerging Global Issues

Against this domestic backdrop, several emerging global issues or trends have driven changes or continuations in US foreign assistance approaches and policy.

- **The largest, most visible, refugee crisis in memory:** In the middle of 2015, UNHCR declared that the number of refugees created by conflict, crisis, and persecution had surpassed all known records.[9] Although it is difficult to confirm exact figures, credible estimates suggest Syria alone created at least 4.1 million refugees. The United States is a major contributor to international humanitarian efforts and such funding requests often receive strong bi-partisan support in Congress.[10]
- **Outbreaks of Ebola and Zika:** The 2014-2015 Ebola epidemic in West Africa demonstrated the speed with

Figure 1 Cuts Beneath the Surface



While topline spending remains more or less on par, the balance has shifted between permanent base funding and special "Overseas Contingency Operations" that do not count against budget ceilings. From USGLC's Analysis of the FY17 International Budget Request[8]

which a pandemic can spread in a world that is increasingly urbanized and interconnected. Slow initial deployment of resources to contain the disease haunted officials once the contagion began in earnest. Although only four cases were diagnosed in the United States, they clearly demonstrated the link between US public health and investments in fighting pandemics abroad, a concern that re-emerged in 2016 with the rise of the Zika virus in Latin America.

- **Closing space for civil society:** The last five years has seen an escalation in crackdowns on civil society actors as more and more governments have placed higher levels of restrictions on the operations of both domestic and international NGOs. Once reserved for human rights or civil liberties organizations, traditional development and humanitarian response actors now feel they are regularly prevented from best serving their intended beneficiaries.
- **Global agreements on the sustainable development goals (SDGs) and climate change:** Long anticipated, the negotiated agreements in Addis Ababa, New York and Paris (respectively) have lent new urgency to the US's desire to support inter-related momentum for both.
- **Desire for a culture of innovation:** As growth in the US technology sector continues and technology is ever more integrated into Americans' daily lives, the rhetoric of development policy circles has changed from a transactional, "Can we adopt innovative tools?" to a more thorough, "How can we cultivate innovation as an approach?" Some

worry that a leadership driven race for innovation may cause the sector as a whole to shortchange learning on established practice, like citizen-led development or country ownership.

- **The changing landscape of poverty:** A growing body of research has documented the changing face of poverty, showing that the world's poorest increasingly live in middle-income countries and rapidly urbanizing centers. This raises questions about how assistance is best allocated and how domestic resources might be mobilized.

Institutionalizing Innovation

In recent years "innovation" has become a watch-word in US foreign assistance policy and practice. However, to move the formal dimension of the sector in this direction has required institutional change. Typically, these changes have taken advantage of recognized need for reform, global events, or a clear inflection point in a particular issue area.

For example, USAID's Global Innovation Lab was established in April 2014 as part of the USAID Forward initiative. Its goal is to identify, test, and then scale up proven solutions to development challenges. A second objective is to transform the practice of development by opening it up to good ideas from other sectors that have already leveraged scientific and technological advances.[11] Now operational for two years, the lab has catalyzed and catalogued a significant number of partnerships, investments, and successes. It has moved on to explore barriers to the adoption and scale of successful interventions with an eye to removing barriers as much as possible.

Some have cautioned that overemphasis on technological innovations at the expense of political will or citizen empowerment will not find the kind of public traction needed to drive significant change.

More concretely, and taking a cue from best practice in the defense and technology sector,[12] USAID and the United States Government (USG) have made increased use of a grand challenge model for development. Designed to elicit previously unexplored solutions from non-traditional sources by offering sizeable funding to winning entries, USAID has issued seven grand challenges to date, seeking solutions for issues ranging from Ebola and Zika, to energy, water, civil society voice, literacy and newborn health.[13] As of early 2016, the visible success of 2014's Ebola challenge[14] initiatives offer hope that a similar challenge around the Zika virus may yield similar, needed results.

While USAID remains the largest provider of US foreign assistance, other development agencies have taken steps to institutionalize their ability to incorporate learning, progress and innovation, particularly in regards to the SDGs. One worthy example is the President's emergency plan for HIV/AIDS programming (PEPFAR) and the Millennium Challenge Corporation' (MCC) plan to establish joint data centers in Africa in an effort to, "improve existing data and make it more accessible, strengthen data analysis and visualization, enhance opportunities for citizen contribution to data, cultivate talent, and ensure mutual accountability when implementing development aid so we can make a sustainable difference."[15]

Doubling Down on the Private Sector

"ODA—official development assistance—not too long ago represented the majority—60 percent—of overall capital flows to sub-Saharan Africa. Today, that figure is 20 percent."

-Dana Hyde, CEO of the Millennium Challenge Corporation, 2016[16]

There are continued efforts by the United States to incorporate the private sector into its formal development strategy. This is a function of the scale of private actors' investment capacity in developing markets, combined with increased global need and reduced domestic resources. This approach is visible in policy statements, from the second QDDR, to speeches by US officials across the executive branch and both houses of Congress. For good or ill, the United States Government's pride in the dynamism of its private sector has infused the rhetoric of development, which manifests itself in the exploration of new partnerships. Civil society's view has, however, been mixed.

One example is the US assertion of an increasing role for infrastructure, particularly power infrastructure, in the generation of sustainable economic growth. The Millennium Challenge Corporation has directly invested billions of dollars in large-scale infrastructure in low and low-middle income countries since 2005[17] and new initiatives have been vocal about their desire to leverage private resources for energy infrastructure. Under the banner of Power Africa, the United States reports that it has leveraged 100 private partnerships with an anticipated yield of US$20 billion in private investment commitments across the continent. However, critics of the program express concern that there is still no clear evidence that these commitments will materialize as tangible infrastructure. For its part, under Power Africa, USAID has provided a combination of support for partner governments, the investment environment, and the deal itself.[18]

This approach amplifies the USAID's Global Development Alliance strategy, which was established in 2001 in order to facilitate greater public-private partnerships (PPP). In addition to Power Africa, the US has pursued similar PPP efforts under the Partnership for Growth and the New Alliance for Food Security and Nutrition.

Looking across these initiatives, a range of civil society actors question the heavy emphasis on deal-brokering at the expense of an analysis of why markets remain dysfunctional, particularly for poor and vulnerable populations. For example, an objective of the USAID's Development Credit Authority is to help buy down risk so that in-country financial services can lend to domestic businesses. But even if the fund received the full 24% increase requested in the FY17 budget request, it would top out at US$10 million, hardly an amount to make a significant difference for domestic business across developing countries.

Civil society has also strongly criticized PPPs as a modality from a country ownership perspective. Developing country governments often lack the ability to evaluate technical aspects, quality standards, financial risks, procurement and project implementation of the contracts, especially once technical assistance associated with closing the deal comes to an end. The New Alliance for Food Security and Nutrition, which was developed without a clear path for domestic civil society input, has received a strong censure from international civil society to the point that a CSO representing northern NGOs withdrew from the New Alliance Leadership Council. No new CSO has been willing to step forward to join the Leadership Council.

While a number of CSOs recognize the need to work with private sector actors in the interest of sustainable growth, the specific mechanics on how best to pursue these partnerships, in ways that secure benefits for the majority of people who continue to live in poverty, remains unclear and controversial.

Practical Progress

Best practices in aid, including country-ownership, inclusive partnerships, transparency and accountability for results, and a focus on innovation in financing and technology have become an increasingly regular and normative part of how United States' officials talk about foreign assistance initiatives. With the rhetorical framework established, and a number of presidential initiatives launched in the first Obama administration, today's environment is more heavily characterized by an essential focus on institutionalization.

Feed the Future demonstrates this orientation most clearly. Launched in 2010, Feed the Future is the US Government's Global Hunger and Food Security Initiative. Focused on increasing the productivity of small-holder farmers, strengthening markets and improving nutrition, the Initiative works in 19 countries and has raised a substantial amount of private capital. Current efforts to institutionalize the program include a legislative initiative (the Global Food Security Act) [19] and funding requests,[20] as well as research and publications on results produced and lessons learned. While supportive of this legislation, US civil society maintains that there is still room for improvement in the US's approach to food security. It has emphasized the importance of greater transparency and reporting requirements, the need to avoid handpicking indicators (especially avoiding women's empowerment and smallholder producer targeting) and the value of making the program more accountable to the public.

Bureaus and offices are following similar, if smaller, efforts to ensure the continuity of early transparency initiatives like the Open Government Partnership, US commitments to the International Aid Transparency Initiative (including data publication commitments), and US participation in the Extractive Industry Transparency Initiative.

Looking closely, there are also efforts to tinker on the margins of existing authorities or approaches to address emerging development and humanitarian outcomes. USAID's recent Urbanization Policy, consolidation of the African Youth Leaders Initiative, and MCC's request for regional investment authority are all examples of agencies responding to the changing world around them, while recognizing the tight funding environment.

Looking Ahead

Looking to the future, there are indications of what may be in store in the remarks of USAID Administrator Gayle Smith, who identifies three environments for development work: "First, in countries and on issues where peace and stability are a given, second, in situations where a crisis is driving action and focusing attention, and third, in the toughest circumstances where national security is the raison d'être and staff cannot move or be out in the field."[21]

This categorization, and the Administrator's comments on evaluation and accountability, suggests the importance in future US efforts that test the intersection of foreign assistance with:

- **Country ownership and domestic resource mobilization:** Country ownership – or the idea that assistance should be driven by recipient country needs and requests, and the results therefore "owned" by the country itself, was the reason for a great deal of aid reform in the 2000's and into the 2010's in the US. In fact, it was a founding principle for the Millennium Challenge Corporation in 2004. In Busan in 2011, this approach was nuanced with the important notion of "democratic" country ownership. Questions of inclusivity and domestic resource mobilization are not only a logical complement to this issue, but are embedded in international efforts to pursue the SDGs. We might expect, for example, to see tax policy or efforts to halt illicit finance on the agenda with the next administration.
- **US efforts to counter violent extremism (CVE)**: The securitization of development assistance – and the politicization of humanitarian work—is anathema to nearly all civil society actors. Nevertheless, the volume of foreign policy attention placed on CVE means it is only a matter of time before development actors find themselves in difficult conversations about the possible links between governance, economic opportunity, social accountability and extremism.
- **The development-humanitarian nexus**: This issue featured strongly at and around the first World Humanitarian Summit in May 2016. Questions about the relationship between international humanitarian responses and sustainable development efforts will likely multiply in the future. The world is grappling with a reality where generations are growing up as refugees in host countries that are already under strain to achieve their own development goals. Because these countries are often the very countries least equipped to handle surging populations, US officials have signaled that a new model of integrated efforts will be needed.

Endnotes

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Part 2

Glossary of Aid Terms

Glossary of Aid Terms

AAA Accra Agenda for Action

ACP African, Caribbean and Pacific States (see Lomé Convention).

ADB Asian Development Bank

AECI Spanish Agency for International Cooperation

Aid see ODA Official Development Assistance

APEC Asia-Pacific Economic Cooperation, or APEC, is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia- Pacific region.

ASEAN Association of South East Asian Nations

Associated Financing is the combination of Official Development Assistance, whether grants or loans, with any other funding to form finance packages. Associated Financing packages are subject to the same criteria of concessionality, developmental relevance and recipient country eligibility as Tied Aid Credits.

African Union (AU) Formed following the September 1999 Sirte Declaration by African Heads of State and Government, the AU succeeds the Organisation of African Unity (OAU) as the premier vehicle for accelerating integration in Africa, ensuring an appropriate role for Africa in the global economy, while addressing multifaceted social, economic and political problems compounded by certain negative aspects of globalisation. See http://www.africa-union.org

Bangladesh Aid Group was formed in October 1974 under the direct supervision of the World Bank, comprising 26 donor agencies as well as countries that made the commitment of providing support to the country for its development.

Bilateral Aid is provided to developing countries and countries on Part II of the DAC List on a country-to- country basis, and to institutions, normally in Britain, working in fields related to these countries.

Bilateral portfolio investment includes bank lending, and the purchase of shares, bonds and real estate.

Bond Lending refers to net completed international bonds issued by countries on the DAC List of Aid Recipients.

BoP Balance of payments

BOT Build, Operate and Transfer

BOOT Build, Operate, Own and Transfer

BSS Basic Social Services (Basic Education, basic health and nutrition, safe water and sanitation) defined for the purposes of the 20/20 Initiative

BSWG Budget Support Working Group

Budgetary Aid is general financial assistance given in certain cases to dependent territories to cover a recurrent budget deficit.

CAP The Consolidated Appeal Process for complex humanitarian emergencies managed by UNOCHA

Glossary of Aid Terms

CAP Common Agricultural Policy (EU)

CAS Country Assistance Strategy

CBSC Capacity Building Service Centre

CDF Comprehensive Development Framework used by The World Bank

CEC Commission of the European Community

CEE/CA Countries of Central and Eastern Europe and Central Asia

CFF Compensatory Financing Facility

CGAP Consultative Group to Assist the Poorest. A micro-lending arm launched by the WB in 1995. A recent report prepared by the Washington DC-based Institute for Policy Studies, found that 46 percent of CGAP's expenditures in its first year of operation was spent on policy reforms which may benefit lenders but end up hurting poor borrowers, particularly women.

CGI Consultative Group on Indonesia

CIS Commonwealth of Independent States

Commitment a firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements.

Concessionality Level is a measure of the 'softness' of a credit reflecting the benefit to the borrower compared to a loan at market rate (cf Grant Element).

Conditionality is a concept in international development, political economy and international relations and describes the use of conditions attached to a loan, debt relief, bilateral aid or membership of international organisations, typically by the international financial institutions, regional organisations or donor countries.

Constant Prices Prices adjusted to take inflation and exchange rates into account and so make a 'like with like' comparison over time.

Cotonou Partnership Agreement signed in Cotonou, Benin, on 23 June 2000, the agreement replaces the Lomé Convention, as the framework for trade and cooperation between the EU and its Member States and African, Caribbean and Pacific (ACP) States. For more information, go to: http://europa.eu.int/comm/development/body/cotonou/ index_en.htm

Country-owned ownership implies that all sectors of the country should be involved in determining whether an aid is needed or not, how it is used and in monitoring the implementation of the projects and programs supported by the aid

Glossary of Aid Terms

(grants or loans). Although governments represent partner countries, they can no longer act independently, but have to be accountable to the country as a whole, comprising the citizens, parliament, business sectors and civil society.

CPIA Country Policy and Institutional Assessment

Current (cash) prices are prices not adjusted for inflation.

CSO Civil Society Organization (see NGO below)

DAC Development Assistance Committee the DAC of the Organisation for Economic Cooperation and Development (OECD) is a forum for consultation among 21 donor countries, together with the European Commission, on how to increase the level and effectiveness of aid flows to all aid recipient countries. The member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and USA. DAC sets the definitions and criteria for aid statistics internationally.

Debt Relief may take the form of cancellation, rescheduling, refinancing or re-organisation of debt.

a. Debt cancellation is relief from the burden of repaying both the principal and interest on past loans.

b. Debt rescheduling is a form of relief by which the dates on which principal or interest payments are due are delayed or rearranged.

c. Debt refinancing is a form of relief in which a new loan or grant is arranged to enable the debtor country to meet the service payments on an earlier loan.

d. Official bilateral debts are re-organised in the Paris club of official bilateral creditors. The Paris Club has devised the following arrangements for reducing and rescheduling the debt of the poorest, most indebted countries.

Toronto Terms agreed by the Paris Club in 1988 provided up to 33% debt relief on rescheduled official bilateral debt owed by the poorest, most indebted countries pursuing internationally agreed economic reform programmes.

Trinidad Terms agreed by the Paris Club in 1990 superseded Toronto Terms and provided up to 50% debt relief.

Naples Terms agreed by the Paris Club in 1994 superseded Trinidad Terms and provide up to 67% debt relief. They also introduced the option of a one-off reduction of 67% in the stock of official bilateral debt owed by the poorest, most indebted countries with an established track record of economic reform and debt servicing.

Enhanced Naples Terms Under the Heavily-Indebted Poor Countries (HIPC) debt initiative, Paris Club members have agreed to increase the amount of debt relief to eligible countries to up to 80%.

Democratic ownership - one of the five principles of Paris Declaration. It implies the participation of the people from the very first stages of any project or program to be funded by foreign aid. The project and program implementation should similarly be transparent and directly or indirectly accountable to the people.

Developing Country The DAC defines a list of developing countries eligible to receive ODA. In 1996 a number of countries, including Israel, ceased to be eligible for ODA. A second group of countries, 'Countries and Territories in Transition' including Central and Eastern Europe are eligible for 'Official Aid' not to be confused with 'Official Development Assistance'. OA has the same terms and conditions as ODA, but it does not count towards the 0.7% target, because it is not going to developing countries

Developing Countries Developing countries are all countries and territories in Africa; in America (except the United States, Canada, Bahamas, Bermuda, Cayman Islands and Falkland Islands); in Asia (except Japan, Brunei, Hong Kong, Israel, Kuwait, Qatar, Singapore, Taiwan and United Arab Emirates); in the Pacific (except Australia and New Zealand); and Albania, Armenia, Azerbaijan, Georgia, Gibraltar, Malta, Moldova, Turkey and the states of ex-Yugoslavia in Europe.

DFID Department for International Development (UK)

DGCS Directorate General for Development Cooperation

Disbursement **Disbursements** record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded gross (the total amount disbursed over a given accounting period) or net (less any repayments of loan principal during the same period).

DPL Development Policy Loan

DSF Decentralization Support Facility

EBRD European Bank for Reconstruction and Development

EC European Commission

ECHO European Community Humanitarian Office

ECOSOC Economic and Social Council (UN)

ECOWAS Economic Community of West African States, described at: http://www.ecowas.int/

EDF European Development Fund see Lomé Convention and Cotonou Partnership

Glossary of Aid Terms

	Agreement.
EFA	Education for All
EFF	Extended Fund Facility
EIB	European Investment Bank
EMU	Economic and Monetary Union
EPC	Engineering Procurement Construction
ESAF (E/Sal/F)	Enhanced Structural Adjustment (Loan)/Facility
Export Credits	are loans for the purpose of trade extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.
FAO	Food and Agricultural Organisation (UN)
G20	Group of 20 Finance Ministers and Central Bank Governors established in 1999 to bring together systemically important industrialized and developing economies to discuss key issues in the global economy
G24	Group of 24 developed nations meeting to coordinate assistance to Central and Eastern Europe
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEF	Global Environment Facility
Gini	coefficient is an indicator of income distribution, where 0 represents perfect equality and 1 perfect inequality.
GNI	Gross National Income. Most OECD countries have introduced a new system of national accounts which has replaced Gross National Product (GNP) with GNI. As GNI has generally been higher than GNP, ODA/GNI ratios are slightly lower than previously reported ODA/GNP ratios.
GNP	Gross National Product
Grant element	reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100 per cent for a grant; and it lies between these two limits for a loan at less than 10% interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan (cf concessionality level) (Note: the grant element concept is not applied to the market-based non-concessional operations of the multilateral development banks.)
GSP	General System of Preferences
HIC	High Income Countries those with an annual per capita income of more than US$ 9385 in 1995.

Glossary of Aid Terms

HIPC Highly Indebted Poor Country (Debt Initiative)

HIV Human Immunodeficiency Virus

IADB InterAmerican Development Bank

IASC Inter-Agency Standing Committee (Committee responsible to

ECOSOC for overseeing humanitarian affairs, the work of OCHA and the CAP).

IDA International Development Association (World Bank)

IDPs Internationally displaced persons

IDT International Development Targets (for 2015) as outlined in the DAC document 'Shaping the 21st Century' also known as International Development Goals

IFAD International Fund for Agricultural Development

IFC International Finance Corporation

IFIs International Financial Institutions

IMF International Monetary Fund

INGOs International Non-governmental Organisations

Internal Bank Lending is net lending to countries on the List of Aid Recipients by commercial banks in the Bank of International Settlements reporting area, ie most OECD countries and most offshore financial centres (Bahamas, Bahrain, Cayman Islands, Hong Kong, Netherlands Antilles and Singapore), net of lending to banks in the same offshore financial centres. Loans from central monetary authorities are excluded. Guaranteed bank loans and bonds are included under other private or bond lending.

IsDB Islamic Development Bank

ISG International Steering Group

JANIC Japanese NGO Centre for International Cooperation

JAS Joint Assistance Strategies

JBIC Japan Bank for International Cooperation

JCPR Joint Country Programme Review

JICA Japan International Cooperation Agency

LIC Low Income Countries those with an annual per capita income of less than US$765 in 1995

LDC (or sometimes LLDC) Least Developed Country 48 poor and vulnerable countries are so defined by the United Nations, with an annual per capita income of less than US$765 in 1995

LMIC Lower Middle Income Countries those with an annual per capita income of between US$766 and US$3035 in 1995

Lomé Convention Multi annual framework agreement covering development cooperation between the EU members and African, Caribbean and Pacific (ACP) States. Funding for Lomé came from the EDF. Lomé has now been replaced by the Cotonou Partnership Agreement.

Glossary of Aid Terms

MADCT More Advanced Developing Countries and Territories, comprising those that have been transferred to Part II of the DAC List of Aid Recipients.

MDGs or Millennium Development Goals are the international goals for poverty reduction and development agreed by the United Nations in the year 2000. These include the IDTs.

MTDS Medium-Term Development Strategies

Multilateral Agencies are international institutions with governmental membership, which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (eg The World Bank, regional development banks), United Nations agencies, and regional groupings (eg certain European Union and Arab agencies). A contribution by a DAC Member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency. Unless otherwise indicated, capital subscriptions to multilateral development banks are recorded on a deposit basis, ie in the amount and as at the date of lodgement of the relevant letter of credit or other negotiable instrument. Limited data are available on an encashment basis, ie at the date and in the amount of each drawing made by the agency on letters or other instruments.

Multilateral aid is aid channeled through international bodies for use in or on behalf of aid recipient countries. Aid channeled through multilateral agencies is regarded as bilateral where the donor controls the use and destination of the funds.

Multilateral portfolio investment covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

NABARD National Bank for Rural Development

National Program on People's Empowerment (known as PNPM) sets out the details of operational plans for poverty reduction through promoting capacities of the local communities and providing funds for development.

NBR National Board of Revenue

NEDA National Economic and Development Authority, the economic planning agency in the Philippines

NEPAD New Partnership for Africa's Development. For information, go to http://www.nepad.org/ and see also African Union.

NGDO Non Governmental Development Organisation

NGO (PVO) Non-Governmental Organisations (Private Voluntary Organisations) also referred to as Voluntary Agencies. They are private nonprofit- making bodies that are active in development work.

Glossary of Aid Terms

NIC	Newly industrialised countries
NIPs	National Indicative Programmes (EU)
NPV	Net Present Value
OA Official Assistance	(Aid) is government assistance with the same terms and conditions as ODA, but which goes to Countries and Territories in Transition which include former aid recipients and Central and Eastern European Countries and the Newly Independent States. It does not count towards the 0.7% target.
OAU	Organisation of African Unity now succeeded by African Union.
OCHA	(See UNOCHA)
ODA	Official Development Assistance (often referred to as 'aid') of which at least 25% must be a grant. The promotion of economic development or welfare must be the main objective. It must go to a developing country as defined by the DAC
ODF	Official Development Finance is used in measuring the inflow of resources to recipient countries; includes [a] bilateral ODA, [b] grants and concessional and non-concessional development lending by multilateral financial institutions, and [c] Other Official Flows that are considered developmental (including refinancing loans) which have too low a grant element to qualify as ODA.
OECD	Organisation for Economic Cooperation and Development (see DAC)
OHCHR	Office of the UN High Commissioner for Human Rights
OOF	Other Official Flows defined as flows to aid recipient countries by the official sector that do not satisfy both the criteria necessary for ODA or OA.
PARIS21	Partnership in Statistics for Development capacity programme for statistical development
Paris Declaration on Aid Effectiveness	is a commitment to make aid more effective towards the goal of poverty reduction and better quality of life. Aside from institutional and structural reforms, it also raises concerns about the effectiveness of the aid regime for sustainable development. The Paris Declaration commits signatories to five principles:
Ownership	Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions
Alignment	Donors base their overall support on partner countries' national development strategies, institutions and procedures
Harmonisation	Donors' actions are more harmonised, transparent and collectively effective
Managing for Results	Managing resources and improving decision-making for results
Mutual Accountability	Donors and partners are accountable for development results"

Glossary of Aid Terms

Partially Untied Aid is Official Development Assistance (or Official Aid) for which the associated goods and services must be procured in the donor country or a restricted group of other countries, which must however include substantially all recipient countries. Partially untied aid is subject to the same disciplines as Tied Aid and Associated Financing.

PDF Philippines Development Forum

PEFA Public Expenditure and Financial Assistance. A partnership established in December 2001 involving the World Bank, IMF, European Commission, Strategic Partnership with Africa, and several bilateral donors (France, Norway, Switzerland, and the United Kingdom. Its mandate is to support integrated, harmonized approaches to the assessment and reform of public expenditure, procurement, and financial accountability, focusing on the use of diagnostic instruments.

Performance-based aid is a system of benchmarks which, once reached, trigger additional funding packages.

PFM Public Finance Management

PPP Public-Private Partnership

Power privatization model imposed by the United States and United Kingdom on Chile and India in the 1990's which is claimed to be contrary to the principle of democratic ownership.

PRGF the Poverty Reduction and Growth Facility, which replaces the ESAF and is the name given to IMF Loan Facilities to developing countries. (See also PRSP).

Private Flows are long-term (more than one year) capital transactions by OECD residents (as defined for balance of payment purposes) with aid recipient countries, or through multilateral agencies for the benefit of such countries. They include all forms of investment, including international bank lending and Export Credits where the original maturity exceeds one year. Private flows are reported to DAC separately for Direct Investment, Export Credits and International Bank Lending, Bond Lending and Other Private (lending).

Programme Aid is financial assistance specifically to fund (I) a range of general imports, or (ii) an integrated programme of support for a particular sector, or (iii) discrete elements of a recipient's budgetary expenditure. In each case, support is provided as part of a World Bank/IMF coordinated structural adjustment programme.

PRSP Poverty Reduction Strategy Papers

RoA Reality of Aid Network

Real Terms A figure adjusted to take account of exchange rates and inflation, allowing a 'real' comparison over time see Constant Prices

Glossary of Aid Terms

Recipient Countries and Territories is the current DAC list of Aid Recipients see LDC, LIC, LMIC, UMIC, HIC.

SAPs Structural Adjustment Programmes, a program imposed by the WB for providing its loan to recipient countries

Soft Loan A loan of which the terms are more favourable to the borrower than those currently attached to commercial market terms. It is described as concessional and the degree of concessionality is expressed as its grant element.

South-South Development Cooperation refers to the cooperation/ relations amongst developing countries; in the AAA, "South-South cooperation on development aims to observe the principle of non-interference in internal affairs, equality among developing partners and respect for their independence, national sovereignty, cultural diversity and identity and local content. It plays an important role in international development cooperation and is a valuable complement to North-South cooperation."

SPA Special Programme of Assistance for Africa (World Bank)

SPADA Support for Poor and Disadvantaged Areas

SSA Sub-Saharan Africa

SWA (SWAp) Sector Wide Approach

TA or TC Technical Assistance/ Cooperation includes both [a] grants to nationals of aid recipient countries receiving education or training at home or abroad, and [b] payments to consultants, advisers, and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical cooperation in statistics of aggregate flows.

Tied Aid is Aid given on the condition that it can only be spent on goods and services from the donor country. Tied aid credits are subject to certain disciplines concerning their concessionality levels, the countries to which they may be directed, and their development relevance designed to try to avoid using aid funds on projects that would be commercially viable with market finance, and to ensure that recipient countries receive good value.

TNC Transnational Corporation

Triangular development cooperation refers to Northern donors or multilateral institutions providing development assistance to Southern governments to execute projects/programmes with the aim of assisting other developing countries.

UMIC Upper Middle Income Countries those with an annual per capita income

Glossary of Aid Terms

	of between US$3036 and US$9385 in 1995
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCED	United Nations Conference on Environment and Development, Rio de Janeiro 1992
UNCHS	United Nations Centre for Human Settlements, Habitat
UNCTAD	United Nations Conference on Trade and Development
UNDCF	United Nations Capital Development Fund
UNDAC	United Nations Disaster Assessment and Coordination
UNDAF	United Nations Development Assistance Framework
UNDCP	United Nations Drugs Control Programmes
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Fund for Population Activities
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNOCHA	UN Office for the Coordination of Humanitarian Assistance
UNRISD	United Nations Research Institute for Social Development
Untied Aid	Official Development Assistance for which the associated goods and services may be fully and freely procured in substantially all countries.
UNV	United Nations Volunteers
Uruguay Round	Last round of multilateral trade negotiations under the GATT
USAID	United States Agency for International Development
Vertical programmes	also known as vertical funds, global programmes and global initiatives, defined by the OECD and the World Bank as "international initiatives outside the UN system which deliver significant funding at the country level in support of focused thematic objectives."
WB	World Bank
WFP	World Food Programme
WHIP	Wider Harmonization in Practice
WHO	World Health Organisation
WID	Women in Development
WSSD	World Summit for Social Development, Copenhagen 1995. See 20/20 Initiative.
WTO	World Trade Organisation

Sources consulted include: Reality of Aid, Annual Development Cooperation Report of the DAC

Part 3

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ROA Members Directory

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Africa Network for Environment and Economic Justice (ANEEJ)
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African Forum and Network on Debt and Development (AFRODAD)
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Forum for African Alternatives
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Forum for the Reinforcement of the Civil Society (FORCS)/ Forum pour le Renforcement de la Société Civile (FORSC)
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Kenya Private Sector Alliance (KEPSA)
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Asia Pacific Mission for Migrants (APMM)
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Website: www.apmigrants.org

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Technical cooperation remains one of the most heavily used forms of aid, accounting for between a quarter and a half of all ODA. However, to date it seems that technical cooperation remains largely insulated from donors' efforts to improve the quality and effectiveness of their aid, largely ignoring the principles of democratic ownership and partnership. What are the preconditions for technical assistance that is country-driven and country-owned? How much of donor technical assistance remains tied? How can contributions of technical cooperation for infrastructure development be consistent with human rights based approaches and the country's sustainable development objectives? In what ways can South-South technical cooperation be equitable and mutually beneficial?

The Reality of Aid 2016 Report, comprised of 23 contributions, takes stock of technical cooperation at national, regional, and global levels, in their many varied forms. It draws lessons from the positive and problematic practices, and puts forward key messages on the preconditions and principles for the contributions of technical cooperation to development effectiveness for the reduction of poverty and inequality.

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