Chapter 4

Global Aid Trends and OECD Reports

Crisis Management: An Analysis of Global Aid Trends

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Summary Messages

Section A: Governments missing their aid quantity targets

With just five years remaining to realize the Millennium Development Goals (MDGs), donor aid performance has stalled. Official aid levels in 2010 are expected to fall far short of the pledges made in 2005. If all donors had honored their long-standing commitment to provide 0.7% of their gross national income (GNI), aid in 2009 would have been US$272 billion, providing significant resources for the poorest countries to achieve goals in health, education, and environmental sustainability.

1. **Official development assistance (ODA) was US$119.6 billion in 2009**, down from its record level of US$122.3 billion in 2008. Several governments even significantly reduced their ODA in 2009 such as Germany, Italy, Ireland and Austria.

2. **ODA performance as a proportion of gross national income (GNI) rose to 0.31% in 2009**, increasing very slightly between 2008 and 2009 only because of a 3.5% decline in collective donor GNI. If GNI had grown at the same average rate of previous years, donors would have had to produce US$9.2 billion in extra aid to hit this 0.31% level.

3. **ODA falls far short of commitments.** All donor governments, except the United States (US), are committed to the longstanding 0.7% ODA/GNI United Nations (UN) target and in 2005 most donors made additional pledges for 2010. Several major donors are however far off-track to meet their 2010 pledges, and total Development Assistance Committee (DAC) ODA will fall about US$20 billion short of the US$145 billion that would have resulted from implementing donors' 2005 commitments.

4. **"Real ODA" is less than half the United Nations (UN) target ODA level.** "Real ODA" is an estimate of ODA available for allocation to development and humanitarian assistance. It is calculated by subtracting debt cancellation and the costs of spending on Southern refugees and on students arriving in donor countries from reported ODA. Reality of Aid estimates 2009 "real ODA" at US$112.7 billion, which is only 0.29% of donors' GNI or performance far removed from the UN target of 0.7%.

5. **Aid commitments are affordable despite the economic crisis.** In 2008, the amount of aid was equivalent to just 1.8% of total donor government revenues which was below the 2% level in 1990. Aid per donor country citizen was only US$118. With political will, donor commitments are affordable.

Section B: The Quality of Donors' Aid Performance

Despite commitments made in the Paris Declaration on Aid Effectiveness and the

2008 Accra Agenda for Action (AAA), donor performance in targeting human development goals, gender equality and the poorest countries in Africa has improved only marginally since 2005. In their actual aid allocations and practices, donors are giving only slightly increased priority to poverty reduction and strengthening the rights of the poor. They are still largely failing to transfer leadership on aid to developing country partners. Donors are only beginning to understand the importance of changing a highly unequal aid architecture, and have not yet tabled any proposals for reform. They also have yet to agree to meet their obligations to finance climate change with resources additional to aid and to reduce Northern-driven technical assistance and policy conditions.

1. **Donors have generated only modest new aid resources for human development goals and foreign policy concerns have driven donor aid increases since 2000.** At the Millennium Summit in 2000 governments pledged "to spare no effort" to reduce poverty. Yet only 42% of new aid dollars (above the level reached in 2000) has been spent on human development goals. The remainder has been allocated to increased support for debt cancellation, support for refugees in donor countries, and to Iraq and Afghanistan in support of foreign policy objectives.

2. **Aid has largely failed to prioritise global public goods and the MDGs.** Since the Millennium Summit in 2000, aid has largely failed to focus on public goods such as education, health, food security, and poverty reduction. Reality of Aid's proxy indicator for aid commitments to the MDGs, measured as a percentage of sector-allocated aid, has hardly changed since 1995.

3. **Bilateral humanitarian assistance continues to grow as a proportion of "real aid".** Bilateral humanitarian assistance amounted to 8.3% of "real aid" in 2008, from a low of 2.1% in 1990 and then 4.5% in 2000, with increasing amounts of humanitarian assistance directed to Sub-Saharan Africa. Donors must demonstrate "good humanitarian donorship" in the allocations and practices in responding to humanitarian emergencies.

4. **Gender equality remains largely invisible in donor aid activities.** Only 4.1% of official aid funding goes to activities where gender equality is stated as a "principal objective", with a mere US$2.1 billion in such spending reported by DAC donors for 2007 and 2008. Also, support to organizations and institutions working on women's equality amounted to only US$411 million out of total ODA of US$122 billion.

5. **Donor-driven technical assistance remains a primary aid modality.** Donor-directed technical assistance continues to make up at least one-third of all DAC bilateral aid. Donors should respect country ownership and reduce this. Technical assistance should be Southern-led, utilise Southern technical skills and strengthen Southern-determined capacity needs.

6. **Donors will short-change Sub-Saharan Africa by at least US$14 billion compared to their pledges for 2010.** Donor governments have reneged on their 2005 Gleneagles commitment to provide an additional US$25 billion a year to Sub-Saharan Africa by 2010. By 2010, total donor aid to Sub-Saharan Africa is expected to be only US$36 billion against a target of US$50 billion.

7. **Most donors are reneging on a pledge that financing for climate change must**

be additional to ODA. Donors must reaffirm that all financing for climate change adaptation and mitigation will be additional to their obligation to provide 0.7% of their GNI for ODA. In Cancun in December 2010, donors should commit US$100 billion annually in public financing for adaptation to climate change. This money must be channelled via a global Climate Change Fund that operates democratically under the authority of the UN Framework Convention on Climate Change's Conference of Parties. Climate change financing must focus on the most vulnerable, particularly women, taking account of international human rights standards as well as of development effectiveness principles.

8. **Donors have not improved country ownership and leadership on bilateral aid.** Despite strong donor rhetoric to give priority to country ownership and leadership on aid decisions, less than 45% of bilateral aid was available for programming at the country level in 2008. This counts aid minus funds that remain under donor control (i.e., debt cancellation, Northern-driven technical assistance, etc.).

9. **Slow progress in untying bilateral aid.** Most donor governments have reported that they have untied their bilateral aid from their national contractors – yet informal tying of aid to donor country contractors is prevalent and remains a common practice.

10. **Donors continue to impose policy conditionality.** Donors continue to determine policies in aid-dependent poor countries particularly through requirements for compliance with International Monetary Fund (IMF) and World Bank (WB) program conditions. This undermines the rights of poor and marginalised populations. Reality of Aid calls for an end to policy conditionality and supports an approach to policy dialogue and mutual aid agreements based on shared obligations derived from international human rights law.

11. **Aid architecture reforms are urgently needed.** The number of channels of official donor ODA has dramatically increased, alongside growing financial flows from Southern country donors and civil society organizations. This has significantly increased transaction costs for recipient governments and further reduced the potential for citizens in the poorest countries to achieve real democratic ownership in support of local and country-determined priorities.

Section A: Governments missing their aid quantity targets

In 2000 all governments vowed at the United Nations (UN) Millennium Summit to "spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty". Aid in 2009 was more than double aid levels in 2000, but still far below the US$272 billion that would represent donors meeting the UN target of 0.7% of gross national income (GNI).

After a significant increase to a record US$122.3 billion in 2008, official development assistance (ODA) declined to US$119.6 billion in 2009. These figures are spelled out by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). (**See Chart 1**) ODA performance against donors' GNI remains weak. The ratio of ODA to GNI rose to 0.31% in 2009 but this is

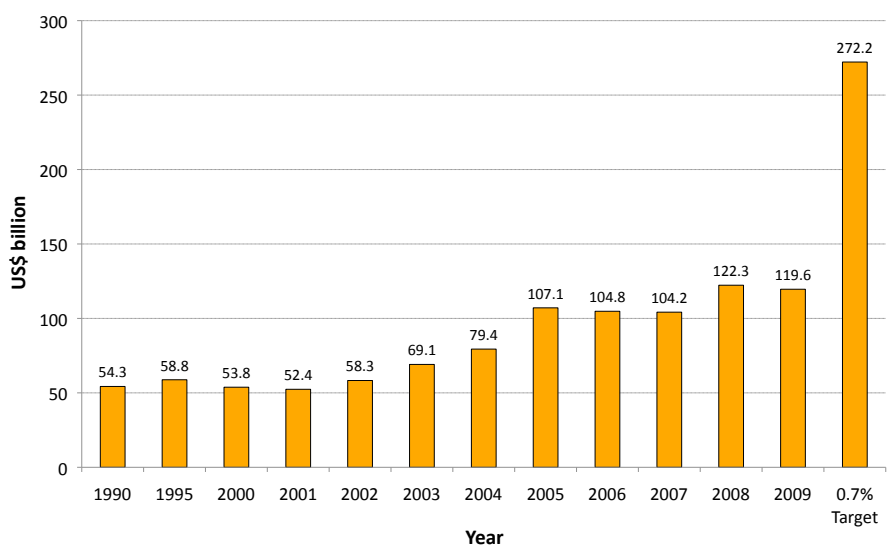
still not even half of the UN target. (**See Chart 2**) This is a significant improvement over the low of 0.22% in 2000 but remains lower than the level of 0.33% in 1990, the base year for the Millennium Development Goals (MDGs), and of 0.32% in 2005.

Aid from the United States (US), the world's largest donor government, increased by nearly US$2 billion in current dollars to US$28.7 billion. Other major donors however reduced their aid significantly – Germany by more than 14%, Italy by 32% and Austria by 33%. European Union (EU) ODA as a whole fell by more than 5% in current dollars, from US$71.0 billion in 2008 to US$67.1 billion in 2009. The ratio of EU ODA to GNI is at 0.44% and the EU is now very unlikely to achieve its collective target of 0.56% by 2010. Although a number of EU countries, notably the United Kingdom (UK) and perhaps Spain, continue to increase their aid and are on track to meet their performance goals.[1]

"Real aid" rose slightly in 2009 – defined by Reality of Aid as reported ODA minus debt cancellation and the costs of spending on Southern refugees and on students arriving in donor countries. Official OECD DAC reporting rules allow donors to report the full value of debt cancellation in the year that it is cancelled.[2] Civil society organisations (CSOs) have campaigned for full and unconditional debt cancellation for more than two decades. The long term value of debt cancellation for heavily indebted countries is incalculable. Indeed, donors promised at the 2002 UN Financing for Development Conference to make debt cancellation additional to ODA.[3] However, in practice developing countries only reap a small benefit each year in forgone principal and interest payments.

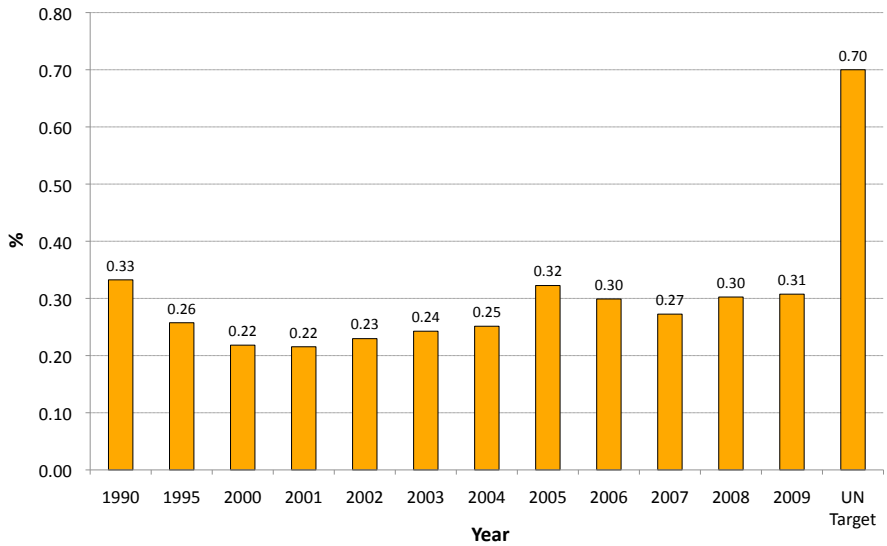
Several donors also continue to provide ODA in the form of concessional loans, further deepening the long term debt of already heavily indebted countries. Many bilateral donors provide all

Chart 1: DAC Donor ODA, 1990-2009 (US$ billion, current US dollars)



Source: DAC1 Dataset Official and Private Flows

Chart 2 : DAC Donor ODA, 1990-2009 (% of DAC Gross National Income)



Source: DAC1 Dataset Official and Private Flows

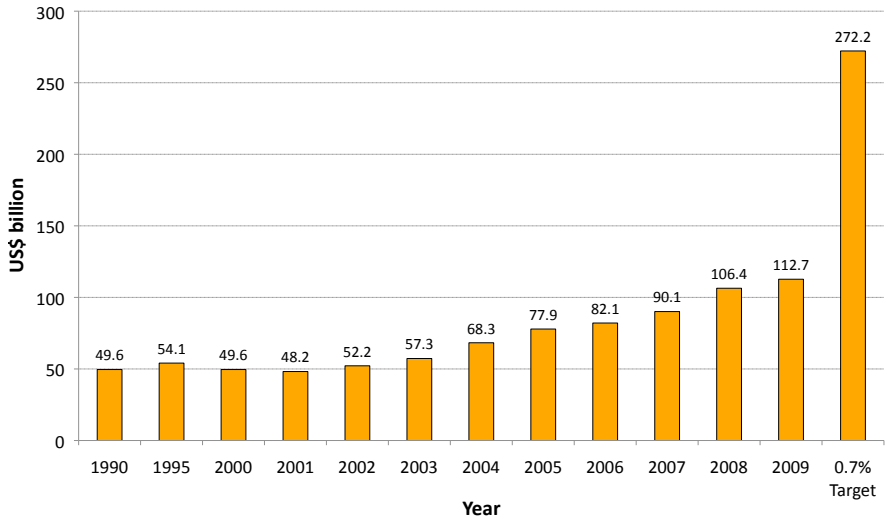
their ODA as grants. But in 2008 DAC and multilateral donors still cumulatively provided a total of US$16.9 billion (2007 constant dollars) in ODA loans. This is a marked increase from the eight-year annual average of US$10.4 billion from 2000 to 2007. The DAC preliminary analysis of 2009 aid suggests that aid in the form of loans increased by 20% in that year. The highest levels of bilateral ODA loans in 2008 were provided by Japan (US$9.1 billion), France (US$3.3 billion) and Germany (US$2.1 billion), all of which increased this form of financial transfer considerably compared to previous years. The WB's International Development Association (IDA) window provided US$8.6 billion in loans and the European Commission (EC) another US$2.3 billion. Developing countries continue to face a heavy burden of interest and principal payments from previous loans. They paid bilateral donors US$3.4 billion in 2008, with a cumulative total of more than US$27 billion in payments since 2000.[4]

The DAC rules also allow donors to count as ODA their support for refugees for their first year of residence in donor countries, as well as an estimate for the education infrastructure costs associated with developing country students studying in donor countries.

While these three areas of government spending are all legitimate and valued in their own right, the Reality of Aid Network and many other CSOs do not consider these to be legitimate ODA expenditures. The calculation of "real aid" discounts these three components and represents dollars that were available for aid transfers to developing countries.[5]

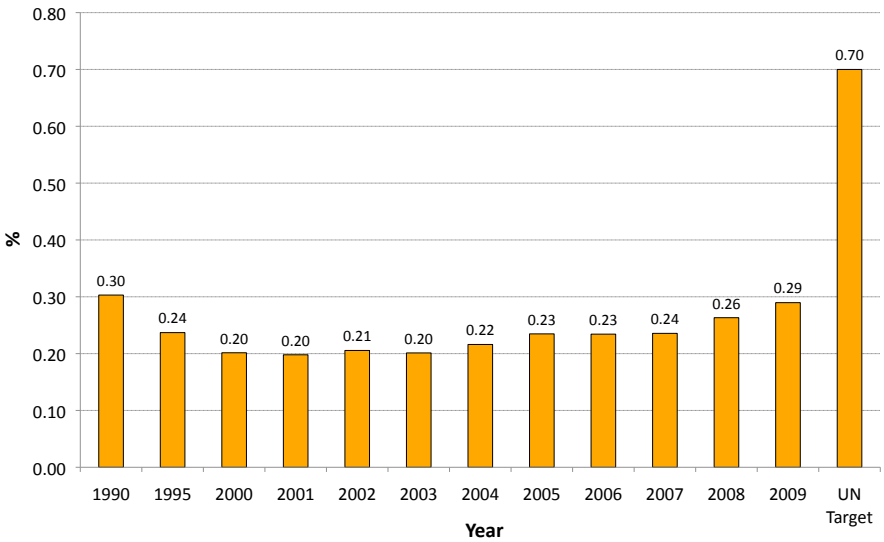
"Real aid" was US$112.7 billion in 2009 or a 5.9% increase from 2008. (**See Chart 3**) "Real aid" was equivalent to 0.29% of donor GNI in 2009. This was a modest improvement from the average of 0.23% in the period 2005-2007 when there were very large amounts of debt cancellation included in ODA. (**See Chart 4**)

Chart 3: DAC Donor ''Real ODA'', 1990-2009 (US$ billion, current US dollars)



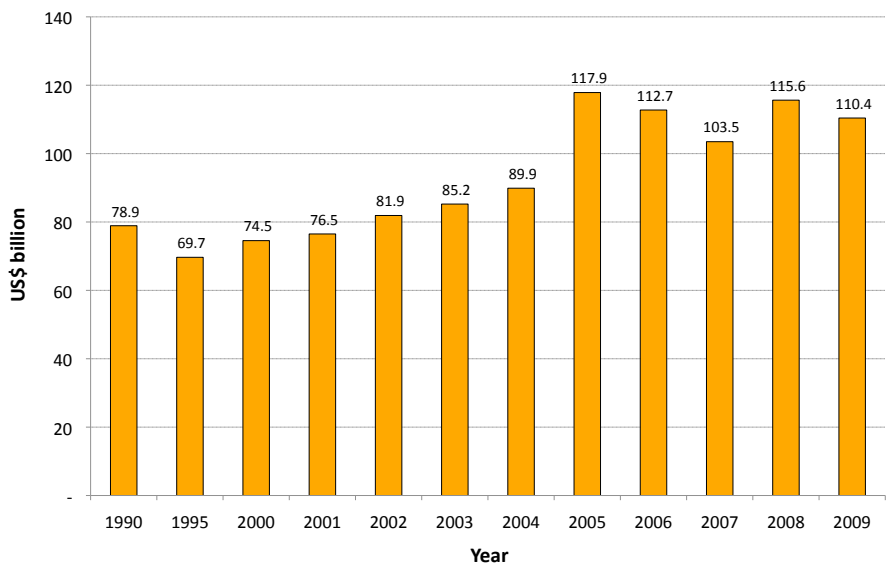
Note: "Real ODA" removes debt cancellation and costs of refugees and students in donor countries
Source: Reality of Aid estimates on data from DAC1 Dataset Official and Private Flows

Chart 4: DAC Donor ''Real ODA'', 1990-2009 (% of DAC Gross National Income)



Source: Reality of Aid estimates on data from DAC1 Dataset Official and Private Flows

Chart 5: DAC Donor ODA, 1990-2009 (US$ billion, constant 2007 US dollars)



Source: DAC1 Dataset Official and Private Flows

When comparing ODA levels of different years, it is important to take account of the impact of inflation and US dollar exchange rates. The DAC has produced "deflators" for each year relative to 2007 – that is, the amount of goods and services that could be purchased with the aid level in these years if the US dollar was at its same value as in 2007. When 2009 ODA performance is examined in constant 2007 US dollars, Reality of Aid notes the following:

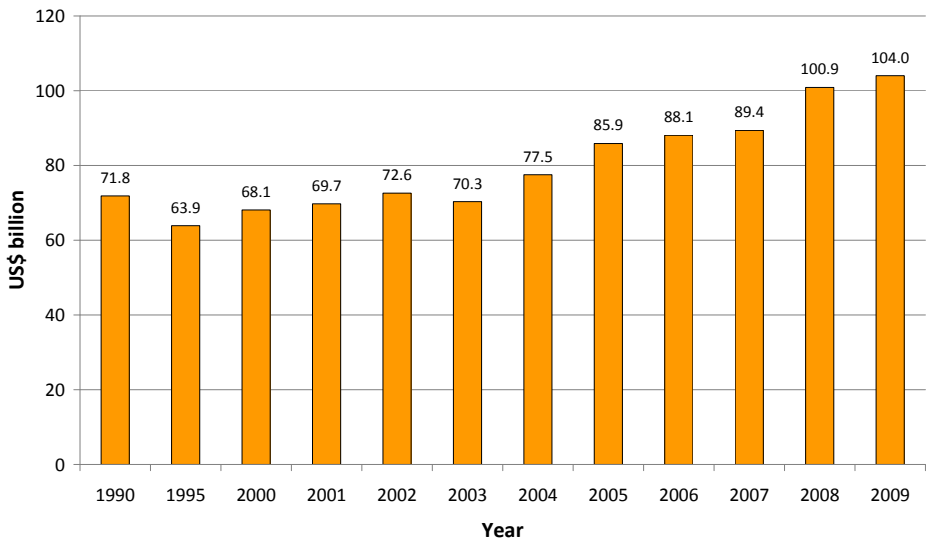
- Total DAC donor ODA in 2009 was 4.5% less than in 2008.[6] (**See Chart 5**)
- "Real ODA" increased by 53% between 2000 and 2009. (**See Chart 6**)

In summary, donors made significant progress in overall ODA levels during the last decade, including on "real aid". However the increases have not kept pace with needs nor with pledges. In 2005 many governments, mostly European, committed to improve their ODA performance and set ODA/GNI ratio targets for 2010 and 2015. Proportional aid levels have been sustained in 2009 although aid volume increases have been affected by the reduced economic growth in richer countries. Nominal economic growth was negative 3.5% in 2009. If, for example, growth had instead been maintained at the previous annual average of 5% and assuming the same donor performance ratios, ODA in 2009 would have been approximately US$9.2 billion higher.

1. Expected ODA for 2010 falls far short of 2005 Gleneagles commitments.

At the Accra High Level Forum in September 2008, donors agreed to increase the medium-term predictability of aid by providing developing countries with "regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans".[7] The predictability of expected aid resources is essential for developing country governments to be able to plan annual budgetary expenditures. This in turn requires donor governments to meet their stated public goals for aid increases.[8]

Chart 6: DAC Donor "Real ODA",1990-2009 (US$ billion, constant 2007 US dollars)



Source: Reality of Aid estimates on data from DAC1 Dataset Official and Private Flows

What did donors promise at the 2005 Gleneagles G7 Summit? Already, five out of twenty-two DAC donors provide more in aid than the UN goal of 0.7% of their GNI: Norway, Sweden, Denmark, Netherlands and Luxembourg.[9] An additional five European donors committed to achieve the UN goal on or before 2015: Belgium, France, Ireland, Spain and the United Kingdom. Another five European donors committed to raise aid to 0.51% of their GNI by 2010: Austria, Finland, Germany, Italy, and Portugal. Greece deferred its 0.51% target to 2012.

Australia targets 0.50% by 2015 with an interim target of 0.37% in 2010. Canada has a target to double "international assistance" by 2010, with the DAC estimating that this will be 0.33% of Canada's GNI in that year. As a candidate, US President Barack Obama promised to double US aid to US$50 billion by 2012. This has now been postponed to the second presidential term and the 2010 US federal budget will increase foreign assistance by 10%, with proposals for the 2011 budget outlining further significant increases.[10] The DAC estimated that if donor governments were on track with their 2010 commitments ODA would be US$145 billion (in 2008 dollars) or 0.36% of GNI.[11]

How have the commitments been affected by the global financial crisis? Even prior to the financial crisis, several donors were already far off-track in achieving their 2005 commitments. In early 2010 the European Commission stated that 14 out of 27 EU donors cut ODA in 2009, and that they expect 17 out of the 27 to fail to meet their 2010 targets. The DAC estimates that several major donors will fall well short of their targeted performance including Austria, Germany, Italy and France.[12] (**See Table 1**)

At the 2009 Ministerial Meeting of DAC, donors pledged to maintain their aid commitments irrespective of the impact of the financial crisis

Table 1: Post-Finance Crisis Changes in DAC Donor ODA for 2009 and 2010

Donor	2008 ODA		2009 ODA (Preliminary)		DAC 2010 ODA Projection	Target Ratio for 2010
	% of GNI	US$ million	% of GNI	US$ million	% of GNI	% of GNI
European Union (EU) Members						
Austria	0.43	1,714	0.30	1,146	0.37	0.51
Belgium	0.48	2,386	0.55	2,601	0.70	0.70
Denmark	0.82	2,803	0.88	2,810	0.83	0.80
Finland	0.44	1,166	0.54	1,286	0.56	0.70
France	0.39	10,908	0.46	12,431	0.46	0.61
Germany	0.38	13,981	0.35	11,982	0.40	0.51
Greece	0.21	703	0.19	607	0.21	0.51
Ireland	0.59	1,328	0.54	1,000	0.52	0.60
Italy	0.22	4,861	0.16	3,314	0.20	0.51
Luxembourg	0.97	415	1.01	403	1.00	1.00
Netherlands	0.80	6,993	0.82	6,425	0.80	0.80
Portugal	0.27	620	0.23	507	0.34	0.51
Spain	0.45	6,861	0.46	6,571	0.51	0.59
Sweden	0.98	4,732	1.12	4,546	1.01	1.00
United Kingdom	0.43	11,500	0.52	11,505	0.60	0.59
Non-EU Members						
Australia	0.32	2,954	0.29	2,761	0.35	0.36
Canada	0.32	4,785	0.30	4,013	0.33	0.33
Japan	0.19	9,579	0.18	9,480	0.18	0.22
New Zealand	0.30	348	0.29	313	0.32	0.28
Norway	0.88	3,963	1.06	4,086	1.00	1.00
Switzerland	0.42	2,038	0.47	2,305	0.47	0.41
United States	0.19	26,842	0.20	28,665	0.19	0.18
South Korea	0.09	802	0.10	816		
Total DAC	**0.30**	**122,296**	**0.31**	**119,573**	**0.32**	**0.36**

Source: DAC Statistics and DAC, "DAC Members' Commitment and Performance: Summary Table of OECD Secretariat Projections [2010]", February 15, 2010 and DAC, "Net Official Development Assistance in 2009, Preliminary Data for 2009", April 14, 2010.

on their economies and government revenue but these pledges have been disregarded. Other countries such as Belgium and Spain were considered "on target" by the DAC but their 2009 performance now makes this seem unlikely.

According to the DAC's April 2010 analysis, DAC donors as a group will fall some US$20 billion short of their 2005 Gleneagles commitment to increase aid by US$50 billion between 2005 and 2010.[13] The DAC projects that Africa will receive only about US$11 billion of the US$25 billion a year in aid increases that it was promised. Based on OECD projections for donor GNI, and on estimates by Reality of Aid and the DAC, total ODA for 2010 will be approximately US$126 billion. If GNI had grown by 5% per year in 2009 and 2010, and if donors had met their 2010 commitments, ODA should be at some US$160 billion in 2010. The DAC's 2010 *Development Cooperation Report* recommends that future aid commitments include specified year-on-year increases to improve predictability and accountability.[14]

2. Aid commitments are affordable despite the economic crisis.

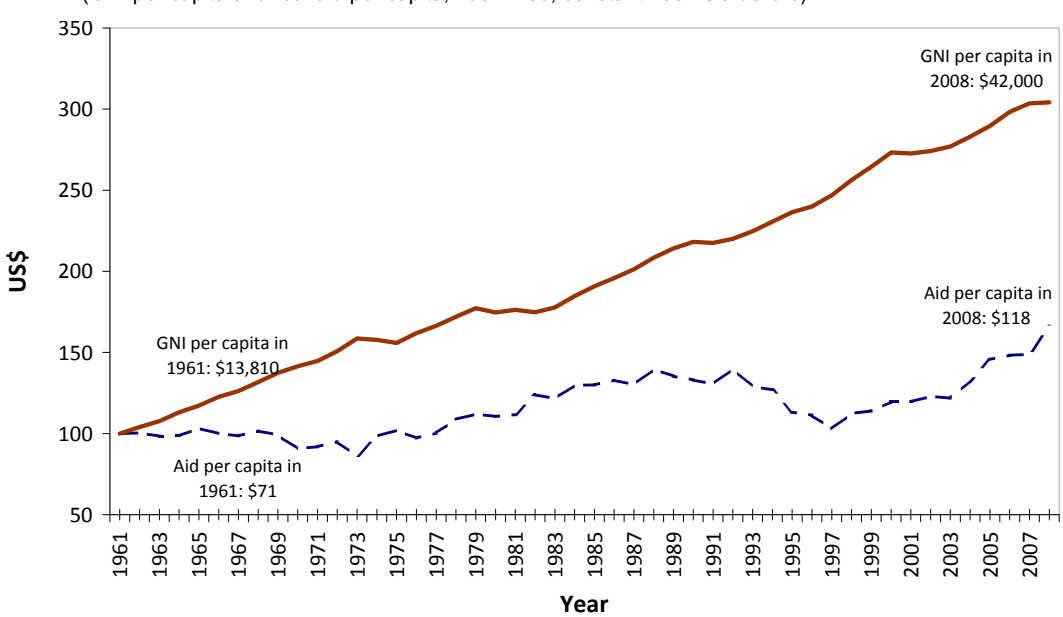
From the last quarter of 2008, people across the globe have been severely affected by the most

severe and pervasive economic crisis since the Great Depression. No donor country has been spared the consequences of a systemic failure to regulate and supervise banks and financial markets in the US and Europe. Most donor countries had negative economic growth in 2009, according to the OECD. Industrial countries have countered the downturn by spending trillions of dollars in rescue packages. The Brookings Institute suggests that the world will be 7.2% poorer in 2013, in terms of global economic output, than suggested by a pre-crisis five-year economic outlook.[15]

The poorest countries in the South are the victims and not the culprits of this financial crisis. They have been severely affected through lower trade and investment volumes, volatile commodity prices, and falling remittances from migrants living in donor countries. These crisis effects have compounded systemic crises of endemic poverty, worsening food security and the ecological consequences of climate change. Long after Northern economies recover, the poorest developing countries will still be dealing with the impacts on their vulnerable populations. Women are among the worst affected given their significant roles in agriculture, export zone manufacturing, and service sectors.

Donor governments clearly have strong moral and ethical obligations to meet their aid commitments. But do these worsening economic conditions affect donor governments' capacity to honor them? Some severely affected donor countries such as the UK look likely to honor their commitments. As a proxy for the ability to pay, the Reality of Aid has been tracking the long term trend in aid and GNI per capita growth in donor countries in its bi-annual Reports. There is a widening gap between wealth in donor countries and per capita aid allocations, particularly since the early 1990s. (**See Figure 1**) Reality of Aid notes that:

Figure 1: The Growing Gap Between Donor Wealth and "Real Aid", 1961-2008
(GNI per capita and real aid per capita, 1961=100, constant 2007 US dollars)



Source: Reality of Aid

- Donor GNI per capita grew by some US$600 per year between 1961 and 2008 (from US$13,810 to US$42,000), while aid per donor country inhabitant increased by just US$1 per year over the same period (from US$71 to US$118).
- Donor GNI per capita grew by US$28,200 or more than 200% over the last 48 years, while aid per capita has grown by only US$47 or 66%.
- Aid per capita as a percentage of GNI per capita has dropped from 0.5% in 1961 to less than 0.3% in 2008.

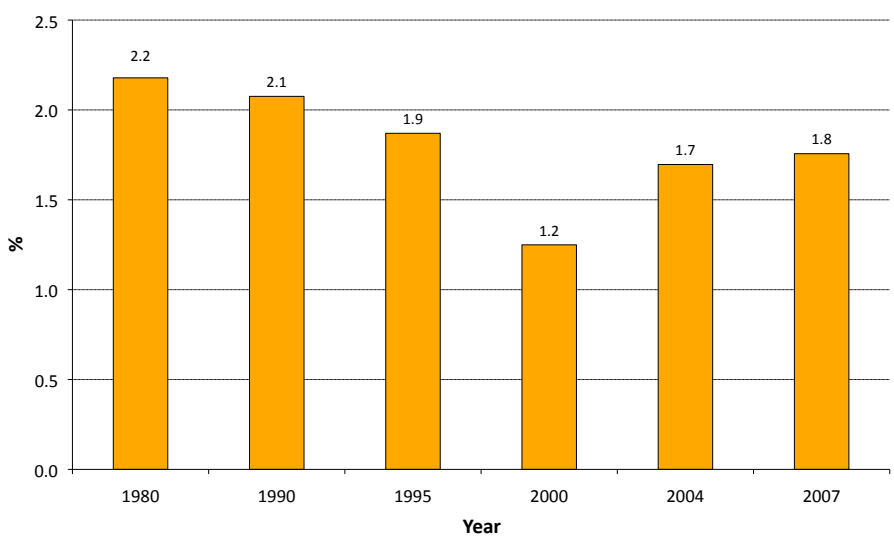
Another important measure of current capacity and political will to meet commitments is the trend in aid as a proportion of government revenue. (**See Chart 7**) In 2007, "real aid" was 1.8% of government revenue which was well above the low of 1.2% in 2000 but still lower than the 2.2% level in 1980 and 2.1% in 1990. If government revenues in 2009 fall by 3.5% below its 2007 level and if "real aid" remains at 2008 levels of US$100 billion, the ratio increases marginally to 2% which is still less than the 2.1% in 1990.

Public opinion in many donor countries remains strongly encouraging for governments to implement their commitments. For example, a Eurobarometer public opinion poll in June 2009 found that 90% of Europeans still believe that development is important, more than 70% agree that the EU should keep its promises, and 24% agree to increase aid beyond what has been promised.[16]

3. Foreign policy concerns have driven donor aid increases since 2000, with only modest new resources available for human development goals.

At the beginning of the last decade, the international community vowed in the Millennium Declaration to "spare no effort" to realise human rights and reduce poverty. The value of aid in

Chart 7: Real Aid as a Percentage of DAC Donor Federal Tax Revenue, 1980-2007 (%)



Note: Aid is net of debt relief grants and support for refugees in donor countries
Source: OECD Statistical Reports on Tax Revenues

2007 dollars increased by 55% between 2000 and 2008, from US$74.6 billion to US$115.6 billion. By 2008 donor governments had cumulatively disbursed US$265.6 billion additional aid dollars above what they had allocated in 2000.[17] But not all of these new aid dollars should count towards the Millennium commitment to human rights for poor and marginalised people. This is the case for increased aid spending since 2000 on debt cancellation grants, support for refugees and students, and allocations based on foreign policy interests of donor governments to Iraq, Afghanistan and Pakistan. (**See Table 2**)

Nevertheless there have been some improvements recently. In 2006, only 28% of new aid dollars each year from the year 2000 were available for the MDGs – but this increased to 42% by 2008 because of aid increases and less amounts going to debt cancellation. Debt relief grants over the period 2000-2009 totaled US$91.3 billion, accounting for 10.5% of all new aid disbursements of US$870.9 billion. The share of debt relief in ODA peaked at 23.3% in 2005, before falling to 9.0% in 2008 and then 2.1% in 2009. (**See Chart 8**)

The country allocation of ODA has also been skewed by post 9/11 'war on terror' foreign policy, particularly to Iraq, Afghanistan and Pakistan. The proportion of ODA (excluding debt cancellation) allocated to these three countries has markedly increased since 2001, peaking at 13.5% in 2005 and still remaining at 7.7% in 2008. (**See Chart 9**) From 2000 to 2008 a cumulative total of US$46.2 billion, or 17% of all new aid resources since 2000, were devoted to these three countries. This was primarily driven by the foreign policy interests of the key donors involved in the wars.

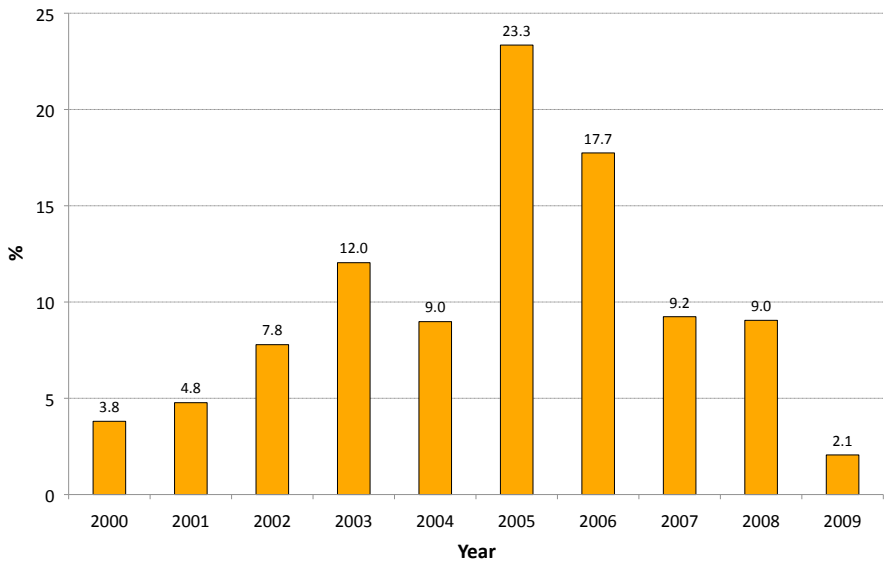
The allocation breakdown of the US$265.6 billion in new aid dollars includes increased support for refugees in donor countries (US$3.9 billion), for support to developing country students studying in donor countries (US$7.8 billion) and for additional humanitarian assistance (US$25.5 billion). (**See Table 2**) Almost 60% of additional

Table 2: Allocation of New Aid Dollars, 2000-2008 (US$ billion, constant 2007 dollars)

Total Net New Aid Dollars since 2000		**265.6**
Minus:		
Non-Aid Items		82.1
Of which:		
Additional Debt Cancellation	70.4	
Additional Support for Refugees	3.9	
Additional Imputed Student Costs	7.8	
Additional Humanitarian Assistance		25.5
Additional to Pakistan, Afghanistan & Iraq		46.2
New aid dollars for potential use in poverty reduction / MDGs and other development programs over 8 years		**111.8**
Percentage of Total New Aid Resources (%)		**42.1**

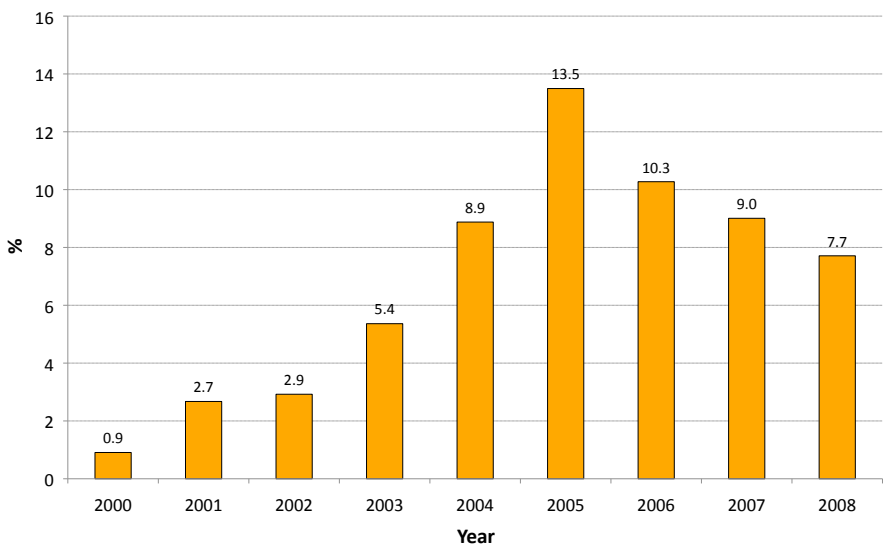
Source: Reality of Aid calculations based on DAC1 Dataset and DAC2 Dataset, 2000 to 2008, constant 2007 US dollars. New aid resources in each of these years are compared to aid levels in 2000. Similarly, the deductions made from total new aid resources are compared to levels in 2000.

Chart 8: Debt Relief Grants as a Percentage of ODA, 2000-2009 (%)



Source: DAC1 Dataset Official and Private Flows

Chart 9: Aid to Afghanistan, Iraq and Pakistan as a Percentage of Total ''Real ODA'', 2000-2008 (%)



Source: Reality of Aid estimates on data from DAC2a Dataset

aid programmed since 2000 has gone towards donor foreign policy interests in Iraq, Afghanistan, and Pakistan and to increases in debt relief grants, plus support for students and refugees in donor countries. Increased debt relief grants in ODA between 2000 and 2008 amounted to US$70.4 billion, some 26.5% of all new aid disbursements in these years. Debt cancellation is often strongly linked to donor foreign policy interests – for instance, fully 70% of debt grants in these eight years were for Iraq, Nigeria, Pakistan and Afghanistan (US$48.9 billion). Overall, too few new aid dollars have been made available for more effective investment in poverty reduction and achieving the MDGs.

Section B: Aid allocation, aid quality and development effectiveness

Donors have committed to improve aid effectiveness, prioritise poverty reduction, strengthen the rights of the poor, and transfer leadership to developing country institutions. What has their record been on delivering these?

1. Aid allocation to poverty reduction priorities has not grown substantially since 1995.

The introduction of the Millennium Goals in 2000 has had a profound impact on donor discourse for aid as well as on stated poverty reduction strategies in many developing countries.[18] But has the increased availability of aid dollars, particularly since 2007, amounted to a concerted effort to reduce poverty and achieve the MDGs? Donors unfortunately do not track the allocation of aid to specific goals.

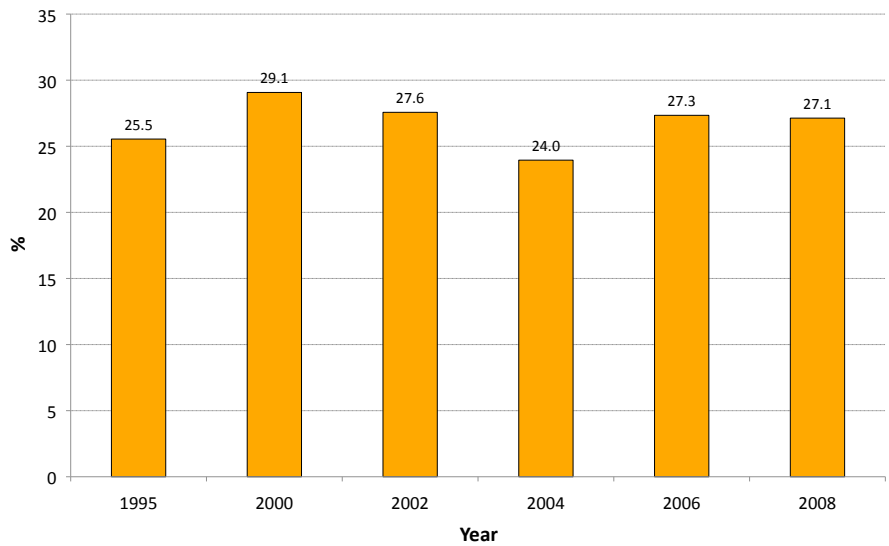
Reality of Aid, however, has created a proxy indicator to track donor support for the MDGs which demonstrates that the percentage of sector-allocated ODA going towards the MDGs actually increased very little from 25.5% in 1995 to 27.1% in 2008.[19] (**See Chart 10**). The absolute amount of aid allocated to MDG-related sectors grew by 87% since 2000 (measured in constant 2007 dollars) – with most of the increases occurring since 2005 – but the increase in its share is negligible because total aid has also grown significantly during this period.

Accordingly, there is no evidence that donors have lived up to their commitment in the Millennium Declaration to "spare no effort" by devoting an increasing proportion of their aid dollars to tackle the MDGs. It is therefore not surprising that most MDGs remain elusive in most developing countries, particularly in Sub-Saharan Africa.

The 2009 *Millennium Development Goals Report* suggests that progress has been made on many of the targets as set against their 1990 benchmark.[20] Poverty levels have fallen from 50% of total developing country population to 25% in 2005. The international community is on track to achieve a halving of the proportion of people in extreme poverty by 2015. But the Report also points out that this means that the number of people living in extreme poverty has fallen only from 1.8 billion in 1990 to 1.4 billion in 2005, with the likely prospect that between 55 million and 90 million have been added to those living on less than $1.25 a day since the onset of the 2008/09 financial crisis.[21] The number of hungry people rose with the 2008 food price increases. On gender equality the report points out that "since the mid-1990s, most developing countries have experienced a major reduction in donor funding for family planning on a per woman basis, despite the undeniable contribution of such programs to maternal and child health".[22]

Sub-Saharan Africa is still the region where the least progress is being made. The number of people living in extreme poverty there has increased

Chart 10: Percentage of Sector Allocated ODA Going to MDGs, 1995-2008 (%)



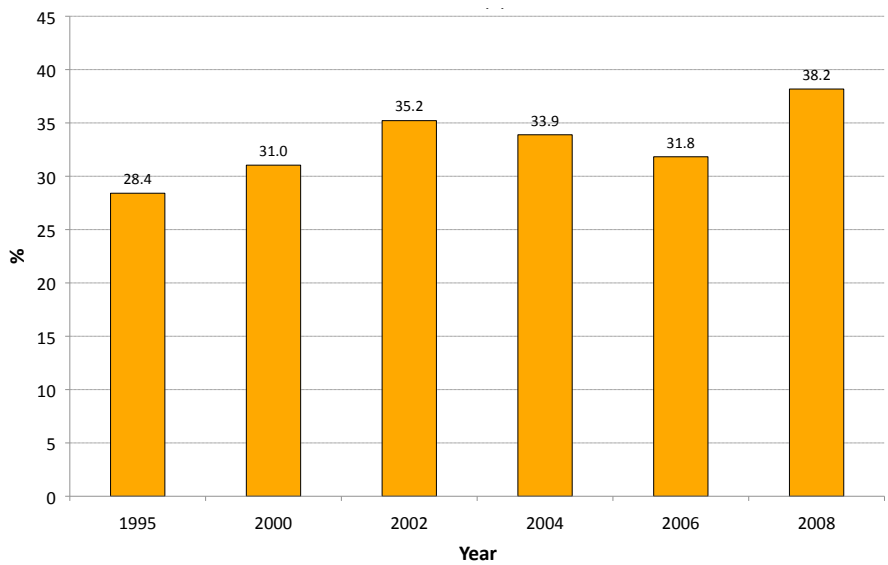
Source: Reality of Aid estimates on data on aid commitments (in current dollars) from DAC Creditor Reporting System

from 300 million in 1990 to over 380 million in 2005, and the poverty rate remains above 50%.[23] More than 64% of employed people in this region lived on less than $1.25 a day, compared to 44% in Southern Asia and 8% in Latin America.[24] In 2005, donors committed to double aid to Africa by 2010. However the DAC reported in April 2010 that donors delivered only US$11 billion in new aid in 2010 – not US$25 billion as promised in 2005. Still, donors have improved their emphasis on MDGs in Sub-Saharan Africa since 2000, and particularly in 2008. According to the Reality of Aid MDG proxy indicator, the share of sector-allocated aid to Sub-Saharan Africa going to MDGs increased from 31% in 2000 to 38.2% in 2008. (**See Chart 11**)

The 2009 MDG report suggests that modest progress has been made on several MDG targets. These include universal primary education, gender parity in education, and women's political representation. However many CSOs and academics suggest that such country, regional or global level average statistics mask unequal outcomes for some groups of people who may be increasingly poor.

CSOs have also criticised the MDGs for omitting social inequality, and lacking significant goals for women's rights and gender equality. The 2009 MDG report recognises these limitations, with the UN Under Secretary for Economic and Social Affairs suggesting that "achieving the MDGs will also require targeting areas and population groups that have clearly been left behind – rural communities, the poorest households and ethnic minorities, all of whom will have a hand in shaping our common future".[25] Former Irish president Mary Robinson has challenged governments coming to the September 2010 UN Development Summit on the MDGs to acknowledge the importance of a human rights and justice

Chart 11: Percentage of Sector Allocated ODA Going to MDGs in Sub-Saharan Africa, 1995-2008 (%)



Source: Reality of Aid estimates on data on aid commitments (in current dollars) from DAC Creditor Reporting System

framework for current and future development strategies, bridging the gap between the MDGs and human rights.[26] In assessing progress on the MDGs for poverty reduction and the rights of poor and vulnerable populations. It is therefore essential to look closely at several sectors and assess donor commitments to gender equality.

Basic Health

According to the DAC Creditor Reporting System, donor support for basic health, population and reproductive health has shown the highest increase in aid commitments. These sectors increased their share of sector-allocated aid from 7.1% in 2000 to 11.2% in 2008. The increase from US$3.5 billion in 2000 to US$11.9 billion in 2008 represents a constant (2007) dollar increase of more than 215%.

A study by the University of Washington suggests that the four-fold increase in aid for health contributed to a 28% reduction in the child mortality rate in developing countries between 1990 and 2008 and to giving more than three million people access to anti-retroviral treatment. The study calculates that overall "development assistance for health" reached US$21.8 billion in 2007 – a figure that includes significant amounts from private foundations, such as the Bill & Melinda Gates Foundation, and private US-based NGOs.[27] The share of health assistance provided by official bilateral agencies in turn decreased from 47% in 1990 to 27% in 2007, while the share of UN agencies declined from 32% in 1990 to 14% in 2007. In contrast, the 2007 share of the Global Fund and the Global Alliance for Vaccines and Immunization (GAVI) was 8%, that of the Bill & Melinda Gates Foundation was 4% and US-based NGOs was 25%.[28] [29]

Every human being has a right to health and health is in turn a measure of social justice and equity. People living in the poorest countries still have very limited opportunity to claim this right. A 2009 report by a High Level Taskforce,

co-chaired by UK prime minister Gordon Brown and WB president Robert Zoellick, called for an additional US$10 billion to be spent per year on health in poor countries. The report documented that low-income countries spend only US$25 per capita on health, of which US$10 is paid by the patients themselves and only US$6 is provided by development assistance.[30] The report also highlighted a serious imbalance in health development assistance with more than 50% directed to infectious disease, mostly HIV/AIDS, and less than 20% to basic health care services, nutrition and infrastructure.[31]

A high proportion of increased assistance for health has come through the creation of dedicated (infectious disease-specific) initiatives such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), GAVI and bilateral initiatives such as the US President's Emergency Plan for AIDS Relief (PEPFAR). These initiatives have increasingly come to recognise the need to invest in strengthening health systems. This is necessary to avoid situations such as in Uganda where high quality treatment for HIV/AIDs is increasingly available for free even as clinics across the street lack the basics for treating a wide range of common diseases. Uganda's health budget of US$112 million is dwarfed by donor earmarked spending for HIV/AIDs of US$167 million.[32] Recently, US Secretary of State Clinton announced a six-year investment of US$63 billion in PEPFAR, while stressing that these funds will be available for training health workers, basic health clinics and other health infrastructure essential to an effective health system in the poorest countries.[33] Similarly, Prime Minister Brown announced in 2009 the expansion of the International Finance Facility on Immunization, explicitly acknowledging that GAVI, the WB and the Global Fund will earmark a proportion of funding for broader health activities.[34]

Basic Education

Aid to basic education doubled between 2000 and 2008 (in constant 2007 dollars) and reached US$2.2 billion. However in recent years increases in funding have stagnated and new commitments declined by one-third between 2007 and 2008. Progress since 2002 has been strong; enrolment in primary school increased 40 million by 2008 and school fees have been abolished in many African countries. [35]

Enrolment increases in Sub-Saharan Africa however have been at the expense of a low quality education, particularly affecting children of the poor who cannot afford alternatives. The African Child Poverty Forum reports that pupil-teacher ratios in Africa average 43:1, with some countries having ratios far above the average (Congo 83:1; Chad 69:1). In contrast, the global average for this ratio is 25:1.[36] Many countries in Africa lack the basic infrastructure to deliver quality education. This is not helped by donor support that is too often uncoordinated, fragmented and driven by immediate priorities, with some donors continuing to bypass national systems and strategies in many countries.[37] The WB-based Fast Track Initiative, which was to guarantee resources for countries with credible national education strategies, has cumbersome procedures and long delays in disbursements.

Agriculture

The UN Food and Agriculture Organisation (FAO) highlighted how the food crisis and the economic crisis combined to increase the number of hungry people by 100 million worldwide. There are now more than one billion undernourished people which is more than at any time since 1970.[38] In many countries, the loss of income due to the economic crisis is compounded by continued high food prices in local markets. The

poor have been forced to cut back on health and education spending and also on consumption of nutritious food. Three-quarters of the world's hungry are the rural poor, and many of these people are highly vulnerable to climate change impacts on their food production.

According to a 2009 DAC study, donor assistance for agriculture (including multilateral aid) grew from US$5.1 billion in 2002-2003 to US$6.2 billion in 2006-2007 (in constant 2007 prices).[39] But donor agriculture investments at best held steady as a percentage of sector-allocated aid. In historical terms the trend is dramatically downwards: the percentage of such sector-allocated aid fell from a high of 17% in the mid-1980s, to 13% in the mid-1990s, and to 6% in 2006-2007.

DAC bilateral aid to agriculture in the period 2006-2007, the most recent data, amounted to US$3.8 billion or only 6% of sector-allocated aid. Three donors – the US, Japan and France – accounted for almost 90% of this bilateral aid. Some 17% of the US allocation went to drug eradication programs in Afghanistan. The least developed countries and other low-income countries received two-thirds of total aid to agriculture in 2006/07. But more than 38% of this was in the form of concessional loans from Japan, Germany and multilateral development banks.[40]

The G8 countries, meeting in their annual Summit in Italy in July 2009, pledged to reverse "the tendency of decreasing official development aid and national financing to agriculture". They launched a US$20 billion L'Aquila Food Security Initiative, which they expect will be committed to and then allocated over three years. The new US administration promised US$3.5 billion in food security aid at the Summit. According to the DAC Report on aid to agriculture, in 2006/07 donors allocated US$11.9 billion to a broad definition of food security-related sectors.[41]

In a follow-up to the L'Aquila commitment, G20 countries meeting in Pittsburgh in September 2009 called on the WB to develop a new "trust fund" in support of the Food Security Initiative. The WB pledged US$1.5 billion to this trust fund – called the Global Agriculture and Food Security Program (GAFSP) – but it is unclear if donor commitments toward the US$20 billion will be additional money.[42] Many CSOs are concerned that these funds will promote an expansion of high-input, high-technology "green revolution" large-scale agriculture to the detriment of millions of impoverished small-scale farmers and the rural poor. As in the health sector, new aid actors such as the Bill & Melinda Gates Foundation have been investing hundreds of millions of dollars into the controversial Alliance for a Green Revolution in Africa (AGRA), building partnerships with major official donors and African governments.[43] The GAFSP was launched in April 2010 with an initial US$880 million, including a commitment by the Gates Foundation of US$30 million alongside Canada (US$230 million) and the US (US$475 million).[44]

Aid for Trade

The OECD argues that "aid for trade is needed now more than ever, to provide much needed additional stimulus, avert the worst consequences of the economic downturn, while addressing underlying vulnerabilities to get the enabling environment for growth right – assisting producers in partner countries to effectively participate and compete in local, regional and international markets". [45] In the wake of the failure of the Doha Round of multilateral trade negotiations, donors pledged to increase their "aid for trade" at the Hong Kong WTO Ministerial in 2005.

The DAC's measure of "aid for trade" is dubious. Over US$25.4 billion was counted as aid for trade in 2007, and an average of US$21.1 billion in the period 2002-2005.[46] These figures include support for "trade policy and regulation"

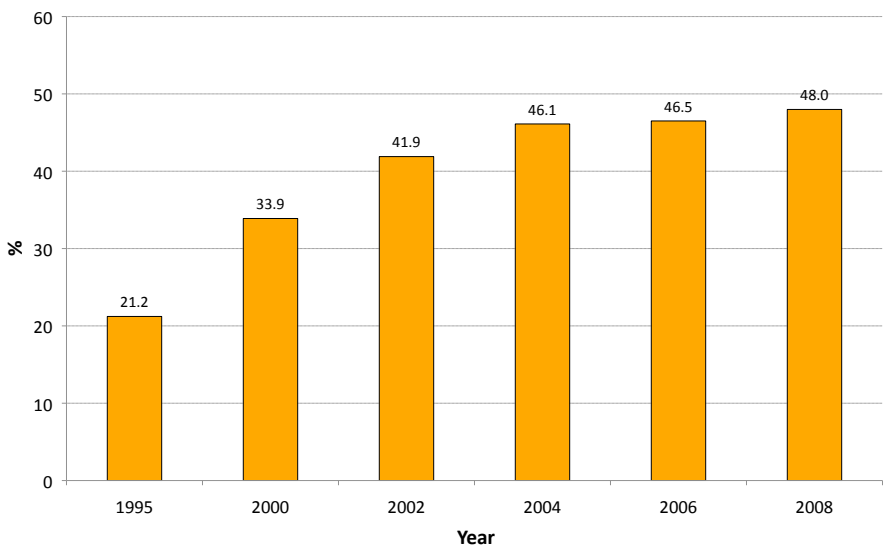
(US$685.3 million in 2007), and also all aid to "economic infrastructure" (US$13.7 billion) and "building productive capacity" (US$11.1 billion) which includes all aid to agriculture, industry, and banking and financial services. The DAC statistics on aid for trade are therefore a gross exaggeration and meaningless measure of aid that is supposed to target producers including informal and formal sector and their linkages with local, regional and international markets.

2. Bilateral Humanitarian Assistance continues to grow as a proportion of "real aid".

In 2008, bilateral humanitarian assistance reached US$8.8 billion from US$6.3 billion in 2007.[47] Since 2000 an increasing proportion of bilateral humanitarian assistance has been directed to Sub-Saharan Africa, rising from about one-third to slightly less than half by 2008. (**See Chart 12**) As a proportion of "real aid" to this region, humanitarian assistance has grown from 9.1% in 2000 to 16.0% in 2008, which is however down from the peak of 18.8% in 2005. Six countries accounted for 47% of all bilateral humanitarian assistance in 2008 – Afghanistan, Iraq, Sudan, the Democratic Republic of the Congo, Ethiopia, and Somalia.

Humanitarian assistance is coming from more diverse sources. Non-DAC governments disbursed an estimated US$1.1 billion in humanitarian assistance in 2008 including significant amounts from Arab states, Turkey, China and India (mainly via the World Food Program). The top three recipients for non-DAC humanitarian assistance in 2008 were China, Yemen and the Palestinian Territories.[48] NGOs (including the Red Cross and Red Crescent Movement) also disbursed US$4.9 billion humanitarian aid in 2007. Of this, US$2.6 billion was raised from non-governmental sources such as the public and corporations.[49] Another recent annual independent report on humanitarian assistance put the amount spent from all sources by international NGOs (INGOs) at US$5.7

Chart 12: Bilateral Humanitarian Assistance to Sub-Saharan Africa as a Percentage of Total Bilateral Human Assistance, 1995-2008 (%)



Source: DAC1 Dataset Official and Private Flows

billion, with more than US$1.7 billion accounted for by just six INGOs. The study also pointed out that INGOs account for the majority of humanitarian workers in the field – with about 250 organisations employing 113,000 staff in humanitarian work, with 95% being nationals of the host country.[50]

There is considerable overlap between country priorities for humanitarian assistance and donor support for countries with sustained and extreme conflict.[51] In 2008, there were ten countries in extreme conflict which were allocated a total of US$13.8 billion (not including debt cancellation), up from US$11.9 billion in 2006. Some 22% of this US$13.8 billion aid in 2008 was for humanitarian assistance. Aid to extreme conflict-affected countries was 12.3% of total non-debt aid in 2008. While still higher than 9.3% of total non-debt aid in 2000, this is down from more than 20% in 2006. These ten countries accounted for more than a third of total humanitarian assistance in 2008.

3. Gender equality remains largely invisible in donor aid activities.

In the 2008 Accra Agenda for Action (AAA), donors and developing country governments affirmed that "gender equality, respect for human rights, and environmental sustainability are cornerstones for achieving enduring impact on the lives and potential of poor women, men, and children." They committed to ensure that their "development policies and programs are designed and implemented in ways consistent with their agreed international commitments on gender equality". Many donors, such as DFID, CIDA, SIDA or NORAD, have robust long-standing policies purportedly guiding the implementation of this commitment as an essential condition for realising development goals.

Remarkably little is known about the degree to which donors are implementing their policies. Fifteen years after the Fourth World Conference on Women in Beijing in 1995, there are still no statistical tables on gender equality in the DAC's annual *International Cooperation Report*. A DAC-based Network on Gender Equality (GENDERNET) brings together like-minded donors and some CSOs to track a gender equality "marker" for aid commitments. GENDERNET, whose own future is uncertain in a planned restructuring of the DAC, has produced excellent overviews of "best practices" in connecting gender equality, women's empowerment and aid effectiveness. Yet despite several high profile conferences there are still no gender-specific indicators for donor and government commitments made in the Paris Declaration and the AAA.

The DAC Creditor Report System includes a "gender only" policy objective for development activities against which donors report. Donors reported spending US$10.1 billion against this policy objective in 2008, up from US$3.3 billion in 2006 and US$5.8 billion in 2007. Much of this apparent increase is the result of large donors like the US and France reporting their aid commitments for this policy objective for the first time – although other donors which had been reporting such commitments even before also recorded a 65% increase between 2007 and 2008. In 2008, the "gender only" policy objective commitments were 8.6% of total ODA commitments which is up from 6.5% in 2007.

An analysis of GENDERNET's "gender marker" tracking gives grounds for concern about the degree to which increased reported funding may mask a retreat from supporting gender equality actions. The marker has been in place since 2004 to track aid commitments to gender equality for DAC donors reporting on their bilateral aid. In 2007/08 all donors except

Ireland, Portugal and the US reported.[52] This gender marker unfortunately has a very broad definition: an aid activity can be counted if it has either gender equality as a "principal objective" or a "significant objective". Gender equality as a "principal objective" must be "an explicit objective of the activity and fundamental in its design", while gender equality as a "significant objective" has gender equality as "an important, but secondary, objective of the activity".[53]

The "significant objective" category then provides wide scope for overestimating the degree of attention to gender equality in donor programs. The degree to which funding has increased for activities with gender equality as a principal objective however may be a better indicator of the quality of mainstreaming, as this will depend on continued pressures on donors, governments and CSOs to address gender equality concerns in all of their aid activities.

For the 19 donors reporting, the DAC's GENDERNET reported in 2007/08 that US$15 billion was committed to projects that targeted gender equality – representing 30.2% of sector-allocated aid for these years.[54] However of this US$15 billion, 86% were marked as activities where gender equality was stated as a "significant objective" only and not a "principal objective". A mere US$2.1 billion were for activities marking gender equality as the "principal objective" or an almost insignificant 4.1% of sector-allocated aid.[55] The GENDERNET report for 2007/08 also identifies, for the first time, US$411 million for "support to women's equality organizations and institutions"; this accounts for less than 3% of all gender equality focused aid and for 20% of aid identifying gender equality as a "principal objective".[56]

Increases in support for gender equality are in part due to the creation of gender equality-specific funds by several major donors. These include the Dutch MDG3 Fund, SIDA's Global Program for Gender Equality and the UNIFEM Fund for Gender Equality supported by the Spanish Government. These special funds were expected to grow further in 2009.[57] Furthermore, in September 2009, the UN General Assembly adopted a resolution to create a new women's agency consolidating the work of the four existing gender bodies in the UN system. CSOs are calling for US$1 billion to launch this new agency.[58]

Donors have been promoting "mainstreaming" gender equality in all their programming. This involves ensuring that gender perspectives and the goal of gender equality are pro-actively taken into account in policy development, research, advocacy/dialogue, legislation, resource allocation, and planning, implementation and monitoring of programs and projects. There is evidence that many donors have improved their emphasis on gender equality, while others such as Canada have seemingly backtracked on progressive policies.[59]

4. Donor-driven technical assistance remains a primary aid modality.

Technical cooperation (TC, or technical assistance) that aims to provide expertise or capacity building continues to be a very significant proportion of donors' bilateral aid. Reality of Aid estimates US$22 billion in "free-standing technical cooperation" in 2008, compared to US$16.2 billion in 2000 (in constant 2007 dollars). Not included in these figures are DAC CRS estimates of an additional US$1 billion for technical assistance in 2007 that is integrated into investment projects and sector programs.

Technical assistance has been slightly declining over the past eight years from a peak of 43.6% of bilateral aid in 2003 to around one-third (32.7%) in 2008, according to Reality of Aid estimates. (**See**

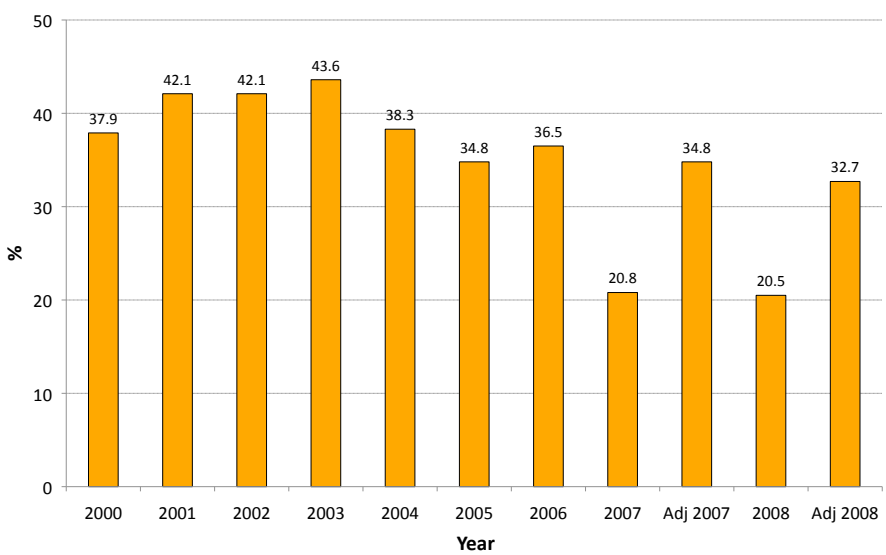
Chart 13) Official DAC statistics however suggest a much steeper decline to less than 21% in 2007 and 2008 because the US inexplicably reported a sharp decline in its technical cooperation – from an annual average of US$8.5 billion up to 2006, down to a mere US$720 million in 2007 and 2008.[60] The Reality of Aid estimated a more realistic trend in technical assistance by adding the average of reported US technical cooperation between 2004 and 2006.

In the lead-up to Accra, both CSOs and developing country governments called for ambitious reforms to ensure that 100% of technical assistance is "demand-driven" by developing country aid recipients and effective for capacity development. The AAA calls for developing countries and donors to "jointly select and manage technical cooperation" and states that donors' support for capacity development should be demand-driven to support country ownership. However governments at the Accra High Level Forum did not agree on any specific and measurable actions on this area. There are no detailed proposals for how donors will ensure that all technical assistance is demand-driven and based on country needs.[61]

The one requirement that was agreed in the Paris Declaration on aid effectiveness is that donors seek to coordinate their technical assistance. In 2008, donors claimed that more than 60% of their technical cooperation with 31 surveyed developing countries was already "coordinated" with other donors.[62] Caution is required in interpreting this figure as "some donors include as 'coordinated' any technical cooperation agreed with government or any assistance within a large program managed by a multilateral donor".[63]

The focus of the Paris Declaration indicator on coordination largely ignores the more serious challenges in Northern-driven technical assistance for realising real country ownership of

Chart 13: Technical Assistance as a Percentage of DAC Bilateral "Real Aid", 2000-2008 (%)



Note: Adjusted 2007 and 2008 sets US technical assistance at the average level for 2004 to 2006.
Source: Reality of Aid estimates on data from DAC Statistical Table DAC1

aid programs. A recent review of the literature on Southern perspectives on technical cooperation highlighted very few examples of "demand-led" Southern-led technical assistance.[64] The Working Party's review of aid untying pointed out that "most donors try to influence project implementation, through long-term technical assistance or management consultants from their home country".[65] Singh comments that:

> "[The] domination of TCIs [technical cooperation initiatives] by expatriates can … raise problems, among them donor credibility. This often happens when donors prescribe cuts in government expenditure and insist upon greater equity in distributing resources, but send in consultants who are paid 20 to 30 times the national salary…. Expatriate consultants not only seem to take jobs from nationals, but often have their own ideas of how things should be done that clash with the way their hosts would like them done. This creates friction … and often raises the question of ownership..."[66]

Issues of capacity development and aid relationship management are real and complex. Yet developing country governments, CSOs and multilateral organisations (notably UNDP) have already put forward clear recommendations over the past decade, but which donors largely ignore in practice.[67] These recommendations include that:

- Developing country counterparts should play a leading role in identifying capacity needs;
- Clear priority should be given to national and regional consultants whenever these are available;
- Donors should encourage and enable South-South technical cooperation wherever possible; and
- When international consultants are engaged, the terms of reference should prioritise cultural awareness, strong interpersonal and communications skills, as well as technical qualifications.

5. Donors will be short at least US$14 billion to meet their pledge to double aid to Sub-Saharan Africa by 2010.

At Gleneagles in 2005, the major DAC donors committed to double aid to Sub-Saharan Africa from US$25 billion to US$50 billion a year by 2010, dedicating half of all new aid increases to the sub-continent. In April 2010, the DAC predicted that donors will only be halfway to this target of providing US$25 billion in new money with donors likely providing only US$11 billion additional aid in 2010 – or a shortfall of US$14 billion. This is "due in large part to the under-performance of some European donors".[68] Between 2005 and 2009, "real ODA" actually increased by US$35 billion a year (not US$50 billion) although Africa did not receive half of this increase. In 2008, three years after Gleneagles and the last year for which detailed ODA statistics are available, aid to Sub-Saharan Africa was only US$29.6 billion in current dollars.

Certainly, the value of aid to Sub-Saharan Africa has been increasing in recent years. Aid to Sub-Saharan Africa increased by 47.5% between 2004 (US$15.1 billion) and 2008 (US$22.2 billion), in constant 2007 dollars and excluding the large debt cancellation grants in the period 2004 to 2006. (**See Chart 14**) But compared to other regions, the proportion of donor aid to Sub-Saharan Africa has changed at a much slower pace – largely due to the large donor allocations for Afghanistan, Iraq and Pakistan in Asia in recent years. (**See Chart 15**)

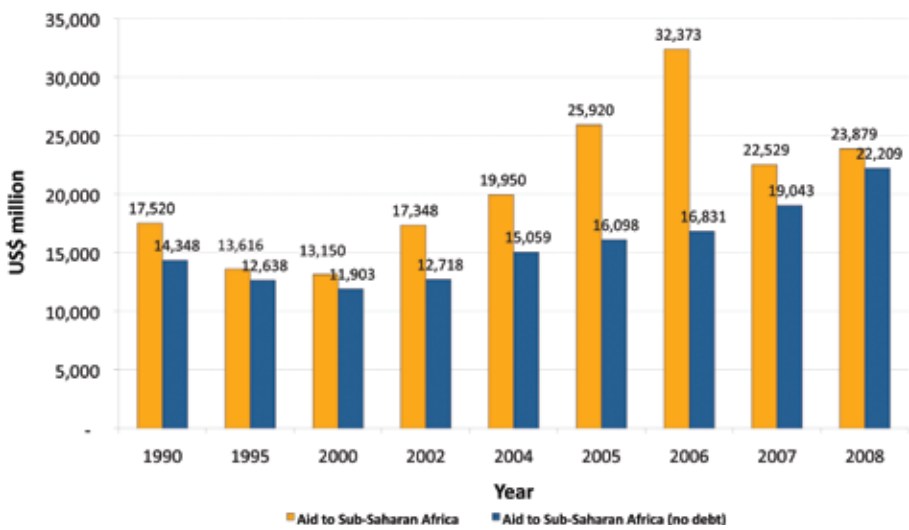
Donors are focusing their aid on fewer and fewer countries with several African countries in danger of being the "forgotten ones".[69] In the AAA, donors and developing countries committed to "work together … on country-led division of labour" in which there will be "dialogue on international division of labour across countries by June 2009" and "work to address the issue of countries that receive insufficient aid". Aid is currently allocated in a highly unequal basis across Sub-Saharan Africa. In 2008, excluding debt cancellation, 58% of DAC aid went to only 10 out of 48 African countries (and 37% to just five countries).

6. Donors are reneging on a pledge that financing for climate change would be additional to ODA.

In its 2008 global report, Reality of Aid joined other CSOs in calling for "increased donor financing for climate change adaptation … channelled through equitable North/South mechanisms based within the 1992 United Nations Framework Convention on Climate Change (UNFCCC) … additional to the donors' commitment to reach the 0.7% aid target for ODA". Years of unfulfilled aid promises made financing a crucial issue in the lead-up to the December 2009 Copenhagen Conference which was to set in place a post-2010 Climate Change Agreement. Environment and development CSOs pressed for government finance to meet urgent adaptation and mitigation needs. Estimates for climate adaptation financing alone between 2010 and 2050 range from US$75 to US$100 billion per year. CSOs called on donors to prioritise addressing the impact of climate change on the billions of poorest and most vulnerable people who bear no responsibility for the climate crisis.[70]

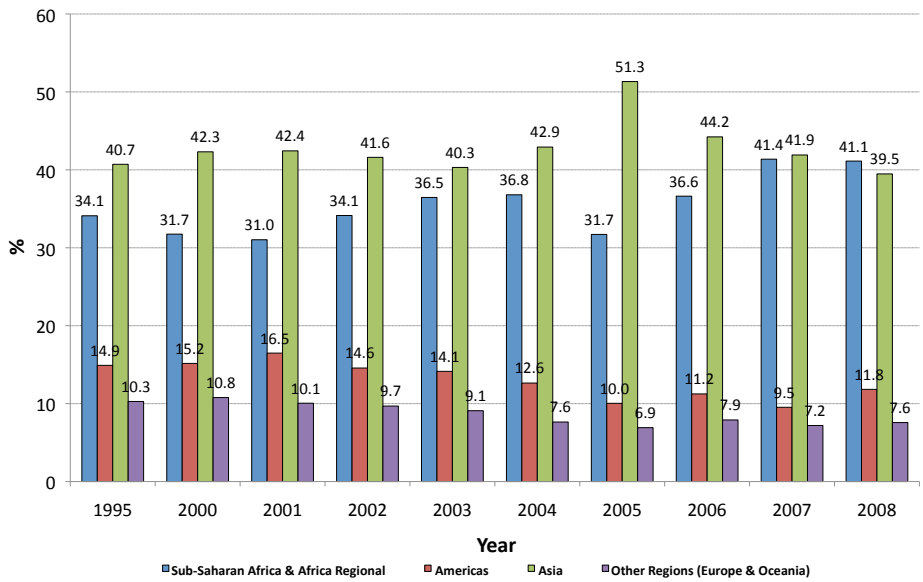
Climate finance must be additional to existing ODA commitments – otherwise scarce ODA dollars will be diverted from current development priorities. The 2008 Bali Action Plan, a roadmap for a new climate change treaty, reiterates donor pledges in the 1992 Framework Convention

Chart 14: ODA to Sub-Saharan Africa, 1990-2008 (US$ million, constant 2007 dollars)



Source: DAC Dataset by Region

Chart 15: Geographic Distribution of Regionally Allocated ODA (no debt), 1995-2008 (%)



Note: Net ODA disbursements, excluding debt cancellation
Source: DAC Dataset by Region

and says that climate change finance must be "'measurable, reportable, and verifiable" and also "new and additional, not taking the place of previous commitments of foreign aid (official development assistance)".[71]

The Copenhagen Conference ended with failure to create consensus, not least on the essential issues of developed country responsibility and commitments for climate change financing. The "Copenhagen Accord" was a last minute agreement drafted in closed side-rooms by heads of states from the US, China, India, and Brazil and a few other countries in the dying hours of the Conference. Other countries complained that it was drawn up in an inadequate and undemocratic manner yet, nonetheless, 120 have now signed. Many developing countries qualified that they signed on with the understanding that any future agreement must be reached by consensus, including all countries, and within the UN Framework Convention.

Prior to the Copenhagen Conference, donor financing for climate change has been very modest and highly fragmented into many separate funding windows, some of which were developed under the aegis of the WB's Climate Investment Funds and heavily criticised by CSOs and developing country governments. An Adaptation Fund with more equitable governance established under the UNFCCC is expected to raise only $300 million by 2012 through the Clean Development Mechanism credits. Two additional funds under the UNFCCC – the Least Developed Countries Fund and the Special Climate Change Fund – have pledges amounting to less than US$300 million as of December 2010.[72] In contrast, Climate Investment Funds organised under the governance of the WB has attracted US$6.3 billion in donor funds.[73]

The Copenhagen Accord acknowledged the importance of ramping up finance for climate change with a "fast start" commitment to bring together US$30 billion as "new and additional resources" for the period 2010 to 2012. It goes on to commit developed countries to the goal of mobilising US$100 billion in annual financing by 2020 "from a wide variety of sources, public and private, bilateral and multilateral, including innovative sources of finance".[74] While public finance will remain an essential part of post-2012 climate change resources, proposals for "alternative finance" range from a tax on financial transactions, a levy on greenhouse gas emissions from shipping and aviation, to a special allocation by the IMF of Special Drawing Rights (an IMF basket of currencies).

To date, commitments towards the fast track US$30 billion are already at approximately US$24 billion provided by eight donors, all with their own terms and conditions, and with most of it directed via WB funding windows.[75] Much of this finance remains highly uncertain. Japan, for example, is providing US$15 billion, but "on the condition that [a] successful political accord is achieved at COP15 [the 2010 Cancun Conference of the Parties] that is a fair and effective framework with participation of all major emitting countries and agreement of their ambitious targets".[76] For other donors, the situation is as with the UK whose US$800 million pledge annually is a mix of new and old funds already disbursed to the WB and which has opted to include these commitments as part of their annual ODA. The UK government has said that only climate change financing after 2013 will be over and above ODA at 0.7% of GNI.[77] There is also growing concern that donors have been communicating that access to these "quick start" resources will be available only to developing countries that have signed the controversial "Copenhagen Accord".[78]

In 2010 the DAC will implement an "Adaptation Marker" for donor ODA activity reporting to the DAC's Creditor Reporting System. An earlier "Rio Marker" was implemented in 1998 to track mitigation financing with bilateral ODA resources following the Rio Treaties in the early 1990s. According to the DAC, donors reported US$3.9 billion in bilateral aid commitments for climate change mitigation in 2007 despite pledges to use non-aid resources for these treaty obligations. The adaptation marker should enable improved transparency about the use of aid funds for climate change purposes but may also encourage diversion of existing aid resources towards these purposes.

The DAC *International Cooperation Report 2010* has a chapter dedicated to "incorporate adaptation into development co-operation policies from the local and project level up to the national level". Yet, this chapter fails to even mention the question of "additionality" and the impact of high levels of adaptation financing on current aid priorities.[79] These could be significant. A recent study by the Overseas Development Institute (ODI), commissioned by the ONE Campaign, estimates the potential impact of a large-scale use of ODA resources for climate change. It concludes that without additionality of climate finance, "increased climate finance activities might lead to less aid flows to Sub-Saharan Africa and lower aid flows to sectors such as education, health or aid for trade, thereby putting development efforts in jeopardy". Without additional resources aid priorities would shift by necessity to agriculture, coastal areas and the water sector.[80]

Some CSOs have also developed perspectives on the overlap between sustainable development goals and efforts to adapt to climate change impacts facing poor and vulnerable populations.[81] Key principles for development effectiveness are relevant: strengthening capacities for vulnerable

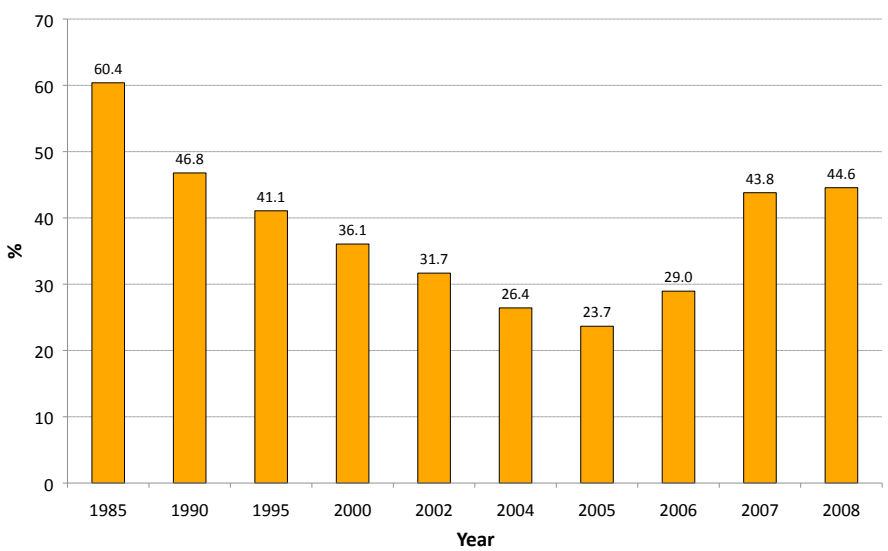
populations to claim their rights, inclusion and "democratic country ownership" of domestic plans for adaptation and mitigation, avoidance of multiple channels for resource delivery and thousands of stand-alone projects in favour of a UNFCC global fund and country-based programmatic approaches, and strong democratic accountability to beneficiary populations.

7. Donors fail to advance on improving country ownership and leadership in bilateral aid.

In recent years the DAC has produced data on Country Programmable Aid. This shows how much bilateral ODA "developing countries are free to allocate, or program, in accordance with their development priorities".[82] The DAC calculated that US$55.6 billion or 57% of bilateral ODA was bilateral country programmable aid in 2007, up from 47% in 2005.[83] The DAC calculates that US$19.7 billion or 78% of gross multilateral aid was country programmable in 2007. But it warns that this figure underestimates multilateral administration costs and does not account for repayments of capital and interest on multilateral loans.[84]

Reality of Aid finds that the DAC systematically overestimates country programmable assistance. Reality of Aid calculates that only 44.6% of bilateral aid in 2008 was actually available to developing country partners for programming against their own priorities. (**See Chart 16**) This performance has reversed the declining trend in the period 2000 to 2006, but still remains well below the DAC's calculation of 57% for 2007 and the experience for aid through the 1980s. Reality of Aid's figures differ from the DAC's because Reality of Aid

Chart 16: Reality of Aid's "Country Programme Aid" as a Percentage of Bilateral Aid, 1985-2008 (%)



Note: Reality of Aid Calculation: Bilateral Aid less Debt Cancellation, Refugee Costs, Administration, Support to NGOs, Humanitarian Assistance, 80% of Technical Assistance
Source: Reality of Aid

estimates that at least 80% of technical assistance is still Northern-directed and -determined and that aid tied to Northern contractors should also not be included in the measure.

8. Bilateral aid remains tied to provider country contractors, despite claims to the contrary.

At the 2008 Accra High Level Forum, donors agreed to a modest commitment to "elaborate individual plans to further untie their aid to the maximum extent".[85] To date, 13 donors have provided their plans.[86] There is however evidence that a considerable proportion of bilateral aid remains tied through informal means and agreements to exclude certain types of bilateral aid from consideration. In its 2010 annual *Development Cooperation Report*, the DAC stated that "the share of aid still going to donor country suppliers is a cause for concern" and, among those that have untied their aid, "the high share of aid that still goes to domestic suppliers is [also] a cause for concern".[87]

Donor governments have reported significant progress on untying aid in recent years. Discounting debt cancellation, the DAC records that tied aid as a whole has dropped from 22% in 2000 to less than 15% in 2008 (including both tied and partially tied aid).[88] The US, which has had consistently high levels of tied aid, started reporting the tying status of its aid in 2006. However, the figures provided to the DAC mask a continued donor practice of allocating their aid in ways that benefit donor country suppliers.

The DAC tied aid reporting requirements do not include technical assistance or food aid. Technical assistance averaged 38% of net bilateral aid between 2000 and 2008, amounting to an estimated US$22.1 billion in 2008. The US continues to tie its food aid and is the only country doing so. US food aid amounted to US$2.6 billion in 2008.[89]

The US reported 57% of its 2007 bilateral aid as tied. This is partly because Congress has passed a law making it impossible for the US to participate in program-based pooled funding arrangements with other donors. In contrast, several donors such as the UK and Norway have policies that commit them to formally untying 100% of their bilateral aid. Canada, Spain and Korea have also announced their intention to fully untie their aid.

A recent OECD evaluation of five donors that have largely untied their aid has however shown that companies registered in donor countries continue to receive many contracts even after formal aid untying.[90] The study reported for example that of 54 aid contracts examined from the UK, 88% of these (by value) were still awarded to UK companies in 2007. Of the 327 contract examined across the DAC, 60% by value were awarded in the donor's own country.[91]

Untying aid gives more choice to developing country counterparts and provides greater positive impact through local procurement of goods and services. It should stimulate developing country enterprises and take advantage of local expertise. While there were some differences between countries examined in the OECD study, the use of country systems by donors is very weak in aid-dependent countries. While donor aid contracts are mostly subject to competitive tendering, donors do little to strengthen local suppliers' access to aid resources.[92]

De facto untying was found to be strongest when donors adopted programmatic and pooling aid modalities, "combined with efforts to use and strengthen partner capacities in financial management and procurement". But project aid

was still predominant in the surveyed countries such that "in most investment projects the primary or head contracts and most of the TC components are still procured in the donor country, even if procurement is channeled through recipient systems".[93] Donors have a long way to go to honor their commitment at Accra to "promote the use of local and regional procurement by ensuring that their procurement procedures are transparent and allow local and regional firms to compete".[94]

9. Donors continue to impose conditionality in aid relationships.

In the lead-up to the 2008 Accra High Level Forum, CSOs and developing country governments highlighted the continuation of donor policy conditionality. This was undermining the Paris Declaration commitment to "country ownership" and compromising developing country governments' democratic accountability to their citizens. CSOs demanded that donors agree in Accra to "set time-bound and measurable targets … to reduce the burden of conditionality by 2010 so that aid agreements are based on mutually agreed objectives". [95]

Under pressure from the WB the AAA contained a largely vacuous proposition "to review, document and disseminate good practices on conditionality with a view to reinforcing country ownership and other Paris Declaration Principles". Signatory governments agreed to work with developing countries to "agree on a limited set of mutually agreed conditions based on national development strategies".[96] In Accra donors also agreed to make public all conditions linked to aid disbursements. Countries such as the UK, Holland and Norway have recently distanced themselves from use of economic policy conditions.

Yet research by Eurodad suggests that each WB operation has an average of 37 conditions and that conditions in more than 70% of these operations relate to sensitive policy reforms for privatization and further economic liberalization. Similar research on the IMF concluded that the institution had not managed to decrease the number of structural conditions attached to its development lending, many of which still include privatisation and liberalisation conditions. The Eurodad Report quotes the IMF's own Independent Evaluation Office in its finding that "the Fund dramatically increased both the number of structural conditions and their intrusiveness in recipient countries' domestic affairs".[97]

Indirect conditionality is also unchecked as the financial institutions and donors insist on measurable "benchmarks" for their aid. The WB's Country Policy and Institutional Assessment (CPIA) tool acts as a filter for all donors, measuring the policies of recipient countries and their eligibility for aid. The CPIA has been roundly criticised by CSOs and developing country governments. In 2009 the WB's Independent Evaluation Group (IEG) called for a complete overhaul of the CPIA, a review of every indicator, and the abolition of the index, stating that "the literature offers only mixed evidence regarding the relevance of the content of CPIA for aid effectiveness broadly defined".[98] In another study, the IEG found that the WB systematically failed to assess the impact of its advice on poor people.[99]

The WB and IMF still exercise significant power in the aid system as budget support and sector programs in the poorest countries insist on compliance with WB/IMF programs. General Budget Support according to the DAC has grown from an average of US$210 million per year in the period 2000 to 2003, to more than US$4 billion

in 2008. This amount does not include multi-donor sector budget support programs in health, agriculture or education. The DAC's survey of indicators for donor commitments made in the Paris Declaration include Program-Based Approaches (PBAs), a much broader and somewhat indistinct category for delivery of aid than budget support but nevertheless still often governed by joint donor conditionality. Donors reported US$19.8 billion in PBAs in 54 developing countries amounting to 44% of total aid disbursed.

The 2008-2009 financial crisis has further increased the influence of the multilateral banks and of the IMF. G20 governments further empowered the IMF by channelling additional balance of payments support for crisis-affected countries through it. They also called for an increased capital base for the WB and the regional development banks. CSOs point to the hypocrisy of promoting fiscal stimulus for Northern countries while continuing to "advise" developing countries to reduce deficits and restrain public expenditures. The IMF insisted, for example, that Pakistan reduce its fiscal deficit from 7.4% of gross domestic product (GDP) to 4.2% by lowering public expenditure, gradually eliminating energy subsidies, raising electricity tariffs by 18% and eliminating tax exemptions.[100]

10. Reforms to create a more effective and more democratic aid architecture are urgently needed.

The DAC's 2010 *International Cooperation Report* agrees that "the current architecture and institutional set-up of development institutions must be changed". The Report goes on to suggest that "this will require a better focus on poor countries and people as the beneficiaries; simplified organisational structures, instruments and procedures; greater synergy and coherence among bilateral and multilateral assistance; and a more effective division of labour among institutions".[101]

Reforms in official aid architecture are indeed urgently needed. There has been a proliferation of international organisations involved in delivering ODA. A 2009 DAC Report on multilateral aid counted 263 international organisations which are ODA-eligible, up from 47 in 1960, and they continue to grow in numbers. The Report points out that 20 new organisations were added between 2000 and 2006, particularly in the health sector. Over 100 of these 263 international organisations managed less than US$20 million each. On the other hand, five accounted for two-thirds of the US$43 billion managed by these 263 organisations.[102]

The proliferation of funding windows for health-related investments has also come under increased criticism for creating an increasing "anarchy" for developing country governments and other health partners.[103] The 2008 AAA addressed the proliferation of vertical funds with donors and governments calling on "all global funds to support country ownership, to align and harmonise their assistance proactively, and to make good use of mutual accountability frameworks". In contemplating new vertical funds "donors will ensure that existing channels for aid delivery are used and, if necessary, strengthened before creating separate new channels that risk further fragmentation and complicate co-ordination at country level". Others have suggested that health-related funds must focus on developing country-level capacities in favor of health systems strengthening, support country mechanisms with predictable funding, reduce complex application and reporting burden from multiple channels, and use indicators relevant to health systems strengthening rather than disease outcomes, tailored to country capacities and situations.[104]

The transaction costs for developing country counterparts from these 263 organisations are compounded by requirements of at least 56 official bilateral agencies. Bilateral proliferation and fragmentation has also grown exponentially with the use of "trust funds". The WB currently manages more than 1,000 Trust Funds with earmarked resources provided by bilateral donors. These WB Trust Funds – each with specific purposes, criteria and governance – cumulatively spent US$28.5 billion in 2009. Bilateral donors continue to create similar trust funds, earmarked funds and special accounts within the UNDP, UNICEF and the regional development banks.[105] Bilateral donors are often driven to set up such funding mechanisms by internal pressures to reduce their management costs – but they seem to have little overall strategy or consideration for recipient transaction costs caused by such fragmentation.

The OECD Development Centre has calculated that there were at least 93,517 distinct bilateral projects being implemented in developing countries in 2007. Their research demonstrates that donor interventions are most fragmented in the social sectors such as education, health, and support for civil society and government. Based on 2007 CRS disbursement data, the study counted 4,162 bilateral donor projects in Iraq, 2,409 in Mozambique, 2,110 in Uganda, 1,601 in Tanzania, 1,763 in Vietnam.[106]

There are already an estimated 19 global funds related to climate change with mandates that touch the interests of developing countries, with new climate finance mechanisms launched at an average rate of one every six months.[107]

The aid architecture is becoming even more complex as aid flows from countries that are not members of the DAC and from private foundations and voluntary organisations grow in significance. (**See Chart 17**) Based on UNDP data, Reality of Aid has estimated ODA equivalent flows from 25 Southern countries who were not DAC members to be approximately US$15 billion in 2008. South-South ODA has grown quickly and is roughly 13% of "real ODA" from DAC donors in 2008. More than 40% of this aid is provided by Arab countries, particularly Saudi Arabia. Aid from China, judged on DAC ODA criteria, is estimated at more than US$2 billion in 2008.[108]

CSOs were recognised in the AAA as development actors in their own right. One of their growing roles is as a donor. In 2008, the DAC reported that "grants by private voluntary agencies" (i.e. CSOs) amounted to US$23.7 billion, up from US$14.7 billion in 2006. There are no systematic reporting mechanisms for CSOs in donor countries, nor at the DAC, and therefore these amounts are imputed by the various DAC donors in their annual reports to the DAC. Research by the pre-Accra Advisory Group on Civil Society and Aid Effectiveness suggests that this is an underestimation of these grants. At the minimum, CSOs have contributed up to US$25 billion in development cooperation in 2008.[109] Recognising their responsibilities as development actors, CSOs are currently engaging in an exercise to strengthen their effectiveness and accountability based on CSO-determined principles for development effectiveness.[110]

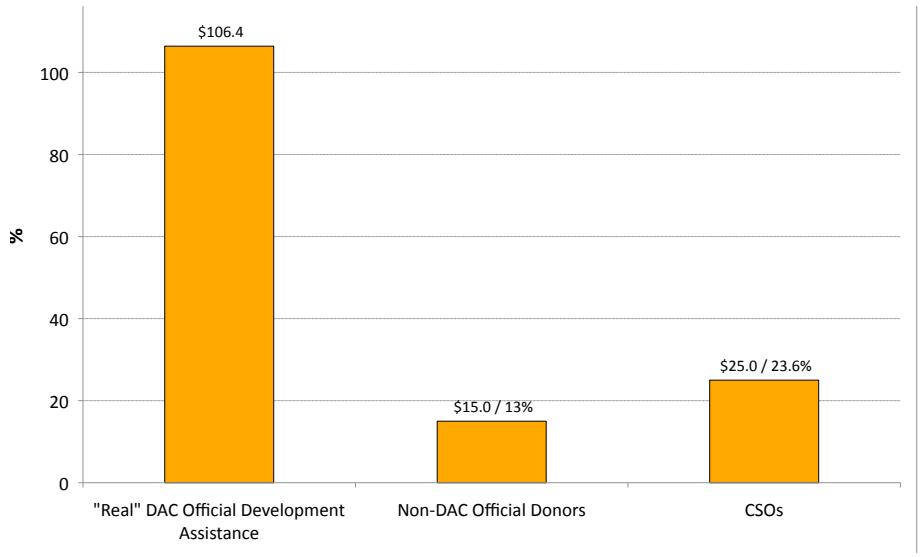
Foundations also spend significant sums of money in developing countries. The Gates Foundation alone provided US$2.3 billion in international grants in 2008. There are no comprehensive statistics available for all foundations.

The military is also directly determining and delivering ODA in conflict areas. In Afghanistan, the US military has "made the rapid delivery of government services, including education, health care and job programs a central part of [their] strategy".[111] Prior to the Obama presidency, the US military was reported to be delivering 22% of US ODA, up from 3.5% in 1998.[112] At a special North Atlantic Treaty Organisation (NATO) seminar in March 2010, NATO's Secretary General stated: "We need to open up the way we plan and run our operations to include the indispensable civilian expertise – from rule of law to alternative livelihoods; from public health to cultural aspects and education. And we should also include the gender aspect and enhance the engagement of women in the prevention and resolution of conflict."[113]

CSOs, human rights organisations, and UN representatives on the ground have strongly rejected this confusion of actors in humanitarian assistance and an approach by the military that makes development a tactic of war.

The current unequal, fragmented and ineffective architecture for delivering financing for development is being challenged by both developing country governments and by CSOs worldwide, including those in the Reality of Aid network. It is no longer acceptable that the governance and terms for development cooperation continue to be de facto controlled by DAC donors – which they exercise through their significant command over aid decisions at the country level, their engagement with each other in the DAC itself, and their dominance of the Working Party on Aid Effectiveness agenda. CSOs are calling for more equitable multilateral structures for determining global policies and practices that will ground aid relationships in international human rights standards and a vision of development cooperation that goes beyond issues in aid delivery processes to focus on development effectiveness and concepts of solidarity and partnership.[114]

Chart 17: Estimates of Aid by Selected Aid Actors, 2008 (US$ billion, % of DAC "Real ODA")



Source: Reality of Aid estimates on data from DAC and UNDP

Endnotes

1 DAC, "Development aid rose in 2009 and most donors will meet 2010 aid targets", April 14, 2010, accessed April 27, 2010 at http://www.oecd.org/document/11/0,3343,en_2649_34487_44981579_1_1_1_1,00.html.See also Bodo Ellmers, "Official Development Assistance 2009: Poverty on the up as EU aid falls", Eurodad, April 14, 2010, access April 27, 2010 at http://www.eurodad.org/whatsnew/articles.aspx?id=4082.

2 Donors periodically revise what is counted as ODA. Recently several donors sought to include costs associated with the military aspects of mandated peacekeeping activities, but the DAC failed to reach consensus on the inclusion of these expenditures. See the DAC's Is It ODA? [November 2008] at http://www.oecd.org/dataoecd/21/21/34086975.pdf.

3 At the 2002 Financing for Development Summit in Monterrey creditor countries promised "to take steps to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries". (Monterrey Consensus para 51). Nevertheless almost all donors continued the practice of including the full value of debt cancellation in ODA.

4 Figures in 2007 constant dollars. All data taken from DAC analysis.

5 Starting in 2006, the DAC began to make its own, similar, calculations of "Country Programmable Aid", i.e. ODA available for development programming by donors and developing country partners. Country Programmable Aid discounts debt cancellation, refugee costs and imputed student costs, but also humanitarian aid, NGO funding and administrative costs. See OECD DAC, Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability, page 7, May 2008, accessed February 2010, at http://www.oecd.org/dataoecd/37/20/40636926.pdf.

6 Note that the author has recalculated an approximation of 2009 ODA in 2007 dollars from available information. The preliminary report for 2009 by the DAC provides a calculation of 2009 ODA in 2008 dollars.

7 Accra Agenda for Action, para 26.

8 See the DAC table of commitments reproduced in the 2008 Reality of Aid Global Report, page 204.

9 Beginning in January 2010 Korea joined the DAC and is included in DAC statistics for 2009, making 23 DAC donors.

10 See Jim Lobe and Eli Clifton, "Obama Calls for More Development, Counterinsurgency Aid", Inter Press Service (IPS), February 1, 2010. See also Kimberly Darter (Interaction), "The Reality and Uncertainties of US Foreign Assistance Reform", in the 2010 Reality of Aid Report. In another report it was noted that the vast majority of the increases sought for 2011 FY will be for strategic interests in Iraq, Afghanistan and Pakistan, with US$7.7 billion to support programs in these countries. M.D. Kellerhals, "Africa: Global US Assistance is Strategically Focused", AllAfrica, March 3, 2010.

11 2009 DAC Report on Aid Predictability, OECD, June 2009, pp 33 – 34.

12 OECD, DAC, "DAC Members' Commitments and Performance: Summary Table of OECD DAC Secretariat Projections", February 15, 2010, Updated in DAC, "Development aid rose in 2009 and most donors will meet 2010 aid targets [sic]", April 4, 2010, accessed April 27, 2010 at www.oecd.org/document/11/0,3343,en_2649_34487_44981579_1_1_1_1,00.html.

13 OECD DAC, "Donor mixed aid performance for 2010 sparks concern", February 15, 2010, accessed March 2010 at www.oecd.org/document/20/0,3343,en_2649_34447_44617556_1_1_1_37413,00.html. See also the DAC table for donor performance in 2004 dollars at www.oecd.org/dataoecd/20/19/44607047.pdf.

14 OECD DAC, Development Cooperation Report 2010, April 2010, page 26.

15 See Laurence Chandy, Geoffrey Gertz and Johannes Linn, "Tracking the Global Financial Crisis: An Analysis of the IMF's World Economic Outlook", Wolfensohn Centre for Development, May 2009.

16 Eurobarometer, "Development Aid in Times of Economic Turmoil", Special Eurobarometer 318, commissioned by the Directorate General for Development, October 2009.

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18 See Richard Manning, "The Impact and Design of the MDGs: Some Reflections", IDS Bulletin 41 (1): 7-14, 2010.

19 This Reality of Aid proxy is based on DAC sector codes for basic education, basic health, population and

reproductive health, water supply and sanitation, agriculture, development food aid and food security and general environmental protection, which are closely related to some key MDG goals. "Sector-allocated ODA" is total ODA less debt cancellation, support for refugees, support for NGOs and aid unallocated to sectors in the DAC sector coding database.

20 United Nations, The Millennium Development Goals Report 2009, New York: United Nations, 2009, accessed February 2010 at http://www.un.org/millenniumgoals/pdf/MDG_Report_2009_ENG.pdf.

21 Ibid., p. 4.

22 Ibid., p. 4.

23 Ibid., p. 7.

24 Ibid., p. 8.

25 Ibid., p. 5.

26 Mary Robinson, "The MDG-Human Rights Nexus to 2015 and Beyond", IDS Bulletin 41 (1): 80-82, 2010.

27 Institute for Health Metrics and Evaluation, Financing Global Health 2009: Tracking Development Assistance for Health, University of Washington, 2009, Chapter 2, accessed February 2010 at www.healthmetricsandevaluation.org/resources/policyreports/2009/financing_global_health_0709.html.

28 The Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) and Global Alliance for Vaccines and Immunization (GAVI).

29 Institute for Health Metrics and Evaluation, op.cit., p. 19-20. These numbers are likely an underestimate for the Bill & Melinda Gates Foundation, as they do not track the origins of funds provided by other sources like the Global Fund, to which the Foundation makes significant contributions.

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36 ACPF, Child Poverty in Africa: An Overview, Addis Ababa, 2008, page 29.

37 Malouf, op. cit.

38 FAO, The State of Food Insecurity in the World 2009, "Key Messages", Rome, 2009, accessed February 2010 at ftp://ftp.fao.org/docrep/fao/012/i0876e/i0876e00.pdf.

39 See OECD DAC, "Measuring Aid to Agriculture", November 2009, accessed February 2010 at www.oecd.org/dataoecd/54/38/44116307.pdf.

40 OECD DAC, "Measuring Aid to Agriculture", ibid.

41 Ibid. These sectors include1) agriculture, forestry, fishing, 2) rural development, 3) developmental food aid, and emergency food aid. Emergency food aid totaled US$2.2 billion of the US$11.9 billion.

42 Bretton Woods Project, "Farming furore: Bank launches new agriculture fund", Betton Woods Update, No. 69, January – February 2010, page 5, accessed at www.brettonwoodsproject.org/art-565915.

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44 See Press Release, US Department of Treasury, April 22, 2010, at http://treasury.gov/press/releases/tg654.htm.

45 OECD DAC, Aid for Trade at a Glance 2009: Maintaining Momentum, 2009, page13, accessible at http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review09_e.htm.

46 Ibid.

47 This section uses the DAC1 Statistical tables, which sets out bilateral humanitarian assistance. For a more comprehensive picture of humanitarian assistance, which attempts to impute and include multilateral humanitarian assistance, see Development Initiatives, Global Humanitarian Assistance Report 2009, accessible at http://globalhumanitarianassistance.org/analyses-and-reports/gha-reports/summary-gha-report-2009, with an update published February 2010, at http://globalhumanitarianassistance.org/analyses-and-reports/gha-reports/gha-update-february-2010.For 2007, DI estimated total official humanitarian assistance at US$8.7 billion and more than US10 billion in 2008.

48 See Development Initiatives, op. cit., Chapter 5 for an extensive discussion of the role of non-DAC donors in humanitarian assistance from which these numbers have been drawn.

49 Ibid., Chapter 6.

50 Paul Harvey et al, The State of the Humanitarian System: Assessing Performance and Progress: A Pilot Study, ALNAP (Overseas Development Institute), January 2010, pages 19 – 20, accessed March 2010 at http://www.reliefweb.int/rw/lib.nsf/db900sid/ASAZ-829FLP/$file/ALNAP_Jan2010.pdf?openelement.The six organizations are CARE, Catholic Relief Services, MSF, Oxfam, Save the Children, and World Vision International.

51 In the 2008 Report Reality of Aid began to measure the amount of aid disbursed to countries in conflict, which were defined as those countries where conflict had resulted in more than 100,000 casualties since its inception. The list of countries in from the annual Project Ploughshare Report on Armed Conflict Report for 2009 (see www.ploughshares.ca.). For 2008 the countries include Afghanistan, Iraq, Algeria, Burundi, DRC, Palestinian Administered Areas, Philippines, Uganda, Somalia and Sudan.

52 See OECD-DAC Secretariat, Aid in Support of Gender Equality and Women's Empowerment, Statistics based on DAC Members' reporting on the Gender Equality Policy Marker, 2007 – 2008, Paris, March 2010, accessed February 2010 at http://www.oecd.org/dataoecd/40/7/42759705.pdf. France only began reporting in 2008.

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54 Note that GENDERNET does not address the discrepancy with the DAC Creditor System policy objective "gender only" described above.

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56 See "World Aid Trends" in the Reality of Aid 2008 Report, pages 210 – 211.

57 See AWID, "Where is the Money for Women's Rights? Select 2009 Research Highlights and Trends", AWID Friday File, February 12, 2010, based on a forthcoming AWID publication, Context and Trends Influencing the Funding Landscape for Gender Equality and Women's Organizations & Movements.

58 Ibid.

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60 This low amount is not consistent with the United States report for 2007 of a total of US$1.8 billion in technical assistance in only the 31 countries surveyed by the DAC's 2008 Survey on Monitoring the Paris Declaration (Table B-4). See footnote 55.

61 See Better Aid, "An assessment of the Accra Agenda for Action from a civil society perspective", page 8, accessed February 2010 at http://betteraid.org/index2.php?option=com_content&do_pdf=1&id=248.

62 OECD Development Cooperation Directorate, 2008 Survey on Monitoring the Paris Declaration: Effective Aid by 2010? What will it Take, Volume 1, Table B-4, page 89, accessed February 2010 at http://www.aideffectiveness.org/media/k2/attachments/Full_2008_Survey_EN.pdf.

63 Ibid., page 42.

64 See Zoe Scott, "Southern Perspectives on Technical Cooperation: An Analytical Review and Annotated Bibliography", Governance and Social Development Resource Centre, July 2009, accessed February 2010 at http://capacity4dev.ec.europa.eu/southern-perspectives-technical-cooperation.

65 Untying Aid Summary, op. cit., page8.

66 Quoted in Zoe Scott, op. cit., page 7.

67 See Zoe Scott, op. cit., for a summary of southern concerns and recommendations. The European Union have recently developed guidelines and a tool for assessing EU technical assistance to make it "more effective". The criteria include 1) fit the context; 2) demonstrate clear commitment and adequate ownership from partners; 3) be harmonised and sustainability of benefits considered; 4) link to results and expected outcomes; and 5) have appropriate programme implementation arrangements. There is no mention of giving preference to southern technical resources or strengthening south/south technical cooperation. See http://capacity4dev.ec.europa.eu/tc-quality-assessment-grid.

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Meeting Commitments in Uncertain Times: The New Government's Approach to Aid

Australian Council for International Development

Overview

- Total aid for 2009/10 was $3,819 million[1] or 0.34% of gross national income (GNI) – this represented a 5.6% increase in real terms from the 2008/09 figure.
- Australia has renewed its commitment for official development assistance (ODA) to reach 0.5% of GNI by 2015/16, but this will require significant increases in the medium-term.
- The government has confirmed that the Pacific and Asian regions will remain the focus of Australia's aid expenditure. However it increased aid to Africa by 42.5% between 2008/09 and 2009/10, and further increases are expected.
- Governance remains the main focus of the aid budget, yet education is the flagship sector for Australia's ODA.
- The government has committed to improve relations with non-government organisations (NGOs), notably through specific Partnership Arrangements. Funding to NGOs as a proportion of ODA increased from 5% in 2006 to around 8% in 2008/09. However, only $188 million of the $315 for NGO funding went to NGOs in Australia in 2008/09 (4.9% of ODA).
- Australia currently spends 46% of ODA on technical advisory assistance, twice the Organisation for Economic Cooperation and Development (OECD) average.

Renewed commitment to aid

The 2008 Reality of Aid report highlighted official development assistance (ODA) as a key policy issue in the Australian Federal election. In 2007, the newly elected Australian Labor Party (ALP) reiterated its pre-election commitment to spending 0.5% of gross national income (GNI) on aid by 2015 – a commitment which was recently matched by the opposition Liberal Party of Australia.[2]

Recognising that 0.7% of GNI is the internationally agreed target for aid spending, the Parliamentary Secretary for international development assistance reflected that: "Some people wanted us to go further and adopt a target of 0.7% but my judgment was that 0.5% was as much as we could handle while guaranteeing efficiency and effectiveness."[3]

Australia's commitment to increased ODA during a global financial crisis was welcomed by the Australian aid sector. Yet Australia continues to provide less than the Organisation for Economic Cooperation and Development (OECD) average contribution – 0.48% of GNI in 2008.[4] The aid budget for 2009/10 was just 0.34% of GNI. Although this represented a real increase of 5.6% to $3,819 million from the 2008/09 figure of $3,660 million,[5] the government was unable to meet its original target of 0.35% for 2009/10.

Revised forward estimates in the 2009/10 budget highlight that significant increases in aid spending will be required in the medium-term to meet the target of 0.5% by 2015/16. ODA is only forecast to increase to 0.35% in 2010/11, 0.37% in 2011/12 and 0.4% in 2012/13. In dollar terms, the 2015/16 target will require almost doubling aid expenditure.

Shaping the aid program

The 2009 Australian Labor Party National Platform outlined broad ideas for Labor's aid program aspirations, including returning "Australia to a place of leadership in international development assistance". [6] A number of policy documents have outlined aspects of AusAID's reform agenda, including a Reform Agenda for 2015.[7]

However, in general, the government has been relatively slow in revealing a clear direction for its aid program to replace the overarching policy framework of the previous government's 2006 White Paper on Australia's Overseas Aid.[8] The White Paper framed the aid program's core objective as assisting "developing countries to reduce poverty and achieve sustainable development in line with Australia's national interest".

Nevertheless, the 2009/10 Aid Budget Ministerial Policy Statement has recently confirmed five core principles of the aid program: the centrality of the Millennium Development Goals (MDGs) as a guiding framework; the power of economic growth; continued Asia-Pacific focus accompanied by increased engagement with South Asia and Africa; the power of education; and a commitment to aid effectiveness.[9]

The government has acknowledged significant public support for overseas aid and emphasised a commitment to contributing a fair share to address poverty as "a good international citizen". This commitment is, however, placed in a framework of national security and foreign policy priorities at a time of global financial downturn.

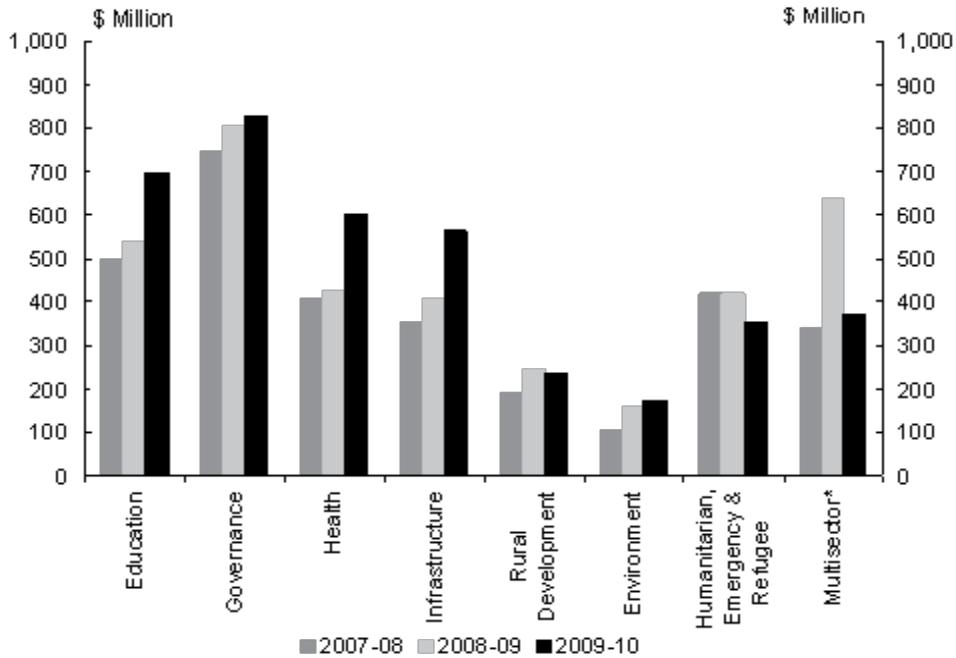
Priority areas

Governance remains the main focus of the aid budget. (**See Figure 1**) Yet education is the flagship sector for Australia's ODA and will become the largest component of the aid program in coming years. Scholarships for study in Australia constituted 11-12% of the aid budget in 2007. However questions have been raised about the overall impact of the program on capacity development. The OECD noted for example that "Despite their importance, scholarships are not closely connected with the aid programme and their impact is not documented. While being responsive to government needs, Australia could promote a more systematic approach linking scholarships and capacity development."[10]

Climate change mitigation and adaptation is also likely to receive increased aid support. However the government has recently indicated that this financing will come from current aid budgets. This contradicts international agreements on the additionality of such finance and will limit the government's total commitment to the effects of climate change on those living in poverty. Other themes of Australian aid include health and humanitarian activities.

The government has confirmed that the Pacific and Asian regions will remain the focus of Australia's

Figure 1: Estimated Breakdown of Australian ODA by Sector as Identified in the 2009/10 Aid Budget (AUS$ million)



Source: Figure reproduced from "Australia's International Development Assistance Program Budget: A Good International Citizen", Statement by the Minister for Foreign Affairs and Parliamentary Secretary for International Development Assistance, 12 May 2009.

aid expenditure. However it increased aid to Africa by 42.5% between 2008/09 and 2009/10, and further increases are expected. The opposition Liberal Party has criticised the significant increase in Australian aid to Africa as a means of strengthening the government's bid for a temporary seat on the United Nations (UN) Security Council; although the government has denied these claims.[11]

Although Australian NGOs have welcomed the potential to partner with AusAID in Africa, the recent extension of the aid program into Africa and Latin America highlights the need for a clearer overarching policy framework for optimal development outcomes. The Australian government is a relatively new and small donor in the region and this geographic expansion should not lead to any fragmentation of the aid program.

Partnerships

The OECD Development Assistance Committee (DAC) Peer Review of the Australian Aid Program recommended the establishment of a new framework to engage in a more collaborative way with key NGOs.[12] The government has made welcome efforts to enhance relationships with the community sector, for example agreeing Partnership Arrangements between AusAID and the Australian Council for International Development.[13]

Initiatives such as the government's proposed Civil Society Framework will provide a more consistent whole-of-AusAID basis for engaging with civil society across the aid program so that NGOs are more consistently included in key policy discussions and consultations in line with the Accra Agenda for Action (AAA). Ensuring that the partnership approach becomes standard business practice across AusAID will however take time. AusAID's current evaluation of its engagement with civil society organisations in developing partner countries should improve understanding about how donors can support civil society to contribute to development.

Funding to NGOs as a proportion of ODA increased from 5% in 2006 to an estimated 8% or $315 million in 2008/09.[14] However this includes non-Australian NGO funding; only $188 million was distributed to NGOs in Australia in 2008/09, equating to 4.9% of ODA. Core NGO funding has been increased and recent initiatives like the AusAID-NGO partnership agreements have provided larger NGOs with funding agreements to achieve mutually agreed development outcomes.

However, there remains some concern among Australian NGOs that the partnership approach needs to be better supported by greater funding opportunities. NGO components of some large new programs remain very small and a more consistent approach to NGO engagement in country strategy development and general consultations should be applied.

AusAID's forthcoming Performance Report 2007/09 of Australian Non-Government Organisation and Community Engagement Programs found that Australian NGOs were highly effective and had a sustainable impact on alleviating poverty and were achieving outcomes in a cost effective manner in line with government priorities. The organizations that adhere to the government's stringent NGO accreditation standards and have demonstrated effectiveness should be better supported.

Aid Effectiveness

Meeting Australia's 0.5% of GNI target by 2015/16 will rapidly transform AusAID, likely elevating it into the top ten government spending agencies. This will result in far greater political scrutiny of the aid program and is likely to make aid effectiveness a much more politically sensitive issue.

The Office for Development Effectiveness (ODE), established by the previous government, aims to monitor the quality and evaluate the impact of Australian development assistance. The current government will support the ODE to strengthen evidence-based policy and decision-making through the Annual Review of Development Effectiveness (ARDE).

AusAID's Reform Agenda is aiming to benefit from: the utilisation of different aid modalities; the establishment of stakeholder partnerships; greater use of technical assistance; improved overall management; and greater focus on outcomes to manage Australia's growing aid program.[15]

However, the Australian National Audit Office (ANAO) has recently highlighted significant ongoing challenges:[16]

- The need for improved internal management and staff capacity;
- Completion of country program strategies;
- A more consistent approach to using partner government systems;
- Improved transparency via consistent classification of administration and departmental expenses;

- Strengthened performance assessment; and
- Continued improvement in monitoring and evaluation.

The report also highlighted concerns about the level of expenditure for technical advisory assistance provided to recipient governments. Australia currently spends 46% of ODA on such assistance, twice the OECD average.

Conclusions

The 2008 OECD DAC peer review of the Australian Aid program was generally positive, commending Australia's: commitment to poverty reduction and the MDGs; operations in fragile states; emphasis on capacity building; commitment to operations in Africa; and increased support for multilateral organisations. Australian NGOs have further welcomed the government's renewed commitment to increase ODA by 2015/16 and its partnership approach to NGOs.

However, it will be important to clarify the government's overarching policy framework to address key improvements for aid effectiveness. This is particularly important where the Australian government is a new and emerging donor. Of central significance will be the increased political scrutiny of aid spending and the need to demonstrate that development assistance is having a real impact.

Endnotes

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Wait and See: Initial Commitments to be Implemented?

Ineke Adriaens, 11.11.11 – Coalition of the Flemish North-South Movement

Overview

- In 2009, Belgian official development assistance (ODA) was €1,863 million or 0.55% of gross national income (GNI).
- This represented an increase of 12.6% in real terms from €1,654 million in 2008, which was only 0.48% of GNI.
- However, without debt cancellation and spending on refugees and students, "real ODA" was 0.50% of GNI, up from 0.37% in 2007.
- The amount of ODA spent by the Development Cooperation Department was 67% in 2009, slightly higher than in 2008 (66%), but up from 2007 (59%).
- The budget for 2010 plans Belgian ODA to get close to the target 0.7% of GNI.
- Belgium now finances a maximum of two sectors per partner country, except for the Central African countries.
- A high percentage of Belgian aid is untied, although not state-to-state loans or interest subsidies (neither of which are under the Department for Development Cooperation).
- In May 2009, the Belgian government and non-government organisations (NGOs) signed an agreement on the effectiveness of Belgium's federal development cooperation.

Increasing aid budgets

Belgian aid levels have fluctuated since 2002, when the Belgian parliament passed a law committing the government to reach the 0.7% official development assistance (ODA)/gross national income (GNI) target in 2010. Since 2008, however, the Belgian government has made real efforts to systematically increase ODA levels. (**See Table 1**) The ODA/GNI ratio was 0.55% in 2009, up significantly from 0.43% in 2007 but lower than the 0.60% reached in 2003, and only just back above the 2005 level of 0.53%.

Meanwhile Belgium's genuine aid – or total aid after deducting spending on debt cancellation and on refugees and students – was 0.50% in 2009. (**See Table 1**) This was up from 0.43% in 2008 and 0.37% in 2007, from just 0.31% in 2002, and also higher than the previous peak of 0.40% in 2005.

Not all Belgian ODA spending falls under the responsibility of the Department of Development Cooperation. Belgian non-government organisations (NGOs) have always demanded that the department's share be increased. In any case, there was an increase in aid spending by the department itself from €848 million in 2007 to nearly €1.1 billion in 2008, which increased the department's share in total ODA from 59% to 66%.

In the planned budget for 2009, the government reaffirmed its efforts and commitment to reach the intermediate goal for that year of 0.6% of GNI. The budget of the department of development cooperation increased by an amount similar to

Table 1: Belgian Aid Levels, 2002-2010

Year	Total ODA (€ million)	Spent by Development Cooperation Department (% of total ODA)	Total aid (ODA/GNI ratio)	"Real aid" (ODA/GNI ratio)
2002	1 090	66%	0.43%	0.31%
2003	1 604	46%	0.60%	0.32%
2004	1 178	58%	0.41%	0.36%
2005	1 571	54%	0.53%	0.40%
2006	1 573	53%	0.50%	0.38%
2007	1 425	59%	0.43%	0.37%
2008	1 654	66%	0.48%	0.43%
2009	1 863	67%	0.55%	0.50%
2010	2 393*	59%*	0.70%*	0.55%*

** Estimates according to Belgian budget for 2010*

the previous year, and reached a planned total of €1.36 billion. Nevertheless these ODA projections proved too optimistic. A massive debt cancellation for the Democratic Republic of Congo (€290 million) was included but did not happen because the country did not reach its Heavily Indebted Poor Countries (HIPC) completion point. In the end, the total 2009 ODA figure was 0.55% of GNI instead of the budgeted 0.6%.

According to the latest budget, Belgium's ODA level will increase to very close to the 0.7% goal in 2010. A further €96 million increase of the Department of Development Cooperation's budget has been programmed. This would mean an increase from €848 million to €1.4 billion over a period of just three years.

NGOs watching the budgets closely

Belgian NGOs congratulate the government on its effort to increase the budget especially in these times of crisis and budget deficits. However it remains to be seen whether Belgium will actually achieve the 0.7% in 2010. The economy is growing a little faster than predicted so the proportion of GNI may be lower than forecast. The federal government also appears to have overestimated the aid to be spent by regional and local governments by approximately €40 million.

Belgium continues to count debt cancellations, refugee costs and costs for foreign students in its ODA figures, as most donors do. A large debt cancellation of €409 million is part of the 2010 ODA budget, including the above-mentioned €290 million of debt cancellation for the Democratic Republic of Congo initially budgeted for 2009. The achievement of 0.7% in 2010 depends heavily on these debt cancellations.

The real challenge for the Belgian government will be to retain an ODA/GNI ratio of 0.7% in 2011 and the following years when all major debt cancellation packages will have been exhausted. A new and large increase in the budget of the Department of Development Cooperation will be needed in 2011 for Belgium's successful attainment of 0.7% to not remain only a one-off achievement.

The Belgian law on development cooperation

In 1999, Belgian development cooperation went through some fundamental reforms such as the creation of the Belgian Technical Cooperation,

the agency responsible for policy implementation, and the adoption of a Law on International Cooperation. In December 2007, the Minister of Development Cooperation announced that the law needed to be revised to fill gaps, for example in humanitarian aid, and to adapt the law to the new international aid effectiveness framework.

Consultations on revisions in the law were held in Parliament with several stakeholders, including NGOs, from March to June 2008. A new draft bill was prepared incorporating many points stressed by NGOs including the importance of decent work alongside gender, children's rights and climate and environment issues. However, the bill had not yet been discussed by Parliament when the Belgian government fell in April 2010. NGOs hope that the two years of work on the new bill will not have been in vain.

Action plans and aid effectiveness

In June 2007, Belgium released the "Plan on Harmonisation and Alignment" (PHA), focusing on the Paris Declaration (PD). There is a tendency towards stronger geographical and sectoral concentration. Belgium finances a maximum of two sectors per partner country, except for the Central African countries. A better division of labour by delegated cooperation is also being explored. A high percentage of Belgian aid is untied; however, state-to-state loans (under the Ministry of Finance and the Department of Foreign Trade) and interest subsidies (under the Department of Foreign Trade) are still tied. There is as yet no detailed implementation plan for the Accra Agenda for Action (AAA).[1]

Dialogue with CSOs

The PHA refers to national ownership as defined in the PD, but does not refer to democratic ownership or to civil society. Yet dialogue with non-state actors has intensified in recent years. NGOs have become more involved in preparing official Indicative Cooperation Programmes outlining the cooperation with a partner country for the next four years. Results have varied, however, underlining the importance of true dialogue rather than attempts to align NGOs to government policies.

On 4 May 2009, representatives of the Belgian government and NGOs signed an agreement on the effectiveness of Belgium's federal development cooperation. The NGO sector entered into a debate with the government under the condition that the government's effectiveness would also be discussed and that the debate would be all-encompassing. The NGO sector made its own commitments on implementation of the PD, while the government made pledges on aid effectiveness and policy coherence for development.[2]

Decent work as an indicator for social justice

In October 2008, Belgian NGOs and trade unions joined together in a two-year national awareness raising and advocacy campaign for decent work.[3] The demands of the campaign are for guaranteed social rights for everyone worldwide and regulation of the private sector. These basic human rights, included in several international declarations such as the Millennium Development Goals (MDGs) should be integrated into national and international policies.

A sub-target of MDG 1 is to "achieve full and productive employment and decent work for all, including women and young people". The indicators on this include the growth rate of gross domestic product (GDP) per person employed and the proportion of employed people living

below $1 (PPP) per day. Belgium already has to report progress on these decent work indicators in its annual report to Parliament. The 2007 MDG report mentioned the importance of jobs for young people. However there was no mention of decent work in the 2008 MDG report.

The Belgian Parliament has adopted a resolution urging the government to live up to social and ecological criteria and standards in its national and international policies. It also demands binding regulation of enterprises with regard to labour standards. It remains to be seen how this will be implemented.

Development policy coherence

Belgium has improved on aid effectiveness and intensified its dialogue with civil society. Yet NGOs warn that the technocratic focus of Belgian development cooperation on aid effectiveness must not distract attention from policy coherence for development (PCD). Ensuring coherence between development cooperation and policy decisions in other fields affecting developing countries remains a major challenge.

There is too little political commitment by the Belgian government on PCD. The agreement between the Minister for Development Cooperation and NGOs clearly states that guaranteeing PCD is the task of the whole of government, yet implementation has hardly started. One problem is that the agreement is not binding and was signed only by the Minister of Development Cooperation at the time and not on behalf of the whole government. The legal and institutional framework for PCD is weak.

Including a reference to the principle of PCD in a legal framework or in a revised law on international cooperation would constitute significant progress. Belgium should strengthen inter-ministerial information and coordination mechanisms and between different levels of government to ensure better efficiency and effectiveness of efforts to promote positive development results.

Endnotes

1 A two-pager of the Belgian government on implementing the Accra Agenda for Action (February 2010) is available at http://www.oecd.org/dataoecd/13/53/44708146.pdf.

2 The complete agreement is to be found at http://www.dgci.be/documents/ngo/Akkoord_Minister_ngo_04-05-2009.pdf (Dutch version) and at http://www.dgci.be/documents/ngo/Accord_Ministre_ONG_04-05-2009.pdf (French version).

3 See also www.waardigwerk.be and www.travaildecent.be

Declining Aid Performance as Government Freezes ODA

Brian Tomlinson, Canadian Council for International Cooperation

Overview

- Canadian official development assistance (ODA) for 2010 is estimated by the Canadian Council for International Cooperation (CCIC) to be Cdn$5,250 million or 0.33% of gross national income (GNI).
- This puts Canada 18th among the 22 Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) donors (ahead of only Greece, Italy, the United States and Japan).
- This CCIC estimate includes the federal budget's International Assistance Envelope as well as non-budgetary items that can be included in ODA according to OECD DAC criteria.
- The government had a policy of increasing "International Assistance" – of which ODA is the largest component – by 8% per year but in March 2010 announced the budget for Canadian aid would be capped indefinitely at the level set out in the 2010/11 Federal Budget: Cdn$5 billion. It might be reduced based on year-by-year assessments.[1]
- Without ODA increases in real terms, Canada's generosity will decline to approximately only 0.28% of GNI by 2014/15.
- The government has increased funding for middle-income Latin American countries and reduced the number of African countries from 14 to just seven. By 2010/11 the Canadian International Development Agency (CIDA) will spend 80% of its bilateral money in 20 "countries of focus".

Canadian Council for International Cooperation (CCIC) has criticised the government's lack of leadership in a year when it has hosted the G8 and G20 leaders meetings. The government will probably meet its modest commitment to double Canadian "international assistance" between 2001 and 2010. However, "international assistance" includes several areas of spending that are not allowed under the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee's (DAC) ODA criteria, such as contributions to Africa Union peacekeeping forces in Darfur. Therefore Canada will still be far off the United Nations (UN) ODA target of 0.7%. CCIC has been calling for a ten-year plan to reach this target, which would require an average annual increase of 14% to the ODA budget.

International aid-effectiveness commitments

The Canadian International Development Agency (CIDA) submitted a Canadian Action Plan for implementing the commitments of the Accra Agenda for Action (AAA) on aid effectiveness to the OECD DAC. The Minister for International Cooperation approved this plan in mid-2009, but it was still on CIDA's public web site in March 2010.[2] Nor was there any consultation with other Canadian development actors during its preparation.

The Action Plan highlights the importance of the five Paris Declaration (PD) principles and

the AAA and asserts that "CIDA has made aid effectiveness and accountability for development results a hallmark of its performance agenda". However, it mostly comprises previous government commitments, some of them unrelated to the AAA. It elaborates its own seven goals for aid effectiveness: focus; efficiency; accountability; predictability; alignment; inclusive partnerships; and fragile states. It does not cover the full AAA even though the government statement in Accra accepted *all* its paragraphs and made specific commitments.

Many of the Action Plan's specific commitments derive from recent Canadian domestic political debates on directions for Canadian ODA, referencing the PD or the AAA only where relevant to these directions.[3] The plan largely ignores the 2008 Canadian ODA Accountability Act which states that each ODA disbursement must reduce poverty, take account of the perspectives of the poor, and be consistent with international human rights standards.[4] (See CCIC article in Chapter 1) The only reference to gender equality, for example, is inexplicably as a qualifying comment to integrated strategies for strengthening "state-building" in fragile states. The Plan fails to make the link between:

a. Gender equality, respect for human rights and environmental sustainability as important indicators of development effectiveness in the AAA; and
b. The government's obligations under the ODA Accountability Act to take account of international human rights standards in determining Canadian aid disbursements.

The government's first Report to Parliament on its implementation of the ODA Accountability Act, submitted in September 2009, had many flaws.[5] It failed to explain how ministers in each government department were assessing whether the Act's three required standards for aid spending had been met, or whether and how ministers had consulted and weighed the views of civil society organisations (CSOs), developing country governments and multilateral organisations as required. Nor did it set out its rationale for calculating ODA under the terms of the Act.

Targeting aid

The Conservative government kept a Liberal promise to double international assistance to Africa between 2003 and 2008 and to double overall assistance by 2010. However, new aid priorities – such as the focus on maternal and child health announced at the 2010 G8 Summit – are expected to divert what is now a capped budget from African and other programmes. This is likely to result in a decline in commitments to the poorest countries in Africa.

In 2009 the government announced that by 2010/11 CIDA will spend 80% of its bilateral money in 20 "countries of focus".[6] (In Canada, "bilateral country programs" do not formally include CIDA funds supporting Canadian CSO development programming.) In replacing the 20 long-term programming countries and five fragile countries in conflict set out by the Liberal Government in 2005, there was no consultation with African counterparts, nor with Canadian development actors. The Conservative government has increased funding for middle-income Latin American countries and reduced the number of African countries from fourteen to just seven.

Canada had for many years focused on 30 countries for its bilateral assistance. There is no evidence that an increasingly narrow focus

on a few countries has resulted in improved development outcomes.[7] In fact, it may be increasing Canada's influence on country policies, potentially undermining country ownership.

The government has also announced that CIDA will focus its programming in three thematic areas: food security; sustainable economic growth; and children and youth. While there were preliminary consultations with development stakeholders, this approach ignores Canada's commitment to "country ownership" in the AAA.[8] In April 2010, eight months after the consultations, strategies for food security and children and youth were finally published on CIDA's web site, whilst no such strategy had yet been made available for sustainable economic growth. CIDA's planning process for these narrow thematic areas ignores Canada's commitment to "country ownership" in the AAA, where paragraph 17(a) says:

> "Developing countries will lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels. Donors will respect developing countries' priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid."

Country ownership and participation

Canada fully untied food aid with immediate effect in 2008. The Action Plan on AAA implementation highlights the welcome announcement that all Canadian aid will be fully untied by 2012/13. The Plan says that Canada will limit program conditions to those based on the partner's country's national development strategy and will make public any conditions linked to disbursement. However, there has been no further elaboration of the coverage and terms for untying Canadian aid and the ways in which CIDA could ensure that benefits truly accrue to developing country partners.[9] Furthermore, there is so far no evidence of such transparency for Canadian aid conditions.

In 2009, CIDA set out a *Policy on Program-Based Approaches* (PBAs) but had not published this policy by Spring 2010. The policy asserts that "program-based approaches represent a shift in style of aid delivery to one more closely integrated with a recipient country's national management and financial systems". It sets out an unproven assumption that PBAs "increase democratic governance through strengthening institutional capacity and accountability to citizens or constituencies". The policy also mentions that "positive trends" in government transparency, accountability, rule of law, human rights and inclusive political dialogue create an "opportunity for effective engagement". However it offers no specific guidance on how such trends will be assessed, nor does it refer to international human rights standards as a reference point as required by the ODA Accountability Act.

Canada has a number of budget support programs in Africa and elsewhere. However, Canada's policy on PBAs clearly states that budget support will be considered when "a viable macro-economic and fiscal framework [exists] as assessed by the International Monetary Fund and/or the World Bank." There is no evidence that CIDA assesses whether citizens' organisations or national parliaments have been

substantially consulted on these macro-economic and fiscal frameworks or on national development strategies, as required by the AAA.

Technical assistance is another tool through which donors tie their aid to their own domestic interests and to informal donor conditions or benchmarks. Unfortunately, the Action Plan suggests that Canada will ensure that technical assistance is "coordinated with that of other donors," not developing country partners.

The Action Plan does commit CIDA to "engage in multi-stakeholder efforts to strengthen the role of civil society in development by promoting a more favourable environment, improved models of donor support, and increased CSO effectiveness and accountability". However, it does not explicitly recognize civil society organisations as development actors in their own right. Furthermore, the policy of focusing on a narrow list of countries and themes could seriously undermine the contribution and effectiveness of Canadian CSOs.

There are still no transparent policies guiding CIDA's strategies and funding modalities for its support to CSOs. It has not even been able to identify modest resources to support CSO-led processes on CSO development effectiveness and CSO participation in Working Party preparations for the November 2011 Seoul High Level Forum on Aid Effectiveness.[10] Implementation of policies for country and thematic focus, too narrowly applied in the context of CIDA's uniquely responsive programs, could seriously undermine as development actors "in their own right".

Indeed, CIDA's recent actions – such as the seemingly politically motivated defunding of Kairos, the Canadian ecumenical coalition of church-based development organisations – have raised grave concerns about the integrity of aid decision-making. Members of Parliament have asked the government questions about the role of CSOs in policy dialogue and advocacy.

Conclusion

CCIC has published a comprehensive report on the implementation of the Canadian ODA Accountability Act: A Time to Act.[11] It makes specific proposals for future directions for Canadian aid based on human rights standards. Their implementation could substantially renew the stature of Canada as an innovative donor that is committed to deepening the effectiveness of aid by focusing on the needs and rights of people living in poverty.

Endnotes

1 Government of Canada, *Budget 2010*, page 142, accessed March 2010 at http://www.budget.gc.ca/2010/home-accueil-eng.html.

2 As of March 2010, *CIDA's Aid Effectiveness Action Plan, 2009-2012* was only accessible on the OECD DAC site: http://www.oecd.org/dataoecd/54/14/44682125.pdf.

3 Stephen Brown, "Aid Effectiveness and the Framing of New Canadian Aid Initiatives", in D Bratt and CJ Kukucha, eds. Readings in Canadian Foreign Policy: Classic Debates and New Ideas. Second Edition. Oxford University Press, forthcoming.

4 The Act is available at http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUImages/ODAA/$file/oda-report-2008-2009.pdf. CCIC has published a report on the implementation of the Act. See CCIC, *A Time to Act: Implementing the Canadian ODA Accountability Act*, April 2010: http://www.ccic.ca/what_we_do/aid_liability_act_e.php.

5 CIDA, "Report to Parliament on the Government of Canada's Official Development Assistance, 2009-10", September 2009, accessed March 2010 at http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUImages/ODAA/$file/oda-report-2008-2009.pdf.

6 The 20 countries are Bolivia, Colombia, Haiti, Honduras, Peru, the Caribbean Region, Afghanistan, Bangladesh, Indonesia, Pakistan, Vietnam, West Bank and Gaza, Ethiopia, Ghana, Mali, Mozambique, Senegal, Sudan, Tanzania, and Ukraine.

7 Stephen Brown, op. cit., pages 9-10.

8 AAA, paragraph 17(a).

9 See the discussion of the experience of fully untying aid by other donors in the Global Aid Trends chapter in this Report.

10 See Background and the Report of the Canadian Open Forum Consultation on CSO Development Effectiveness at http://www.ccic.ca/what_we_do/osc_e.php.

11 CCIC, *A Time to Act*, op. cit.

Diminishing Danish Aid?

Laust Leth Gregersen, CONCORD-Danmark

Overview

- The 2009 official development assistance (ODA) level was 0.88% of gross national income (GNI), which has been maintained for almost a decade. However, the Danish government announced €310 million in aid cuts from 2011. This means that Denmark has abandoned its commitment to maintain the ODA level "also in time of crisis".
- Danish headline 2010 ODA figures conceal 7.5% of inflated aid comprising debt relief, climate financing and costs for receiving refugees in Denmark.
- The policy on climate aid shows an alarming gap between words and action as the government fails to deliver promised new and additional funds to help developing countries tackle human-induced climate change.
- Danish development assistance generally has a strong focus on creating better living conditions for the world's poor, although increasing emphasis on national security interests undermines aid quality.
- Much effort is being invested in implementing the Paris Declaration but Denmark is reluctant to use budget support and about 80% of all large project contracts are awarded to national companies.
- Gender is a key priority in Danish aid and is mainstreamed into all development programmes.

Aid Quantity

Denmark has provided a continuously high level of aid. In 2009 it was at 0.88% of gross national income (GNI) – a level maintained over the last decade. Development assistance was even higher in the previous ten years, amounting to 1% of GNI. Until very recently the Danish position was that donor countries should maintain "the economic level of ODA – also at a time of crisis".[1] ODA was therefore increased in 2010 to maintain the level of aid as a percentage of GNI. However, the Danish government announced €310 million in aid cuts from 2011. This regrettably means that Denmark has failed to uphold its commitment to maintain the ODA level despite the crisis. Denmark may fall behind as a global front-runner with its aid likely to be around 0.7% of GNI in 2013.

The impressive Danish 2009 figures actually also contain inflated aid, namely debt relief, climate financing and costs for receiving refugees in Denmark.[2] (**See Table 1**)

Table 1: Overview of Danish Development Assistance, 2009

Item	Amount (€ million)	% of ODA
Total ODA reported	2,213	100%
Of which:		
Debt relief	64	
Climate financing	67	
Refugee costs in Denmark	31	
Total Aid Inflation	162	7.5 %
Total "Real Aid"	2,091	92.5 %

Climate financing

Danish policy on climate aid is characterized by an alarming gap between words and action. The Danish government has repeatedly stressed the need for new and additional funds to help developing countries tackle human-induced climate change. In its priorities for development assistance for 2009 the government thus committed to increase climate initiatives "within a growing economic frame for development assistance".[3] And, leading up to the COP-15 conference in Copenhagen, the Danish Prime Minister wrote:

> "A global agreement needs to focus on reducing emissions and help the poorest countries adapt to unavoidable climate change. [Hence] funding for efforts in developing countries is also a very important part of an agreement."[4]

Despite this, no decision on new funding for climate assistance has yet been taken. Conversely, the government is now shirking its commitments. A special budgetary allocation for climate change initiatives has been created which will increase annually by €13.5 million until 2012 when it will amount to €67 million. Denmark thus plans to spend €160 million on climate change over a five-year period without increasing the level of total ODA.

The Danish development minister and the minister for environment recently announced "Denmark as one of the first countries in the world that puts action behind the Copenhagen agreement from climate summit (COP15)", with reference to the €160 million climate allocation.[5] However, as this money is not new or additional the statement undermines Denmark's credibility in the ongoing negations over a binding climate agreement following the the failure of COP15 in Copenhagen.

On top of the climate allocation, the Danish government also uses ODA for climate financing that it does not label as such. Half of the costs for the 2009 COP15, amounting to €30 million, was thus covered by the ODA budget. Another indicator of Denmark's increasing expenditures on climate-related aid is its aid spending classified under the so-called 'Rio marker', which grew by 14% from 2006 to 2008. In 2008 Denmark reported €154 million of Rio-marked ODA, which is approximately 8% of total Danish development assistance.[6]

The Danish government should take immediate action to deliver the promised new and additional climate funds.

Aid Quality

Danish development aid has long distinguished itself by its clear focus on creating better living conditions for the world's poor. Historically, Danish foreign policy and development aid has been designed to pursue a cooperative world order based on strong international institutions. This "Active Multilateralism" approach prevailed through the 1990s until the change of government in 2001 and Denmark's engagement in the war on terror brought an end to this regime. Denmark's increasing emphasis on national security interests threatens to weaken the poverty eradication focus of its aid.

National security: A new Danish aid priority

Since 2001, major changes have taken place in Danish international actions and economic priorities. The defence budget has increased by 50%, mainly due to military operations in Iraq and Afghanistan.[7] During the same period, development assistance stagnated at 0.8% of GNI

and much effort has been invested in making aid contribute to Denmark's national security.

The Danish foreign policy strategy, *Denmark's International Efforts,* adopted in 2003, clearly places development assistance as an element in overall foreign policy:

> "It is crucial for efficiency of the international effort that all the foreign policy instruments are jointly integrated and that resources are focused on the most highly prioritised areas. [Hence], the Government will break 'box thinking' in the international politics and adapt the Danish international efforts in light of the significant changes in the international society."[8]

This approach implies that the poverty focus of Denmark's development assistance may be weakened if aid is considered a useful instrument for security policy objectives that are given high priority in certain cases. Danish aid is particularly being used in relation to military operations in Afghanistan which is now a top recipient of Danish aid. Moreover, the Danish Parliament has recently agreed to provide ODA funds for an initiative under Denmark's defence policy.

The trend of using Danish aid for national security purposes is likely to be reinforced in Denmark's new development strategy which will set the framework for Danish aid policy in this decade. The draft strategy clearly states that aid policy "goes hand in hand with safeguarding Danish self-interests" and is "part of Denmark's foreign and security policy".[9]

This approach jeopardises the quality of Danish aid. Development policy is about fighting poverty and the needs of world's poor must never be subordinated to other political aims. Policies designed on the basis of Danish self-interest compromise these objectives and undermine democratic ownership in recipient countries. Hence Danish NGOs call on the government to maintain its poverty focus and return to the more cooperative approach that characterised the active multilateralism of the 1990s.[10]

Implementation of the Paris Declaration on aid effectiveness

The Paris Declaration has had a significant impact on Danish bilateral development assistance and much effort is being invested in implementing the Paris agenda. However Denmark is reluctant to use budget support, although this is a key instrument in creating ownership in recipient countries. In 2007 Denmark only provided 4.4% of bilateral aid as general budget support, and current signals from the government do not indicate that this percentage will increase.[11]

Formally, Denmark's aid is almost entirely untied. The only tied budget line in Danish ODA is the so-called 'mixed credits' – interest-free loans to finance equipment and related technical assistance for projects in developing countries.[12] In practice, however, about 80% of all large project contracts are awarded to national companies.[13]

Gender is a key priority in Danish aid and is mainstreamed into all development programmes. The government has officially stated that it will work to ensure that women's rights are a key issue on the agenda of the Millennium Development Goal (MDG) Review in September.

Aid transparency in Denmark is generally high. Yet consultation with civil society needs to be improved, especially on key strategies.

Endnotes

1 *Danish Government's for Danish Development Assistance*, August 2009, pp. 3.

2 Figures are based one the official budget overview from August 2009; OECD DAC figures released April 14th and Parliament Inquiry MPU 461.

3 *Danish Government's priorities for Danish Development Assistance 2009-2013*, August 2008, pp. 4.

4 *Danish Premier Minister, Lars Løkke Rasmussen in the 92 Group's Newsletter nr. 61*, September 2009, pp. 2.

5 *"Invitation COP15 fra ord til handling",* Danish Government, Press release April 2010.

6 Creditor Reporting System, *OECD*: http://stats.oecd.org/index.aspx.

7 *Syv notater om Danmarks ny udviklingspolitik*, The Danish NGO-forum, November 2009.

8 *Danmarks internationale indsats – nye udfordringer i en verden i forandring,* Government of Denmark 2003, pp. 4.

9 *Frihed fra fattigdom – frihed til forandring: Udvikling 2.0,* Government of Denmark, March 2010, pp. 1ff.

10 *Syv notater om Danmarks ny udviklingspolitik*, The Danish NGO-forum, November 2009.

11 *"Guidelines for the Provision of Budget Support",* Danish Ministry of Foreign Affairs 2007.

12 *Danish Government's Strategy for Danish Development Assistance*, August 2009.

13 "*Untying Aid: Is It Working?",* Organisation for Economic Cooperation and Development (2009)

Towards European Commission Development Effectiveness and Policy Coherence

Louisa Vogiazides, with the assistance of Visa Tuominen and Hélène Debbari, Eurostep

Overview

- In 2008, European Commission (EC) aid disbursements amounted to €11 billion (US$14 billion). €9 billion or 83% of this was official development assistance (ODA).
- 41% of EC net disbursements were allocated to 61 Least-Developed Countries and other low-income countries.
- In 2008, Development Assistance Committee (DAC) European Union (EU) Member States gave 0.42% of their combined gross national income (GNI) in aid. This was a slight increase from the 0.39% of GNI in 2007; however, when debt relief is deducted they provided only 0.38% of GNI.
- In 2008, the EC spent €393.59 billion of its aid on agriculture (3.5%), €378 million (3.4%) on basic health, €147.5 million (1.3%) on basic education and €118 million (1%) on water supply and sanitation.
- Budget support represented 39% of all EC aid commitments in 2008.
- Following the Lisbon Treaty, a European Union External Action Service is being created.

The European Union (EU) prides itself as collectively the largest aid donor, providing nearly 60% of the world's ODA, and as a leader on the aid effectiveness agenda. Yet there is no room for complacency when it comes to implementation as there are significant problems with the European Commission's (EC) approach to civil society participation, recipient government ownership, budget support decision-making, and gender planning.

The 27 EU Member States provide finance to the EC to spend on development – described as 'EC aid' in this chapter. They also fund development assistance directly. (See other articles in this chapter) The combined aid from both the EC and the EU Member States is described here as 'EU aid'.

Insufficient inclusion of CSOs in developing countries

Ownership and participation are core principles of EU development policy, underlined in the European Consensus for Development, the Paris Declaration on Aid Effectiveness and the Cotonou Partnership Agreement. The mid-term reviews of Country Strategy Papers (CSPs) in African, Caribbean and Pacific (ACP) countries, however, highlighted once again the need for improvement in the area of transparency and democratic ownership of EC aid.

In some countries there has been progress towards a periodic consultation and dialogue with civil society organisations (CSOs), but important further steps are required to ensure an effective engagement with civil society in programming and reviewing EC aid in a systematic, transparent, on-going and inclusive way.

A serious impediment to effective CSO participation is the lack of timely information that would allow CSOs to properly prepare for the discussions. In Benin, CSOs were informed by email about a consultation workshop at 7 o'clock of the evening before it started.[1] In countries such as Uganda, Ethiopia, Rwanda and Burkina Faso, CSOs highlighted that it was civil society partners in the North, rather than EC delegations, who were most proactive in providing key documentation to Southern partners in preparation for the mid-term review.[2]

CSOs also question the results of their engagement. In many instances, they felt the consultation process did not give them enough room to raise their concerns and contribute with sufficient substance. Some consultation processes were more of an information session rather than a proper exchange of views. For example, CEFONG, the Malian NGO platform, reported that "the debates during a workshop on the mid-term review of the CSP remained very general and did not allow a real questioning of the priorities defined in the CSP".[3] The Beninese platform CFRONG also deplored the insufficient assistance allocated to key sectors of healthcare, education and agriculture, and demanded that changes in priorities, notably on infrastructure, must be clearly justified.[4]

The EC therefore needs to show continued commitment and provide financial support to develop and implement a culture of CSO engagement. It should also ensure that officials report back to civil society on the results of engagement. When proposals made by CSOs are not taken into account, the EC should provide a written explanation of the reasons.

The EC should also promote the involvement of the European Parliament, national parliaments in developing countries and the ACP-EU Joint Parliamentary Assembly in adopting and reviewing strategy papers.

Assessing eligibility for budget support

The proportion of EC aid being channelled through budget support in partner countries is increasing. Budget support commitments represented 39% (€3.86 billion) of total commitments from the EC development budget and the European Development Fund (EDF) in 2008.[5] In that year the EC approved new budget support operations under the 10th EDF in 22 ACP states, including seven Millennium Development Goal (MDG) contracts. MDG contracts are a form of long-term budget support directed towards MDG-based outcomes. In principle they improve aid predictability and make better planning possible.

The EC regards budget support as an efficient way of delivering aid to countries with a good governance record. The use of country systems can reduce administrative costs and induce country ownership by the partner government. However it does not necessarily imply increased ownership by national parliaments and citizens. The EC should therefore promote mechanisms to enable national parliaments and civil society to take part in the definition of public policies and monitor budget expenditures.

The EC has defined three main eligibility conditions for budget support: a country should have a poverty reduction plan, it should work towards improving public finance management, and it should aim for macro-economic stability. However the assessment of recipient countries' eligibility remains patchy, as indicated by a November 2009 report from the European Court of Auditors. In a further report the Court of Auditors also points out that general budget

support has not made a significant contribution to improving health services in the region. In addition, although sector budget support programmes are likely to significantly improve health services, the Commission has rarely used these types of programmes in Sub-Saharan Africa.[6]

The Court underlines that to provide budget support EC officials should provide "a structured and formalized demonstration that the recipient countries have a relevant reform programme".[7] This should include democratic reforms, respect for human rights, the establishment of a public finance management that is sufficiently transparent, accountable and effective, and support for the inclusion of civil society in decision making.

Budget support can induce ownership and reduce administrative costs in the right circumstances. EC decision-making needs to be more transparent, which could be achieved by introducing improved indicators for measuring the impacts of budget support as put forward by the Court of Auditors and in Reality of Aid's 2008 report.

Action on gender equality

In June 2010 the European Council adopted an 'EU Action Plan on Gender Equality and Women's Empowerment in Development' for the period 2010-2015.[8] This aims to accelerate the achievement of the MDGs, in particular on gender equality and maternal health, and contribute to other international goals related to gender equality. It calls for political and policy dialogue, gender mainstreaming, and other specific actions. The plan suggests that the EU hold political meetings with its partner countries or regional organisations to assess progress on the issue. The Action Plan also suggests setting up gender databases and calls for a stronger involvement of civil society. However, the Action Plan lacks clear indications on funding allocations to secure its implementation. Political will and financial resources are necessary to put the Plan into practice.

Institutional changes following the Lisbon Treaty

After eight years of preparation and negotiation, the EU's Lisbon Treaty came into force in December 2009. This introduces some significant changes in the way in which the EU seeks to manage its role in the world. With the establishment of a High Representative for Foreign Affairs and Security Policy and the establishment of a European diplomatic service (European External Action Service, or EEAS) to support the High Representative, the treaty's aim is to make the EU a more effective player on the world stage.

The process of initiating the new system has been difficult. The Commission, Member States and the European Parliament disputed the specific role of the EEAS and what functions would be transferred from the Commission. Control over the EU development budget was at the centre of the debate. The European Parliament sought to ensure adequate levels of democratic scrutiny, including a role for the Parliament itself in overseeing the implementation of the Common Foreign and Security Policy (CFSP). The likely agreement between the institutions includes such a role for the European Parliament.

NGOs and others also questioned whether the EEAS initial proposals adhered to the letter and spirit of the Lisbon treaty, which emphasises that poverty reduction must be an objective of all EU external actions. This proposal mixed

development with diplomatic functions of the EEAS, risking the effectiveness of both policy areas as securing Europe's own interests abroad do not always coincide with development policy objectives. Experiences at national level suggest that when development and foreign policy are in contradiction the latter tends to dominate.

The proposal to put control of the development budget in the EEAS alongside foreign policy runs the risk that development budgets will be used to support Europe's interests in the world rather than development strategies identified in developing countries. Therefore sufficient capacity, checks and balances are needed to ensure that different policy instruments are elaborated according to their respective objectives. There are changes in the role of EU delegation as a result of the new treaties. As delegations of the Union, in contrast to their past role as representations of the European Commission, they take on the role of representing the political interests of the EU. This means that they will take on the role that EU Presidency country embassies had in the past which may increase consistency in the EU's representation. It also has the potential to strengthen the implementation of the EU's commitments to increased coordination of the Commission and member states development activities in a country, and to the donor division of labour that has so far proved quite difficult to achieve.

The EEAS is expected to be established at the end of 2010, and become fully operational in 2012. Its personnel will be drawn from the Commission, with the transfer of entire departments from the Development and External Relations Directorates, as well as from the Council secretariat and from Member State diplomatic services.

Policy Coherence for Development

Policy Coherence for Development (PCD) means ensuring that the objectives and results of development policies are not undermined by other policies which impact developing countries, and that these other policies support development objectives. The Treaty of Lisbon gives a solid base to PCD by stating that the reduction and the eradication of poverty is the primary objective of the Union's development cooperation policy and that "[t]he Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries."

The EU therefore needs to consider developing countries when devising and implementing policies in areas such as agriculture, trade and finance. There are, however, numerous cases of incoherencies in the EU policies that affect development, notably Common Agricultural Policy subsidies that enable European farmers to undercut developing country producers. Europe's approach to PCD suffers a number of shortcomings. First, there is no binding obligation for the EU to ensure its policies do not have a negative impact on development. Second, there is a lack of evidence-based indicators for assessing policies' impact on development. Third, there is no complaint mechanism for addressing inconsistencies.

In its communication 'Policy Coherence for Development: Establishing the policy framework for a whole-of-the Union approach' and its second progress report on PCD of September 2009, the European Commission proposed to develop a result-oriented Work Programme for 2010-2013 with a pro-active engagement to promote PCD

in five areas: (1) trade and finance, (2) climate change, (3) food security, (4) migration and (5) security.[9]

A non-binding own-initiative report on PCD by Franziska Keller, a Member of the European Parliament, presented a number of proposals on PCD. The report calls for additional and early impact assessment and for EU delegations to monitor the impact of EU policy at partner-country level. It also suggests that the EU Ombudsman could use its own-initiative powers to investigate complaints from citizens. These measures would significantly strengthen the accountability and effectiveness of PCD.

Conclusion: EU development cooperation in a changing world

The recent financial and economic crisis has emphasised the weaknesses in Europe's economic position in the world. The changes being introduced as part of the Lisbon Treaty are intended to unify and strengthen the EU's external representation. The Treaty indicates that this should prioritise poverty reduction. However the region's own economic difficulties mean that the EU may instead be tempted to use its external policies, funding streams and representatives increasingly to prioritise its own commercial interests.

Endnotes

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8 See:http://ec.europa.eu/development/icenter/repository/SEC_2010_265_gender_action_plan_EN.pdf.

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Finnish Development Cooperation: A Shift Towards More Donor-Driven Aid?

Miia Toikka, KEPA

Overview

- The Finnish official development assistance (ODA) budget for 2010 is €966 million.
- Because its gross national income (GNI) is falling, Finland will exceed the European Union (EU) target of 0.51% in 2010.
- Forests, water and climate change are the main growth sectors of Finnish aid.
- A major part of climate financing pledges will be covered from ODA funds.
- The costs of refugees who are denied asylum have been provisionally introduced into the ODA figures.
- Another focus of development policy is trade and the private sector.
- Finland will now supply no more than 25% of aid to any country in the form of general budget support
- Finland has had eight long-term partner countries, but has now developed additional regional framework programmes for Africa, the Andes, South Caucasus and Central Asia, and the Western Balkans

Main aid developments

ODA growth was cut

The Finnish government budgeted €966 million as official development assistance (ODA) for 2010. The Finnish ODA budget is divided into 'actual' and 'other' development cooperation. The 'other' category includes administration costs, contributions to the European Union (EU) development budget and United Nations (UN) agencies, civilian crisis management, refugee costs etc.

The growth of Finnish ODA has slowed due to the financial crisis. Compared to the earlier budgetary framework decisions by the cabinet, the growth of funds for 'actual' development cooperation is nominal: only a €4 million increase over the 2009 budget, rather than the €50 million originally projected in the budgetary framework for 2010.

However, because the gross national income (GNI) is falling, Finland will exceed the EU target of 0.51% of GNI spent on aid in 2010. Nevertheless, the challenge of securing steady growth of ODA towards the 0.7 % target in 2015 has been left for the next government. Moreover, a major part of climate financing pledged by Finland in the Copenhagen conference in December 2009 will be covered from ODA funds, contrary to commitments made under the UN Framework Convention on Climate Change.

In terms of aid quality, the 2010 budget decision was also a setback as Finland included a larger amount of refugee costs in the ODA budget. Since 2000, Finland has only reported as ODA the expenses for the first 12 months of the refugees who have been settled in Finland (€26.6 million in 2009). The Ministry of the Interior has pushed for a change so that ODA figures include also costs of refugees who are denied asylum – although final acceptance

of this will be made only after seeking clarification from Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC).

More debate on development policy – less access to information

There has been active debate on development policy in the parliament and in the media in the past two years. Both ODA levels and the contents of development cooperation have been under public scrutiny.

At the same time, however, it has become more difficult for non-government organisations (NGOs) and parliamentarians to obtain information about development policy implementation and discuss its details. Important decisions, such as on the use of budget support, have been made without wider consultation. Country strategies for Finland's main partner countries, defining the aid sectors and instruments for the next three years, were also written without proper consultation of the recipient countries or civil society and Parliament in Finland.

Focus on the environment

The 2007 Development Policy emphasises environmentally sustainable development. Forests, water and climate change are the main growth sectors of Finnish aid. Other aspects of sustainable development, especially the social dimension, have received less attention.

Development Policy Guidelines for both the Forest Sector and the Environment, and an International Strategy for Finland's Water Sector were agreed in 2009. The proportion of aid related to these sectors is set to grow in all Finland's long-term partner countries over the next few years.[1] Virtually all new initiatives at country level are within this new thematic focus. New forest sector programmes have been initiated in seven countries.[2]

The focus on the environment, forests and other natural resources has been justified by stating that these are "areas where Finnish expertise and experience can be best used to support partner countries' own development programmes".[3] The argumentation is related to the current government seeking to go further in implementing the concept of Finland's 'added value'.

Focus on the private sector

Another focus theme of the 2007 Development Policy is trade and private sector development. Since 2003, Finland has combined the ministerial portfolios of Trade and Development. In 2008, the Ministry produced an Aid for Trade Action Plan and a Guide on Exporting to Finland promoted developing country imports to Finland. It also set Finland's import policy objectives in 2009.

In Zambia, Finland has started a new private sector development support programme and in several other countries Finland intends to direct its support more towards the private sector. The target group of the local cooperation funds administered by the Finnish embassies in developing countries has also recently been widened to include private enterprises.

The Ministry has taken steps to increase the role of the Finnish business sector in development cooperation, forming clusters of Finnish firms and institutions working on the priority themes. A business partnership programme started in 2006 (Finnpartnership) and other new funding instruments have been introduced such as the Institutional Cooperation Instrument. New private equity export credit funds are being explored.

The Ministry of Employment and the Economy has for the first time introduced its own strategy on development policy to promote economic cooperation between Finland and developing countries.

Finnish aid from development effectiveness perspective

Finland is committed to the aid effectiveness agenda as defined in the Paris Declaration (PD) and the Accra Agenda for Action (AAA). NGOs go further by using the term 'development effectiveness' to emphasise that aid delivery must make a difference on poverty and inequality. This approach puts the poor and marginalised populations as the fundamental concern and owners of development assistance.

Increasing the share of general budget support and programme-based approaches is generally seen as a central means of improving aid effectiveness. In Finnish development cooperation, however, the number of projects is on the increase while the proportion of programmatic aid is decreasing. The government has recently taken a position to limit general budget support to 25% of aid to any partner country and to shift focus from general budget support to sector budget support.[4] Among NGOs this has raised questions of Finland's commitment to the Accra agenda in practice.

New openings

The Development Policy of 2007 has resulted in a number of new projects and programmes at both country and regional levels as well as new funding instruments. The Ministry states that the Paris and Accra principles are observed in the implementation and claims that projects can also be part of a programmatic approach. However, this lays a heavy burden on the aid administration and NGOs are concerned about increased fragmentation of development policy implementation.

The government also seems to have overturned the objective of concentrating Finnish aid in a smaller number of long-term partner countries. It has introduced thematic cooperation which focuses on "sectors of specific importance to Finland" usually on a regional basis. The Ministry has formulated new regional framework programmes for Africa, the Andes, South Caucasus and Central Asia, as well as Western Balkans.

Equality and human rights getting less attention

The proportion of Finnish support directed to the social sector, including education and health, is diminishing. The Minister has commented that social sector projects are best suited for NGOs to deliver.[5]

As with its predecessors, the 2007 Development Policy identifies gender equality, the rights of women and vulnerable groups (children, disabled, ethnic minorities, indigenous peoples) and combating HIV/AIDS as cross-cutting themes. However, there are virtually no mechanisms in place to ensure that the themes are integrated into Finnish aid programmes.

A recent evaluation concluded that mainstreaming of these issues is not implemented well at the programme level.[6] Support for gender equality has fallen, with less financing of specific women's rights and gender equality programmes, and the human rights based approach is little applied. Since the evaluation, the Ministry has started to develop mechanisms to improve on the integration of cross-cutting themes.

Conclusions

The current Development Policy Programme of the Finnish government introduced notable changes when introduced in October 2007. NGOs welcome the increased focus on issues such as food security, rural development, natural resources and environmental sustainability, which are key issues for development.

However, there are major concerns about the emphasis on Finnish expertise and Finnish business interests, and the growing number of projects at the expense of budget support. These trends seem to represent a shift to more donor-driven aid and may increase aid fragmentation and weaken predictability. There are also concerns about the neglect of social equality and empowerment objectives.

An approach focused on economic growth fails to tackle the central fact that control over natural resources is based on existing inequalities. Finland's own experience is of equality and inclusive societal institutions driving economic development. This experience could be a crucial part of Finland's added value and a solid basis for promoting development that benefits the poorest and tackles inequalities.

Endnotes

1 Ethiopia, Kenya, Mozambique, Nepal, Nicaragua, Tanzania, Vietnam, Zambia

2 Indonesia, Laos, Kenya, Mozambique, Nepal, Nicaragua, Vietnam

3 Development Policy Programme 2007, p. 17. http://formin.finland.fi/public/download.aspx?ID=24014&GUID={41C62727-0F60-4794-B744-F40E9460D79F}

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5 Speech by Minister Paavo Väyrynen, 11 June 2008.

6 The Cross-cutting Themes in the Finnish Development Cooperation. Evaluation Report 2008:6. Ministry for Foreign Affairs of Finland.

France Failing to Meet Commitments

Katia Herrgott, Coordination Sud

Overview

- France increased its aid level by 17% in 2009, reaching €8,458 million or 0.44% of gross national income (GNI).
- This increase is due to the rise in debt cancellation, representing 12% of total official development assistance (ODA). Cancellation of Heavily Indebted Poor Countries Initiative (HIPC) debt largely writes off unpayable debts and makes very limited extra resources available in beneficiary countries. A significant share of the debts was generated by the French export credit agency to support French companies exporting to developing countries.
- France still reports as ODA large amounts of spending related to student costs (€605 million) and refugee costs (€224 million). These items represent 12% of ODA excluding debt relief in 2009.
- France also reports spending in French Overseas Territories as ODA. In 2009, these costs represent €381 million.
- Inflated aid increased by 14% in 2009 and represents 27% of overall ODA. France's genuine aid amounts to a meagre 0.33% of GNI.
- Since 2008, France has included air ticket levy revenues in its ODA figure. However, when French president Jacques Chirac launched this levy in 2006, he committed not to report it as ODA, to ensure that resources from this levy would be additional. In 2009, €153 million from the air ticket levy is reported as ODA.
- In June 2009, France has adopted a list of 14 priority countries, mainly Least Developed Countries. However, there is no financial programming of the resources needed to make it a real priority.
- A strategic framework for cooperation development is currently being prepared, for the first time. This strategy should clarify the objectives and means of the policy. Civil society organisations (CSOs) have been consulted on the strategy.

French commitments on ODA: A lack of credibility

In 2005, European (EU) Member States collectively committed to increase their aid to 0.7% of their gross domestic product (GDP) by 2015, with an interim target of 0.56% of GDP by 2010. France and the 14 other "old" Member States should each reach 0.51% in 2010. Officially, the government remains committed to meeting its targets. Nicolas Sarkozy never forgets to reaffirm the 2015 French aid commitment in his speeches, but he never mentions the interim 2010 target. The reason is that French aid will only reach between 0.44% and 0.48% of gross national income (GNI) in 2010, according to 2010 finance bill documentation.

This entails an official development assistance (ODA) financing gap of between €600 million and €1.3 billion in 2010 compared to the target.

To reach 0.7% in 2015, French ODA would need to increase by €2 billion each year from 2010 to 2015. Such an effort would require strong political will, which currently seems quite unlikely. To re-establish credibility on promised ODA targets, France should adopt a binding timetable for yearly ODA increases.

Table 1

(€ million)	2007	2008	2009
Budget plan announcements	9,181	8,772	9,549
(as % GNI)	0,50%	0,45%	0,47%
ODA as reported to the DAC	7,220	7,596	8,458
(as % GNI)	0,38%	0,39%	0,44%
Announcements/ reality gap	-1,961	-1,176	-1,091
Debt relief announcements	2,142	2,020	2,443
Actual debt relief	1,068	666	1,023
Announcements/ reality gap	-1,074	-1,354	-1,420

Transparency needs to be improved

A law adopted in 2006 slightly increased French aid transparency. The main French aid implementing agency has also adopted a new transparency policy. In 2009, for the first time, documents attached to the finance bill for 2010 gave two possible estimates of the 2010 ODA level, depending on debt relief levels. In previous years ODA forecasts were overestimated due to unrealistic expectations on debt relief.

Nonetheless, information sent to the parliament on ODA issues is still limited and reporting to the OECD Development Assistance Committee (DAC) should be made more transparent. Following DAC recommendations, France revised the way it reports spending on student costs. Student spending reported as ODA decreased in 2008 but it is still unclear how France estimates these costs and which spending it reports as ODA. It is also absolutely unclear what spending is reported as refugee costs. Clear and detailed information is often very difficult to find. Information is presented in different ways from one year to the next which prevents easy comparison and follow up.

Democratic ownership undermined by national interests

Coherence upside down: When migration control drives development cooperation

The French government increasingly uses aid to promote its geopolitical interests. In 2007 it created a ministry with responsibility for migration, integration, national identity and cooperative development (MIIIDS). This Ministry co-chairs the intergovernmental committee in charge of French aid policy, together with the Ministry of Foreign Affairs and the Finance Ministry. It is also a board member of the French Development Agency, which manages a growing part of ODA, and of other bodies involved in development cooperation. This allows the MIIIDS to weigh in on French development policy. Hence, migration issues are increasingly being included in ODA programmes.

Immigration is systematically mentioned in partnership framework documents (which are negotiated with recipient countries and define French aid priorities for five years). Immigration is not necessarily expressed as a conditionality to implement these documents, but is at least mentioned as an issue that should be taken into account in the partnership agreement. Bilateral ODA resources are being mobilized for the "concerted management of migratory flows and

cooperative development". These agreements aim to limit migration by toughening border controls and repatriating undocumented migrants, while selecting the best qualified workers for French economic needs. Aid is used as an incentive for signing these agreements which leads in some cases to development policy being used for migration control objectives.

The target set by MIIIDS is to sign seven agreements every year between 2009 and 2011. So far, agreements have been signed with nine countries: Senegal, Gabon, Republic of Congo, Benin, Tunisia, Cape Verde, Burkina Faso, Cameroon and Mauritius. Agreements are under discussion with Mali, Egypt, Haiti, the Philippines, Guinea, Mauritania and the Democratic Republic of Congo. Mali has so far strongly resisted signing the agreement because remittances from Malian migrants to France are a very important source of funds for Mali.

Aid effectiveness in question: When aid doesn't aim at reducing poverty and inequality

France is increasing the amount of aid it disburses through loans rather than grants. In 2009 loans increased by 178% to €1,306 million, while the rest of bilateral aid (excluding inflated aid) is expected to decrease by 44%. The OECD DAC has recently warned that "France should also seek to maintain a high share of grants […] loans are not appropriate in all sectors and in all countries, and it is essential that the choice of the geographical and sectoral allocation of aid should not be instrument-driven to the detriment of poverty reduction goals." The government's shift from grants to loans has brought about the cancellation of 45 new social projects expected to start in 2009 in Sub-Saharan Africa.

Moreover, the French Secretary of State for Cooperation, Alain Joyandet, recently stated that funding a country was the best way to fly the French flag and exert influence which will allow French companies to win contracts.[1] He has also expressed concerns about French ODA to Tanzania which did not benefit a French company.[2] These statements are particularly worrying. France has committed to untie its ODA yet has started to shift its aid to private sector promotion. By the end of 2008 China, Egypt, Indonesia, Morocco and Pakistan represented 34% of ODA debts owned to France, mainly resulting from loans that supported French companies. In 2008, 51% of contracts awarded by the French Agency for Development went to French companies.

Gender and human rights: Still a major challenge for France

Gender issues remain a major challenge for French aid. In the last two years, some progress has been achieved. In 2007 the government approved a gender strategy and in December 2008 the Ministry of Foreign Affairs announced an action plan to promote gender issues in development cooperation for 2009, with €20m for gender projects. However, most of those resources are not new resources but re-allocated from on-going active projects which are branded as "gender" projects. Moreover, there are no specific resources allocated for gender issues in the 2010 ODA budget. Gender issues are slowly being taken up by government structures but there is still a lot to be done to fully support gender equality in all development cooperation fields.

In December 2008, the General Assembly of the United Nations (UN) adopted an Optional Protocol to the International Covenant on Economic, Social and Cultural Rights which gives the Committee on

Economic, Social and Cultural Rights competence to receive and consider complaints by individuals who allege that they are victims of a violation of any of the rights set forth in the Covenant. France was very active during negotiations of the Optional Protocol but has still not ratified it. The Optional Protocol cannot enter into force before being ratified by at least ten countries. It is therefore vital that France ratifies it urgently.

Conclusion

In the context of the Greek debt crisis and the slide of the Euro, budget cuts to reduce deficits are high on European governments' agendas. France has already announced measures to decrease its spending. In this context, it is very unlikely that France will meet its commitments.

The new strategic framework for development cooperation has a key role to play in order to improve the quality of French development aid. French NGOs have called on their government to ensure that the new strategic framework for development cooperation has a rights-based approach, includes a gender perspective and focuses on fighting poverty and inequality and incorporates three fundamental and binding principles: ownership, participation of all actors, and mutual accountability. For this strategic framework to be credible, they also ask the government to adopt a programming law setting annual milestones to increase genuine aid in order to meet the 0.7% target by 2015 at the latest.

Endnotes

1 "Aider directement un pays est le meilleur moyen d'y maintenir notre drapeau et d'y conserver une influence qui permette, ensuite, à nos entreprises de s'y développer", Le Figaro, 30th October 2009.

2 Interview made by Marianne Enault, *lejdd.fr*, 20 May 2008.

German Aid: Off-Target

Klaus Schilder, Terre des Hommes-Germany
Birgit Dederichs-Bain, Welthungerhilfe

Overview

- Germany's official aid levels dropped to 0.35% of gross national income (GNI) in 2009, the lowest level since 2004.
- The headline official development assistance (ODA) figure was US$11,982 million – 12% lower than the record figure of US$13,910 million in 2008.
- Although improving, Germany continues to inflate its ODA figures. Debt relief, imputed costs for students from developing countries and the costs for refugees during their first year of stay still account for around 9% of ODA.
- Significantly increased bilateral aid was more than outweighed by reduced debt relief in 2009, largely explaining the overall 12% decrease in ODA.
- Germany has announced a €256 million increase in ODA for 2010. German ODA/GNI for 2010 is thus projected to reach 0.40% of GNI – still a significant shortfall compared to international commitments.[1]
- The top five recipient countries – as in previous years – were Afghanistan, Serbia, Egypt, India and China.
- The percentage of funds allocated to Sub-Saharan Africa has increased from 27.7% in 2002 to around 50.0% in 2009.
- Support for Least Developed Countries was raised from €619 million in 2008 to a scheduled €827 million in 2009, accounting for 50.5% of total bilateral finance.

Germany is committed to increasing its aid effectiveness and democratic accountability. However, more support is needed for this process to help governments, parliaments and civil society alike to become more effective. There is still too much focus on prioritising division of labour alone.

Despite a record ODA figure, Germany will miss its 2010 target

Germany announced a total official development assistance (ODA) increase of €256 million in its 2010 budget forecast. This means €212 million of 'fresh' money, since €44 million had already been promised as part of the G8 initiative for food security. However, the government will still be breaking its international promise to spend 0.51% of gross national income (GNI) on aid in 2010. Nevertheless, the new government elected in September 2009 underlined its commitment to meet the European Union (EU) 0.7% target by 2015. This requires Germany to increase ODA by at least €1.7 billion annually.[2]

In 2009 debt relief, the imputed costs for students from developing countries, and the costs for refugees during their first year of stay inflated the level of German ODA by 9%. This leaves genuine aid levels at 0.32% of GNI. In the ranking of ODA donor countries, Germany takes third place in absolute figures. However, measured relative to its economic power, Germany drops to 13th place.

Towards 2015: Additional innovative financing needed

Germany has pledged to meet the 2015 ODA commitment in large part by mobilising innovative finance. A financial transaction tax (FTT) is currently supported by the German government, but only if adopted at the global level.[3] Non-government organisations (NGOs) are calling for at least half of the revenues from such a tax to be put towards climate change and development-related objectives.

Auctioning carbon emissions certificates is the other innovation.[4] The German government estimates that, in the period 2010-13, auctioning CO_2 emission certificates will provide roughly €900 million annually with a large share for climate adaptation in developing countries.[5] In 2009, about €230 million of the revenue from the sale of CO_2 emission certificates were earmarked towards such measures. Civil society calls for at least 50% of these funds to be spent in the poorest countries that are particularly vulnerable to the consequences of climate change.

Climate change causes additional costs for developing countries. External financing requirements are estimated to soon reach about €100 billion per year, or 0.3% of the GNI of Western industrialised nations. The fair share for Germany would result in an additional €7.6 billion (0.3% of its current GNI). The government therefore needs to move towards its 0.7% ODA/GNI target and additionally mobilise 0.3% of GNI for climate assistance. This combined 1% of GNI amount must be programmed into medium-term financial planning.[6]

Aid effectiveness: Human rights, social justice and democratic development

German development policy ascribes great importance to the promotion of human rights, poverty eradication and democratic development.[7] It is based on the principles of good governance and the rule of law, self determination, self-help capacities, and division of labour according to the principles of the Paris Declaration (PD).

1. Action plan for human rights

The 2008 'Development Policy Action Plan on Human Rights'[8] produced by Germany's Ministry for Economic Co-operation and Development (BMZ) is aimed at "continuing and scaling up the systematic orientation of our development policy to human rights".[9] The plan stipulates the targeted support of economic, social, cultural, civil and political rights and emphasises gender equality and the empowerment of women as well as the rights of the child. Germany has further "pledged systematically to implement all human rights and human rights principles in its sector and country strategies".[10]

The BMZ has developed country aid allocation criteria which include: poverty-oriented and sustainable policies; respect, protection and fulfilment of all human rights; democracy and rule of law; the effectiveness and transparency of states; and co-operation in international relations.[11] Yet the main recipient countries in 2009 include Afghanistan, Egypt and India, revealing that the criteria are obviously not the only deciding factors for allocation of funds. Civil

society calls for a more systematic orientation towards improvements in the livelihood of disadvantaged people and the poorest.

2. Social Security

Germany's engagement in basic social protection is fairly new. German development policy now emphasises the need to improve the efficiency and effectiveness of social security systems to achieve implementation of the right to social protection, foster social justice and overcome the structural causes of poverty and social exclusion. It is directed particularly at "extremely poor households and the most at-risk groups, such as women, children, the elderly and people with disabilities".[12]

It has adopted a sector concept to improve delivery and cover a broad spectrum of life cycle, health, economic and natural risks.[13] Germany currently funds 50 social security projects in 30 countries, amounting to more than €100 million.[14] However, the German development ministry still lacks a strategic approach to building social security systems in partner countries.

Following recent changes in political leadership in the Ministry of Development, Germany will emphasise its economic interests more strongly in the future. Social security, renewable energy and energy efficiency are increasingly seen as opening doors to support Germany's export-driven economy by providing for more business opportunities in developing countries. The tendency seems to be towards stronger privatisation of social security or health systems – such as through public-private partnerships – which will threaten the delivery of services to those most in need. Civil society calls for improved access to basic social services for all, and the strengthening of public social security systems in partner countries.

3. Democratic development

Promoting democracy has for years been a priority of German development policy, which is committed to "implementing the principles of democracy and the rule of law."[15] Germany has also committed to democratic ownership as outlined in the Accra Agenda for Action (AAA).

The government's aid effectiveness action plan promises "a new culture of co-operation based on partnership commitments. Wherever possible this co-operation will make more systematic use of partner country structures and procedures in various areas such as public financial management and procurement, as well as monitoring and evaluation, and will be closely aligned with partner country policies and programmes."[16]

There is an on-going debate about whether budget support fosters democratic development. Many NGOs raise concerns that it will do little to benefit the poor in countries with weak governance structures and a lack of budgetary control or democratic oversight.[17] There is as yet no clear trend: In 2008, 2.5% of Germany's ODA went to budget support, in 2009 this increased to 6.48%. Programme-based approaches (PBA) accounted for 16.45% of German bilateral ODA in 2009, but the share is planned to drop to 10.2% in 2010. From an NGO perspective, Germany's budget support needs to strengthen ownership, increase democratic accountability and involve civil society better.

Endnotes

1 OECD/DAC (2010) DAC Members' Commitments and Performance: Summary Table of OECD Secretariat Projections, 15. February 2010.

2 Cf. Commission of the European Communities (2009): Commission Staff Working Document: Supporting developing countries in coping with the crisis. Brussels (SEC(2009) 444).

3 Chancellor Angela Merkel's press statement after the informal meeting of Heads of State or Government, Brussels, 17.9.2009.

4 BMZ press release, 16.12.2009.

5 See:www.bundesfinanzministerium.de/nn_4314/DE/Wirtschaft__und__Verwaltung/Finanz__und__Wirtschaftspolitik/Bundeshaushalt/240609__HH2010__Fragen.html#13.

6 Deutsche Welthungerhilfe / terre des hommes (2009): The Reality of Aid: Heading for Copenhagen. 17th report 2009. Bonn / Osnabrück.

7 Cf. BMZ (2008): Development Policy Action Plan on Human Rights 2008-2010. Berlin / Bonn, March 2008.

8 Ibid.

9 Ibid., p. 7.

10 Cf. BMZ (2008): Applying Human Rights in Practice. Fact Sheets on a Human-Rights Based Approach in Development Cooperation. Berlin / Bonn, December 2008, p. 3.

11 Cf. BMZ (2009b): Promotion of Good Governance in German Development Policy. Berlin / Bonn, February 2009, p. 24.

12 Cf. BMZ (2008c): Towards One World. Development Policy White Paper. Berlin / Bonn, June 2008, p. 54.

13 Ibid., p. 6. See also BMZ (2009a): Sektorkonzept Soziale Sicherung. Berlin / Bonn, July 2009.

14 Focal countries include Bolivia, Cambodia, China, Chile, El Salvador, Guinea, India, Indonesia, Kenya, the Philippines, Rwanda, Paraguay, Zambia, Tanzania, Thailand and Vietnam.

15 Cf. BMZ (2005): Promoting Democracy in German Development Policy. Supporting Political Reform Processes and Popular Participation. Berlin / Bonn, June 2005, p. 5.

16 Cf. BMZ (2009c): Plan of Operations for Implementing the Paris Declaration of 2005 and the Accra Agenda for Action of 2008 to Increase Aid Effectiveness. Berlin / Bonn, April 2009, p. 2.

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New Effectiveness Policies, Less Aid to Spend

Olive Towey, Concern Worldwide

Overview

- The Irish official development assistance (ODA) budget fell from a planned €891 million in 2008 to just €671 million in 2010, a 24% contraction.
- The government commitment to spend 0.7% of gross national income (GNI) on aid has again been postponed to 2015.
- Aid cuts have forced development non-government organisations (NGOs) to close country offices and suspend programmes.
- An Irish Hunger Taskforce Report has led to detailed recommendations and a Hunger Unit in Irish Aid.
- In 2008, Irish Aid spent 21.4% of its money on Health, HIV & AIDS and 12.8% on Education.
- 2008/09 saw the publication of guidelines and policies on: Health and Education, Civil Society, Building Good Governance, General Budget Support and Environmental Policy.
- 2009 saw an Irish Aid Management Review which recommended greater integration of Irish Aid with the Department of Foreign Affairs.

Aid cuts

The past two years have seen a dramatic reversal of fortunes for the Irish economy. In 2008 and 2009, gross national product (GNP) declined by 3.1% and 7.5% respectively and the country entered recession for the first time since 1982. A range of measures were introduced to stabilise the economy. In this process Ireland's overseas aid budget was cut dramatically and disproportionately.

In 2008, the government planned to spend €891 million on overseas aid in 2009. Just two years later, the budget for 2010 is down to €671 million. This contraction of €220 million, or 24%, far exceeds the economic contraction which in GNP terms was 11.3%.[1] The 2010 budget also saw the government delay its target date for spending 0.7% of GNP as overseas aid from 2012 to 2015. This marked the second postponement of this promise.

The aid cuts have had an impact on people right across the developing world. As funding to development non-governmental organisations (NGOs) was cut, many were forced to close country offices and suspend programmes. Though efforts were made to protect the most vulnerable, the scale of the cuts meant that protection was limited. The cuts and the change in the target date for achieving 0.7% cast a long shadow over the ambitions set out in Ireland's 2006 White Paper on Irish Aid. Irish development NGOs now regard legislation as the only means to ensure delivery of the new commitment to reach the ODA target.

New aid policies and guidelines

A new minister for Overseas Development came into office in May 2008. Four months later, the Irish Hunger Taskforce delivered on its mandate "to examine the particular contribution that Ireland could make to tackling the root causes of hunger, especially in Africa".[2] This taskforce drew together national and international expertise, from within and beyond government and NGOs. It proposed recommendations to be taken up at Irish Aid, national and international levels. A Special Envoy for Hunger has been appointed and a Hunger Unit established in Irish Aid. A progress report is due in late 2010.

Alongside Ireland's commitment to the eradication of hunger, its focus on the social sectors is long-standing and honourable. The publication of *Irish Aid Policies on Health and Education* in the summer of 2008 reflect that commitment to and investment in the social sectors across Irish Aid's programmes. Irish Aid spending on Health, HIV & AIDS in 2008 was €138,193,000 (21.4% of aid) and on Education was €83,407,000 (12.8%).[3]

A new *Civil Society Policy*, published later that same year, provided clarity on the direction of Irish Aid support to civil society.[4] Drawn up in close consultation with development NGOs and discussed in a range of programme countries, the policy is intended to "support an enabling environment for civil society to organise and engage with government and its own broader constituencies and to support the role of civil society in promoting participation and good governance, in ensuring pro-poor service delivery and pro-poor growth and globally and nationally to build a constituency for development, human rights and social justice".

In November 2009, *Building Good Governance through Development Cooperation: Policy Orientations for Irish Aid* was published.[5] Governance is a cross-cutting theme for Irish Aid and is taken into account in the planning, implementation and evaluation of all interventions. This paper sets out how this should be done, the structures within Irish Aid to ensure it is done, and other policies which inform mainstreaming across the work of the programme.

The finalisation of its *Environment Policy for Sustainable Development* over the same period formalised Irish Aid's approach to another cross-cutting issue in seeking "to promote environmentally sustainable development that is consistent with the economic, social and environmental needs and priorities of people in developing countries and contributes to poverty reduction".[6]

General Budget Support Guidelines were also published in late 2009.[7] While budget support is an increasingly important instrument in the context of wider efforts to improve aid effectiveness, its effectiveness in tackling poverty is highly dependent on the existence of an environment conducive to that goal. The Guidelines describe the principles and practice which Ireland promotes both in its bilateral programmes and wider programme decision making at the European Union (EU) level.

2009 also saw the release of the *Irish Aid Management Review*.[8] Arising from the 2006 White Paper on Irish Aid, the review considered whether governance arrangements were adequate or whether a new model, such as the creation of an agency, was necessary to maximise the effectiveness of Irish Aid's programme. It concluded that Irish Aid should become more integrated within the

Department of Foreign Affairs. Since then, greater integration between political and development functions in delegations has taken place. The review also suggested a new advisory body and steering group were necessary.

Development Effectiveness

The 2009 Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) Peer Review commended the effectiveness of Ireland's aid programme, as well as its focus on the poorest countries and its emphasis on social sectors and emergency relief that directly affects poor people. The same review spoke of the ODA cuts and urged the government to "refrain from further budgetary action that would undermine [its] commitment".[9]

Despite the cuts and the blow to Ireland's leadership position on overseas aid, efforts were made to protect programme quality. Ireland's investment in improving its effectiveness is still considerable. At the international level, it co-chaired the Roundtable on Mutual Accountability at the High Level Forum on Aid Effectiveness in Accra, September 2008 and now leads the DAC mutual accountability task team. At field level, it has reduced its total number of missions from 32 in 2005 to 11 in 2007. In June 2008, it conducted an internal workshop to learn lessons and identify good practices in sector concentration and division of labour. The *Plan of Action to Implement Commitments under the Accra Agenda for Action* sets out the actions, deliverables and responsibilities underpinning Irish Aid implementation of the commitments made in Accra.[10]

Irish Aid views aid effectiveness as far more than a technocratic agenda and echoes development NGOs' call for development effectiveness, encompassing both the impact of development actors' actions as well as the promotion of sustainable change that addresses the root causes and symptoms of poverty, inequality and marginalisation.

To match this wider perspective, a 2009 report set out detailed recommendations for Irish advancement on policy coherence for development (PCD) and work is on-going to develop PCD indicators. The OECD Peer Review pointed to the need to address inconsistencies and potential policy conflicts among key government departments. The Inter-Departmental Committee on Development is responsible for ensuring those recommendations result in meaningful action.

Irish Aid considers its own effectiveness and the effectiveness of development NGOs as inextricably linked. Since the Accra Agenda for Action (AAA), dialogue between Irish Aid and Irish development NGOs has focused on development NGO effectiveness. This attention is welcome, as is Irish Aid's involvement in the multi-stakeholder forum which is working towards the implementation of the civil society clauses of the AAA. The challenge for both parties is to find an effective means of sharing and learning about progress on all sides to improve effectiveness. Irish Aid's openness to working with development NGOs to improve on Managing for Development Results is a good example of the kind of dialogue on that wider agenda which will be of mutual benefit.

Conclusions and recommendations

As the economic crisis continues, "doing more with less" is a repeated maxim. However, if Ireland is to be a true leader on international development it is also necessary to strive to "do more with more". Unless the pledged levels of ODA funding are delivered, it will be impossible to achieve

the Millennium Development Goals. A legal underpinning of the new ODA target is required.

This would also provide the aid predictability which is necessary for Irish Aid and funded development NGOs to be accountable to beneficiaries in a sustained manner. Irish Aid's plan of action recognises this wider understanding of mutual accountability, going beyond government-to-government accountability and recognising the importance of accountability to beneficiaries.

Transparency also requires further efforts. There is still insufficient visibility of the impact or outcomes of aid and aid effectiveness work. The current Country Strategy Papers for Ethiopia, Timor Leste and Uganda are not available on the Irish Aid website, for example. Availability of aggregated and disaggregated data is variable. The absence of disaggregated gender data, for example, belies the priority given to gender analysis in Irish Aid policy and practice.

It is essential that Irish Aid and Irish development NGOs capture and communicate more effectively the work that is being done and the quality of that work. Public and political support for a stronger aid programme depends on demonstrating the effectiveness and impact of Ireland's actions and ambitions on the poorest and most vulnerable of our world.

Endnotes

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The Italian Paradox: New Aid Strategies, but Decreasing Public Investment

Iacopo Viciani, ActionAid

Overview

- The Italian government remains officially committed to international aid targets.
- The centre-right government elected in May 2008 cut Italy's official development assistance (ODA) by 56% in the Ministry of Foreign Affairs and by 34% on the whole.
- In 2008, Italy was one of the worst three performers on aid quantity in Europe, providing just 0.22% of gross domestic product (GDP). In 2009, Italy's ODA declined to 0.16% of gross national income (GNI), the worst in Europe.
- Italian ODA is expected to drop to 0.15% of GNI in 2010, when debt relief is discounted.
- Debt relief accounted for as much as 22% (US$6.5 billion) of total Italian aid between 2000 and 2008.
- Aid commitments to Sub-Saharan Africa equal only 18.5% of total bilateral aid (the pledge is at least 50%).
- Morocco, Afghanistan, Ethiopia, Lebanon and Mozambique have been the top five recipients of Italian aid since 2000.
- Italy's new three-year plan will halve the number of countries it supports by 2011.
- Italy is the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) donor with the highest multilateral share of aid (74%) in 2009.

Background

The current centre-right government – a coalition of Prime Minister Silvio Berlusconi's Freedom People Party and the Northern League – came to power in May 2008. Berlusconi made no reference to development co-operation in his party's electoral manifesto. The government's first budget in early 2009 cut Italy's international aid managed by the Ministry of Foreign Affairs by 56%. These were despite an October 2009 Eurobarometer opinion poll showing that 74% of Italians support meeting the 0.7% gross national income (GNI) aid target.

In 2009, Italian development co-operation was under double international spotlights with the Italian Presidency of the G8 and with the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) reviewing progress since its last assessment of the Italian co-operation system five years before.

At the G8 summit, Prime Minister Berlusconi reaffirmed his commitment to meeting aid pledges. He confirmed the US$159 million (€130 million) Italian contribution to the Global Fund to fight AIDS Tuberculosis and Malaria plus an additional US$37 million (€30 million). He also committed Italy to contribute around US$450 million over three years to the new G8 Aquila Food initiative.

Development co-operation officials announced zero-cost management reforms, mainly on aid effectiveness. This included many updated strategy papers – a national aid effectiveness plan, new sectoral guidelines and a multi-year strategy for development co-operation.

The Italian government's announcements on aid can be seen as a response to the campaign by aid advocates and the media in the weeks leading up to the Summit. The international media message was simple: Italy lacked the legitimacy to chair an African Summit session due to the grave cuts in aid approved by the new Berlusconi government.

Reality behind the rhetoric

The pledges helped mitigate international criticism, however it is not clear that they are actually translating into changed aid practices. The 2010 budget has not changed the 2009 direction. Net of debt cancellations, Italian official development assistance (ODA) is expected to decline as a proportion of GNI from 0.16% in 2009 – the lowest in Europe – to 0.15% in 2010 (when debt relief is discounted). In 2008, aid commitments to Sub-Saharan Africa decreased to only 18.5% of total bilateral aid, when the new three-year strategy pledged that they would reach at least 50%.

The aid budget reductions have mainly affected the Ministry of Foreign Affairs (MFA), while some resources were made available to the Ministry of the Economy and Finance to pay into its multilateral development bank and global fund commitments. Yet Italy's unmet contributions to multilaterals regional development funds are still around US$1.5 billion.

Even before the cuts, Italy was already, together with Greece and Portugal, one of the three worst performers on aid quantity in Europe, providing just 0.22% of gross domestic product (GDP) in 2008. Now it has been overtaken by Malta and Cyprus – two new European Union (EU) member states. The drastic 56% cut in the 2009 aid budget has mainly affected the MFA through which 20% of Italy's aid budget is managed. It reduced development allocations in the MFA to US$391 million (€321 million), their lowest level ever and even less than Italian NGOs collect privately.

Furthermore, debt cancellation – which does not result in the transfer of new resources to developing countries – accounted for as much as 22% (US$6.5 billion) of total Italian aid between 2000 and 2008. In 2008, Italian ODA/GNI net of debt relief amounted to only 0.16% from 0.22%.

Faced with limited budget appropriations and rapidly decreasing debt relief, the Italian government has been looking for other ways to boost its aid budget. New taxes have been regularly proposed for this purpose, including a migrant tax, a weapons tax and a plastic bottle tax, and a partial allocation of Value Added Tax, but none have been approved yet.

The 2010 OECD-DAC peer review and forecast report show that Italy is the main EU member state responsible for derailing the EU commitment to reach an average of 0.56% of GNI as aid by 2010. The peer review also highlighted the reluctance of Italian development co-operation to implement any significant change. The peer review restated the recommendations from its previous report in 2004 as most of them have not been implemented.

Destination of Italian ODA

Italy is the DAC donor with the highest multilateral share of aid (74% in 2009). Italy spreads its small

amount of bilateral aid finance across a large number of countries. However in the last five years the Italian government has slightly reduced the number of countries to which it provides aid. Its new three-year plan indicates a further reduction from 88 countries now, down to 35 by 2011. The top 10 aid-recipient countries (not taking into account debt relief) have changed little since 2000, with Morocco, Afghanistan, Ethiopia, Lebanon and Mozambique always in the top five. Funding for Afghanistan and Lebanon is linked to Italy's deployment of military missions in these countries. When the missions were renewed both countries received extra funds on top of their regular development co-operation funding.

Between 2000 and 2004, Sub-Saharan Africa received almost half of Italian aid. The Mediterranean region was the second largest recipient. Since 2005 the quota of bilateral aid allocated to Sub-Saharan Africa has been reduced – to just 18.5% in 2008 – while that to the Mediterranean region has increased, contrary to the intentions outlined in the government's 2007-2010 development strategy.

Italian geographical allocations will be linked to immigration control objectives. A June 2009 government sponsored law favours co-operation with countries, such as Tunisia or Libya, that are willing to control migration. This law conflicts with the main objectives of Italian development co-operation legislation and risks further diluting the poverty focus.

The quality of aid management

Procedural complexity and lack of flexibility are long-standing problems in Italian development co-operation. The latest General Audit Office report makes clear that a lack of special accounting procedures for development co-operation activities is among the main obstacles to predictable and timely disbursement.

In late 2007, the Senate Committee on Foreign Affairs proposed new legislation to modernise the Italian aid institutional architecture which dates back 20 years. However, no agreement on the bill was reached during that legislature and the centre-right government is not likely to introduce comprehensive reforms. The Berlusconi government has not even appointed a new deputy minister for development co-operation, leaving this portfolio to be directly managed by the Minister of Foreign Affairs.

Italy is among the worst EU donors in tying aid to purchases from its companies. For instance, in 2005 Italy awarded the biggest concessional loan since 1992 to an Italian firm to build an electric-power tunnel in Ethiopia. The tunnel collapsed two weeks after its official opening in 2010.

The Italian international co-operation legislation requires that all concessional loans have to be tied unless special waivers for local purchases are issued. To comply with the 2001 and 2008 OECD-DAC recommendations on aid untying, permanent waivers have been instituted for heavily indebted poor countries and Least Developed Countries (LDCs). Nevertheless, according to the last DAC report on aid untying, in 2007 only 53% of Italian aid bilateral commitments to LDCs were untied, leaving Italy at the bottom of the DAC donors list.

Some management reforms and strategies for Italian development co-operation have gained momentum. In July 2009 the Steering Committee of Italian development co-operation officially approved the Italian Plan on Aid Effectiveness.

This is the first comprehensive politically-binding document attempting to translate international aid effectiveness commitments into internal actions. Plan implementation is likely to face resistance at headquarters as well as at field level, requiring continuous political leadership.

Civil society recommendations

Italian civil society organisations (CSOs) have welcomed the existence of an aid effectiveness plan, but are disappointed that it does not include ambitious targets on untying concessional loans and food aid. They are advocating for the government to act on priority recommendations from the DAC peer review report. These include: a binding plan to meet international ODA commitments by 2015; untying all aid; developing coherent and global participatory strategies involving all relevant ministries; and enhancing and streamlining evaluation processes. Further recommendations include re-launching the debate on a new legislative framework and developing a comprehensive public communication strategy around the rationale for and results of development co-operation.

Japanese Aid: In Transition After a Long Decline

Hayashi Akihito, Japan NGO Network for International Cooperation

Overview

- In fiscal year 2010, Japan will provide US$6.8 billion (¥618.7 billion) of official development assistance (ODA). The government has slashed the budget 11 years in a row, decreasing it to almost 50% of its 1997 peak.
- ODA was 0.18% of gross national income (GNI) in 2008. This places Japan 21st among the 22 Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) countries. It is almost impossible to reach the 0.7% GNI target by 2012.
- The Middle East, particularly Iraq and Afghanistan, has been the primary destination for Japanese ODA since 2008. Before 2007 most Japanese ODA was allocated to Asia.
- Grant aid was US$4.8 billion or 49.3% of total ODA expenditure in 2008. US$2.8 billion of this was distributed to debt relief.
- US$3 billion or 31.5% of total ODA was spent on technical cooperation.[1]
- The new Japanese government, led by the Democratic Party of Japan, has been making efforts to reform Japanese ODA but has not yet achieved significant results.

In the last two years Japan has hosted two big international conferences, changed governments, and announced a series of reforms on aid. These have the potential to change Japanese aid but results are as yet hard to see in aid statistics.

TICAD & Hokkaido G8 Summit

The Japanese government hosted two international conferences in 2008. For the Fourth Tokyo International Conference for African Development (TICAD IV), Japan invited African heads of state to discuss issues including development and climate change. Japan pledged to double its official development assistance (ODA) for African countries by 2012 and introduce policies that would increase the amount of Japanese private investment in Africa. There is so far little evidence that the Japanese ODA pledges at the conference have been implemented.

At the 2008 G8 Summit hosted by Japan, governments agreed to cut 50% of their carbon dioxide emissions by 2050. Non-government organisations (NGOs) strongly criticised this policy because it lacked a baseline, and the new Japanese government changed its policy in response. On the issue of development, G8 countries reaffirmed the Gleneagles commitment to increase ODA to Africa by US$25 billion a year by 2010 compared to 2004 levels but it has not produced a road map to achieve this goal.

The New JICA

Japanese aid delivery structures were reformed in October 2008. A new Japanese International Cooperation Agency (JICA) was born composed of three major ODA implementation organisations that were previously separate. They

are JICA itself, the ODA division of the Japan Bank for International Cooperation (JBIC), and the grant aid division of the Ministry of Foreign Affairs (MFA). The reorganisation is intended to make Japanese ODA more coherent, transparent and responsive to the need of developing countries. Although the impact of this change is still unclear, some increased synergy between the three schemes is expected now that they are handled by one division.

Public support declines continuously

A survey carried out in March 2009 by the Association for Promotion of International Cooperation (APIC), a parastatal body established by the MFA, found that:

- 12.7% of the Japanese public said Japanese ODA should be increased;
- 32.3% considered that it should be kept at the current level;
- 32.3% favoured reduction of aid; and
- 22.6% did not know.

The number of people who favour a reduction of aid has doubled in the last decade. However 58.6% of the public surveyed thought that the amount of the Japanese ODA has increased in the last decade, when in fact it has decreased continuously. This shows that more work is needed to improve the Japanese public's understanding of ODA.

This opinion poll shows that the Japanese public wants to support ODA spending on poverty reduction (66.9%), health and medical services (50.7%), and infectious diseases (44.2%). There is less public support for promoting large-scale economic infrastructure (30.9%) which the Japanese government in fact prioritises.

Accra High Level Forum and OECD/DAC peer review

The Japanese government participated in the 2008 Accra High Level Forum (HLF) on aid effectiveness. The efforts of Japan and the US to block a good outcome were criticised by international civil society organisation (CSO) networks such as CONCORD and Better Aid.[2]

Japanese NGOs had three meetings with the government to talk about aid effectiveness before the Accra HLF, but the discussions were not fruitful.[3] After the HLF Japanese NGOs asked the government to set up a standing committee to discuss issues for the 4th HLF in 2011. The kick-off meeting was held in March 2010, after a considerable delay, but Japanese NGOs are expecting several meetings before the 4th HLF and a positive policy re-direction from the new Japanese government, for example on untying aid and emphasising democratic ownership.

In October 2009, the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) conducted a peer review on Japanese ODA. Using this as an opportunity, Japanese NGOs published several statements that pointed out the further necessity of reforming Japanese ODA. Recommendations included shifting the purpose of ODA from "the narrowly focused national interest" to "the poverty reduction to achieve the goals in Millennium Development Goals (MDGs)" and fostering involvement of civil society in Japanese ODA policymaking in both Japan and recipient countries.[4] Japanese NGOs had a session with OECD-DAC members where they tabled their statements. The result of the peer review will be released in May 2010.

National election and the change in government

In August 2009 the Democratic Party of Japan won the national election and became the ruling party for the first time. The Democratic Party focuses on aid for Afghanistan, climate change and NGOs in its foreign policy and has allocated resources to these areas in the 2010 budget. The government pledged US$5 billion to Afghanistan over the next five years although details are yet to be elaborated. On climate change the government declared a goal of reducing emissions to 25% below its 1990 level by 2020 and announced the "Hatoyama initiative" which supports developing countries financially and technically to cut emissions and prevent the damage caused by global warming.

The government set up the "Revitalization Unit", *Gyosei Sasshin Kaigi*, in September 2009 to review the budget, institutions and other public administrations. ODA was placed on the agenda and the Unit pointed out that some parts of the ODA budget were considered wasteful expenditures. That decision led the Ministry of Foreign Affairs (MoFA) to reduce the budgets for grant aid and for JICA.

Foreign Affairs minister Okada Katsuya also released a "300-day plan" to review the budget and structure of his ministry, in which ODA is also under review. The result is to be revealed in the summer of 2010.

The new government has reviewed the budget allocation for NGO support and increased it by about US$33 million (¥3 billion) in the 2010 budget. This is nearly 50% more than the previous year, although the amount is still below the average of DAC donors.

Conclusion

The government is currently reviewing the role of the ODA and reallocating its expenditures under the "300-day plan". Japanese aid could be spent differently in the near future. Japanese NGOs place high expectations on the reform of ODA which might reverse the downward trend and set up a more favourable enabling environment for NGOs. Minister Okada is actively proceeding with the reform to make ODA more effective and is showing a positive attitude to dialogue with NGOs. In fact, Minister Okada came to exchange opinions with NGOs in the NGO-MoFA regular meeting in April. However, the new framework of the ODA is yet to come. This is a crucial transitional period.

Endnotes

1 See the Japanese ODA white paper. http://www.mofa.go.jp/policy/oda/white/index.html.

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Korea Joins the Big League with a Donor-centric Approach

Lee Tae Joo, ODA WATCH-Korea

Overview

- Korea became a new member of the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) on 1 January 2010.
- The Korean government pledged to triple official development assistance (ODA) volume from US$802 million (0.09% of gross national income, or GNI) in 2008 to US$3 billion (0.25% of GNI) by 2015.
- However ODA only increased by a fraction to US$816 million (0.10% of GNI) in 2009.
- It is expected that the ODA budget will be increased to US$1.12 billion (0.13% of GNI) in 2010.
- Korea's additional ODA is mainly in the form of loans and larger contributions to regional development banks and funds. Korea will also provide more contributions to various global funds such as the Agriculture and Food Security Fund.
- Korea gives aid to 30 partner countries through individual projects chosen by Korean agencies.
- Only 25% of Korean ODA is untied – compared to a DAC average of 85% in 2007.

Korean membership in the OECD-DAC

Korea joining the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) was a historic and symbolic event – it is the only former aid-recipient country in the DAC. Korea has experienced economic gains and social and cultural losses within a very short time period and bears a responsibility to share its unique development experiences in the provision of its ODA. Furthermore, Korean civil society organisations (CSOs) may be able to share valuable lessons with others in seeking truly effective development.

The Korean government has shown strong political will to raise public support to contribute to international development cooperation. It promised to triple ODA between 2008 and 2015. However, the reality of Korea's ODA performance has so far been disappointing. OECD-DAC statistics show that Korea only marginally increased ODA as a percentage of gross national income (GNI) between 2008 and 2009, from 0.09% to 0.10%. It is a long way from reaching its aid commitment of 0.25% of GNI by 2015.

The 2008 OECD Survey on Monitoring the Paris Declaration (PD) rates Korean ODA to be inefficient and ineffective, far behind the average level among donors. Korea's scores on some of the 12 PD indicators are:

- Use of country public financial management systems – 10%;
- Use of country procurement system – 5%
- Aid is more predictable – 19%
- Use of common arrangements or procedures – 1%
- Joint country analytic work – 0%

Donor-centrism in Korean ODA

As far as the Korean government is concerned, ODA serves as a soft-power instrument in acquiring the status of an advanced country. Aid policy is clearly linked with national interests and its objectives to obtain more influence in diplomacy, security and commerce and to secure oil and natural resources. Approaches to and distributions of ODA are highly donor-driven and do not support partnership or ownership.

Korea lacks a coherent and consolidated aid system. ODA administration is characterised by competition between ministries and agencies, dominated by the Ministry of Strategy and Finance (MOSF). MOSF is responsible for loans and contributions to the multilateral development banks as well as for scaling-up ODA volume and aid budget allocations. It stresses national interests, economic co-operation and aid-for-oil in executing ODA. Therefore the criteria to select partner countries are based on bilateral economic relations and co-operation on investment, trade and natural resources.

As much as 75% of Korean ODA is tied, compared to an average of only 15% in the DAC in 2007. Despite there being a DAC recommendation on untying ODA to the least developed countries from 2001, the untied ratio of Korean ODA to the Least Developed Countries (LDCs) is only 20% compared to 98% for the other DAC countries excluding Korea. Nevertheless, the Korean government has recognised its obligation as a DAC member to untie aid and has therefore adopted a long-term roadmap of untying ODA to the level of 75% of total aid and 90% of aid to LDCs and heavily indebted poor countries by 2015.

Furthermore, Korea does not have program approaches to achieve respect for human rights, sustainability, gender equity, and democratic ownership of the partner country. There are no overarching Country Assistance Strategies (CAS) agreed with partner countries based on high-level policy dialogue aid effectiveness principles or national plans and achievement of the Millennium Development Goals (MDGs). Korean aid is scattered across 30 partner countries via hundreds of individual projects chosen by Korean agencies and diplomats.

Pressure for reform

There are three major civil society networks work on international development cooperation in Korea. The Korea NGO Council for Overseas Cooperation (KCOC), established in 1999, is an association of 67 development non-government organisations (NGOs) implementing aid projects with the aim of eradicating poverty. The Korean NGO Network against Global Poverty, made up of 25 NGOs and associations, started the global white band campaign against poverty in association with Global Call to Action against Poverty (GCAP) in 2005. Finally, the Korean Civil Society Forum on International Cooperation (KoFID) was created in 2010 to prepare for the HLF-4 to be held in Seoul in 2011. It aims to include more development, advocacy, environmental, human rights and women's organisations, as well as relevant trade unions and foundations. KCOC, GCAP-Korea and KoFID are core networks representing civil society organisation (CSO) voices to the Korean government and to international CSO networks such as BetterAid.

These networks and their member organisations – such as ODA WATCH and People's Solidarity for Participatory Democracy – have stressed the need for more integrated and coherent aid policy. ODA WATCH, with TERRA and Mekong Watch,

jointly evaluated Korea's country assistance program to Laos in 2010. Their assessment was that the overall development benefit for local people of the Korean Economic Development Cooperation Fund (EDCF) and many grants by Korea's International Cooperation Agency (KOICA) was dubious at best and sometimes negative. All the projects in Laos have been implemented in a relatively short period of time by Korean companies and Korean experts, using Korean goods and machinery.

Korean ODA lacks attention to ideas of local ownership, participation, empowerment, capacity building or sustainability. Korean CSOs have therefore argued strongly that the Korean government should:

1. Consolidate the fragmented aid system;
2. Move away from 'flying the flag' through individual projects and instead invest in people in the partner countries; and
3. Agree Country Assistance Strategies and priorities with partner countries for all Korean aid activities.

However, despite significant peer and civil society pressure, little has changed in real terms. In 2006 the government established the Committee for International Cooperation (CIDC) – chaired by the Prime Minister – to coordinate the fragmented aid system and review major ODA policies and mid-term and annual plans. Yet the new Korean Basic Law for International Development Cooperation, enacted in July 2010, has only institutionalised and reinforced the former highly fragmented ODA system. There is still no overall framework integrating each ministry and agency to make Korean ODA more effective, efficient and coherent. Furthermore, while the Korean government acknowledges the importance of CSOs' role in international development and wants to strengthen partnership with civil society, the portion of grants allocated to NGOs is still below 1% of the total national ODA budget, and policy dialogue with civil society on aid is relatively limited and formal.

Conclusions: Towards development alternatives

The rapidly rising ODA of emerging donors including Korea and China is attracting global attention. Many officials in these countries see ODA as a strategic tool for serving national interests and securing resources such as oil and minerals overseas. These new donor countries need to show whether they will follow the traditional approaches to development aid that are so criticised in both the North and the South, or follow genuine development alternatives.

There is a need to critically review the balance in aid relationships, including between the public and private sectors, and within South-South and South-North relationships. Official development assistance is currently too biased to bilateralism that gives priority to national interests. More effective, more multilateral, more cross-regional, more global and more humane approaches should be found. There should be a new comprehensive framework for international cooperation with a reshaping of aid partnerships.

The aid effectiveness agenda has become too technocratic and depoliticised to provide this new alternative. It is urgent to introduce the concept of development effectiveness to evaluate the comprehensive impact of aid with due consideration of development processes and outcomes on democracy, human rights, gender and the environment in partner countries. Korea's aid relationships should be rebalanced in favour of democratic participation and ownership, with much more local engagement. Principal

elements of development effectiveness should be empowerment, justice, sustainability, equality and solidarity, sovereignty, self-reliance and autonomy in developing countries.

Too often, international development aid undermines traditional human relationships among families and communities in developing countries and leaves them in confusion and deadlock, sharpening the burden of poverty traps and dependency upon global markets. A new approach based on development effectiveness should work to promote traditional values of community and promote respect of human dignity and the sense of people's ownership of their destiny.

Dutch Aid: Risk of Cuts and Lower Priority to Health

Esmé Berkhout and Sasja Bökkerink, Oxfam Novib

Overview

- Since the late 1990s the Dutch government has been giving the equivalent of 0.8% of gross national product (GNP) on aid. It is among the few countries living up to the promise to spend at least 0.7% of national income on aid.
- In 2008, Dutch government spending on official development assistance (ODA) amounted to €4,850 million (US$6,000 million). This equals 0.8% of Dutch gross national income (GNI).
- In 2009, the government stuck to its commitment to spend 0.8% of national income on aid despite the economic crisis. Dutch ODA in 2009 slightly increased in relative terms compared to the previous year. However ODA in absolute terms declined to €4,571 million – less than the €5,127 million the government originally budgeted. Even if the government sticks to its commitment to spend 0.8% of national income on aid – which is by no means certain – aid levels will be lower than originally foreseen when the Dutch economy was growing more strongly.
- In 2008, Dutch ODA was inflated by at least €233 million (5%). The Dutch government spent €59 million of its aid budget on export credit debt cancellation and €174 million on refugees. Aid inflation is increasing. In 2009, spending on refugees is estimated at €247 million and spending on debt cancellation at €30 million. In 2010 the government expects to spend €300 million on debt cancellation and €262 million on refugees. These allocations represent 12% of ODA.
- A large share of Dutch ODA is channelled to civil society organisations (CSOs). In 2009 about one-third of Dutch aid consisted of bilateral aid (government to government), a quarter went to multilateral organisations, about 8% went to the private sector, and 23% to civil society. Part of this spending on civil society is directly channelled to Southern CSOs by the Dutch government and part is channelled through Dutch CSOs.
- The government claims that the 12% spending cut for 2010 will mainly paid for by cutting bilateral aid. The reality is that bilateral aid will go down by 6% and spending on export credit debt cancellation will go up by 6%.
- Historical ties still influence Dutch ODA allocation. In 2010 the biggest recipient of Dutch bilateral aid is Indonesia, and Surinam is at number six. Other top 10 recipients include Tanzania, Sudan, Ghana, Bangladesh, Mozambique, Mali, Zambia, Burkina Faso. More than half of bilateral aid goes to Sub-Saharan Africa.

Risk of budget cuts

In 2009 the Dutch government agreed not to abandon its commitment to spend 0.8% of national income on aid. Yet pressure to do so will emerge again in 2010. The results of the national

elections in June are not known as of writing of this article. But it is clear that holding on to 0.8% will be difficult, as two of the major political parties want to cut aid by half, while the Christian Democrats would like to reduce aid to 0.7%. Most other political parties want to continue spending 0.8% of national income on aid.

The aid budget is clearly at risk, a risk compounded by the fact that – as in many other European countries – aid cynicism in the Netherlands is on the increase. These make the aid budget an easy target for overall budget cuts. The debate has regrettably not been very constructive. Rather than discussing ways to make aid more effective, publications such as Dambisa Moyo's 'Dead Aid' are being used by aid cynics to argue for aid cuts. Besides claiming that aid is ineffective, aid cynics also criticise the fact that the Dutch government has for years been giving much more aid than other countries.

The desire to cut aid levels is not only linked to a belief that aid is not working, but also to the need to cut overall spending. The government has announced needing to cut its overall budget by €29 billion or about 12% of total government spending budgeted for 2010. It is positive though that working groups tasked to come up with recommendations to reduce government spending in specific areas by 20% have concluded that cutting aid will impact negatively on the development results and will have an adverse impact on the international position of the Netherlands. If aid levels were to fall below the 0.7% this would even cause "big damage" to the reputation of the Netherlands abroad.

Aid effectiveness

The Dutch government has been taking forward the Paris Declaration on Aid Effectiveness (PD) and is playing a very active role in the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) working party on the issue. Within the European Union (EU), it has pushed for an agreement on the code of conduct on complementarity and division of labour. In line with this code of conduct the Dutch government takes the lead in the process of addressing donor fragmentation in Mali and Mozambique. Also, the Netherlands ranks third on the Commitment to Development Index which looks beyond aid quantity and aid quality and includes trade, investment, migration, environment, security and technology.[1]

A focus on development results is very important to the Dutch government, and the government publishes a report on results every other year.[2] These reports are written in consultation with Dutch civil society organisations (CSOs). The report looks at bilateral, multilateral, and civilateral aid. While acknowledging the difficulty of attributing specific development results to Dutch interventions, the report gives an overview of input, output, outcomes and impact, focusing on the Millennium Development Goals (MDGs).

The Dutch government frequently stresses that aid should be demand-driven and that recipient countries should own the development process. The government understands the need for democratic ownership. Strengthening civil society and national parliaments in recipient countries is considered important to strengthen domestic accountability processes. Nonetheless, the government has been criticised by the Dutch parliament and non-government organisations (NGOs) for not genuinely implementing the concept of democratic ownership. The concept of ownership and democratic accountability has for instance been criticized by the evaluation service of the foreign ministry as "an empty formality".[3] A

recent report of the Dutch Scientific Council to the Government even concludes that the way citizens are involved is often nothing but a technocratic exercise to formally legitimise the process.[4]

In January 2010, the Dutch Scientific Council to the government produced a report on development co-operation which generated a lot of debate and which will have a large impact on the future design of Dutch development policies. While the report includes many valuable insights and recommendations, in some areas the recommendations are less well-founded. A key recommendation of the report is for Dutch development aid to focus on economic growth and development instead of investing in health and education, arguing that this is the way to make people and countries self-reliant. Granted, economic growth is key to development and investing in economic development – and in particular small-scale livelihoods – is vital. But, first of all, growth will not help to reduce poverty unless it goes hand-in-hand with equality which is where a strong civil society can make a difference. And, secondly, economic growth requires healthy and educated citizens: investing in health and education therefore remains crucial. Focusing just on economic growth therefore does not make sense. Investing in social development and investing in a strong civil society is as important.

Gender and social and reproductive rights

The MDGs are a core guide to Dutch development policies. As part of its drive to help achieve these goals, one priority of the Dutch government is to focus on fragile states as these countries are most behind on the MDGs. Another priority is gender equality and in particular sexual and reproductive health and rights, an area where progress is slow.

The Dutch government addresses sexual and reproductive rights in dialogue with partner countries and supports United Nations (UN) agencies including the United Nations Fund for Population Activities (UNFPA), United Nations Children's Fund (UNICEF) and the World Health Organisation (WHO). The Netherlands also support NGOs and public-private partnerships working to increase access to sexual and reproductive rights services (complementing public services) and commodities (including the female condom). Furthermore, the Netherlands supports the Global Fund to fight HIV, TB and Malaria, whose mandate has been broadened to strengthening health systems and to contributing to reducing maternal mortality. In addition, the government has signed up to the International Health Partnership, which aims to improve aid effectiveness in the health sector.

2010 will see a review of progress on the MDGs and is expected to raise significant attention for MDG5 on maternal health. 2010 will be a year in which donors like the Netherlands have to take the initiative and demonstrate how aid quantity and quality for health – including sexual and reproductive health – will be further improved in order to achieve the MDGs, equity and health for all.

Endnotes

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4 Minder pretentie, meer ambitie. WRR, 2010, page 151.

The Reality of Aid in New Zealand, 2010

Pedram Pirnia, New Zealand Council for International Development

Overview

- There has been a steady increase in aid. In 2008/09, New Zealand's official development assistance (ODA) was US$342 million and is forecast to increase to US$355 million in 2009/10, US$373 million in 2010/11, US$391 million in 2011/12, and US$426 million in 2012/13. However, these increases are less than the rate of gross national income (GNI) growth.
- The New Zealand government has abandoned its pledge for ODA to reach 0.35% of GNI by 2010.
- New Zealand's aid agency, NZAID, has been turned into the International Development Group, a business unit in the Ministry of Foreign Affairs and Trade.
- The mandate of NZAID has shifted away from poverty eradication towards sustainable economic development.
- In 2008/09, 34% of New Zealand's ODA was directed through multilateral organisations and non-government organisations (NGOs). The biggest recipients were the World Bank (WB), Asian Development Bank (ADB), United Nations Development Programme (UNDP) and World Food Programme (WFP).[1]

Changes in ODA focus

In the 2004 Reality of Aid report, the article on New Zealand enthusiastically announced a new era in New Zealand's official development assistance (ODA) with the formation of NZAID as a semi-autonomous aid agency. It also spoke of the high degree of co-operation and consultation between the government and the non-government organisation (NGO) sector on aid policy. At that time, it was agreed that aid policy would focus on poverty and human rights. This unfortunately is no longer the case.

Without consultation, the new government elected in November 2008 removed NZAID's semi-autonomous status and moved it back under control of the Ministry of Foreign Affairs and Trade.[2] NZAID's mandate was changed "to ensure that ODA was closely aligned with and supported foreign policy priorities".[3] Nowhere in the process did the Minister make reference to the Millennium Development Goals (MDGs) and the contribution that New Zealand's ODA will make towards achieving them.

The strategic objective of NZAID has changed from "poverty eliminated through development partnerships" to that of "sustainable development in developing countries, in order to reduce poverty and contribute to a more secure, equitable and prosperous world." The new mandate will "seek to use objective measures like trade and tourism statistics as indicators of success or failure over time".[4]

Previously, the three cross-cutting themes for NZAID and New Zealand ODA policy

were: human rights, gender and environmental sustainability. The new approach has replaced these themes with sustainable economic development and the Pacific.

NGOs involved in development overseas are saddened that the aid increase has slowed and that the government in New Zealand has revealed a lack of true commitment to good development. Efforts to achieve genuine partnerships have been abandoned. As stated in a major review "ODA asks partner governments; 'What are your needs and how can we help them?' Foreign Affairs asks: 'What are our needs and how can we advance them?'"[5]

Council for International Development (CID) members united to create a *Don't Corrupt Aid Campaign*. CID produced fact sheets emphasising the importance of maintaining the semi-autonomous status of NZAID but changes were still made without consultation with development experts or considering what is best for the development sector.

NGOs continued to challenge these changes, but the result has been the cancelling of government funding that supported engagement in public debate on development issues. Core funding for the CID of US$0.6 million was cancelled. This was followed by the cancellation of the US$18.5 million funding for NGO work through KOHA-PICD (Partnerships in International Community Development) and HAF (Humanitarian Action Fund).

New Zealand and Pacific partners

New Zealand NGOs involved in the development sector are currently being asked to reassess their programmes in light of the New Zealand government's new priorities and to focus more on assisting the sustainable economic development of Pacific Island partners.

The economic crisis has impacted the whole region negatively. The balance of trade in goods and services for key Pacific partners continues to decline. For example, Tonga has a deficit equivalent to 52% of gross domestic product (GDP), while Fiji, Vanuatu, Solomon Islands and Samoa have deficits ranging from 11% to 26% of their GDP.[6] The only exception is Papua New Guinea, which has a surplus equivalent to 16% of GDP as a result of massive investment in oil and gas extraction. Yet it still has the worst maternal mortality rates in the Pacific.

Advancement of the MDGs in the Pacific region is directly related to government effectiveness. Weak accountability mechanisms and high levels of corruption are major contributors to the lack of effective and transparent public expenditure and service delivery across most of the Pacific. Many civil society organisations (CSOs) in the Pacific report that they do not have adequate opportunities to comment on aid and development issues. There are also major concerns around gender equality and short-term resource management approaches, for example in fisheries and forestry.

The government's approach to civil society in Pacific countries has been to end funding for the Pacific Islands Association of NGOs after one year of a three-year commitment, and to cut funding to the secretariat for the Foundation for the Peoples of the South Pacific (FSPI), a regional NGO based in Fiji representing a network of 10 independent community-based organisations. One rationale for this cut was because FSPI ran a governance programme which "aimed at improving relationships between civil societies and governments".[7]

Rather, the government is promoting an extension to the Pacific Agreement on Closer Economic Relations (PACER). "PACER Plus is a proposed free trade and economic development agreement between New Zealand, Australia and Forum Island Countries, to operationalise the commitment to regional economic integration and trade liberalisation contained in the PACER."[8] Land reform is also being increasingly favoured, with advocates claiming that customary land tenure has hindered development in the Pacific region.

However, NGOs are concerned that changes are being pushed forward without adequate investigation of their long-term consequences. "Most of the Pacific governments and many NGOs are very nervous that the PACER Plus changes are being rushed through before the impacts are fully understood, and without adequate opportunity for consultation with civil society."[9] Meanwhile, land reform may have unintended consequences such as conflict or, as in the case of Samoa, changes to traditional socio-political systems.

There are major population movements out of Pacific Island states primarily as a response to development and environmental challenges. Remittances from internal and international migrants to family members at home are a major source of income for many Pacific countries, particularly in Polynesia, and total over US$400 million per year. "Second-generation migrants, however, are likely to send smaller amounts only on demand. Maintaining remittance flows at high levels therefore requires a steady flow of new migrants."[10]

The Recognised Seasonal Employers Scheme organised by the New Zealand Ministry of Labour has aimed to "assist employers in the horticulture and viticulture industries wanting to hire seasonal workers". "Priority is given to migrants coming from the Pacific, with the idea of encouraging a mutually beneficial relationship where employers have access to a secure labour supply and workers gain entrance into the New Zealand labour market."[11] Though not without teething problems, this scheme has nonetheless been welcomed by Pacific Island governments and has been generally seen as a success.

The government of New Zealand is also part-funding a project co-ordinator to identify all constraints towards lowering the costs of sending remittances home to Pacific countries. As a result, a regulation was approved in late September 2008 that encourages the financial sector to offer more efficient and effective products. A second phase of work is now focusing on financial education and awareness-raising programmes.[12] NZAID and AusAID are also co-funding a website to increase awareness of the money transfer options.

Westpac Bank introduced a new low-cost "remittance card" as a result of the September 2008 regulatory changes driven by the project. The remittance card won the *Sunday Star Times* award for best new product in its annual survey of New Zealand banks. The card won because "it is designed to meet the needs of people often overlooked by the financial sector… to break the stranglehold of exorbitant money transfer schemes that clip the ticket every time people send money back to families in the Pacific Islands, which often puts food on tables or helps rebuild after tropical storms."[13]

As part of the New Zealand government's Emergency Taskforce, the NGO Disaster Relief Forum (NDRF) provides an essential link between NGOs and other humanitarian actors in the

Pacific during an emergency in the region. This enables New Zealand's overall response to an event in the Pacific region to be coordinated and effective. The NDRF has expanded its work to reflect the growing importance placed on disaster risk reduction through group work, training and shared learning. The impact of the termination of the Humanitarian Action Fund on NGO capacity to undertake this work is not yet clear.

New Zealand and aid effectiveness

New Zealand is committed to the Accra Agenda for Action (AAA). However, 'management for results' and 'outcome reporting' are challenging. The New Zealand government has made several statements that criticise partner country governments in the Pacific region and question their ability to self-govern. This indicates a shift in the government's commitment from recipient-focused aid, towards a strong donor focus with undertones of conditionality.

Currently there is a lack of real consultation with CSOs when it comes to New Zealand ODA and there is poor communication in general between the government and development experts. Funding and decision-making processes lack transparency and development funds are being directed according to New Zealand government priorities and foreign policy interests.

The New Zealand government has a narrow focus on short-term projects which target economic growth or respond to lower tourism numbers in the Pacific, but do not cover the range of conditions needed for sustainable pro-poor growth. Sector wide approaches are useful but they should involve civil society and the private sector; there has also been an inadequate use of in-country advisers and local expertise.[14]

To ensure that New Zealand does not become too deeply involved in the internal functioning of the recipient country, it is essential that there is dialogue between the three main players in a country – the state, civil society and the market.[15] The engagement of development NGOs in the process is crucial;[16] it is not sustainable when a country becomes dependent on donor interventions and local actors are de-legitimised. More effort needs to be made by the New Zealand government in facilitating this coordination.

Finally, New Zealand's indicators for development effectiveness should be based on more than just the trade and tourism statistics of recipient countries. They should seek to include issues of justice and human rights which are central to development issues. This would contribute to attaining sustainable development that encompasses the social, cultural and economic well-being of all people.

Endnotes

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5 "Towards Excellence in Aid Delivery – A Review of New Zealand's Official Development Assistance Programme" 2001. Joseph Grossman and Annette Lees.

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12 Annual Report 2008/09 Ministry of Foreign Affairs and Trade for the year ended 30 June 2009.

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14 OECD (2004) Accelerating Pro-Poor Growth through Support for Private Sector Development. At; www.oecd.org/dataoecd/53/21/34055384.pdf, p. 64.

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In the Champions League?: Spain and the Challenges of More Efficient Aid

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Overview

- Spanish spent €3,762 million on aid in 2008.[1] The real increase of Spain's official development assistance (ODA) in United States dollars was 24%, making Spain one of the countries that most increased its ODA between 2007 and 2008.[2]
- Spain's 2008 level was 0.45% of the country's gross national income (GNI), below its stated goal of 0.5%.[3]
- Spain contributed 58.5% of its ODA resources to multilateral organisations in 2008.[4] There are some positive steps but still many deficiencies in this component of Spanish aid.
- In 2008, Spanish bilateral debt relief operations rose to €236.7 million, equivalent to 5% of net ODA. Some 99.84% of the agreements on debt relief and restructuring were for operations in Iraq and Guatemala. These do not correspond to development aid priorities and cover debt that resulted from questionable financial operations.[5]
- Programmatic aid increased to 3.69% of net Spanish bilateral aid in 2008, double the proportion in 2007.[6] Bilateral sector budget support increased from €22.3 million in 2007 to €36.85 million in 2008.[7] €421.11 million of programmatic aid was spent via thematic multilateral funds.[8]
- Spanish humanitarian action made important advances in 2008.[9] The total of net humanitarian aid operations rose in 2008 to €395.9 million (8.31% of net ODA).[10]
- In 2008, Spain channelled over 30% of its gross ODA to less advanced countries and 32% of its bilateral aid (including thematic multilateral funds) to finance basic social services.

Spanish cooperation 2008-2009

2008 did not see any significant innovation in Spanish aid. Some progress was made on division of labour and humanitarian aid but the Spanish aid system still needs to be modernised to deliver the increased volume of aid resources in a way that complies with aid effectiveness principles.
Since the 2008 general election, aid targets were maintained and ratified repeatedly by the prime minister, government ministers and all parties represented in Parliament. The 2008 aid data largely support those commitments, but the economic crisis has already had a negative impact on aid levels. According to preliminary Organisation for Economic Cooperation and Development (OECD) information, Spanish net official development assistance (ODA) fell slightly from €4,761 million to €4,719 million between 2008 and 2009, below Spain's commitment of 0.50% of gross national income (GNI).[11] In May 2010, the Spanish government published a list of measures for reducing the public deficit including a cut of €800 million on development aid spread over 2010 and 2011.

Discussions have proceeded on implementing the aid effectiveness agenda. Spain, mainly through the General Directorate of Planning and Evaluation of Development Policy (DGPOLDE), is becoming involved in division of labour processes and the use of national systems. Interesting small advances are occurring in this regard in the field. In Bolivia, Spain and Denmark are together facilitating the division of labour among donors.[12]

These positive initiatives must be brought into a more structured strategy to guarantee their

sustainability and coordination with the rest of the system. However, the government has yet to publish a full aid effectiveness strategy or plan.

Towards effective multilateralism

The new Master Plan for Spanish development cooperation maintains a clear position in favour of active, effective multilateralism. The government now needs to implement the multilateral strategy that was approved in 2008 to guarantee a clear orientation and public accountability to match the volume of finance involved. Intermón Oxfam estimates that the amount Spain dedicated to multilateral development bodies was over €2,785 million in 2008, a growth of 23.4% over the previous year at current prices. Such rapid growth risks dispersion of effort and difficulties in monitoring investments. The DGPOLDE and the Spanish Agency for International Development Cooperation (AECID) are making a significant effort to give a more strategic orientation to multilateral cooperation. There is much to do to ensure that the dozens of contributions are justified, aligned and duly scrutinised. This is particularly true in the context of the economic crisis as Spanish voters may be more concerned about practices whose impact or result is not easily communicable.

Predictability, transparency and accountability

Aid predictability is essential for partner countries to plan ahead. Reliable, multi-year agreements must be established, prioritising budget support and programmatic aid with commitments that grow each year.

Decentralisation of decision-making to recipient country level must also be pursued further. Dialogue with partner countries is crucial for defining cooperation priorities so it is essential to have country-level representation with sufficient capability and authority. To play their part in donor division of labour and delegated cooperation, officials in the field must have greater strategic autonomy and the ability to dialogue directly with partner countries, civil society groups and other donors. The headquarters must transfer its capacity for decision-making and representation to the field while building up its ability to give assistance, orientation and coherence to local actions.

For several years now, "transparency and accountability" have been endlessly repeated but with few significant advances in practice. It is still difficult to find up-to-date information on aid activity that is broken down by sectors, countries and instruments. Again, this is partly due to the lack of adequate trained personnel in the relevant departments. On occasion the AECID Technical Cooperation Offices themselves provide more information than the AECID headquarters.[13] There is a lack of joint vision and management to enable people to monitor cooperation activity.

It is essential to improve the publication of accounts, disseminate the successes of Spanish cooperation, and regularly offer information on the execution and performance of our ODA. This must be done in a way that is simple, educational and easy to understand, use and analyse. As well as producing raw data further evaluations of the results of Spanish assistance must be published. The 2008 *EU Aidwatch* report gave Spain one of its lowest ratings in this regard.[14]

The AECID is making some advances in management for results, evaluation and quality control which are essential for public support and accountability. Spain is part of a working group within the OECD Development Assistance

Committee (DAC) that seeks to adapt evaluation methods for results-based management, although for the moment it has not yet developed results-based management.

Structural changes in Spanish aid

Change in the Spanish aid system is occurring very slowly. This was the conclusion of the Cooperation Council in its report on the Annual Cooperation Plan 2009.[15] The Council, a multi-stakeholder body, formed by representatives of civil society, government and academia, found that "Spanish cooperation is dragged down by a notable asymmetry between the pace of resource growth over the last several years and that of the reform and strengthening of its institutional and management systems." The Council recommends that the government focus its attention on improving the "human, technical and management abilities of the system itself." AECID recently signed a new management contract that establishes a new structure and positions but this is just the tip of the iceberg. AECID and other participants in the system have significant changes to make. These include reforms in staff recruitment and management systems, instruments and initiatives, aid predictability, decentralisation, and transparency and accountability.

Key staffing reforms are still pending. Managers must increase their specialisation and professionalisation. Positions must be assigned based on merit and experience through open, transparent hiring processes. In the medium-term, a cadre of people following a structured career path in development cooperation should be created within the administration. In the meantime, mechanisms should be established to allow the administration to obtain the skills and experience it lacks by contracting specialised personnel. Until now, this work has been carried out by technical assistance, especially through the FIIAPP, a public foundation whose mandate is still unclear.[16]

Tradition and modernity continue to co-exist in Spanish cooperation. The AECID Management Contract is presented as a way to "foment programmatic aid as a cooperation modality" but there is still resistance to abandoning programs and projects which do not fit the Paris Declaration (PD) principles. There are still too many isolated programs and projects. Moreover, the aid budget for 2010 has exponentially increased the percentage of loans, with a new budget line of €555 million under the heading of "financial cooperation". The government favours reimbursable aid because it does not add to the public deficit. Spanish non-government organisations (NGOs) have, however, already voiced their concerns about the use of the excessive amount allocated to loans.

Distilling lessons from many peer review exercises, in 2008 the OECD-DAC confirmed these deficiencies in Spanish cooperation and adds some others.[17] The DAC report presents a series of proposals including:

a. Establishment of a suitable legal and political base for development cooperation;
b. Management of conflicting national interests;
c. Introduction of policy coherence mechanisms;
d. Tackling of institutional effort dispersion;
e. Promotion of collaboration among the units responsible for multilateral aid;
f. Prioritisation of fewer countries, fewer participants and fewer activities; and
g. Management for results, and performance of evaluations and quality control.

Spain must be especially careful to avoid the distortion of aid policies by other interests. This

particularly applies to the promotion of our foreign investments (export credits or trade policies). The DAC has analysed this in detail, concluding that, "Although national interests are legitimate, if in the end they cause aid to lose its effectiveness they will bring about a failure."[18] However, Parliament recently passed a law that guarantees that public funds designated for the promotion of private commercial activities will not count as ODA – as it was the case in the past.

The DAC report says that Spain should establish "a clear mandate and set mechanisms that ensure that policies are evaluated based on their impact on the developing countries". This is one of the areas prioritised in the Master Plan but it is proving hard to put it into practice.

Multilateral aid is jointly managed by the ministries of finance and foreign affairs. This dual leadership of relations with multilateral financial and non-financial institutions and initiatives produces a diversity of political criteria and a lack of institutional coherence.

Through the European Union (EU) process on delegated cooperation and division of labour, Spain is concentrating its aid in fewer countries and in funding fewer recipients.[19] The DAC also recommends that Spain finance fewer activities, to greater effect. To do this, Spain needs to advance in promoting a more strategic programmatic focus with more efficient management.

As well as the central government, Spain has multiple bodies at regional and local level (one for each of the 17 Autonomous Regions plus many dependent from City Councils that provide aid, representing 13% of Spanish ODA in 2008). This can be a strength, as they are all committed to the aid agenda; but also a weakness, as institutional effort may be dispersed and division of labour hard to achieve. The need to rationalise bilateral aid structures to facilitate coherent action has been mentioned several times by the government but not fully addressed.

The recent announcement of cuts in ODA made by the central government for 2010 and 2011 has proven to have a "cascade effect", leading also to cuts in regional and local budgets, which will have a negative impact on NGO funding as well as on overall Spanish figures.

Promoted but not performing

Spain has received significant international recognition as a donor for its aid volume growth, its multilateral support, and its capacity for dialogue and negotiation. Spain is making a place for itself in different areas, driving some initiatives that open possibilities for influence that were unthinkable until recently. For example, in 2009 Spain participated in the G20 and G8 meetings for the first time in its history.

However, several weaknesses persist in the Spanish cooperation system. The advances that were included over a year ago in Spain's multilateral strategy are still awaiting implementation. Spanish officials cannot be content to simply occupy space – they must fill it with content, political support and action strategies. The role of Spain in the High Level Meeting on Food Safety in Madrid in the G20 meeting in London stood out positively, but delivery on the commitments there has yet to be seen.

Spain finds itself playing in the development cooperation Champions League, but with a uniform that is way too small. Swift, focused action is needed by the government to address these deficiencies before the end of the political term in 2012.

Endnotes

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7 Ibid.

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9 Additionally, Spain introduced a Humanitarian Action Sectoral Strategy and a Humanitarian Action Office in the heart of the Spanish Agency for International Development Cooperation while reducing the allocation of humanitarian funds to the Defence Ministry.

10 General Directorate of Planning and Evaluation of Development Policy (DGPOLDE). Report on Monitoring of the Annual International Cooperation Plan (PACI) 2008. Madrid, 2009.

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13 In developing countries the TCOs represent Spanish cooperation. They are usually incorporated into the Spanish Embassy. The TCOs' primary function is the direct execution of bilateral cooperation. The Master Plan 2009-2012 strengthens the TCOs' roles in the distribution of Spanish aid in the field; programmatic aid above all.

14 No Time to Waste: European governments behind schedule on aid quantity and quality, CONCORD, 2008. At: http://goo.gl/nJUJ.

15 The Development Cooperation Council is the consulting body of the General State Administration on international development cooperation policy. Representatives of civil society and social cooperation agents participate in it together with representatives of the General State Administration. The Council reports to the Ministry of Foreign Affairs and Cooperation. Currently, within the Council three work groups have been created on migration and development, policy coherence and gender, as well as a planning commission.

16 A public foundation whose statutory mandate is the development of good governance of public administrations and policies in third countries and especially in Latin America.

17 Effective Aid Management. Twelve lessons from DAC peer reviews. OECD 2008. Our translation.

18 Ibid.

19 AECID currently has three cooperation processes that have been delegated: Mali, Cambodia and Peru.

Sweden: A High Performer with Worrying Indications

Peter Sörbom, for Diakonia and Forum Syd

Overview

- In 2009, Sweden reached the official development assistance (ODA) target of 1% of gross national income (GNI), spending 1.12% of GNI on ODA.
- The development assistance budget will drop from US$4.55 billion in 2009 to US$3.92 billion in 2010 as a result of the economic downturn.
- Climate change funding is not additional to Sweden's ODA.
- The private sector is taking on a growing role in aid delivery, with insufficient safeguards.
- Sweden has a policy on aid effectiveness, which includes pledges on conditionality.
- The government has cut some funding for civil society organisation (CSO) information and advocacy activities.
- Sweden has an ambitious policy on coherence for development, but there is insufficient independent monitoring.

The 1% target and poverty focus

Sweden has since 1975 been reporting an official development assistance (ODA) level exceeding the United Nations (UN) target of 0.7% of gross national income (GNI), and the country even committed to allocate 1% of GNI to aid for several years. In 2009, Sweden reached this impressive target and there is a commitment from the current government to maintain this ODA level in the future.

There is continued strong support for the 1% target among the Swedish population according to recent surveys. However, the ODA level has been debated regularly during the past two years and there are different views within the governing centre-right coalition about whether to keep the 1% target.[1] Furthermore, as a result of the economic downturn and its impact on Swedish growth, the development assistance budget will drop from US$4.55 billion in 2009 to US$3.92 billion in 2010. The Swedish currency has depreciated, leading to reduced spending power for Swedish aid.

The Swedish government has on several occasions expressed the opinion that ODA definitions should be more flexible. The political party of the Minister of Development Co-operation – the largest of the four parties in the governing coalition – is in favour of a flexible approach for amounts above the 0.7% target. This would mean spending 30% of the Swedish aid budget on military and security items rather than on poverty reduction as identified by Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC).[2] In practice, this would mean abandoning the 1% target.

Sweden continues to report debt cancellation and refugee costs as aid, inflating the development cooperation budget by 8% in 2009. The government has also launched a package of different climate financing initiatives to be funded with ODA.

Over the past three years, Swedish development co-operation has undergone several reforms. One of the more important initiatives has been a process – which should be completed in 2010 – to reduce the number of countries that Sweden

funds from 70 to 33. Swedish aid will focus more on African countries than it has until now.

However Sweden has also increased aid to European countries. This aid does not have poverty reduction as its overarching goal but instead prioritises European Union (EU) accession. In its 2009 Peer Review, the DAC comments on Sweden´s aid to Eastern Europe that: "These countries are not amongst the poorest, nor is Swedish aid directly focused on helping the poorest in these countries." The DAC recommended that any changes in bilateral aid should be "closely aligned with strong poverty reduction focus".[3]

Private sector involvement

The current government has initiated a process to strengthen the role of the Swedish private sector in development co-operation, to make use of their knowledge and resources. In the 2008 Reality of Aid Report, Swedish civil society organisations (CSOs) welcomed private sector involvement but stressed the importance of all actors undergoing the same scrutiny and aligning with the objectives of Sweden´s development policies. There is an additional concern that the strengthened role of the Swedish private sector could result in overt or covert tying of aid.

In this context, it is worrying that the Swedfund received significant extra ODA funding in recent years – an additional €100 million in 2009. The Swedfund, Sweden's risk capital company specialised in investments in developing countries, lacks a clear development objective or the ability to demonstrate development results. The main conclusion from the evaluation carried out by the Swedish Agency for Development Evaluation, and also the Swedish National Audit Office, was that Swedfund has not collected the information necessary to assess and draw general conclusions about the development effects of its investments.[4]

Climate and development co-operation

Sweden has an ambition to be a leading climate role model in the international arena. The climate issue was a top priority during the Swedish EU presidency in 2009 and Sweden established the international Commission on Climate Change and Development. The Commission addressed the adverse effects on development caused by climate change and identified guidelines for international development co-operation in the field of adaptation. In the 2009 budget, the government launched a three-year climate initiative financed with €400 million from ODA funds. However, this new initiative was not additional to the Swedish target of 1% of GNI, which several Swedish non-government organisations (NGOs) complained about.

Sweden is supporting the Paris Declaration (PD) principles with regard to the climate and development agenda. The government has highlighted the need to have an institutional architecture in accordance with the content of the PD and the Accra Agenda for Action (AAA).[5] However Sweden is still, for example, channelling a significant amount of money through the Clean Technology Fund of the World Bank's (WB) Climate Investment Funds (CIFs).

This is controversial for several reasons. Developing countries are clearly advocating for climate financing to be under the authority of the Conference of the Parties (COP) of the United Nations (UN) Framework Convention on Climate Change, not the WB. Secondly, although there is equal representation of developing and developed countries in CIF committees, there have been

shortfalls in the level of involvement from developing countries. The overall governance of the WB and the fact that developing and low-income countries have little voting power also raises questions about the legitimacy of the WB's role in climate finance. Thirdly, a discussion paper commissioned by the WB on lessons learnt from the CIF's found that in-country stakeholder engagement on investment plans and proposals has been limited. In addition there are concerns with the WB's continued support for fossil fuels and the fact that the funding criteria of the Clean Technology Fund allow support for critical coal-fired power plants and Carbon Capture and Storage.

Improving aid effectiveness post–Accra

In June 2009 Sweden adopted an Action Plan on Aid Effectiveness for 2009-2011 which aims at putting the AAA into operation.[6] Sweden shows a commitment to improved donor coordination and alignment with country systems. The country-focus process is mentioned by the government as a concrete measure to implement the AAA and the EU Conduct on Division of Labour and Complementarity.

The Swedish government highlights the need to change the character of conditionalities – making them less detailed and having a limited number of mutually agreed conditions – to increase country ownership. It is considering outcome-based conditionality as a way to enhance developing-country ownership.[7] This shift is welcome, but the government does not have a clear policy for ending the use of economic policy conditionality and still employs such conditions through its multilateral aid to the WB and International Monetary Fund (IMF).

Policy for Global Development

Sweden adopted an ambitious and coherent Policy for Global Development (PGD) in 2003. The policy is characterised by two guiding perspectives: a rights perspective and a poor people's perspective on development. In a 2008 communication, the government presented a reformed PGD stating that implementation had been ineffective so far due to the ambition to cover all policy areas and the lack of measurable targets.

To make a real effort to put the PGD into practice, the reformed version specifically targets six global challenges identified by the government: oppression; economic exclusion; climate change; migration flows; communicable diseases and other health threats; and conflict and fragile situations. However, civil society organisations (CSOs) have raised the concern that there is still a lack of independent monitoring and evaluation of the PGD, and that the resources and capacity to arbitrate between different policy areas and ministries are limited. Trade policy is a clear example where the two guiding PGD perspectives are constantly overridden by other interests as seen by Sweden's continued arms exports to Saudi Arabia and Pakistan despite serious human rights violations there.

Severe funding cuts to CSO information and advocacy activities

Sweden has a strong and long-standing tradition of supporting CSOs at home and in developing countries. Funding CSO information and advocacy activities has been viewed as a central component of this support to create a broad and dynamic debate, building on the experiences of civil society in the North and South. However,

the information budget was cut by 60% in 2009. This will reduce opportunities for CSOs to take an active part in policy discussions and contribute with the perspectives of partner organisations in the South.

The cut contradicts one of the main conclusions in the DAC 2009 Peer Review which stated that "Swedish CSOs have helped to stimulate well-informed public debate. As Sweden implements its new communication strategy, it should continue to involve CSOs since they play a pivotal role in stimulating constructive commentary and public communication."[8] Similarly, the Peer Review concluded that Swedish CSOs have also played an important role in holding the Swedish government to account for its implementation of the PGD.[9] Several Swedish CSOs have pointed out that the budget cuts threaten their public development education and advocacy work just at a time when knowledge and awareness on global development issues are crucial.

Endnotes

1 See: www.dn.se/debatt/slopa-enprocentsmalet-for-svenskt-bistand-1.469233.

2 Ibid.

3 Sweden DAC Peer Review, OECD DAC 2009.

4 Evaluation of Swedfund International - An analysis of private sector development impacts. SADEV Report 2008:3. Swedfund International AB och samhällsuppdraget. RiR 2009. p 4.

5 See: www.sweden.gov.se/sb/d/3102/a/101305.

6 See:www.sida.se/Global/About%20Sida/S%c3%a5%20arbetar%20vi/Action%20Plan%20on%20Aid%20Effectiveness%202009-2011_eng.pdf

7 Ibid.

8 Sweden DAC Peer Review, OECD, 2009.

9 Ibid.

Increasing Swiss ODA: Yes, We Can't

Michèle Laubscher, Alliance Sud – Swiss Alliance of Development Organisations

Overview

- In 2008 the Swiss Parliament decided to increase official development assistance (ODA) spending to 0.5 per cent of gross national income (GNI) by 2015. Yet the government is unwilling to provide additional funds before 2013.
- In 2009, Swiss ODA was 2.45 billion Swiss francs or 0.47% of GNI. This was a small increased compared to the 2.2 billion Swiss francs or 0.42% of GNI in 2008.
- However, spending on asylum seekers and debt relief made up 22% of ODA in 2009, from 18% in 2008. These accounted for 60% of the ODA increase in 2008/09.
- Without expenditure on asylum seekers and debt relief, the share of GNI would have been 0.36% (from 0.34% in 2008).
- In 2008, 18% of bilateral ODA was spent in Africa and 23% in Asia. According to the Swiss Agency for Development and Cooperation (SDC), just about one quarter of Switzerland's ODA goes to the least developed countries (LDCs).
- Swiss bilateral ODA is almost fully untied. The 2.2% of aid that is tied consists of dairy products.

Tug-of-war over ODA increase

Swiss non-government organisations (NGOs) launched a "0.7% Campaign" centred on a petition calling for aid to be increased to 0.7% of gross national income (GNI) by 2015. In response, parliament decided at the end of 2008 to increase official development assistance (ODA) to 0.5% by 2015. It requested additional credit from the government so that the increase could be made gradually from 2009. The government has so far refused to implement this request. In the autumn of 2009 it stated that, because of the economic crisis, the State had to make savings up to the end of 2012 and that a decision regarding any ODA increase would be taken at a later date.

The parliamentary committees responsible for this issue do not accept this stance and are insisting on additional credit; both houses are likely to repeat their call for an increase. Support for an ODA increase has also grown amongst the Swiss population. According to a representative five-yearly survey last conducted in the summer of 2009, 30% of people favoured an increase compared to only 22% in 2004. Some 53% (the same as in 2004) want ODA to remain the same. Most respondents estimated ODA spending to be much higher than it actually is.

Exploitation of aid?

In the government's 2009 Foreign Policy Report, Switzerland has for the first time explicitly described development policy as part of foreign policy. This amounts to a revaluation of development policy, but carries the risk that aid may be exploited for foreign policy purposes. The first signs of this have already appeared. Economic aid will in future be concentrated on middle-income countries with which Switzerland is keen to strengthen its foreign economic ties.

The Swiss Agency for Development and Cooperation (SDC) has declared migration to be a new thematic priority, partially to help limit migration from poorer countries to Switzerland. Climate is yet another new priority and the SDC wishes to cooperate specifically on this issue with emerging countries like China or Brazil. This is welcome in principle but such activities ought not to be funded from aid budgets which have been stagnating for years.

The poverty reduction focus of Swiss aid has become blurred. The Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) notes in its 2009 Peer Review that Switzerland should "ensure an explicit poverty reduction focus in the cooperation with (...) middle income countries".[1] On the economic front, the report recommends that "Switzerland should carefully monitor the impact of this new choice of priorities. It should maintain an interest in economic growth in Least Developed Countries, while not losing sight of its goal to reduce poverty when engaging in Middle-Income Countries". Furthermore the DAC warns against exploiting aid for migration policy purposes: "Switzerland needs to ensure that its development cooperation is not serving a migration policy that undervalues development concerns."

Insufficient policy coherence for development

Beyond incoherence around migration, Switzerland has recently eliminated import duties for Least Developed Countries (LDCs) but at the same time exported more weapons to developing countries – even to countries where it provides development cooperation. It is making headway in the restitution of stolen assets but is unwilling to do anything to stop the flight of capital from developing countries to the Swiss financial centre. With respect to climate, it wishes to encourage the transfer of technology to poor countries but construes this primarily as tariff reductions enabling it to export its own products. It is keen to contribute to world food security but wishes to leave intact the patent rights of Switzerland's agro-industry.

Insufficient development policy coherence is mainly attributable to the lack of either will from the public administration or effective policy mechanisms. The government needs to understand that development cooperation will not succeed if policy areas affecting developing countries undermine their goals. The opinions of the SDC are routinely ignored in consultations within the administration. Given the growing competition from emerging countries on the world market and in development cooperation, the chances for improvements in this area are not particularly good; in this regard, Switzerland is no different from most DAC donor countries.

Development effectiveness, democratic ownership and human rights

The SDC recognises the concept of development effectiveness. Respect for human rights and the promotion of democracy are among the foreign policy goals anchored in the Swiss Constitution. In the view of the SDC, the promotion of democracy with special emphasis on human rights and good governance are amongst the main prerequisites for poverty reduction. Participation and gender equality are further key principles of all country programmes.

However implementation is more complicated. For years, for example, Switzerland has maintained an extensive programme to promote

peace and human rights in Colombia. During 2009 deliberations in parliament on the bilateral free-trade agreement with the country, development non-government organisations (NGOs) and left-of-centre parties advocated linking the agreement to human rights concerns. Yet the parliamentary majority followed the arguments laid out by the Economics Minister who stated that the promotion of human rights was not a matter for trade policy but rather for development cooperation.

Implementation of development effectiveness principles?

Democratic ownership

At the High Level Forum in Accra in 2008, the SDC campaigned strongly for democratic country ownership meaning the inclusion of civil society, Parliament and other stakeholders at national, regional and local levels. This is in line with the multi-stakeholder approach that Switzerland has always espoused in its development cooperation. Country offices are already required, for example, to involve not only government but also civil society organisations (CSOs) when preparing country strategies. Switzerland interprets accountability equally broadly to include civil society and other domestic stakeholders beyond just the partner government.

Yet Switzerland does not consistently implement the inclusive approach everywhere. In principle, Switzerland publicly discloses the conditions tied to project and programme support, including budget support – but only if the partner government agrees.

Human rights

The SDC sets human rights as both the means and an end of development cooperation and is committed to integrate those principles into all of its programmes and projects.[2] Nevertheless the risk with such cross-cutting topics is that they are pursued somewhat loosely (see also on Gender Equality below). The SDC now has a plethora of principles and guidelines on a wide variety of topics which has complicated the task of prioritising interventions.

SDC programmes in its priority countries rarely mention human rights as a cross-cutting topic. This does not mean that the topic is being neglected – access to justice or land are thematic priorities that indeed contribute to the promotion of human rights. The impression persists nonetheless that in practice the topic is not being given the weight that should be expected by virtue of SDC's Human Rights Policy.

Gender equality

The SDC formulated its first gender equality policy in 1993. Since then, gender has been declared a cross-cutting topic. The current gender policy requires that all projects or programmes considered for funding by the SDC must undertake a gender analysis. At the very least, the project or programme should not decrease women's access to or control over resources and if possible they should even increase it. The policy allows for funding projects directed specifically at women's equality, such as research, public education or advocacy to change discriminatory laws and practices.

In 2009, the SDC submitted its gender policy to outside evaluation. The evaluation found that the policy was mediocre. Although there is evidence that certain individual projects are making significant contributions to gender equality, the lack of a real strategic approach to gender work is telling. The results are that "gender is widely perceived as just one of a continual stream of thematic requirements and guidelines".[3]

The evaluation further identified an absence of systematic monitoring of whether and how the gender policy is being implemented and reliable information on the number and value of gender-specific projects. In other words, gender equality is still an optional choice depending on goodwill in SDC offices in partner countries.

Conclusion

The government of Switzerland has fallen behind the expectations of NGOs, the parliament and expert reviewers in implementing both its aid quantity and aid effectiveness commitments. It urgently needs to take action to improve its record.

Endnotes

1 DAC Peer Review Switzerland 2009, http://www.oecd.org/dataoecd/1/28/44021195.pdf

2 SDC's Human Rights Policy, Towards a Life in Dignity, 2006

3 SDC's Performance in Mainstreaming Gender Equality, 2009; http://www.deza.admin.ch/en/Home/Activities/Evaluation/Completed_evaluations/2009.

Trends and Challenges for UK Aid

Gideon Rabowitz, UK Aid Network

Overview

- In 2009, the United Kingdom's (UK) aid increased to £7.4 billion (0.52% of gross national income, or GNI) from £6.4 billion (0.43%). Only 0.5% of the UK's aid was debt relief in 2009, down from 5.7% in 2008 and 28% in 2006.
- The UK government has budgeted to deliver £9.1 billion as aid in FY 2010/11, which is equivalent to around 0.60% of GNI.
- The new coalition government and the major opposition party have committed to increasing the UK's aid to 0.7% of GNI by 2013 and to introducing a law that will make delivering at least 0.7% of GNI as aid a legally-binding commitment for all future governments from 2013 onwards.
- In 2008/09 the UK's core contributions to multilateral development agencies were equivalent to 32% of its total aid; 50% of this multilateral aid went to the European Commission (EC), 26% to the World Bank (WB) and 11% to the United Nations (UN).

Significant progress and international leadership on aid levels

The United Kingdom's (UK) aid levels in 2005 and 2006 were inflated by huge levels of debt relief (33% and 28% of total aid, respectively); as debt relief fell in 2007 so did the UK's overall aid levels. However, since 2007 the government has steadily increased the UK's aid excluding debt relief which by 2009 stood at more than £2.4 billion above that of 2007. The UK Government is planning to spend £9.14 billion on aid in FY 2010/11 or equivalent to around 0.60% of gross national income (GNI), compared to 0.52% in 2009 and 0.43% in 2008.

Over the last two years the UK government has avoided scaling back its aid spending plans despite the opportunity given by the crisis to justify this – it could have done this without reneging on its international aid commitments because UK national income has been contracting. This response has sent an important message to other governments about the need to support developing countries facing the impacts of the global economic crisis.

In October 2009 the UK government further strengthened its commitment to aid increases by proposing to pass a Bill that would require all future UK governments to deliver at least 0.7% of GNI as aid from 2013. The proposed Bill was released in draft form, for consultation, in late 2009 and was not introduced to Parliament before the May 2010 general election. However, the new coalition government has also committed to introducing such a Bill during its term in office and the previous ruling party has retained its support for this legislation.

A leader on aid effectiveness, but few signs of recent reform

At the Accra High Level Forum (HLF) on Aid Effectiveness in September 2008 governments agreed to speed up the implementation of existing

aid effectiveness commitments and added new ones, including to take immediate action to make conditions public, provide more predictable aid, and use country systems. The UK government played a leading role in ensuring progressive outcomes from the Accra HLF and is considered one of the leading donors in implementing the Paris Declaration (PD).

However, following the Accra HLF the UK government took 10 months to agree a high level policy paper on its Paris and Accra commitments. This paper omitted some critical aid effectiveness issues and focused on a minimalist implementation of the PD. For example, it pays little attention to weaknesses in countries not covered by the first implementation survey and ignores areas where Paris targets have been met but challenges still remain. Areas neglected by the policy paper include: technical assistance, on which the UK has not met its EU reform target; use of country systems, for which Accra required new approaches to be taken; and conditionality, for which it only focused on the issue of making conditions public.

Importantly, it is also evident that only limited steps have been taken in implementing the actions included in the UK's post-Accra policy paper. Few steps have been taken to improve the UK's support for mutual accountability mechanisms, conditions are not yet public, and no additional concrete steps have been taken on predictability or use of country systems.

UK aid and democratic accountability

The last two years have seen some significant developments around UK aid and development policies relevant to democratic accountability. However, a significant reform agenda still remains and UK civil society organisations (CSOs) are eager for the UK government to take further steps to ensure that the UK's development assistance best supports democratic accountability.

Budget support and accountability

The UK has increasingly used budget support to deliver its aid over the last decade and in recent years has contributed around a quarter of bilateral aid and 40% of bilateral aid to Africa using this mechanism. Generally, UK CSOs support this approach as it boosts country ownership of development efforts and can fund large scale-ups in service delivery.

However, UK CSOs have long campaigned for the UK government to deliver additional support to citizen-centred accountability initiatives in countries receiving budget support and other aid managed by governments in order to promote accountability for this aid. Such concerns have also been raised by the UK parliament and National Audit Office in recent years.

Following this pressure, in mid-2009 both the UK government and main opposition party stated their support for increasing support to accountability around budget support – to around 5% of its value – in new development policy papers. It is not clear what steps have been taken on these proposals and UK CSOs will be working to ensure a strategic, needs-based, long-term and inclusive approach is taken to scaling-up such funding. It is also vital that this scale-up does not just focus on countries where budget support is used but also where other types of aid are managed by governments.

Approaches to Conditionality

In June 2009 the UK government released new guidance on its approach to conditionality. This

new guidance builds on the UK's 2005 policy on conditionality which said its conditions would be drawn from national strategies and relate to poverty reduction, democracy and human rights, and financial accountability. It states that conditions should be country-owned and not just government-owned, discussed more openly with civil society, and become more transparent.

However the new guidance narrowed the 2005 policy's commitment not to apply "sensitive conditions" to simply not applying conditions relating to trade liberalisation and privatisation. It also paid limited attention to concerns about policy benchmarks and failed to set stricter guidelines for aligning with International Monetary Fund (IMF) and World Bank (WB) conditionality frameworks. As of end-2009, the UK government had not yet begun to make its conditions public as promised in the new guidance and in the Accra Agenda for Action (AAA).

It is vital that the UK government takes further steps to reform its approach to conditionality by avoiding a wider range of sensitive conditions, moving away from policy conditions, and more actively challenging WB and IMF conditions. It must also make the conditions it applies public so that citizens' groups can scrutinise its practices.

Transparency of UK aid

Transparency is central to accountability and therefore transparency around aid delivery is vital to the ability of developing country citizens and others to hold their governments and donors accountable for delivering aid effectively.

Despite some recent improvements, UK aid transparency is quite weak. Project and program information is not currently made public, conditionality is still not transparent, and it is difficult to find real-time information on what the UK government is spending in which developing countries. The UK is one of the founding and leading members of the International Aid Transparency Initiative (IATI), launched in 2008. This aims to set standards for donors on what information about aid they should make public. It will therefore be important for the UK to continue to champion this process and use it as an opportunity to make comprehensive improvements to transparency around its aid.

Support for gender equality

The vast majority of the world's poor are women but it is women who are least able to influence development processes. Any effort to support democratic accountability through aid therefore needs to focus strongly on support to gender equality.

The UK Department for International Development (DFID) introduced a Gender Equality Action Plan (GEAP) in April 2007 which identifies a range of actions to be taken across DFID to ensure it is working to promote gender equality. These include better monitoring of gender outcomes, greater staff engagement and capacity for working on gender issues and development of critical partnerships with governments, other development agencies and CSOs.

A recent assessment of GEAP implementation highlighted some important advances – such as change within country programs and greater engagement of DFID staff – but also that progress is fragile and inconsistent across countries and program areas. It also found limited

evidence of progress on policy development and that DFID systems do not yet allow assessment of changes in resource allocation for gender priorities. It is therefore vital that there is greater investment in the UK's capacity to implement the GEAP in full through: focusing on developing strong leadership, systems of accountability and monitoring, and staff knowledge and skills around gender issues; and mainstreaming gender sensitivity across DFID and other relevant UK government interventions.

Conclusion

The new UK government's decision to continue to scale up its aid to 0.7% and protect the aid budget through legislation is a clear signal of its commitment to development and to taking a leadership role on aid internationally. This is all the more impressive given that these decisions have been taken whilst the UK economy and its citizens struggle to recover from the impacts of the global economic slowdown.

On aid effectiveness and ensuring aid promotes democratic accountability, the UK government is also making important progress and showing admirable leadership. However, it is clear that the UK could be taking a more comprehensive and ambitious approach to these issues, so as to deliver a step-change in the effectiveness and accountability of the UK's aid rather than be guided simply by limited international processes.

The Reality and Uncertainties of US Foreign Assistance Reform

Kimberly Darter, InterAction[1]

Overview

- There has been significant progress on President Obama's campaign pledge to double the budget for foreign assistance. This commitment has been endorsed in Congress, which agreed to a 31% increase in funding for United States Agency for International Development (USAID) operating expenses for Fiscal Year 2010.
- The administration has made clear that it will no longer rely on supplemental budget requests to fund critical humanitarian accounts.
- A debate is continuing about appropriate roles for the State Department, USAID, Department of Defense and other bodies in aid administration. The military oversees approximately 16.5% of US foreign assistance, a share that has risen rapidly in recent years.
- Specific US government initiatives and funding priorities continue to support the advancement of the Millennium Development Goals (MDGs); however, the way in which this funding is allocated and accounted for is not compatible with the MDG framework.
- There are several concurrent aid reform policies and processes, some of which exhibit more openness to civil society consultation than others.

Introduction

There has long been talk in Washington D.C. of the need to change the fragmented United States (US) foreign aid system. In January 2006 the Bush administration began a restructuring and reform process of US foreign assistance called the Transformational Diplomacy initiative, or 'F process'. Reform centered on alignment with the US Foreign Assistance Strategic Framework which concentrated assistance on five priority objectives: peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance.[2]

The intention of the 'F process' was to improve the coordination, efficiency, transparency and accountability of US foreign assistance. Instead, it furthered trends such as a weakening of staff capacity at United States Agency for International Development (USAID) and an increased reliance on outsourcing of program management. It additionally failed to create a comprehensive picture of US foreign assistance because the focus was limited to USAID and a portion of State Department funding, leaving out foreign assistance managed by approximately 19 other US departments and agencies. The 'F process' also instituted significant structural changes; in particular, it brought USAID budget and programmatic oversight under the State Department.

Under the Obama administration to date, the record on foreign assistance reform has been mixed. During the presidential campaign of 2008, then-candidate Obama made three pledges related to foreign assistance: to elevate development as a central tenet of US foreign policy; to double the budget for foreign aid; and to make the Millennium Development Goals (MDGs) the

focus of US foreign assistance. In his inaugural speech following the election, President Obama spoke of partnership, increased parity, and long-term engagement for global good:

> "To the people of poor nations, we pledge to work alongside you to make your farms flourish and let clean waters flow; to nourish starved bodies and feed hungry minds. And to those nations like ours that enjoy relative plenty, we say we can no longer afford indifference to the suffering outside our borders, nor can we consume the world's resources without regard to effect. For the world has changed, and we must change with it."[3]

Translating these concepts into policy, and from policy into action, however, is very challenging. It must happen in fragmented bureaucratic structures with budgets that are determined at best on an annual basis. The will to do so appears to be broad, stretching from the administration to Congress to private and public stakeholders. These are only the early stages though, and it remains to be seen how the long-term vision laid out by President Obama will evolve within a system that operates primarily in a short-term political context.

Pledge No. 1: Development as a Central Tenet of US Foreign Policy

Both President Obama and Secretary of State Hillary Clinton have spoken repeatedly about the importance of elevating development as a pillar of American foreign policy. Congress has also signaled commitment to reforming the US framework for the delivery of foreign assistance.

A year-and-a-half into the Obama administration, three separate processes have been initiated that could substantively impact the purpose and structures of US foreign assistance:

1. *Congressional legislation, particularly a rewrite of the Foreign Assistance Act of 1961:* In the House of Representatives, there is currently a bill (HR 2139) that calls for a national development strategy. In the Senate, S. 1524 is a bill to revitalize and strengthen the human resource and operational capacity of USAID. Potentially of greatest importance, a rewrite of the Foreign Assistance Act of 1961 is also in process, the third time that such an effort has been undertaken since 1961, the previous two being unsuccessful.

2. *Quadrennial Diplomacy and Development Review (QDDR)*: A blueprint for US diplomatic and development efforts in the short-, medium- and long-term, it is intended as guidance on how the US government will develop policies, allocate resources, deploy staff and exercise authorities.

3. *Presidential Study Directive on Global Development (PSD-7)*: Establishes the first US national strategy for development. The PSD is significant in that it goes beyond aid to consider the "interrelationships and implications of [US] trade and international finance instruments alongside [US] aid".[4] The PSD will encompass an integrated assessment and evaluation of the US government's global development and humanitarian objectives, policies, and funding, to include security, trade, health, and many other areas. An April 2010 draft of the PSD was leaked, but it remains unclear whether the final PSD will be made public.[5]

Coordination between these processes is critical to a coherent outcome for foreign assistance reform.

At this stage, however, while development may be accorded a higher priority in US foreign policy, the implications for the structures, mechanisms, and purpose that will guide the use of US foreign assistance remain to be seen.

At the heart of both the QDDR and the Foreign Assistance Act rewrite are questions related to the relationship between USAID and the State Department. There is widespread consensus on the need to strengthen the human resource capacity of both organisations but consensus is lacking when it comes to their structural relationship. As Senator Richard Lugar has summarised, "We have not reached a consensus within our government on who should be doing what, where, when and why."[6]

Integration of USAID into the State Department has been a description used by US government officials and staff to refer to the reforms under consideration, although that language has shifted recently to refer instead to mutually reinforcing linkages. Reaction in the US non-government organisation (NGO) community to the idea of integration was fairly negative and even the concept of mutually reinforcing linkages has been met with skepticism. The reasons for these reactions can be summarised as: (1) lack of clarity; (2) concern that any changes will only further entrench what many see as poor decisions made under the 'F process'; and (3) concern that how development is carried out will either fail to improve or, at worst, will be degraded and misused as a tool of diplomacy and national security.

Beyond the debate between USAID and the State Department, however, are concerns voiced by State, USAID and the civil society organisation (CSO) community over the growing role of the Department of Defense in providing and managing foreign assistance. In 2007, the Department of Defense oversaw approximately 16.5% of US foreign assistance (up from 3.5% in 1998 and 5.6% in 2002).[7] As noted in a January 2010 *Foreign Policy* article, "Both Defense Secretary Robert Gates and Secretary Clinton have emphasised the need to rebalance national security spending away from the military and toward the diplomatic core, but behind the scenes their offices have struggled to determine where the lines should be drawn."[8]

The role of the military in US foreign assistance is a significant concern within the NGO community. Military operations often blur the line between NGOs and the military's pursuit of political and security objectives. This convolution of defense and development is only deepening. The most recent Quadrennial Defense Review (QDR) notes the importance of well-resourced civilian agencies "to operate alongside the US Armed Forces during complex contingencies at home and abroad".[9] Similarly, the Department of Homeland Security's first Quadrennial Review "included in its list of global challenges and threats traditionally non-military issues like global violent extremism, pandemics, and natural hazards".[10] The National Security Council is also looking at the most appropriate means to divide responsibility for international security assistance between the Department of State, Department of Defense and USAID.[11]

The outcomes of these papers and processes are important because the blurring of the lines between political objectives, security and development leads to real consequences for the outcomes that can be achieved, perceptions of the US around the world, and the safety and integrity of individual development professionals.

For the past two years, the US NGO community has been advocating for the creation of an independent cabinet-level development agency

that will put development on an equal footing with diplomacy and defense. This is not, however, an option that the government is willing to pursue. A lesser alternative that NGOs continue to advocate for is making the USAID Administrator a permanent member of the National Security Council to ensure that a development voice is present in critical decision-making processes. In addition, NGOs continue to advocate for a return of budgetary and programmatic control of USAID to the USAID Administrator. A final area of advocacy is the re-building of USAID's human resource capacity, which is moving forward.

Pledge No. 2: Double the Budget for Foreign Aid

> "One of the basic questions with respect to foreign aid reform is how we can best strengthen the capacity of USAID to run effective assistance programs… decision-makers have not made it easy for the agency to perform its mission. Development resources declined precipitously in the 1990s and initiatives to reorganize resulted in the agency's loss of evaluation, budget, and policy capacity."
>
> - Senator Richard Lugar[12]

There has been significant progress on President Obama's campaign pledge to double the budget for foreign assistance despite the difficult economic environment. This commitment has been endorsed in Congress, which agreed to a 31% increase in funding for USAID operating expenses for the Fiscal Year 2010 (FY 2010).

In its FY 2010 budget request, the administration made clear that it would no longer rely on supplemental budget requests to fund critical humanitarian accounts. Such a shift will create greater predictability for US government agencies that have been hampered in their ability to plan beyond the short-term. However, a concern that has been raised regarding the FY 2010 and 2011 budgets is that funding for development programs is increasingly going through the Economic Support Fund, an account managed by the State Department that is used to promote US national security interests in particular situations.

Congressional support is being led by key members in both the House and the Senate who are also seeking to shape the future structure of foreign assistance. In the Senate, the 2009 Foreign Assistance Revitalization and Accountability Act (S. 1524), which would provide additional resources, also reflects "very different ideas of how to structure USAID than what's expected to come out of the two main reviews [QDDR and PSD]".[13]

Overall, the actions being taken to double foreign assistance have been welcomed, particularly as an initial step in rebuilding the development capacity of the US government. Unfortunately, there is a growing sense that while the quantity of funds is on track to double, the structures needed to ensure positive future outcomes will not be there.

Pledge No. 3: Millennium Development Goals as the Focus of US Foreign Assistance

Specific US government initiatives and funding priorities continue to support the advancement of the MDGs; however, the way in which this funding is allocated and accounted for is not compatible with the MDG framework. If and how greater compatibility with the MDGs will be achieved remains to be seen. In the meantime, several of the Obama administration's early commitments

have begun to materialise, providing insight into some of the changes and possible challenges in the years to come.

Agriculture and Food Security (MDG1): The Feed the Future (FTF) initiative is the Obama administration's strategy for agricultural growth to boost food security and reduce poverty. The US NGO community has endorsed the strategy's effort to address key constraints by calling for increased long-term funding commitments, a balance of investment between food aid and agricultural development, a focus on the role of women in food production and household nutrition, as well as reliance on multilateralism and country-led development pathways. Among the uncertainties surrounding implementation of FTF is how it will be reconciled with country-led food security plans that may have significantly different priorities. Other challenges include provision of adequate, reliable and sufficiently long-term funding. With the move toward country ownership of development plans, adequate support for capacity-building at various levels will need to assume greater importance. If these issues are resolved, the FTF initiative has the potential to significantly improve the effectiveness of US development assistance in the food security arena.

Education (MDG2): A commitment was made to further the Basic Education initiative begun during the Bush administration but work in this area has not yet materialised.

Gender (MDG3): The integration of gender equality into foreign assistance programs is an administration priority. As part of this effort the Office of Global Women's Issues was created in the State Department, headed by an ambassador-at-large. USAID leadership has also encouraged the integration of gender analysis into all stages of planning, programming and implementation of development assistance. However, only a portion of US foreign assistance is managed through USAID.

Health (MDG 4, 5 and 6): The administration's Global Health Initiative (GHI) was launched in May 2009. It includes a six-year, US$63 billion dollar commitment, with US$51 billion for the US President's Emergency Plan for AIDS Relief (PEPFAR) and the remaining US$12 billion directed to other global health issues. Many have interpreted the GHI as a step away from disease specific interventions and a step towards health system strengthening, with a focus on child and maternal health. The consultation document released on the GHI defines success as "measured not by the robustness of the health system itself, but by a country's ability to meet the needs of the key populations and improve health conditions"[14].

Climate Change (MDG7): The Obama administration has so far exhibited an over-reliance on the appropriations process for generating funding for climate financing. Although this has resulted in noticeable gains, it is not sufficient to meet the country's long-term climate finance commitment. Some of this is the result of Congress not passing comprehensive climate legislation that includes appropriate allocations for international climate change programs. While Secretary Clinton's remarks at the Copenhagen summit indicated a willingness by the US to consider innovative financing options, this willingness has yet to translate into concrete proposals.

Bilateral and Multilateral Efforts (MDG8): Since coming into office, the administration has worked to resolve conflicts through bilateral and multilateral diplomacy. While the US government's role as a global partner can be critiqued from many perspectives, the Obama administration has

demonstrated an effort to engage in the world in a more multilateral way. The administration's vision was perhaps best captured by President Obama's June 2009 speech in Cairo, in which he focused on mutual interest, mutual respect and shared principles of justice, progress, tolerance and dignity while acknowledging the inherent challenges.[15]

Conclusions

Compared to similar processes in the past, the level of engagement with a wide range of stakeholders by government officials and staff leading both the QDDR and the rewrite of the Foreign Assistance Act has been widely appreciated. A similar level of engagement and access does not apply to the PSD process. For years there have been advocates for a broader, more comprehensive approach to foreign assistance that takes into account agencies beyond USAID and the State Department. And while there is recognition that this is what the PSD process seeks to do, there are also many unknowns that are only exacerbated by the lack of engagement and access to the process. There are many who would like to see "US development stronger, more effective and more prominent alongside diplomacy and defense in foreign policy" but how this is done and the implications it has for the purpose of US humanitarian and development assistance remain to be seen.[16]

Endnotes

1 This paper was finalised on June 15, 2010 and does not reflect changes or advances made between its finalisation and the date of publication. InterAction staff who contributed include: Vanessa Dick, Brian Greenberg, Laia Griñó, Filmona Hailemichael, Jeannie Harvey, Carolyn Long, Linda Poteat and Viraf Soroushian.

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