
Part VI
World Aid and Donor Reports

Global pledges sacrificed to national interests

Tony German and Judith Randel, *Development Initiatives*

The first *Reality of Aid* report was published in 1993, the year after the Earth Summit (UNCED) held in Rio. At the Earth Summit, donors pledged modest increases in aid – US\$2.5 billion, or an extra 4%. But, as graph 1, ODA from all DAC donors, shows, donors collectively failed to fulfil their commitments. In fact aid fell by 24% in real terms between 1992 and 1997. So in 2002, when donors gathered for the

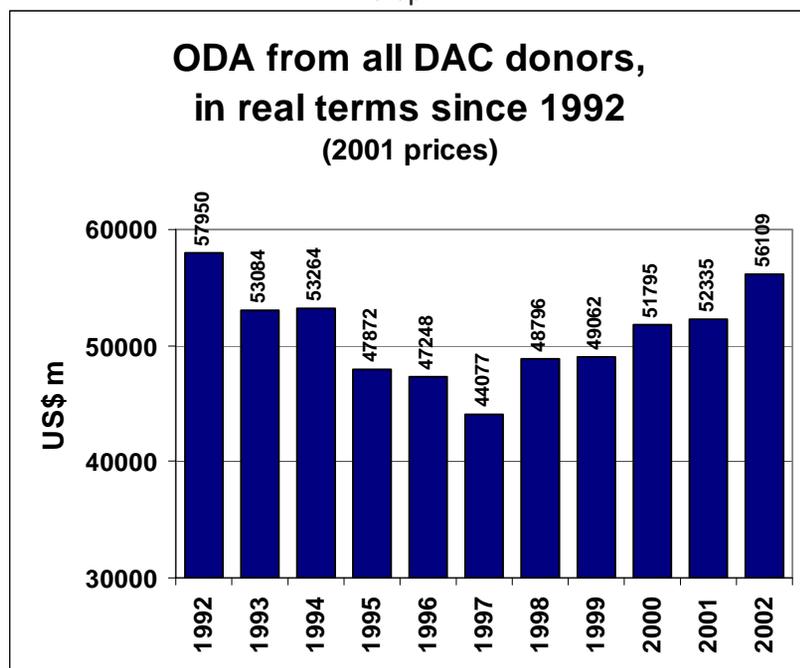
Financing for Development Summit in Monterrey, Mexico, aid was less than it had been in the year when they gathered in Rio. It is against this background that pledges to produce more resources for the fight against poverty must be seen.

The real terms decline in aid during the 1990s followed many years of gradual growth in global aid. See graph 2: the long-term trend in ODA.

But though aid grew by 117% over more than four decades, this does not mean that donor countries have become more generous, because over the same period donor countries have become very much richer.

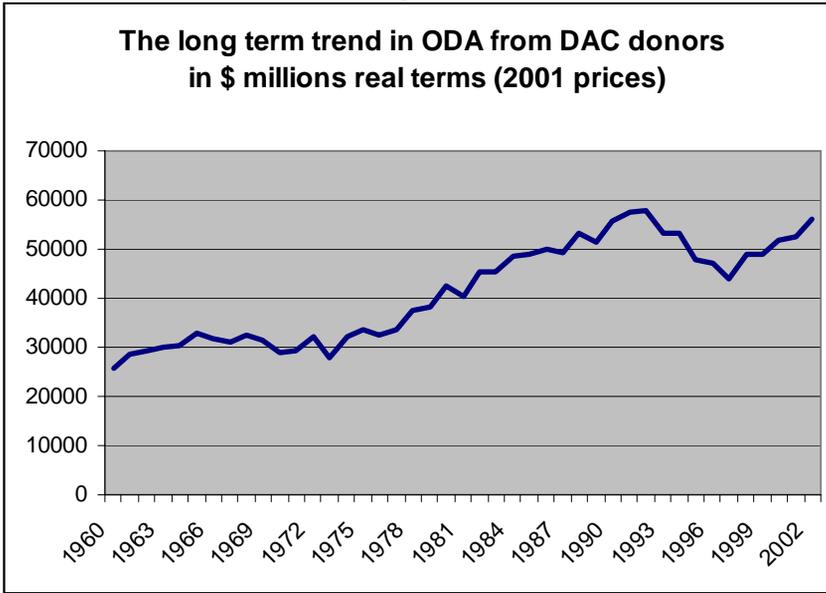
Graph 3, the growing gap, shows how the growth in aid per person from donor countries compares with how much more wealthy people in donor countries have become. The

Graph 1.

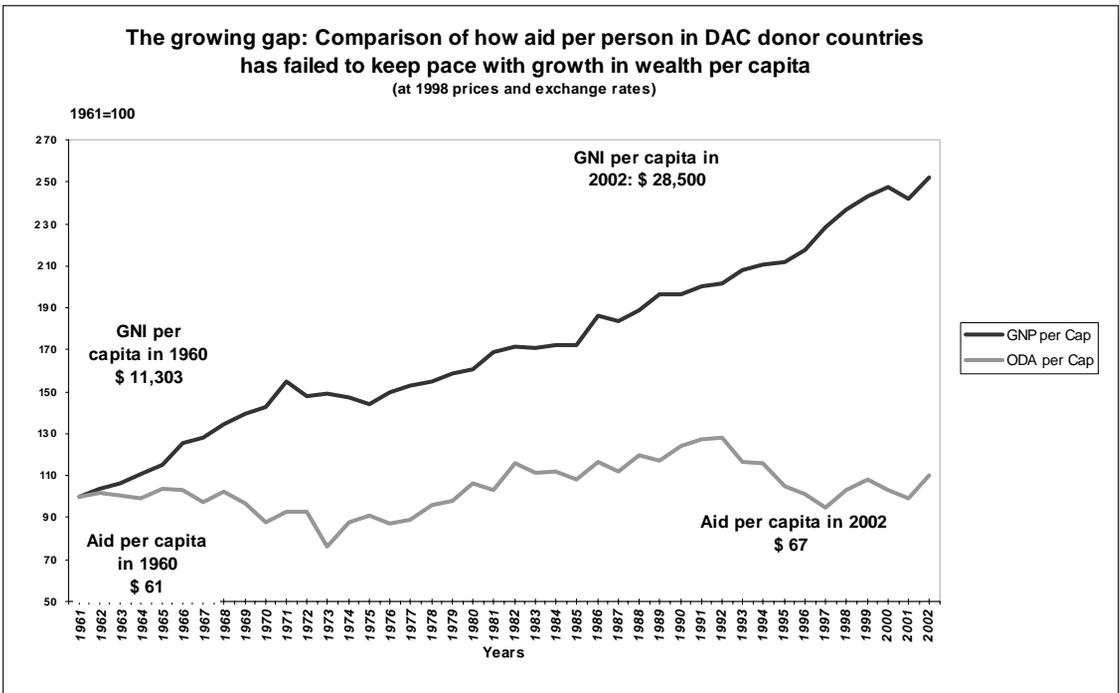


World Aid Trends

Graph 2.



Graph 3.



World Aid Trends

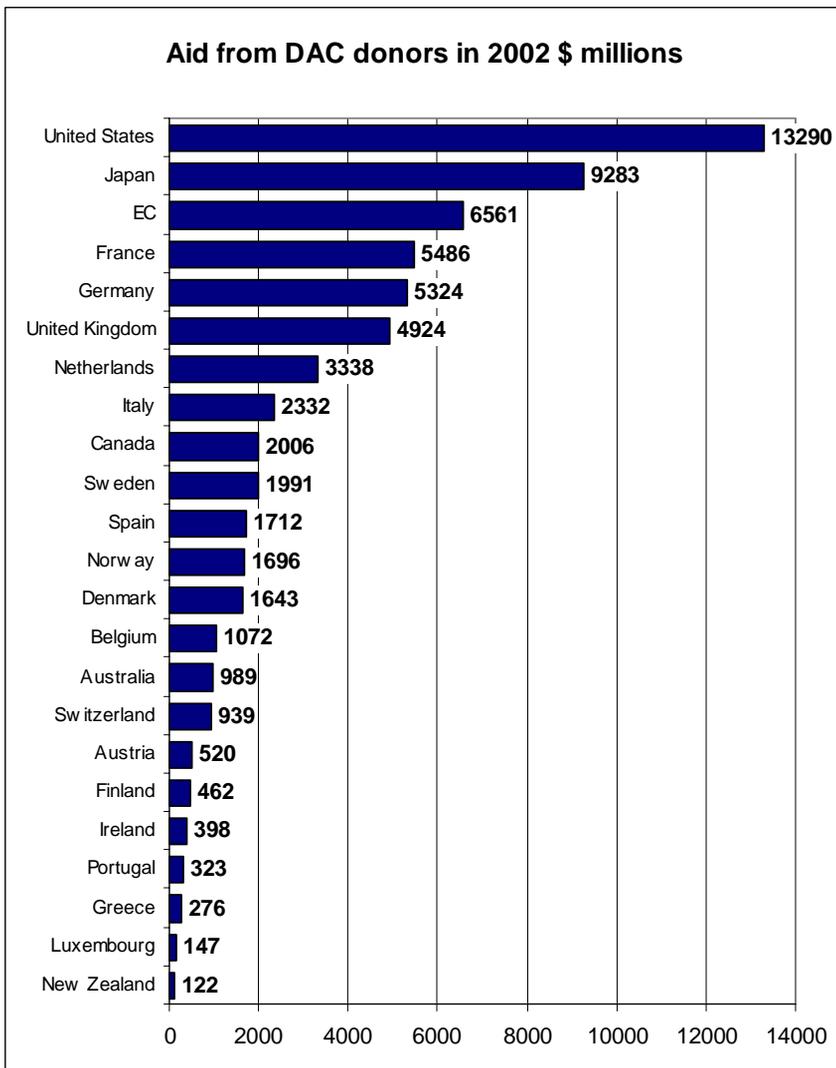
picture is clear. Wealth in donor countries has gone up by 152% from US\$11,303 per person to US\$28,500. By contrast aid per person has risen by less than 10% from US\$61 to US\$67.

Looking at the detail of who gives what in ODA, graph 4 shows aid volume from each donor in 2002, which totalled US\$58,274 millions.

G8 donors – the USA, Japan, France, Germany, the UK, Italy and Canada (in descending order of volume) – together provided almost three quarters of DAC aid in 2002.

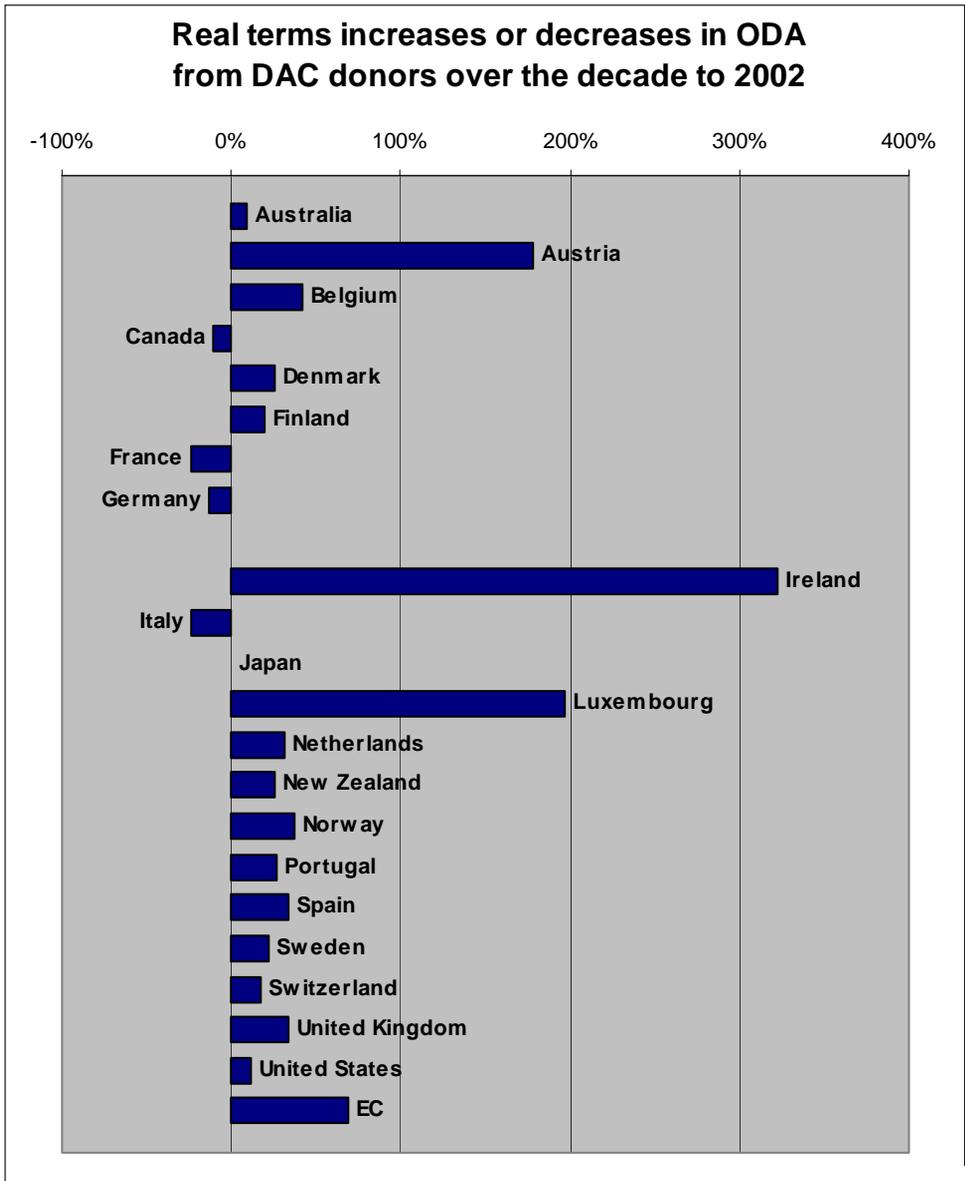
But it is also the G8 donors who have been mostly responsible for the decline in aid over the 1990s.

Graph 4.



World Aid Trends

Graph 5.



The only non-G8 donor giving over US\$3 billion a year (substantially more than Italy and Canada) is Netherlands, which at 0.81% GNI in 2002 manages to perform more than twice as well as the best performing G8

donor in terms of aid as a percentage of GNI (France 0.38%).

As graph 5 shows over the decade to 2002, Canada, France, Italy and Germany have all allowed their aid to decline

World Aid Trends

significantly in real terms — the only DAC donors to have allowed a decline.

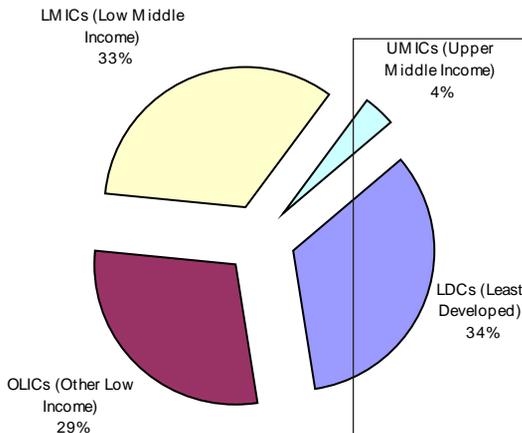
Of course aid from individual donor countries can fluctuate from year to year for many reasons. But when looked at over a decade, countries cannot excuse a decline on the basis of short-term factors. A fall over ten years can only be seen as evidence that political priority is being given to domestic considerations, rather than to global poverty reduction.

The question of how much political priority is being given to poverty reduction within aid spending can be viewed in several ways. One basic measure is whether aid is flowing to very poor countries or to those who are somewhat better off.

As figure 1 shows, in 2002, 34% of global aid went to the Least Developed Countries (LLDCs). The 49 LLDCs all have:

- a low income

Share of Aid to Poorer Countries 2002



example instability in agricultural production and exports).

Other Low Income Countries (including India, China, Ghana, Indonesia, Pakistan, Nigeria and Zimbabwe) received 29% of global aid.

Lower Middle Income Countries received 33% of aid. This group of countries includes Bolivia, Bosnia and Herzegovina, Egypt, Fiji, Iraq, Morocco, Palestine, Papua New Guinea, Peru, the Philippines and Yugoslavia.

Just 4% of aid went to Upper Middle Income Countries in 2002, and whereas in 1994, 3% of aid went to High Income Countries, no aid now goes to such countries. See figure 2. Share of aid to poorer countries.

In terms of whether aid has shifted to different regions over the decade to 2002, the major changes are a 5% fall in aid to Far East Asia and a 5% rise in aid to South and Central Asia.

The share of aid to Sub-Saharan Africa has risen from 33% to 36% and Europe's

Figure 2.

World Aid Trends

share of aid receipts has more than doubled from 5% to 11%. See figure 3.

In 2002, it was still the case that just five donors – Denmark, Netherlands, Sweden, Norway and Luxembourg were meeting their commitments to achieve the UN 0.7% target for aid as a share of national income, established in 1970.¹ See Graph 6.

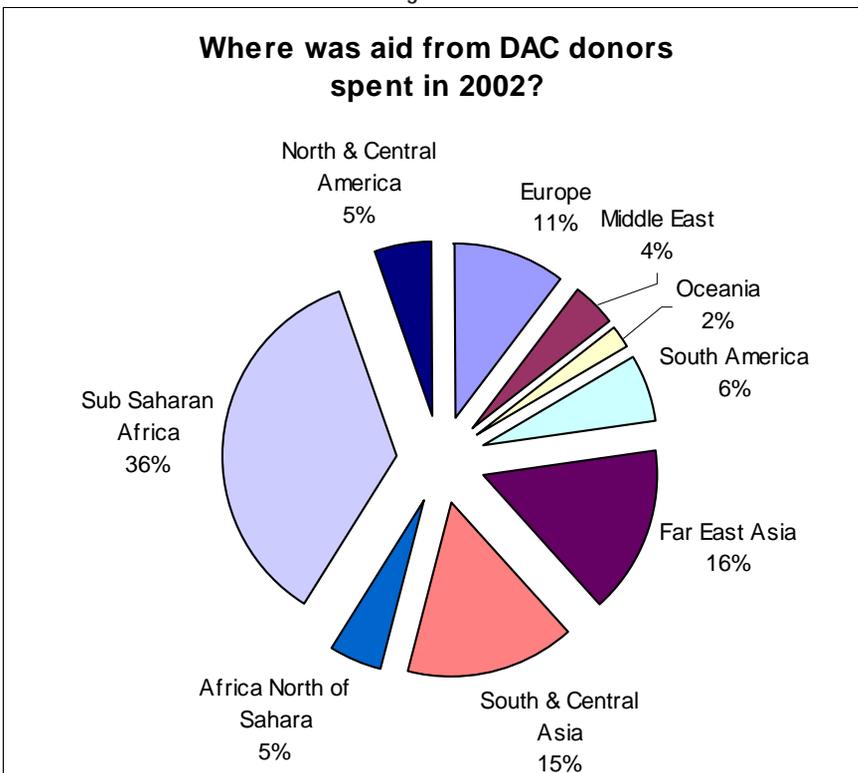
Graph 7 shows the long-term trend in aid as a percentage of GNI over the 20 years to 2002. The period shows a marked decline, with aid now hovering around 0.23% GNI, compared to around 0.33% at the end of the cold war and into the early 1990s.

Graph 7 presents two different ways of measuring average GNI performance by donors. One method is to take a simple or unweighted average. The other is to take

the total aid spending as a share of the total GNI of donor countries. The latter method produces a weighted average – skewing the figure towards bigger countries, such as Japan and the USA, who are among the worst performers on aid as a percentage of GNI. The effect is to produce a lower average. *Reality of Aid* thinks a fairer measure of the relative generosity of donor countries is the unweighted average, which the DAC calls ‘average country effort’. In 2002 this stood at 0.41% GNI compared with the 2002 weighted average of 0.23% GNI.

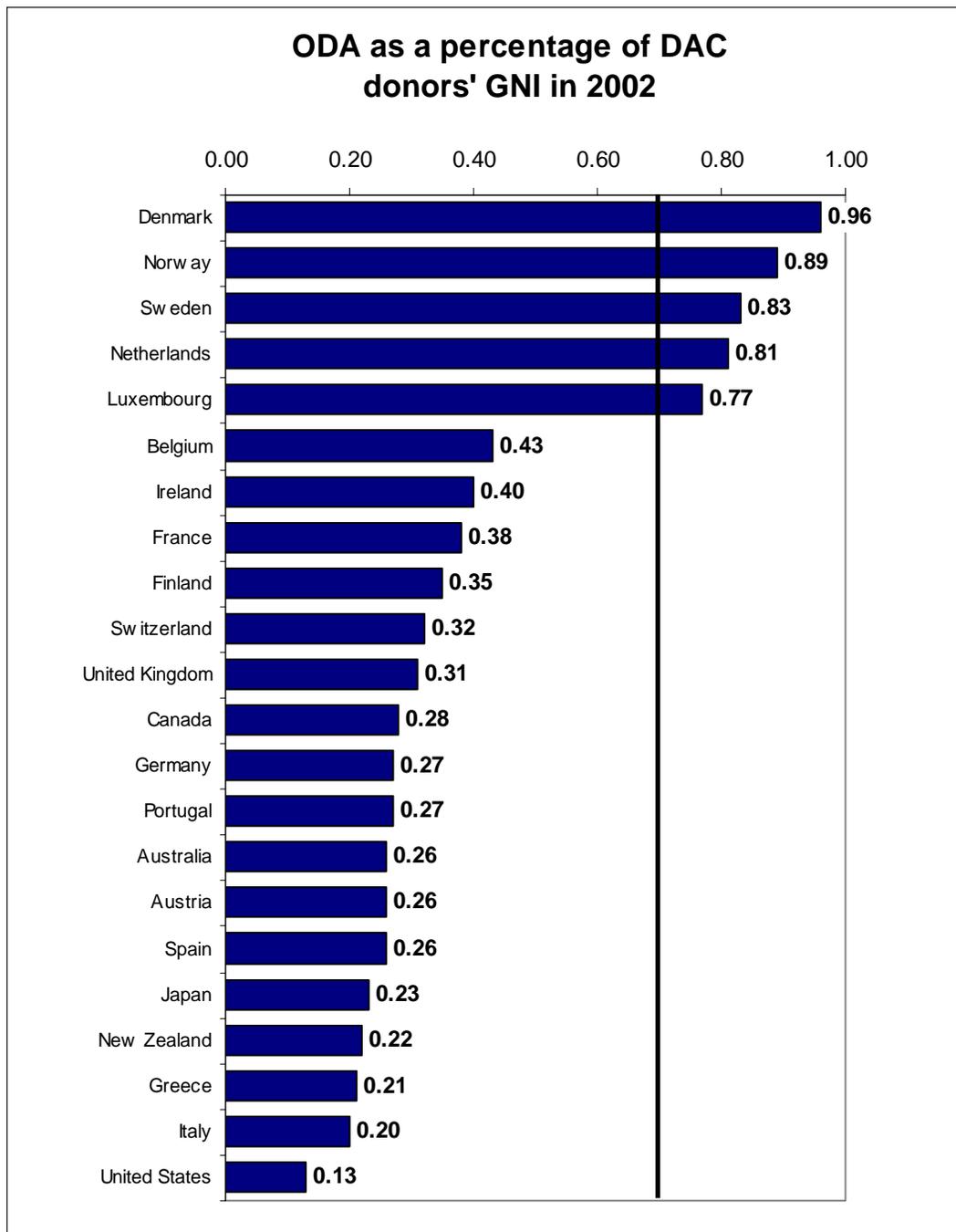
Reality of Aid has always acknowledged that aid can have the effect of reducing poverty when it is spent on promoting broad – based growth – every dollar does not have to be spent directly on basic

Figure 3.



World Aid Trends

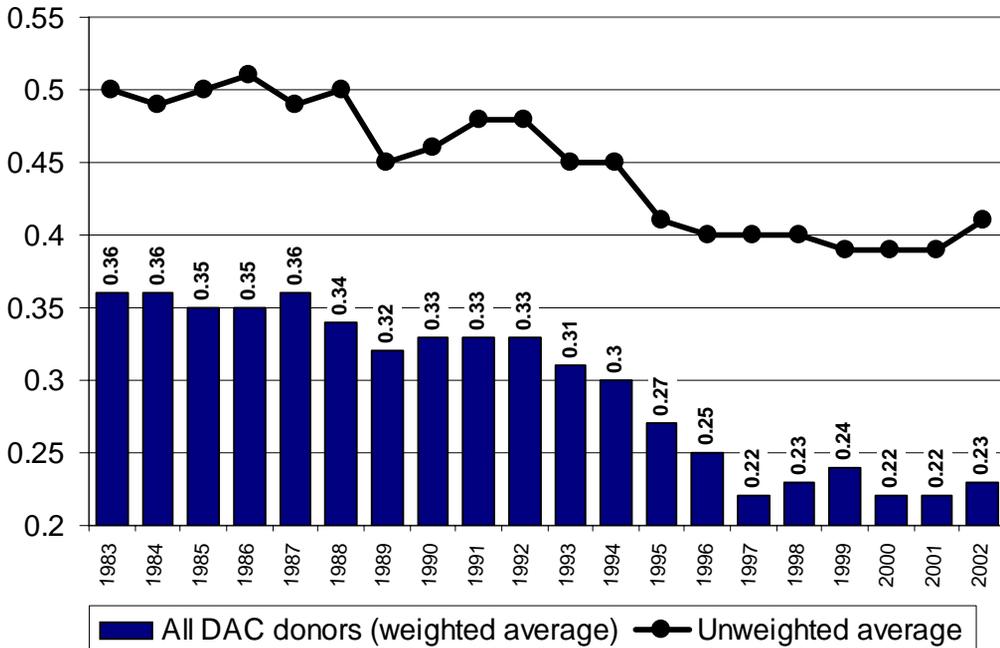
Graph 6.



World Aid Trends

Graph 7.

Aid from all DAC donors as a percentage of GNI: the long term trend



needs. However, successive reports have also highlighted the ways that aid is all too easily diverted to projects that have much to do with export promotion and winning geopolitical influence (and latterly security). The case has repeatedly been made that for aid to sustain both public and political support in the North, and to be seen as genuine partnership in the South, the chain of causation between every dollar spent and ultimate benefit to people in poverty should be credible and proximate.

The dangers of aid being spent on projects where the benefits to northern and southern élites are obvious but the benefits to poor people are at best

speculative, are shown all too well in this *Reality of Aid* report. Therefore it is essential to have rigorous assessment of who will benefit from aid before money is allocated, and evaluations that examine which groups are benefiting and have benefited, both during and after programmes.

But it is also possible to look at current spending, to see how much is going on projects that have a reasonable chance of bringing some direct benefits to poorer income groups – and especially to see how much is being allocated to the basic rights and needs of the most vulnerable. See figure 5.

World Aid Trends

Figure 4.

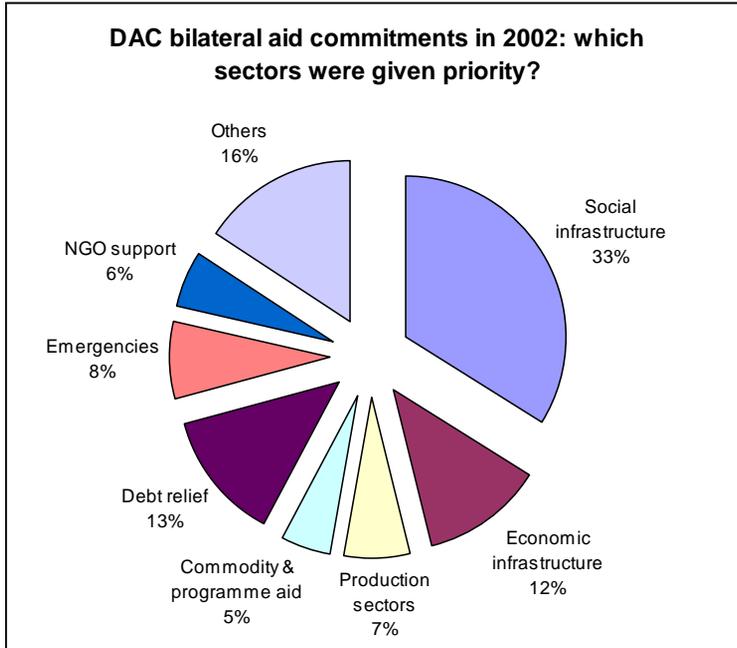
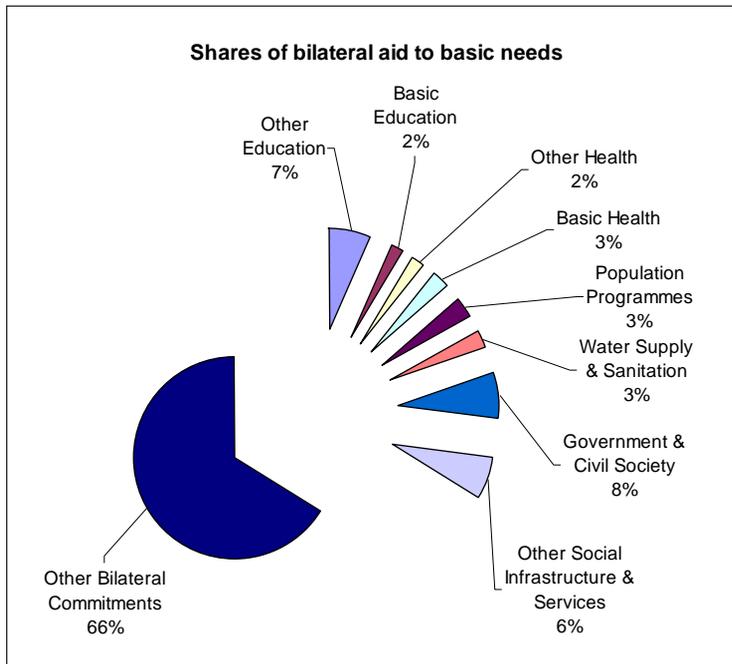


Figure 5.



World Aid Trends

Prospects for aid and the Millennium Development Goals

When the Financing for Development Summit took place in Monterrey, Mexico, DAC aid figures for 2001 had just been released showing global aid at just over US\$52 billion. In 2002, global ODA rose significantly to over US\$58 billion.

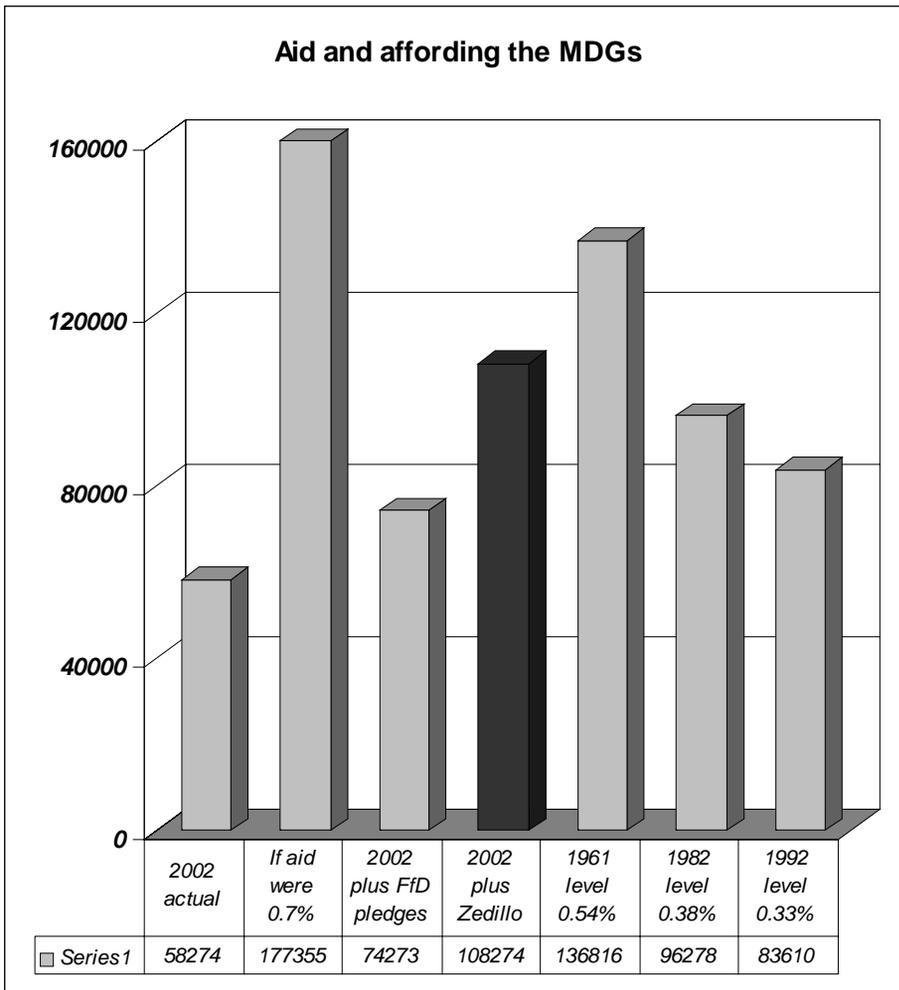
Estimates prepared for the FfD meeting in the Zedillo report² suggested that to achieve the Millennium Development Goals,

an additional US\$50 billion per year in aid would be needed.

At Monterrey, donors collectively pledged an additional US\$16 billion. If donors deliver on these pledges, global aid will rise from 0.23% in 2002 to 0.29% GNI in 2006. But this amount will be far short of what is required from donors to help achieve the MDGs by 2015.

Graph 8 presents a picture of current aid spending and how donors could

Graph 8.



increase aid to the necessary levels.

- Column 1 shows the actual level of aid achieved in 2002 – US\$58 billion or 0.23% GNI.
- Column 2 shows what aid would have been if donors in 2002 were giving 0.7%. On that basis, aid would have totalled US\$177 billions, which is three times the 2002 level.
In 2002, the USA alone spent almost twice this amount (US\$349 billion) on arms. The UK, France, Germany and Japan collectively spent another US\$149 billions in 2002.³
- Column 3 shows aid at its 2002 level plus US\$16 billion increases pledged at FfD – not enough to fund the MDGs.
- Column 4, coloured black, shows the

2002 level of aid plus the US\$50 billion estimated as necessary to achieve the MDGs. (It is obvious, comparing column 4 and column 2, that if aid was at 0.7%, the MDGs would be very easily funded).

- Column 5 shows what aid would have been in 2002 if donors were giving the same percentage of GNI in aid as they did in 1961 when at 0.54% of GNI, aid was at its highest level ever. This would more than fund the MDGs.
- Column 6 shows 2002 aid if GNI percentage had been at its 1982 level. Not far off what is needed.
- Column 7 on the right shows what aid would have been in 2002 if the GNI percentage achieved in 1992 had been sustained.

No room for complacency as aid rises modestly in 2003.

In April 2004, just after final copy for this Reality of Aid report was sent for publication, the OECD DAC released provisional figures for aid in 2003. This brief note aims to update the discussion in Part V of Reality of Aid 2004 on aid volume and aid as a percentage of GNI.

As shown in graph 9, total aid from DAC donors rose from \$58.3 billion in 2002 to \$68.5 billion in 2003. Substantial increases in aid from some of the largest (G8) donors – the United States (16.9%), the UK (11.9%) and France (9.9%), outweighed big falls in aid from Japan (-8.9%) and Italy (-16.7%).

In real terms, the figures for 2003 represent a rise of 3.9% to \$60.540 millions at 2002 prices. This follows a 7.2% real terms increase between 2001 and 2002.

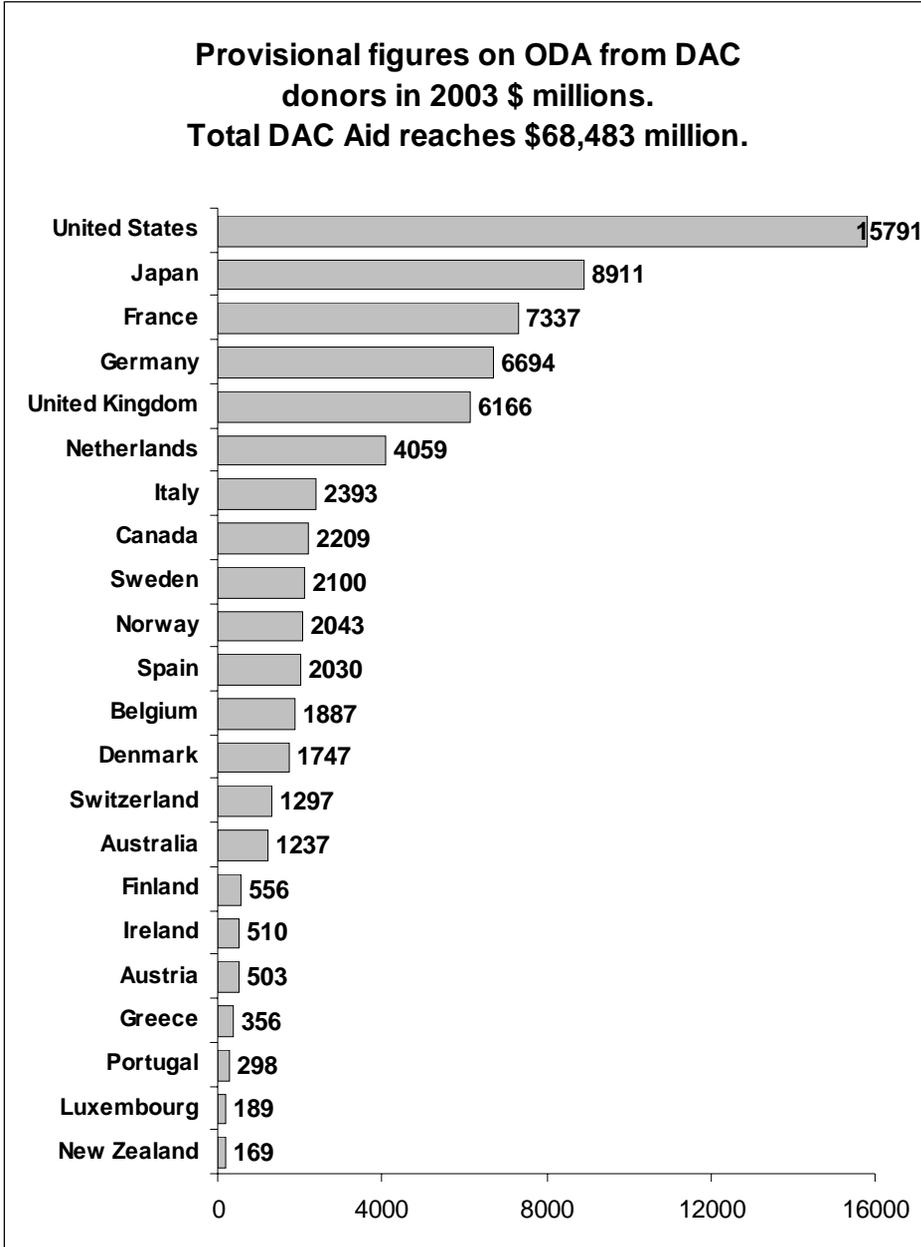
As graph 10 shows, recent increases in aid have now restored the cuts that occurred after 1992. But as a DAC statement accompanying the new aid figures

noted, there is no room for complacency. Aid levels remain far short of what is needed to achieve the MDGs. Only 5 DAC donors met the UN aid target of 0.7% GNI in 2003 (see graph 9).

As discussed on page 185, any increases in aid volume need to be seen very much against the background of growing wealth in donor countries – the gap is still widening between rich and poor. Single digit real terms increases in aggregate aid volume may be welcome, but they fall far short of what is required to meet the challenge of eliminating absolute poverty.

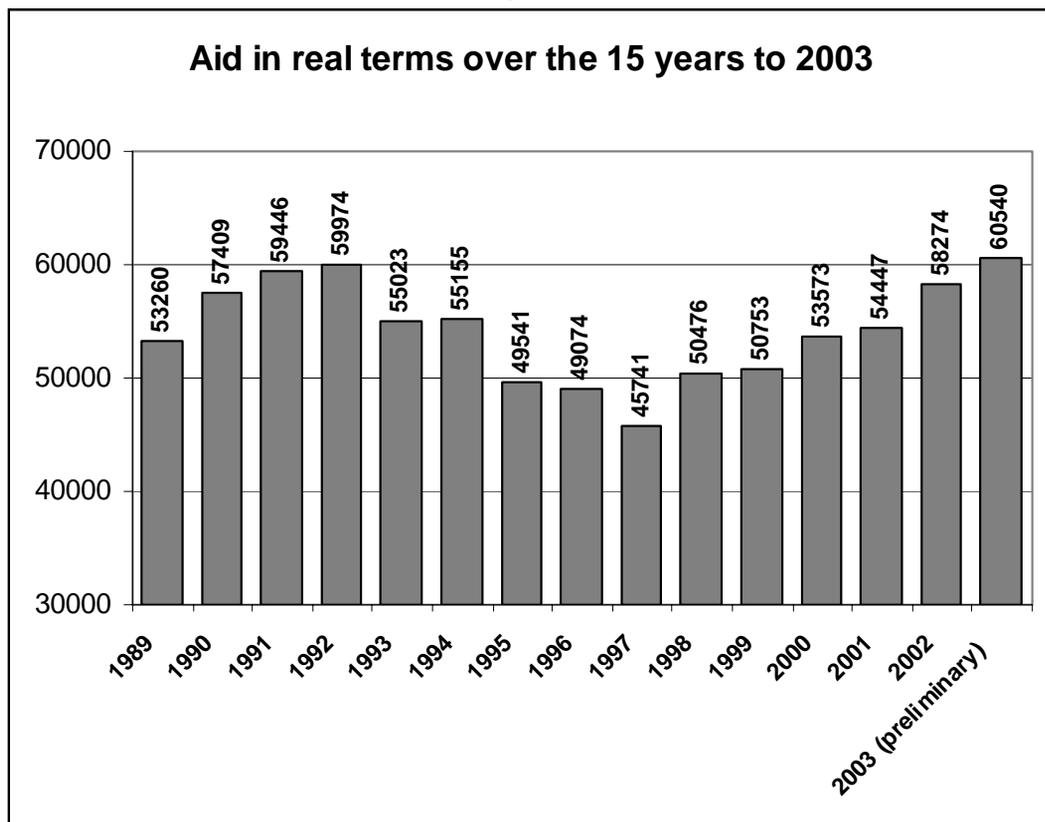
World Aid Trends

Graph 9.



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Graph 10.



The message from the graph is that, in the past, donors have managed aid levels as a percentage of GNI that would exceed the Zedillo requirements. What was pledged at FFD will not even restore aid to the levels of just over a decade ago, let alone provide donors' share of what is needed to achieve the MDGs.

Less than one quarter of what the USA, UK, France, Germany and Japan spend on arms each year, would provide enough funding to ensure that aid played its part in the goal of halving poverty by 2015.

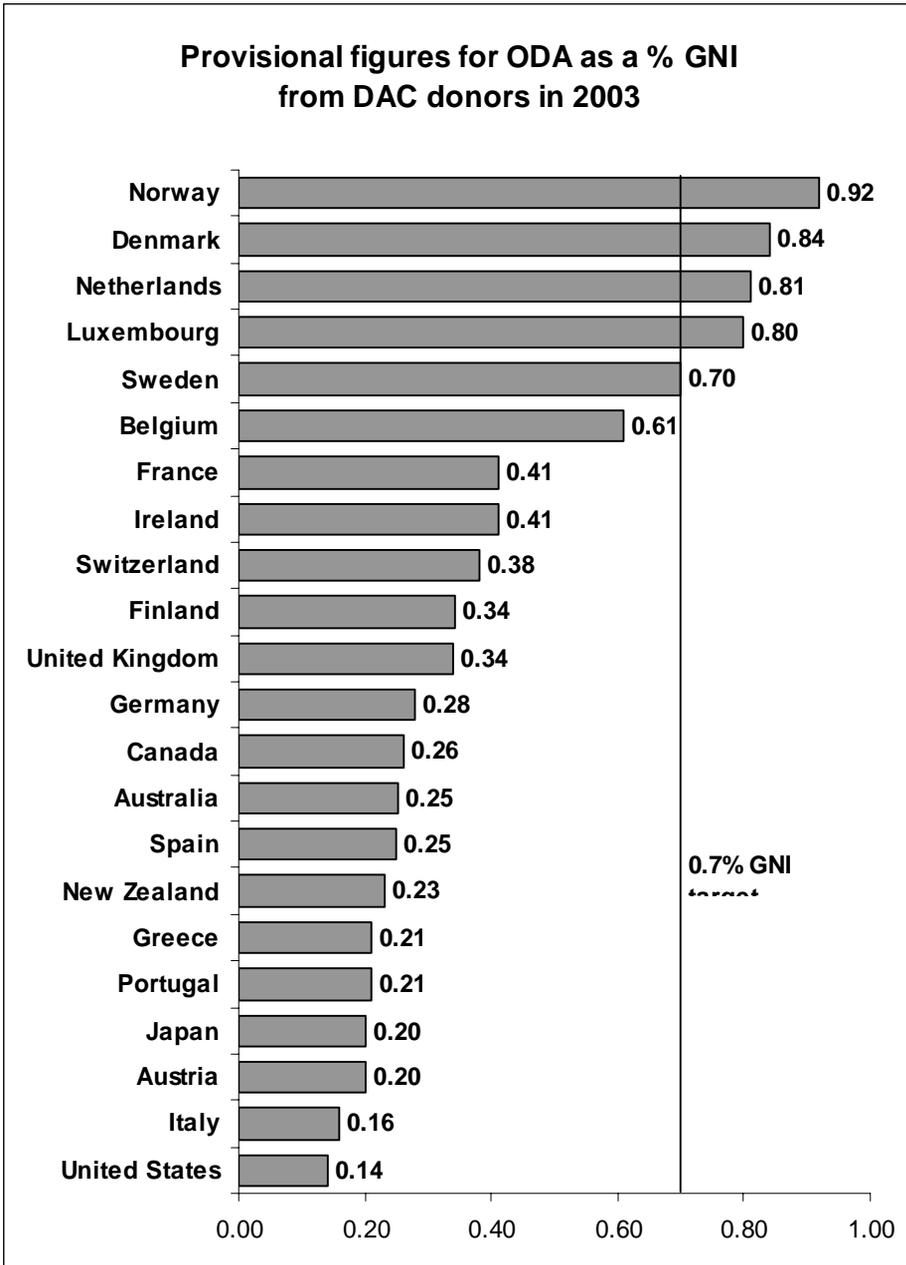
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Notes

- ¹ The Pearson Commission Report recommended the 0.7% GNP target in 1969, and the target was adopted by the UN in 1970.
- ² <http://www.un.org/reports/financing/>
- ³ <http://www.cdi.org/news/mrp/global-graph.pdf>

World Aid Trends

Graph 11.



*Box 8. AUSTRALIA at a glance***How much aid does AUSTRALIA give?**

In 2002, AUSTRALIA gave US\$989m or 1,821m Australian Dollars

This means that, in 2002, each person in AUSTRALIA gave US\$51 or 93 Australian Dollars

In 2002, aid from AUSTRALIA rose by US\$116m in cash terms. Because of inflation and exchange rate changes, the value of aid rose by 4.9% in real terms

How generous is AUSTRALIA?

AUSTRALIA gave 0.26% of its national wealth in 2002. This compares with the average country effort of 0.41% and AUSTRALIA's previous own highpoint of 0.65% in 1975.

AUSTRALIA was less generous than 14 other donors, but more generous than in 2001 when aid was 0.25% of GNI.

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

41.9% of total bilateral aid (US\$324) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

1.29% of its bilateral aid (US\$8.42m) on basic education

3.19% of its bilateral aid (US\$20.75m) on basic health

0.65% of its bilateral aid (US\$4.23m) on water and sanitation

Security issues dominate over direct poverty reduction

Shennia Spillane, Australian Council for International Development (ACFID)¹

Developments in 2002-03 have given Australian civil society increasing cause for concern about the quantity and quality of Australian ODA. The scarce aid funds that remain in Australia's budget are in danger of increasing diversion to 'whole of government' priorities, particularly with regard to national security.

The Australian Government still claims to support the UN aid target of 0.7% of Gross National Income (GNI),² yet Australian practice indicates otherwise. Despite enjoying 'one of the strongest economies of the developed world'³, with one of the highest growth rates in the OECD, Australian aid in 2002 rose, just a little, to 0.26% of GNI, from the historically low 2001 figure of 0.25% GNI. An ever-increasing proportion of this ODA is in fact spending by non-aid government agencies, particularly to fund Australia's controversial immigration policies. At the international level, Australia has chosen to remain largely disengaged from initiatives such as the Financing for Development process and the Millennium Development Goals, and has made no commitment to increase aid.

There has been an overt shift in the focus of Australian aid, with the inclusion of several new initiatives for counter-terrorism capacity building. These include bilateral

counter-terrorism programmes with Indonesia and the Philippines, a 'Peace and Security Fund' for the Pacific Island Countries, and a contribution to an Asia-Pacific Economic Cooperation (APEC) fund for counter-terrorism capacity building.

This agenda conflates the combating of terrorism with combating poverty. While it is necessary and legitimate for governments to support an effective programme to combat terrorism, Australian NGOs have argued that the resources for these activities should come from national security budgets, not from the overstretched aid and development budget.

At the same time, there is a more subtle and fundamental shift toward prioritising security in aid programme strategies, especially in Australia's immediate region. Some of this is understandable and can be seen as necessary to help establish the conditions required for sustainable development; such as investing in effective police and judicial systems in the Solomon Islands, where any development had become virtually impossible due to the serious breakdown of law and order. But it appears that addressing security is increasingly taking precedence over other priorities for dealing with the causes of suffering and conflict, such as addressing urgent human needs for food, clean water,

basic health and education services.

In a November 2003 statement to Parliament on the Australian aid programme, the Minister for Foreign Affairs focused heavily on aid as an instrument to promote regional security and to combat terrorism. Minister Downer's central theme was that 'our aid is contributing in no small part to Australia's national interest by helping create those conditions essential for enhanced regional stability and security, and poverty reduction.'⁴

This statement represents a notable variation on previous expressions of the central objective of Australian aid. For the first time, poverty reduction is placed second to security in the aid rationale. While there is some acknowledgment of the relevance of meeting basic needs — particularly basic education — in countering terrorism, the strong emphasis is on activities to boost policing and law enforcement and to strengthen financial systems — activities that contribute to the national security of Australia and, in some cases, the partner country, but whose links with poverty reduction remain largely unproven.

Australian interventions even in the Pacific Island Countries, a long-term focus of the Australian aid programme, are now often characterised as actions to guard against 'failed states' in the region. In 2003, Australia initiated and led a 'Regional Assistance Mission to the Solomon Islands'. This consisted of a military and police intervention supported by at least A\$87m in ODA, particularly focused on the provision of Australian governance assistance through technical advisers in a range of government ministries. The intervention was described by Australia's Foreign Minister as an Australian-led 'coalition of the willing', intended to counter the security threat posed by a 'failed state' in Australia's neighbourhood.⁵

This was followed in December 2003 by the announcement of a major bilateral initiative in Papua New Guinea, which will cost some A\$800m over five years. The initiative, designed 'to help PNG address its key challenges... in the areas of policing, law and justice and economic and public sector management', will involve the placement of 230 Australian police personnel and some 65 Australian bureaucrats in PNG Government agencies.⁶ The implications of this significant new programme for the overall profile of the aid budget are not yet clear.

Other key developments in the Australian aid programme during 2003 included:

- A commitment of some A\$120m to the reconstruction of Iraq over two to three years, following Australia's military participation in the US-led war.⁷ Unlike the A\$650m in new money given to the military to fund the war, only around A\$38m in new funding has been provided for aid to Iraq — the remainder will be sourced by reallocating existing aid funds.
- An increase in total Australian aid to Indonesia by A\$30m or 22.2%, focusing on governance, counter-terrorism cooperation, secular basic education, and health and reconstruction in Bali.
- The release in March 2003 of a new policy on aid for water and sanitation, *Making Every Drop Count*. Although many NGOs welcomed the policy's support for a strong focus on water and sanitation in the aid programme, it was regrettable that no new funding accompanied the policy statement. There have been welcome increases in Australian aid for water and sanitation over the past two years, but such increases only occur through redistribution of funds within a stagnant aid budget.

Australia

- Increases in trade-related technical assistance, food security initiatives, and humanitarian and emergency funding (though, at least initially, spending in Iraq will account for much of the latter increase). Australia also opened its market to tariff- and quota-free access for all goods produced in the 49 Least Developed Countries, and East Timor, from July 2003.
- A decline in the proportion of Australian aid allocated for projects and programmes through NGOs, to represent less than 5% of aid spending.⁸ This decline is partly due to changes underway in the mechanisms for government-NGO funding. Nevertheless, government support for the work of civil society in developing countries (both directly and through Australian NGOs) will warrant close monitoring over coming years.

Governance, human rights and Australian Aid

Governance has been an element of Australian aid programmes for many years, but has received particular emphasis over the past five years, doubling as a proportion of aid spending. By 2003-04, 'governance' represented the largest single sector in the Australian aid programme, accounting for A\$370 million or 21% of aid spending. Aid funding allocated for basic rights in 2003 included 12% for health, 5% for basic education and 3% for water and sanitation.⁹

Australian governance aid is primarily directed towards strengthening institutions for economic and financial management and public sector reform, which accounts for 55% of governance spending.¹⁰ Some 60-70% of good governance activities focus on personnel at senior levels in government or industry.¹¹ Australian NGOs have been critical of the extent to which Australian governance

assistance involves the placement of Australian 'experts' as technical advisers within the governments of developing countries in the Pacific and South East Asia. These projects are known as 'boomerang aid', because the money mainly ends up in the pockets of Australian consultants and companies. Moreover, while recognising the importance of sound economic governance, Australian and regional NGOs question the use of governance aid to impose Australian systems and approaches that may not be appropriate to the social, cultural and technological context.

While Australian policy notes the importance of support for human rights and civil society as part of improving governance in developing countries, these areas attract only 20% of governance spending. Australia claims a strong tradition of support for human rights in the Asia-Pacific region, including through aid, but in recent years such support has been reduced to only one small element of a broader 'governance' agenda. Like much aid for governance, there is a strong emphasis in Australian projects on the 'supply side' of good governance, with less attention being paid to strengthening the ability of affected communities to exercise their human rights and demand transparency and accountability from their governments.

In addition, Australian policies and actions on illegal immigration continue to undermine the country's international credibility on human rights. Official rhetoric focuses on border protection and criminalising people smugglers, at the expense of protecting the human rights of asylum seekers and refugees. Meanwhile, draconian measures continue to be employed to prevent asylum seekers gaining access to Australia and to detain indefinitely those who do enter. The substantial costs incurred in pursuit of these policies are counted as Australian ODA.

Australian support for good governance has also shown its limits when it comes to issues of global governance. In 2003, the Australian government continued to express strong cynicism about the UN and other multilateral forums; it explicitly supported bilateralism and 'coalitions of the willing' in preference to the multilateral rules-based system.¹² Australia has remained largely disinterested in issues related to the quality and justice of global financial governance, such as reform of the IMF, and the failure of international debt mechanisms. Even in trade, where Australia has been an active player in the WTO and sometimes acted in concert with developing countries, the government has simultaneously pursued bilateral trade agreements with the United States and with key Asian trading partners. It seems that while Australia is keen to 'provide' its own version of good governance to developing countries, the pursuit of good governance does not extend to the international system and Australia's own role within it.

Notes

- ¹ The author would like to acknowledge useful input and comments for this chapter provided by Graham Tupper, Kathy Richards and Garth Luke.
- ² The Hon Alexander Downer MP, Minister for Foreign Affairs, *Australian Aid: Investing in Growth, Stability and Prosperity*, Eleventh Statement to Parliament on Australia's Development Cooperation Program, September 2002, Canberra, p22.
- ³ Statement by the Hon. Peter Costello, Treasurer of Australia and Governor of the IMF and the World Bank for Australia, at the joint annual discussion [of the IMF and World Bank], 23 September 2003, Dubai; available at <http://www.treasurer.gov.au/tsr/content/speeches/2003/016.asp>; quoting the IMF (un sourced).
- ⁴ The Hon Alexander Downer MP, Minister for Foreign Affairs, *Twelfth Annual Statement to Parliament on Australia's Development Cooperation Program*, Canberra, November 2003; available at http://www.ausaid.gov.au/publications/pubout.cfm?id=1317_3443_8330_1968_7137
- ⁵ See speech of The Hon Alexander Downer MP, Minister for Foreign Affairs, *Security in an Unstable World*, at the National Press Club, Canberra, 26 June 2003, available at http://www.foreignminister.gov.au/speeches/2003/030626_unstableworld.html
- ⁶ *New Era of Cooperation with PNG*, Media Release FA158 by the Minister for Foreign Affairs Alexander Downer MP, 11 December 2003: http://www.foreignminister.gov.au/releases/2003/fa158_03.html
- ⁷ Downer, above n.iv, at p6.
- ⁸ Aid Budget 2003-04, *Overview and Analysis*, Australian Council for Overseas Aid, May 13 2003, Canberra, http://www.acfid.asn.au/campaigns/aid/budget_analysis2003-04.pdf.
- ⁹ *Ibid.* Actual figures for Australia's spending on basic social services in 2002, are given in the *Australia at a glance box*.
- ¹⁰ *Australia's Overseas Aid Program 2003-04*, Federal Budget Statement by the Hon Alexander Downer MP, Minister for Foreign Affairs, Canberra, 13 May 2003, p5.
- ¹¹ Drawn from OECD DAC reporting 2001, quoted in an ACFOA Good Governance paper by Kathy Richards, to be published late 2003 at www.acfid.asn.au.
- ¹² See for example, speech by The Hon Alexander Downer MP, above n.v..

Austria

Box 9. AUSTRIA at a glance

How much aid does AUSTRIA give?

In 2002, AUSTRIA gave US\$520m or 552m Euros

This means that, in 2002, each person in AUSTRIA gave US\$65 or 69 Euros

In 2002, aid from AUSTRIA fell by US\$13m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 8.4% in real terms.

How generous is AUSTRIA?

AUSTRIA gave 0.26% of its national wealth in 2002. This compares with the average country effort of 0.41% and AUSTRIA's previous own highpoint of 0.38% in 1985.

AUSTRIA was less generous than 15 other donors and less generous than in 2001 when aid was 0.29% of GNI.

How much of AUSTRIA's aid goes to the poorest countries and people?

42.5% of total bilateral aid (US\$154.7m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

How much of AUSTRIA's aid was spent on basic health, basic education, water supply and sanitation?

AUSTRIA spent

0.27 % of its bilateral aid (US\$1.22m) on basic education
 1.41% of its bilateral aid (US\$6.48m) on basic health
 2.89% of its bilateral aid (US\$13.26m) on water and sanitation.

*Box 10. BELGIUM at a glance***How much aid does BELGIUM give?**

In 2002 BELGIUM gave US\$1072m or 1137m Euros

This means that, in 2002, each person in BELGIUM gave US\$104 or 110 Euros

In 2002, aid from BELGIUM rose by US\$204m in cash terms. Because of inflation and exchange rate changes, the value of aid increased by 14.8% in real terms.

How generous is BELGIUM?

BELGIUM gave 0.43% of its national wealth in 2002. This compares with the average country effort of 0.41% and BELGIUM's previous own highpoint of 0.60% in 1975.

BELGIUM was less generous than 5 other donors and more generous than in 2001 when aid was 0.37% of GNI.

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

48.8% of total bilateral aid (US\$346.9m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

1.01% of its bilateral aid (US\$7.48m) on basic education

4.45% of its bilateral aid (US\$32.98m) on basic health

1.75% of its bilateral aid (US\$12.99m) on water and sanitation.

Concern as Foreign Affairs swallows the aid budget

Han Verleyen, 11.11.11, Coalition of the Flemish North South Movement

Elections

In 2003, Belgium held federal elections, which resulted in a huge defeat for the Green Party and a confirmation of the Socialist-Liberal coalition.

In the former government, the Green Party's Eddy Boutmans held the post of State Secretary for Development Cooperation. The tensions between the departments of Foreign Affairs and Development Cooperation were almost legendary. Foreign Affairs made several attempts to get a stronger hold on the competences and budget for development cooperation.

After the elections, the Belgian government appointed a Minister for Development Cooperation and no longer a State Secretary under the Minister of Foreign Affairs. This did not, however, result in a greater autonomy for the Department of Development Cooperation. The budget for development cooperation was fully integrated in the budget of Foreign Affairs. There are no immediate consequences for the competence of the Minister but the tendency to downgrade development cooperation to an instrument of Foreign Policy is very obvious. Moreover, budgets for conflict prevention and humanitarian assistance had already been lifted out of the section on development cooperation

are fully transferred to the competence of the Minister of Foreign Affairs.

Budget

An important achievement of the former State Secretary was the adoption of a law that obliges Belgium to reach the 0.7% target by 2010. In the meantime, government has to explain annually the efforts it makes to increase the budget. For 2004, the government has promised to raise the Development Cooperation budget to €847 million and to achieve an overall ODA-budget of €1.3 billion.

In the current negotiations on the 2004 budget, this commitment has been repeated, but the rise in the budget is a fake! The Development Cooperation budget has been artificially increased by introducing ODA-accountable budget lines from other departments into the development cooperation budget. Normally these expenses are added to the Dev-Co budget, to calculate the overall ODA-budget. The so-called rise in the budget can also be partially attributed to the detailed scrutiny applied to the budgets of other departments, to find ODA-accountable expenses.

Focus on Central Africa

The new government renewed its commitment to Central Africa as a focal

point for Belgian Development Cooperation. Belgium supported elections in Rwanda, and is engaging actively to support the Peace Conference to be held in Congo in June 2004. The focus of Belgian aid in Congo is on strengthening the public services, health and support to small enterprises. The Minister announced that aid to Congo will be doubled next year. It is unclear, however, how this increase will be financed, given the general decrease in the budget for bilateral cooperation.

Partner countries dropped

The government has decided to reduce the number of partner countries from 25 to 18. Bangladesh, Ethiopia, Ivory Coast, Burkina Faso, Cambodia, Laos and SADC have been removed from the list. The criteria for the selection were, among other things, the focus on Central Africa, the impact and visibility of Belgian Cooperation, the share in the total amount of ODA to the partner countries, the quality of ongoing programmes and projects and the quality of policy dialogue with the governments involved. Poverty focus has also been mentioned as a criterion, but this is not reflected in the list of countries excluded: apart from SADC, all countries affected by the decision are LDCs.

The 11.11.11, Coalition of the North-South Movement is in favour of more concentration, but stresses the need for continuity. With each new government, the list of partner countries changes, and the criteria used are not very clear.

Another dangerous evolution in Belgian development cooperation is the shifting focus to 'Migrant countries'. The government agreement and the Development Cooperation policy note both refer to the need to focus aid on the countries of origin of asylum seekers in Belgium. Both policy documents also carefully introduce the idea of a partial reorientation of ODA to Balkan

states. This is so far not reflected in the selection of partner countries but the near future will prove whether or not this shift can be noticed in practice.

11.11.11 strongly opposes migration pressure as a new criterion for aid. In the long run, the aim of ODA is of course to improve living conditions. A possible side effect can be a reduction in the number of asylum seekers or immigrants. This cannot, however, be the basis and goal of a long-term cooperation relation with partner countries. Making aid dependent on its effects on migration will lead to a rapidly shifting, unsustainable, and poor quality cooperation.

Governance and human rights in the Belgian Aid programme

The Belgian Law for development cooperation mentions the strengthening of democracy, governance and human rights as a central aim of Belgian Development Cooperation. Since 1994, Belgian Development Cooperation has been obliged by law to draft annual reports on the human rights situation in partner countries, and to assess development cooperation policies accordingly. But the significance of both the law and the few annual reports that have been drafted is limited.

The budget for Foreign Affairs has a specific budget line for conflict prevention, peace-building and human rights. This budget line has been lifted from the general budget for development cooperation and transferred to the Foreign Affairs budget. 11.11.11 deplores the transfer. The link between development cooperation and highly political and sensitive issues such as conflict prevention, governance and human rights should be strengthened, not weakened.

Human rights and good governance do not figure as such among the core issues for development cooperation, as defined in the

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policy note from the new Minister for development cooperation. He wants to focus on health (HIV, malaria and poverty-related diseases), childrens rights, gender and water. These priorities for Belgian Development Cooperation are defined in terms of rights, for example the right to health, food or education. Human rights, good governance and democracy are stressed as important issues in different policy declarations. In interviews, the Minister refers to human rights as an important benchmark, against which to assess the quality of democracy and democratic institutions.

The Belgian government does not maintain a strict political conditionality policy in the promotion of governance and human rights. Likewise, performance in the field of human rights and good governance do not figure among the criteria for the selection of partner countries.

Rather than making aid directly dependent on progress, Belgian development policy aims to contribute to improvement in the field of governance and human rights. The policy note on conflict prevention and peace building stresses the need for an 'encouraging and supportive policy to underline the necessity of good governance, the state of law and respect for human rights as the basis for structural stability'. It further clarifies that aid has to be oriented towards capacity building for good governance in the framework of a long-term commitment. 11.11.11 supports this approach: political conditionality to contribute to human rights and good governance has rarely proved to be effective. Attaching strings to aid can only be useful when based on a strong demand from civil society.

Governance and human rights in the context of PRSPs

When discussing the importance of Poverty

Reduction Strategy Papers (PRSPs) for Belgian development cooperation in his policy note, the Minister does not refer to human rights or governance issues. The Millennium Development Goals are much more prominent, in the policy note as a whole, and in the chapter on PRSPs.

However, the Minister puts great faith in PRSPs, as a national policy framework for poverty reduction and a vehicle for participation of civil society in the planning process and the development debate. Though recognising the importance and weight of PRSPs in the current development thinking and policies, 11.11.11 calls for a much more critical analysis of PRSPs and a critical assessment of the value of participation and the ownership aspects in their drafting.

Security, Migration and combating terrorism

The autonomy of Belgian development cooperation is threatened by the increasing influence of issues such as security and migration. Development cooperation funds (€3 million in 2003) have been used for the rebuilding of Iraq (Foreign Affairs competence), and for Asylum policy or Migration issues (€70 million in 2003; Internal Affairs competence). Both the governmental agreement (July 2003) and the policy note of the Minister of Development Cooperation (October 2003) carefully introduce the need to redirect development funds to Migrant countries (see above).

Global governance

Belgium is not a prominent actor in discussions on the reform of international institutions. It pleaded for a more significant role for the UN in the context of the US-Iraq conflict but this was not linked to concrete proposals for reform. At the WTO summit in Cancun, however, Foreign Affairs Minister Louis Michel did plead for an Economic and

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Social Security Council, to provide a social and economic framework for world trade. This idea was introduced by the Socialist Party in the governmental agreement. 11.11.11 is supportive of each step to integrate world trade in a social, economic

and ecological framework, and to make trade subordinate to human rights and ecological norms.

Making aid dependent on its effects on migration will lead to a rapidly shifting, unsustainable, and poor quality cooperation.

Canada

Box 11. CANADA at a glance

How much aid does CANADA give?

In 2002, CANADA gave US\$2,006m or 3,150m Canadian Dollars

This means that, in 2002, each person in CANADA gave US\$64 or 100 Canadian Dollars

In 2002, aid from CANADA rose by US\$474m in cash terms. Because of inflation and exchange rate changes, the value of aid rose by 31.2% in real terms

How generous is CANADA?

CANADA gave 0.28% its national wealth in 2002¹. This compares with the average country effort of 0.41% and CANADA's previous own highpoint 0.54% in 1975.

CANADA was less generous than 11 other donors but more generous than in 2001 when aid was 0.22% of GNI.

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

35.5% of bilateral aid (US\$533.9m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

CANADA spent

3.99% of its bilateral aid (US\$68.77m) on basic education
 3.08% of its bilateral aid (US\$52.98m) on basic health
 1.67% of its bilateral aid (US\$28.73m) on water and sanitation.

¹ DAC aid performance statistics for Canada for 2001 and 2002 are different than CIDA's and CCIC's calculation of Canada's performance for those years because the DAC figures are based on a calendar year and not CIDA's fiscal year. In 2001 CIDA multilateral contributions were minimal in the DAC

statistics because two payments were made in 2002, but in two different fiscal years for CIDA. CIDA reports its fiscal year performance for 2001/02 at 0.27% of GNI (compared to 0.22% in the DAC report) and CCIC has estimated 2002/03 at 0.27% (compared to the DAC's 0.28%).

Doubling the budget is just one of the challenges

Brian Tomlinson, Canadian Council for International Cooperation (CCIC)

On the night of November 2003 when Canada's new Prime Minister, Paul Martin, was elected leader of the Liberal Party, his guest, Bono, challenged him to assume aggressive leadership for global justice — on cancelling debt, promoting fair trade, eradicating poverty and HIV/AIDS in Africa. As Prime Minister, Martin set out the new vision for Canadian foreign policy, through which he intends to assume greater international leadership 'in developing new thinking about how the international community governs itself'.¹

Whether the Prime Minister lives up to the challenges posed by Bono remains to be seen. In his early initiatives, Martin sought to 'improve' Canada's relations with the United States (participation in continental missile defence), but also to create a forum for North/South dialogue, to bridge and change relationships with developing countries. While the directions for Canadian international cooperation policy are not yet clear (February 2004), it seems likely that they will be distinguished by both significant change as well as continuity with the previous Chrétien government. These directions are to be elaborated in an International Policy Review during the later half of 2004.

Chrétien's 2003 Federal Budget fulfilled his aid commitment made at the 2002 UN FfD

Conference. This Budget increased Canadian aid by 8% for 2002/03 and for each of the next two years up to 2004/05. The Budget renewed the pledge to double assistance by 2010, with a focus on nine priority countries and half of the increase going to Sub-Saharan Africa.²

As expected, the new Prime Minister honoured the commitment of 8% increases in his March 2004 budget. Canada's aid performance is expected to be 0.28% of GNI in this year.

Table 6. Canadian Aid Performance (including 8% annual increases)

2000/01	0.25% of GNI
2001/02	0.27% of GNI
2002/03	0.27% of GNI
2003/04	0.26% of GNI
2004/05	0.28% of GNI
2005/06	0.28% of GNI
2009/10	0.32% of GNI

Note: CCIC Estimates 2002/03 to 2009/10.

If the government were to achieve a doubling of aid by 2009/10, Canadian aid might reach 0.32% of GNI in that year. CCIC is challenging the new government to adopt

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a plan to reach the UN goal of 0.7% by 2015, and at the same time to contribute Canada's fair share of new aid resources needed globally to achieve the UN Millennium Development Goals.³

During the International Policy Review, Canadian civil society organisations (CSOs) will continue to press the government to match its international ambitions for leadership in North/South relations with the resources that developing countries expect Canada to commit to meet its stated obligations to the MDGs and to poverty eradication.

During the past three years, there have been significant changes in Canadian international cooperation policy. These will continue to inform changes to both the delivery and content of Canadian ODA under the new government.⁴

- In September 2002, CIDA adopted a new overarching policy, 'Canada making a difference in the world: Strengthening aid effectiveness', which outlines new approaches to aid. These include 1) increased participation in donor coordinated engagement with government through sector-wide approaches (SWAPs) and Budget Support for PRSPs, 2) increased sector and country focus for Canadian aid, 3) programmatic approaches and a move away from a project orientation, and 4) reduction in the tying of Canadian aid. Canadian CSOs welcomed the policy's principles of local ownership, a focus on poverty and greater coherence in Canadian aid efforts. They have, however, been frustrated by the absence of any strategic reflection on roles for civil society in these new approaches.⁵
- CCIC has noted a sharp decline in the involvement of CSOs in implementing CIDA programming between 1999/00 and

2002/03 (from 28.7% of ODA to 16.6%), even prior to the new aid directions. For CIDA's nine priority countries, the role of the Canadian and beneficiary governments in the direct implementation of bilateral programmes has increased over this period from 39% to 52%, while CSO and private sector implementation decreased accordingly.⁶ Given the emphasis in the September 2002 policy on SWAPs and Budget Support, the marginalisation of partnerships with CSOs will probably only be attenuated in the coming years. CCIC continues to seek a CIDA overarching policy framework that clarifies the important role for CSOs in the development process.⁷

- In his first international policy pronouncements, Prime Minister Martin has underlined the importance of the 'Montreal Consensus', adopted by G-20 finance ministers in 2001, whereby conditions favourable to sustainable growth in developing countries must 'ensure that the appropriate social policies are in place — so that the benefits of that growth will reach all citizens in an equitable way'. Martin adds, 'we must do all these things in an inclusive way so that these policies respond to the needs citizens themselves express'.⁸ CIDA has expanded its support for social development priorities — basic education, primary health, child protection and HIV/AIDS — since 2000. Issues of governance will also play a significant role in future Canadian aid and foreign policy relationships with developing countries.

Overall support for improved governance in developing countries has increased, rising from 10.5% of total CIDA programming in 1995 to 16.4% in 2002/03.⁹ Governance

initiatives include both strengthening the public sector as well as civil society/human rights. CIDA's governance programme funding in 2002/03 was split almost equally between civil society/human rights and strengthening the government sector. The latter will rise substantially as disbursements for SWAp and Budget Support increase. In the past, CSOs have been major partners in CIDA's governance programme, implementing fully 38.8% in 2002/03.¹⁰

- In 2003, CIDA adopted a policy framework on private sector development (PSD) in Canadian development cooperation. Positively, it promotes a broad definition of the private sector, including the informal economy, and subjects all PSD initiatives to three analytical lenses - a pro-poor lens (livelihood strategies for the poor), a business lens and a governance lens.¹¹ In 2003, Prime Minister Martin was co-chair for the UNDP Commission on the Private Sector and Development. He has intimated that its recommendations (expected in early 2004) will inform future programming priorities for CIDA. At DAVOS in 2004, PM Martin indicated that building a strong indigenous private sector in the developing world is essential for reducing poverty and that this 'will become a focus of [Canadian] foreign policy'. It is hoped that such a focus will retain CIDA's poverty lens for determining appropriate Canadian initiatives.
- In 2003/04, the government's commitment to poverty reduction in Africa and to nine priority countries may have been undermined by very large CIDA aid commitments in Afghanistan and post-war Iraq. Between 2002 and 2004, C\$350 million was committed for humanitarian and reconstruction programmes in Afghanistan, the largest single country pledge ever made by Canada.¹² A 2000-strong military force and leadership of NATO's International Security Assistance Force add to this commitment. Afghanistan policy is being closely coordinated between Defence, Foreign Affairs and CIDA. Canadian CSOs are concerned that Canada may be contemplating support for joint military/aid Provincial Reconstruction Teams (PRTs). According to CSOs, PRTs will increase insecurity for the population, CSOs and government personnel, in part because the lines between military and humanitarian mandates are blurred. For Iraq, in October 2003, Canada announced commitments of C\$300 million in reconstruction aid. Most of this is being disbursed through UN and multilateral facilities.¹³ In January 2004, Canada agreed to cancel C\$750 million in Iraq debt as part of a multilateral agreement. CCIC will be closely monitoring CIDA's 2003/04 aid statistics, to ensure that these reconstruction funds do not compromise the government's 2003 Budget commitments for additional aid to Sub-Saharan Africa and for long-term development.¹⁴
- New Canadian international initiatives will be accompanied by increased inter-departmental coordination, or the whole-of-government approach, which is being piloted for Canadian management of its Afghan policy. Such an approach may affect the ways in which Canada delivers its ODA, including the possibility of greater integration of CIDA resources within the Department of Foreign Affairs. CCIC and its members are deeply concerned that such restructuring may affect the content of Canadian aid efforts, greatly diminishing resources devoted to long-term poverty reduction

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in the poorest countries, in favour of other more immediate Canadian foreign policy interests. An important indicator of these tensions is Canadian interest in a broader definition of ODA at the OECD DAC, to include resources devoted to security and the 'war on terrorism', further undermining the poverty focus of international assistance.¹⁵

Notes

- 1 Honourable Paul Martin, 'Reply to the Speech from the Throne', House of Commons, 3 February 2004.
- 2 In December 2002, the government announced that future increases in Canadian aid would be concentrated in nine countries – Bangladesh, Honduras, Bolivia, Ethiopia, Tanzania, Mozambique, Senegal, Mali, Ghana. CIDA is implementing its strategies for improved aid effectiveness in these nine countries with these enhanced resources. At least half of the aid increases is to be devoted to Africa's development needs.
- 3 An elaboration of CCIC's budget plan to achieve the 0.7% target for aid and other proposals for revitalising Canada's leadership in relations with developing countries, see 'Recommitting to the Millennium Development Goals' (http://www.ccic.ca/e/docs/002_aid_2003-10-21_call_on_government_to_meet_its_un_commitments.pdf) and 'Towards a Canadian Foreign Policy for Global Justice and Equity' (http://www.ccic.ca/e/docs/002_policy_2003-12-9_global_justice_policy_brief.pdf) on CCIC's web site, www.ccic.ca.
- 4 Many of these changes will not be known in their specifics until after a federal election expected for April/May 2004. See the CCIC web site, www.ccic.ca for further developments in Canadian aid policy in the post-election period.
- 5 For CCIC's critique of the new aid directions for CIDA see 'CIDA's Canada making a difference in the world: A policy statement on strengthening aid effectiveness: CCIC's summary highlights and implications' at http://www.ccic.ca/e/002/aid_cidas_canada_making_a_difference_in_the_world.shtml and 'Report on the CCIC/CIDA Dialogue: Local Ownership: Roles for Southern and Canadian Civil Society Organizations, March 20/21 2003' at http://www.ccic.ca/e/docs/002_aid_2002_ccic-cida_dialogue.pdf.
- 6 These statistics have been calculated by CCIC based on a review of the implementing agent for all bilateral projects and Canadian Partnership Branch projects in these two years, based on project statistics provided by CIDA. Included are those agencies implementing humanitarian assistance projects in Multilateral Branch. The information available for other programmes in Multilateral Branch or Policy Branch was not complete.
- 7 As noted below, such a policy framework for the private sector has been developed and published in 2003 on the initiative of the past Minister for International Cooperation.
- 8 Prime Minister Paul Martin, 'Prime Minister Paul Martin speaks to the inauguration ceremony of the Special Summit of the Americas, Statement by the Prime Minister', January 12, 2004, Monterrey, Mexico.
- 9 Treasury Board, 'Canadian International Development Agency: Performance Report', various years.
- 10 CCIC calculations based on CIDA project statistics for 2002/03 for the Geographic Branches and Canadian Partnership Branch. The coding of Government and Civil Society includes the following sub-codes—strengthening civil society, human rights, landmines clearance, demobilisation, post-conflict peace-building (UN), free flow of information, elections, government administration, legal and judicial development, public sector financial management, and economic development policy/planning. These statistics include the first two as civil society strengthening and the last four as strengthening government and the public sector. Support for 'elections' amounted to 1.2% of total governance disbursements in 2002/03.
- 11 The CIDA strategy for the private sector is found at http://www.acdi-cida.gc.ca/cida_ind.nsf/AIIDocId/C21E4EA87075A4CE05256CC2006FE2F3?OpenDocument.
- 12 So far, CIDA current bilateral commitments to Afghanistan are C\$73.8 through the World Bank, C\$45.4 through UN organisations, and C\$15.1 through Canadian partners.
- 13 These commitments for Iraq include C\$100 for pre-war humanitarian assistance in early 2003 (of which C\$55 million went to UN organisations), and C\$200

million for post war reconstruction, of which C\$40 million was directed to UNICEF, C\$100 million for the Fund Facility for Iraq, C\$5 million to CARE and C\$10 million to help train Iraq police officers. The cancellation of Iraq debt will not affect budgetary allocations, but will be included in Canadian ODA in the year that the debt is cancelled.

- ¹⁴ The 8% increase to Canadian aid for 2003/04 was approximately C\$230 million, with an additional

C\$423 million added in supplementary budget estimates during the fiscal year.

- ¹⁵ See 'A CCIC Commentary on A Development Cooperation Lens on Terrorism Prevention: Key Entry Points of Action', A Policy Statement by the Development Assistance Committee, OECD, April 2003, produced by CCIC in November 2003, located at http://www.ccic.ca/e/docs/002_aid_2003-11_ccic_commentary_dac_terror_prevention.pdf.

Denmark

Box 12. DENMARK at a glance

How much aid does DENMARK give?

In 2002, DENMARK gave US\$1,643m or 12,956m Krone

That means that, in 2002, each person in DENMARK gave US\$305 or 2,408 Krone

In 2002, aid from DENMARK rose by US\$9m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 5.8% in real terms

How generous is DENMARK?

DENMARK gave 0.96% of its national wealth in 2002. This compares with the average country effort of 0.41% and Denmark's own previous highpoint of 1.06% reached in 2000.

DENMARK was the most generous of all 22 DAC donors, but less generous than in 2001 when aid was 1.03% GNI.

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

54.0 % of total bilateral aid (US\$560.4m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

DENMARK spent

2.68% of its bilateral aid (US\$22.59m) on basic education

0.49% of its bilateral aid (US\$4.17m) on basic health

3.57% of its bilateral aid (US\$30.13m) on water and sanitation.

A world of difference – indeed

*Jesper Heldgaard, freelance journalist, and Lars Anderskov,
Mellemfolkeligt Samvirke¹*

'A World of Difference'. That is the title of the Danish Liberal-Conservative government's 'Vision for New Priorities in Danish Development Assistance 2004-08', which was launched in June 2003. And the government, which took over from the Social Democrat-Social Liberal government in November 2001, has certainly not wasted time in making changes to Danish development policy that means a world of difference from the policy of the recent past.

As recently as October 2000, the Liberals and Conservatives in the Danish Parliament voted in favour of a new strategy 'Partnership 2000', which confirmed years of broad consensus in Denmark on development policy. But following the November 2001 elections, the new government – with a narrow majority in Parliament and supported only by the nationalist Danish People's Party – has made sweeping changes in Danish aid.

This should come as no surprise. The government was voted in on promises to finance better Danish health care out of the aid budget. The long-held perception that a broad majority of Danes were in favour of the high spending on aid has been challenged. Aid has – for good or ill – moved to centre stage and has suddenly

become part of the on-going battle for public spending resources in Denmark.

Highlights of the reality of aid under a new Danish government are:

- The goal of maintaining Danish ODA at 1% of GNI has been dropped.
- In 2002, the new government cut DKK1.5 billion (about US \$168.5 million) from the total 2002 aid budget. Danish ODA is likely to decrease to 0.83% of GNI in 2004.³
- The special Environment, Peace and Stability Facility (EPSF), which was to reach 0.5% of GNI – on top of the 1% of GNI for aid – by 2005, has been abolished.
- While poverty reduction remains the overriding aim of Danish aid, development policy is increasingly integrated into foreign policy and perceived as a tool to overcome threats to national security. Thus, the fight against terrorism has been introduced as a new priority of Danish aid. Direct support to fight terrorism is increased and aid to programme countries is made dependent on their active involvement in the fight. Also, a new, special initiative to promote democracy in the Arab world will be allocated a yearly DKK100 million from the aid budget.

Denmark

- Development no longer has its own Minister, but falls under the Minister of Foreign Affairs. This confirms the perception that development policy is not seen as an area in its own right by the present government.
- Dramatic cutbacks in aid are announced and new strategies launched and implemented, without consulting partners in Denmark or in the South, or other stakeholders, such as opposition parties. Not even the Board or the Council for International Development Co-operation are consulted before major decisions are made.
- The aid budget is increasingly used to promote what a DAC peer review of Danish aid in 2003 called 'domestically inspired priorities'. The government⁴ has threatened to cut aid to countries that refuse to take back nationals who have been refused asylum in Denmark; support for refugees in adjacent areas has been increased, in order to reduce the influx of refugees to Europe; support has been introduced for projects in developing countries that will contribute towards meeting Danish obligations under the Kyoto Protocol to reduce carbon dioxide emissions.
- Three of the 18 programme countries for Danish aid – Eritrea, Malawi and Zimbabwe – were dropped in 2002. This happened at the same time as the DKK1.5 billion cut in the aid budget but the government claimed that aid to the three countries was stopped because of their poor human rights and democratisation record.⁵
- Aid to another two programme countries, Egypt and Bhutan, will be phased out over a ten-years period, reducing the total number of programme countries to 13.
- Social sectors are given higher priority, not in absolute amounts compared to aid under the former government, but relative to the reduced aid budget. Five new sector programmes will be launched within education, two within health, and another two within water and sanitation.
- The private sector receives more attention and funds. The budget for the Private Sector Development Programme has been increased and the programme has been expanded to cover all programme countries despite a very critical evaluation of the programme in 2001.⁶ Denmark has also embarked on comprehensive business sector support programmes in Tanzania and Ghana, and similar support will be launched in Vietnam.
- Danish development NGOs have suffered the 10% cut in government funding and future support will depend on their ability to demonstrate popular support in Denmark.
- Denmark has decided to untie bilateral aid and invite tenders from all EU countries.

The distribution of multilateral (some 45%) and bilateral (some 50%) aid will remain the same. Multilateral aid will increasingly be focused on health and population, while organisations like ILO, UNESCO and UNIDO face decreased Danish funding.

Denmark no longer the lead donor

The goal of maintaining Danish ODA at 1% of GNI has been dropped. A broad majority in the Danish Parliament agreed on this goal way back in 1985 and it was first reached in 1992. In 2000, Danish ODA peaked at 1.06% and was set to increase further due to the special Environment, Peace and Stability Facility (see below). In early 2002, however, the new government cut DKK1.5 billion

(about US\$168.5 million) from the aid budget. This cut has since been made permanent, and the future aid budget is to remain at the current level.

Aid funding has to be balanced against domestic priorities. In November 2003, the government resisted suggestions by the Danish People's Party to cut a further DKK2 billion annually from the aid budget. However, the aid organisation of the Danish trade unions was singled out and overnight lost its long-term state-funding, amounting to DKK44 million annually. This was seen as a politically motivated decision.

In 2002, the Danish ODA:GNI ratio fell to 0.96%. It is expected to decrease to 0.92% in 2003 and to 0.83% in 2004. A further, although less dramatic, decline can be expected in the years to come, as growth in the Danish economy no longer automatically translates into growth in ODA.

The government has been very reluctant to use the ODA:GNI ratio as an indicator of Danish commitment to fighting world poverty, claiming that the quality and efficiency of aid are as important factors as the quantity. In a report on Denmark's efforts to fulfil its commitments in relation to the eighth Millennium Development Goal, the government stated that 'over the next five years the Government will maintain development assistance at a level that means that Denmark will continue to be in the leading group and which at the same time will ensure a stable political and economic framework for long-term and sustainable development efforts.'

Taken together, these decisions mean that the gap between what total Danish aid would have amounted to, if the policy under the previous government had been maintained, and total aid under this government, widens year by year. In 2005, Danish aid is projected to reach only 71% of what

was projected under the former government.⁸

Special window for environment, peace and stability closed

Denmark has abolished its special Environment, Peace and Stability Facility (EPSF). Until 2001, it was on track to reach the target of 0.5% of GNI – on top of the 1% of GNI for aid – by 2005. Both parties in the coalition government had supported the EPSF since its in 1992, but in 2003 the government unilaterally announced the end of EPSF.

Danish Cooperation for Environment and Development (DANCED) in the Ministry of Environment, which was responsible for environmental support to middle-income countries and East and Central Europe, has been closed down. Remaining activities that used to be financed under EPSF have been integrated into the aid budget and are now administered by Danida.

The government insists that environment is still a priority area, but in absolute terms, environment receives less funding. And the automatic increase built in under EPSF no longer exists.

More assistance for the (less) money

'More for the money' is a slogan of the Danish government, even when it comes to aid. The government has continually claimed that the world's poor have not suffered from the cutbacks in the Danish aid budget. What has been lost in quantity has been gained in quality and efficiency. The issues of tied aid and cutbacks in Danida staff provide interesting examples of this thinking.

In 2003, the Danish government gave in to growing EU pressure to untie aid. From 1 January 2004, Denmark started to apply EU rules when purchasing goods and services and tendering building and construction works as part of Danish

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bilateral aid and support for Eastern Europe. By doing this, Denmark averted a legal case on the issue – one that the Danes stood no chance of winning.

While the DAC peer review of Danish aid welcomes this move, it requires Denmark to go further and open up procurement for aid to the least developed countries, to firms from countries that are not members of the European Union. Denmark is one of only five DAC members that have not yet fully implemented this DAC recommendation.

While Danish governments have in the past claimed that aid tying did not lead to overpricing, the government now boasts that the untying will make available up to DKK300 million over the next five years to fight poverty.

More efficiency is expected of the staff of the Ministry of Foreign Affairs. In September 2003, the Ministry started implementing both a modernisation plan and a long-prepared decentralisation plan to deploy staff from Copenhagen to Danish embassies in developing countries.

These plans, however, coincided with dramatic cuts in the budget for administration of aid – from DKK650 million in 2003 to DKK595 in 2007. This has caused concern as to whether there are sufficient resources to implement the ambitious plan to move administration and decision making closer to beneficiaries.

Danish NGOs wake up to harsh realities

Danish development NGOs have for years enjoyed substantial government support. As pointed out by the 2003 DAC review, 'Danish NGOs receive most of their financing from the government, with little coming from traditional fund-raising activities.' The new government wants to change this situation.

In 2002, NGOs had their government support cut by 10%. From 2004, support for

large NGOs has been cut by another 5%. The money saved will go to small NGOs that are seen to have more popular backing and to projects involving alliances of Danish NGOs. Further, the large NGOs were warned that further cuts will follow unless they are able to demonstrate popular support.

One of the first moves of the government, when it came to power, was to close down a number of advisory boards and committees. The NGO Liaison Committee was one of these, leaving NGOs with no regular and formal dialogue with the Minister and parliamentarians. This has done little to build an atmosphere of confidence between NGOs and government.

The sudden decision in November 2003 to stop long-term funding to the aid organisation of the Danish trade unions, the LO/FTF Council, also provoked protests from the NGO community. Only six months earlier the Minister for Foreign Affairs, Per Stig Møller, had confirmed his support to the council.¹⁰ Yet, the decision was made without any warning or dialogue. The NGOs protested that such decisions make all long-term planning impossible.

Responsible partners

Time and again, the responsibility of developing partners is stressed in the papers and strategies of the Danish government. 'To eradicate poverty in the developing countries, the countries themselves must first and foremost pursue a sensible policy', it says in 'A World of Difference' under the subheading 'Human Rights, democratisation and good governance'.

The government promises unwavering support to countries that actively promote human rights, democracy and good governance, fight corruption and take part in the fight against terrorism.

On the other hand, the government

will not tolerate lack of respect for human rights, democracy or good governance. This was precisely the reason given for the abrupt closure of the Danish aid programmes in Eritrea, Malawi and Zimbabwe in 2002.

Critics have, however, claimed that this was just an excuse to cut the aid budget, a view reinforced by the fact that the government tolerates lack of multi-party democracy in countries such as Uganda and Vietnam. More importantly, as noted in the DAC review, the 'unilateral and abrupt withdrawal from Eritrea, Malawi and Zimbabwe raised the question of Denmark's commitment to the longer-term partnership concept'.

Danish bid for a seat in the UN Security Council

'We no longer want Denmark to sail under a flag of convenience,' Prime Minister Anders Fogh Rasmussen has stated several times as the main reason for joining the American-led coalition that toppled Saddam Hussein and occupied Iraq. Denmark does want to play a more prominent role in the international fight against terrorism – and development aid is increasingly seen as one

of several tools that can reduce threats to peace and world stability arising from: poverty, lack of democracy and human rights, radicalisation, extremism and religious intolerance.

Support for the American-led invasion of Iraq does not mean, however, that Denmark has given up on the United Nations. On the contrary, it is actively seeking support to become a member of the UN Security Council in 2005-06. Here, Denmark will advocate firm deadlines for countries targeted by Security Council resolutions and concrete sanctions if the UN does not adhere to resolutions to make itself more efficient.

There is less talk of using the position as an international platform to advocate an increased fight against world poverty and injustice. The international image of Denmark has certainly changed. Denmark may not sail under the flag of convenience any more when it comes to a military effort to fight a perceived threat of terrorism and weapons of mass destruction, but its high international profile in the fight against poverty has been tarnished.

Notes

- ¹ This chapter covers the period January 2002 – December 2003.
- ² Royal Danish Ministry of Foreign Affairs: A World of difference. The Government's Vision for New Priorities in Danish Development Assistance 2004-2008. June 2003. http://www.um.dk/publikationer/danida/dansk_udviklingssamarbejde/en_verden_til_forskel/en_verden_til_forskel.pdf³ Development Today, Vol XIII - No 12. August 2003.
- ³ *Development Today*, Vol XIII - No 12. August 2003.
- ⁴ OECD, DAC: *Development Co-operation Review*. Denmark. Volume 4, No. 3. 2003.
- ⁵ Royal Danish Ministry of Foreign Affairs: Redegørelse for Regeringens Gennemgang af Danmarks Udviklings- og Miljøsamarbejde med Udviklingslandene. January 2002.
- ⁶ Royal Danish Ministry of Foreign Affairs: Evaluation, Private Sector Development Programme. 2001. <http://www.um.dk/danida/evalueringer/eval2001/2001-1/>
- ⁷ Royal Danish Ministry of Foreign Affairs: 2015 Målene, Mål 8: Skabelsen af et globalt partnerskab. Hvor står Danmark? September 2003
- ⁸ Besparelserne på u-landsbistanden – en analyse. May, 2003. <http://www.u-land.dk/presse/nalysebestand.rtf>
- ⁹ Royal Danish Ministry of Finance: Forslag til Finanslov for finansåret 2004. August 2004. <http://www.fm.dk/visNiveau1.asp?artikelID=4770>
- ¹⁰ Jyllands-Posten. May 27, 2003.

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Box 13. EUROPEAN UNION AND EUROPEAN COMMISSION at a glance

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

How much aid is spent through the EUROPEAN COMMISSION?

In 2002, the amount of aid from EC member states spent through the European Commission was **US\$6,561m or 6,962m Euros**

This means that, in 2002, every person in the European Union gave US\$17 or 18 Euros for aid spending through the European Commission.

In 2002, aid spent through the EC rose by **US\$204m** in cash terms. Because of inflation and exchange rate changes, the value of aid rose by 2.1% in real terms.

How generous are EU member states?

The EU member states gave 0.35% of their collective wealth in 2002. This compares with the average country effort of 0.41% and the EC's own previous highpoint of 0.46% in 1989.

EU member states collectively were more generous than in 2001, when aid was 0.33% of collective GNI.

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

37% of total EC aid (US\$2,317.1m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

How much of the EC's aid was spent on basic health, basic education, water supply and sanitation?

The EC spent

- 0.32% of its bilateral aid (US\$20.55m) on basic education
- 1.45% of its bilateral aid (US\$93.93m) on basic health
- 1.47% of its bilateral aid (US\$95.1m) on water and sanitation

Soft power ambitions compromising EU development aid?

Howard Mollett, BOND

The European Union is often described as 'an economic giant, but a political dwarf'. This chapter looks at how EU foreign policy reforms have set the agenda for European Community (EC) official development assistance and policy relating to democracy, human rights and governance in developing countries in 2002-03. These reforms reflect the alliances and conflicts between institutional actors in Brussels and the European capitals as much as the needs of people living in poverty.

Competing priorities undermine poverty focus

The European Community is the world's third largest aid donor, with an ODA spend of more than US\$6,5 billion in 2002.¹ More than half of EC aid is allocated to middle income countries, many of them along the Union's borders, that are important in terms of trade or migration policy.²

Provisional figures for 2002 do suggest an improvement, with 52% of total aid going to low-income developing countries (donor best practice is approximately 70%). Those EU member states with a weak commitment to development, and policy constituencies preoccupied with EU foreign policy and enlargement, consistently argue for directing resources to the strategically important 'near-abroad'. As Eastern Europe and

Central Asia have become foreign policy priorities, annual aid to these regions increased to US\$7 per capita in 2002. Annual gross national wealth per capita in these countries averages US\$1,739. In contrast, South Asia — home to two thirds of the world's poorest people, with annual gross wealth per capita of just US\$514 — only received US\$0, 27 per capita in annual EC aid.

Development in the policy mix: coherence or co-option?

In an attempt to patch up divisions over the war in Iraq, 'coherence' became this year's buzzword for EU foreign policy. But coherence at what cost? EU policy makers increasingly refer to aid as an 'instrument', with the boundary between coherence and co-option being unclear. The war on terror has dominated the foreign policy agenda. The EC, along with European bilateral donors, endorsed an OECD DAC statement calling for aid to be 're-calibrated' in line with counter-terrorist objectives. Mid-2003 saw the UK and Spanish governments proposing that aid should become conditional on developing countries accepting 'immigrant repatriation' clauses in their cooperation agreements. The EU Security Doctrine suggests: 'The challenge is to bring together the different instruments and capabilities: [...] European assistance

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programmes, military and civilian capabilities from member states and other instruments such as the European Development Fund. [...] Diplomatic efforts, trade and environmental policies, should follow the same agenda. [...] In a crisis, there is no substitute for unity of command.¹³ The trend is for policy to reflect the needs of European integration rather than development cooperation. Pro-development policy coherence in trade or agriculture, for which EU-level coordination has much potential, remains more rhetorical than real.

Early days for participation policy

Sectoral allocation for each aid recipient country is determined by its EC Country Strategy Paper process. This is ostensibly 'locally owned' and based on participatory consultation. Sadly, to date, evidence of this is mixed. As a direct consequence, there is little evidence that EC sectoral spending is meeting the basic needs of people living in poverty. Figures for aid under the Cotonou Agreement with African, Caribbean and Pacific (ACP) countries indicate that while the transport sector represents 31% and macroeconomic and budgetary support 21.4% of total allocation, education and health represent only 6.3% and 4.3% respectively.⁴ European parliamentarians have lobbied for a minimum allocation of 35% for social sectors in the 2004 budget.

In 2003, the EU published new policy and guidelines for EU in-country delegations on the participation of 'non-state actors' in EC aid programming. Civil society groups welcome these proposals, but criticise the absence of any legally binding commitment. The stated aim is to make EC aid democratically accountable; first results will be seen in 2004, with the publication of 'Mid Term Reviews' of the Country Strategy Papers. (See EU chapter by Mikaela Gavas)

2003 to 2004: re-writing the EU rulebook

The EU policy framework is undergoing a major review. A draft EU Constitutional Treaty seeks to establish a new legal basis for development cooperation and humanitarian aid. But it explicitly subordinates them, in the institutional hierarchy, to a newly consolidated foreign policy agenda and a proposed EU Foreign Affairs Minister. Talks have also begun with the aim of overhauling the entire EU budget for 2007 to 2013. The European Commission's calls for 'increased flexibility' in the budget risk further compromising the focus on poverty reduction. The Commission has also proposed bringing Cotonou (ACP) aid resources, currently managed in a separate fund, into the general European Community budget. This could improve coherence and introduce European parliamentary scrutiny, but the risk is that funds would be siphoned off to other regions. By Autumn 2004, a new European Commission and a new European Parliament will be inaugurated; both may be substantially restructured with manifold implications for the political space for development.

Governance and rights

The 1990s were marked by recurrent crises in the 'failed states', authoritarian regimes and dysfunctional democracies of former European colonies in the developing world. 'Good governance' became both an objective of, and a condition for, EU aid. The inspiration for this approach is twofold: firstly, the success of political conditionality in relations with the EU accession countries of the former Soviet Union and Eastern Europe; secondly, a shift, among European social democratic governments, away from the crude 'anti-state' ideology of the early 'Washington Consensus' and a parallel increase in aid channelled through recipient governments' budgets. The Cotonou

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Partnership Agreement, for example, thus marked the end of 'aid entitlements' for the ACP, according to which countries received fixed amounts regardless of performance.

Policy and operational framework

The EU Development Policy Statement of 2001, signed by the Commission and all member states, lists good governance, the rule of law, civil society participation, democracy and human rights as key priorities. While the EU institutions have horizontal structures to coordinate implementation of human rights policy, there is no focal point for governance. Coherent action on either is undermined by a lack of permanent expert staff and a split in the European Commission, along geographical lines, between DG Development (responsible for the ACP and development policy-focused) and DG External Relations (responsible for other third countries and foreign policy-focused).

The European Initiative for Democracy and Human Rights (EIDHR) is the main funding instrument for human rights programmes by DG External Relations, and is now focused on priority themes and regions. During the 1990s, EIDHR funding shifted towards support to civil society organisations, although it maintains a strong profile in electoral support. Regional and country strategy papers for those countries under the DG External Relations remit reflect the lack of a developmental policy framework. For example, relations with Asian countries are dominated by trade policy, with commitments on human rights and democratic governance in the draft Asia-Latin America Regulation and regional strategy papers being mostly preambular.⁵

The Cotonou Agreement with the ACP states that 'respect for human rights, democratic principles and the rule of law are

essential elements of the partnership', with these commitments subject to performance reviews and continuing political dialogue. In problem cases, a consultation procedure is backed by the threat of a suspension of co-operation or other intermediary sanctions.⁶ Good governance is defined as a 'fundamental element', which only leads to suspension in the case of serious corruption. Since 1995, all new cooperation agreements with third countries include 'democracy clauses' that allow for the suspension of relations if either party fails to respect the 'essential elements'.

The Cotonou Agreement includes a range of mechanisms for mutual accountability on issues such as democratic governance: for example joint parliamentary assemblies. In contrast to governance of the IFIs, Cotonou thus opens up a formal political space for Southern governments and activists in its own institutional structures. Arguably, this moves the donor-recipient relationship towards an innovative model of rights and obligation, rather than beneficence and paternalism. Developing countries under the DG External Relations remit do not benefit from this framework. As negotiations on trade under Cotonou demonstrate, the EU-ACP partnership is a flawed and imbalanced one; yet, incremental improvements, as exemplified by the 'Everything But Arms' agreement, have been achieved.⁷

Officials estimate that just under €2 billion (of a total €10 billion) is spent on initiatives with broadly defined governance implications, ranging from human rights projects to transport sector reform. How much of this currently contributes to pro-poor, rights-based development is not clear.

Until recently, governance has been something of a 'will-o'-the-wisp' concept in EC development cooperation. In the past year, however, there has been considerable improvement in the EU policy framework,

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with the publication of a much-awaited EU communication on 'Governance and Development' in late 2003.⁸ The communication's definition of governance includes both 'classical' issues relating to administrative reform and some attention to democratisation and global governance issues, albeit without any commitments on the latter. The emphasis is firmly on the responsibilities of recipient country governments. Governance is defined as 'the state's ability to serve the citizens'. Governance reforms are conceptualised as national/context specific processes that result in progress from 'governance' to 'good governance'. A thematic European Commission working group is drafting a handbook to guide in-country EU delegations and beneficiaries on best practice. EC aid officials hope that these documents will be effectively 'administratively-binding' through their inclusion in the project cycle. The handbook will include step-by-step suggestions and a logbook to record problems, thereby engendering a minimal level of evaluation and accountability. Civil society groups call for legally binding commitments and a more concerted political leadership to make the rhetoric on democratic governance a reality.

Limits to promoting democratic governance

Institutional capacity building: Yes. Ad hoc, project-based human rights initiatives and training: Yes. Diplomatic response, when politically expedient, to dysfunctional democracies in the former colonies (eg. Zimbabwe): Yes. Yet, outside of election monitoring, there are few EU instruments for, and little funding given to, political society in terms of the democratic accountability of legislative-executive relations, decentralised government or the functioning of pluralistic democratic systems.⁹ EU policy remains

heavily predicated on the assumption that market-based economic reforms will spill over into broader political reform. Egypt, Tunisia, Vietnam, Uganda and Peru, during the Fujimori administration, are all examples of countries with bad and even deteriorating records on democracy that have been awarded generous EU aid to assist economic reform.¹⁰

The European Commission and EU member states have promoted a 'coherence, coordination and complementarity' agenda between bilateral and multilateral aid programmes, EU policy and the Bretton Woods institutions. New BOND research from Bolivia, India, Kenya and Senegal suggests that EC Country Strategy Papers have replicated and enhanced the World Bank and IMF country analysis and remit for development assistance.¹¹ This has resulted in World Bank macroeconomic policy prescriptions, imposed without proper consultation, being reinforced by EC aid.

Governance and foreign policy

According to Joseph Nye, in contrast to the 'hard power' global presence of the United States, the EU is endowed with 'soft power' — a hybrid of economic, social and political influence. Several recent analyses have concluded that democratic governance and human rights in developing countries come far below trade, regional stability and security on the list of EU policy priorities.¹² In 2003, the Commission announced a new €250 million programme — more than two and half times the total European Initiative on Democracy and Human Rights (EIDHR) budget¹³ — to fund anti-migration measures in third countries that agree to sign readmission agreements. EU external policy projects its 'civil power' role by prioritising regional stability and democracy promotion in countries and regions of strategic importance: themes

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that also help articulate a distinctly 'European identity' at home and abroad. Conflict resolution and crisis management — the so-called 'Petersberg Tasks' — are now the favoured channels for promoting Europe as a global player. Sub-Saharan Africa has been identified as an important region, precisely because 'it could contribute to the global affirmation of the European Security and Defence identity.'¹⁴ Some analysts fear that, in this context, EU governance intervention will increasingly emphasise foreign policy-led initiatives focused on high profile conflicts, rather than long term development cooperation.¹⁵ Others welcome this development as a means of securing increased and more effective political engagement with the problem of corrupt or oppressive regimes.¹⁶

Notes

- ¹ European Community aid resources are those funds pooled by EU Member States and managed by committees and agencies of the European Community.
- ² In 1990, 70% of EC development aid went to the poorest countries. By 2001, aid to low-income developing countries (LICs) had fallen to just 38% of total allocations. The rise to LICs in 2002/3 is largely accounted for by increased aid to Iraq and Afghanistan.
- ³ 'A Secure Europe in a Better World', 12 December 2003 (EU Security Doctrine), pg 14.
- ⁴ The Cotonou Agreement. (<http://europa.eu.int/comm/development/cotonou/agreement>). Figures from most recent 9th European Development Fund (Source, Aprovev).
- ⁵ See BOND analysis in 'Tackling poverty in Asia: EU aid, trade and political relations with Asia'.
- ⁶ Articles 96 and 97, Cotonou 2000, *ACP-EU Partnership Agreement signed in Cotonou on 23 June 2000*, (The ACP-EU Courier, Special issue Cotonou agreement) (<http://europa.eu.int/comm/development/cotonou/agreement>)
- ⁷ For analysis of Cotonou trade negotiations: www.bond.org.uk/pubs/eu/cotwto.pdf

Conclusions

The EU has much improved its policy framework, but its practice is undermined by the confusion over foreign and development policy remits. Assessing and supporting democratisation processes are inevitably challenging tasks, but the EU can still improve on the incoherence and gaps between micro project funding and the macro 'high politics' of diplomatic intervention. Making rights-based, democratic development a priority requires more than a handbook. It requires political will and resource allocation from the top levels of the EU and member state decision makers, and an opening of governance to those at the 'bottom', people living in poverty and political marginalisation.

- ⁸ Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee 'Governance and Development'. COM (2003) 615 final.
- ⁹ Dr Richard Youngs, 'Democracy Promotion: The Case of European Union Strategy', Centre for European Policy Studies Working Document nb. 167, 2001 p 8.
- ¹⁰ Ibid and see also Carlos Santiso 'Improving the governance of European foreign aid: Development co-operation as an element of foreign policy', Centre for European Policy Studies Working Document No 189, October 2002.
- ¹¹ BOND research paper 'Implementors or Actors? Assessing civil society participation in European Community Country Strategy Paper processes', to be published in March 2004.
- ¹² Gorm Rye Olson, Institute for International Studies, 'Promotion of democracy as a foreign policy instrument of Europe: Limits to international idealism', *Democratization*, Vol. 7, No 2, p 142-167.
- ¹³ Dr Richard Youngs, 'Liberalism and Security', forthcoming paper for the Foreign Policy Institute, 2004.
- ¹⁴ G. Lenzi, 'WEU's Role in Sub-Saharan Africa,' p 46-65 in W. Khüne, G. Lenzi and A. Vasconcelos, *WEU's Role in Crisis Management and Conflict Resolution*

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in Sub-Saharan Africa (Paris: Institute for Security Studies of WEU, 1995), p. 48.

¹⁵ Dr Chris Alden and Dr Karen E. Smith, 'Strengthening Democratic Structures and Processes in Africa: A Commentary on the Role of the EU', presentation at IEEI conference 'The Challenges of Europe-Africa Relations: An Agenda of Priorities', Lisbon, 2003 (www.ieei.pt).

¹⁶ See Mark Leonard and Richard Gowan, 'Global Europe: Implementing the European Security Strategy' forthcoming from the Foreign Policy Centre, www.fpc.org.uk.

*Box 14. FINLAND at a glance***How much aid does FINLAND give?**

In 2002, FINLAND gave US\$462m or 490m Euros

That means that, in 2002, each person in FINLAND gave US\$89 or 94 Euros

In 2002, aid from FINLAND rose by US\$73m in cash terms. Because of inflation and exchange rate changes, the value of aid increased by 11.5% in real terms

How generous is FINLAND?

FINLAND gave 0.35% of its national wealth in 2002 according to figures from the DAC. This compares with the average country effort of 0.41% and FINLAND's own previous highpoint of 0.76% in 1991.

FINLAND was less generous than 8 other donors, but more generous than in 2001 when aid was 0.32% of GNI.

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

43.6% of total bilateral aid (US\$109.6m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

2.2% of its bilateral aid (US\$6.85m) on basic education

5.49% of its bilateral aid (US\$17.1m) on basic health

6.77% of its bilateral aid (US\$21.09m) on water and sanitation

Rights-based approach stresses participation – implementation is the challenge

Maria Suoheimo, KEPA

Finnish development aid has recently gone through significant changes both in terms of its quantity and the policy it is based on. Early 2003 saw a new government and, in response to NGOs who had been demanding 'more and better development aid', the new government committed itself to increasing Finnish development aid progressively to 0.7% of GNI by 2010, though 'taking into account general economic trends'. However, during the term of office of the current government, which ends in 2007, Finland's development aid will only increase from 0.34% to 0.44%. Nevertheless, in comparison with the previous government's expenditure on development aid, the amount will increase by one third, totalling US\$136 million.

The government also took some concrete measures to respond to the NGOs' demands regarding the quality of Finnish aid. The Development Aid and Foreign Trade portfolios were merged into one and a new Development Policy Programme was drawn up, under the direction of the new minister. The new policy programme contained further promises regarding the distribution of the increasing grants: the government committed itself to raising the

share of aid to the Least Developed Countries to 0.15% of the total amount of aid and is working towards raising the share of aid to NGOs to 14% by 2007.

By approving the policy programme, Finland made an even more explicit commitment to the international poverty reduction consensus, including the Millennium Development Goals, the Poverty Reduction Strategies and the harmonisation of donor aid practices. In addition to this, the policy specifies other fields of priority that reflect the Finnish political tradition and expertise, including gender equality, the combination of economic growth and fair income distribution, and environmental issues.

Good principles are not enough

More clearly than ever before, Finnish development policy now emphasises a rights-based approach, regarding extreme poverty as the biggest human rights problem of our times:

'Human rights and development are interdependent elements that support each other. The rights-based approach to development cooperation stresses the right of an individual to participate in society,

as opposed to becoming marginalised. Increasing the possibilities for individuals to participate in the improvement of their life is the key to poverty reduction.'

(Development Policy Programme 2004)

The policy thus defines respecting the right of developing countries and their citizens to make their own decisions, respecting human rights and democracy and promoting good governance, as key goals of Finland's development policy.

The policy similarly emphasises that developing countries are, to a large extent, responsible for their own development. The role of industrialised countries is to support the efforts of developing countries and to create favourable conditions for development. However, according to the policy programme, Finland cannot do this unless the cooperation and coherence of its different administrative branches is improved, by mainstreaming the development perspective into all decision making that affects development. The policy thoroughly analyses the challenges Finland has to tackle to achieve such coherence, particularly in the fields of defence policy, trade, agriculture and forestry, education, research and culture, as well as in health care, social politics, employment and immigration. The document also defines specific principles that each administrative sector should implement in order to achieve coherence. Moreover, Finland vows to promote actively the coherence of different sectors of policy in the EU.

It all depends on political will

The new policy is praiseworthy and ambitious, but the touchstone of its real significance will be its application. Without

efficient implementation, the document will remain a mere collection of good principles. It seems that the decisive factor in successful implementation is the ownership of different administrative branches, as the policy programme is largely an initiative of the Ministry for Foreign Affairs. If ownership is not achieved, the different ministries are hardly likely to commit to issues that thus far have not figured high on their political agenda.

Another crucial issue is solving the conflicts of interest between the different administrative branches. One of the most substantial weaknesses of the policy is that it does not propose concrete measures but merely declares general principles. Conflicts arising from the different interests of Finland and developing countries are not thoroughly discussed; the section on the agricultural sector, for instance, acknowledges that the most vulnerable developing countries have a special need to protect and support their agricultural producers, yet the same section also notes that coherence requires domestic agriculture, too, to be taken into account. Instead of suggesting concrete measures to improve the coherence of the agricultural policy of the EU through cuts in export subsidies, the document underlines that the EU and Finland have been consistently making unilateral concessions by adopting initiatives such as the Lomé and Cotonou Conventions, the General System of Preferences (GSPs) and the Everything But Arms initiative (EBA), to improve the market access of developing countries.

A concrete example highlighting potential conflicts of interest between Finnish agricultural producers and the farmers of developing countries is sugar production, which is strongly subsidised by the EU and provides a living for some 2800 Finnish farmers and sugar industry workers. A more global conflict of interests is reflected in the

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dispute that is currently developing in Finland regarding the price that the paper and forest industry, the cornerstone of Finland's economic growth, will have to pay in order to meet the goals of the Kyoto Protocol. Finland is torn between its responsibility to ensure the growth of its economy and its commitment to developing international environmental management and preventing the adverse impacts of climate change, which would affect the poorest countries the most. Solving these kinds of conflict will require strong political will. However, unless the kind of coherence required by the new development policy programme is improved at the national level, the implementation of Finland's development cooperation will not be compatible with the principles of good governance with which the country requires developing countries to comply.

Finland, a leader in promoting partnership and transparency?

As stated above, the implementation of the planned changes requires a great deal of political will at the national level; the same applies to promoting the goals of the policy programme in the arena of international policy making. Finland should follow the example of its Nordic neighbours and become more active in international development policy making as an advocate of gender equality and solidarity, the values that have always characterised Nordic politics.

Fortunately, new winds now seem to be blowing in Finland. The signs of change are evidenced by the fact that the president of Finland, Tarja Halonen, and her Tanzanian counterpart Benjamin Mkapa, co-chair the ILO's World Commission on the Social Dimension of Globalisation. Furthermore, the Finnish and Tanzanian governments have initiated the Helsinki process on

Globalisation and Democracy. After the approval of the development policy programme, Finnish civil society has every right to expect the Finnish government to fervently promote within the international donor community principles such as partnership, transparency and the right of developing countries and their citizens to make their own decisions.

In order to reach this goal, Finland must have international credibility. Such credibility can be gained, for instance, by consistently increasing development cooperation funds. It seems, however, that the current government's commitment to increasing the funds is only an apparent one, as the goal of reaching 0.44% of the GNI by 2007 is so low that it seriously undermines the chances of the next government reaching the promised level of 0.7% by 2010. If the level of 0.7% is not reached within the timeframe, Finland's commitment to attaining the MDG goals by 2015 is going to appear quite superficial.

Another way for Finland to enhance its credibility would be to implement the principles declared in the country's development policy programme within its own aid regime. However, the transition of Finland's development cooperation towards increased sectoral and budget support, harmonisation of aid and promotion of partner country ownership calls for increased Finnish presence in the partner countries. Within Finland, the administration of development cooperation has been largely centralised in Helsinki; no large-scale decentralisation can be expected. At the domestic end of Finland's development cooperation administration, a good deal of attention has been paid to transparency and involvement of different interest groups and segments of civil society. However, this is not the case in many traditional partner countries, since few of Finland's missions have staff who are specialised in

development aid. The fine principles defined in Helsinki and the input obtained from Finnish interest groups go down the drain much too often, because of the lack of implementation capacity and development cooperation expertise of the Finnish missions.

Priority number one: hearing the voices of those in poverty

Finland pays budget and sectoral support instalments on the condition that partner countries make progress towards reaching the goals specified in the PRSPs (Poverty Reduction Strategy Papers). The indicators of progress, and how they should be monitored, are decided together between the governments and all the donors. These negotiations allow Finland's development cooperation administration to promote in partner countries the principles of transparency and involvement of diverse interest groups, which are well applied in Finland.

It is crucial that the emphasis of these PRSP negotiations should be on awareness of the needs of people living in poverty, outside the formal structures of society. The key condition for successful poverty reduction is ensuring that the poorest segments of the population have the opportunity to influence the PRSP and other national policies of their country. Donors are the ones who define the conditions and rules of sectoral and budget support. In its capacity as a donor, Finland must systematically promote the involvement of citizens of its partner countries in making decisions about issues that affect them. To achieve such access, it is important that the national and municipal budget policy of the partner countries be both transparent and participatory. The key challenge for the Finnish development aid administration in implementing the new development policy programme is taking these issues into account at the national level.

France

Box 15. FRANCE at a glance

How much aid does FRANCE give?

In 2002, FRANCE gave US\$5,486m or 5,821m Euros

This means that, in 2002, each person in FRANCE gave US\$93 or 98 Euros

In 2002, aid from FRANCE rose by US\$1,288m in cash terms. Because of inflation and exchange rate changes, the value of aid increased by 22.1% in real terms

How generous is FRANCE?

FRANCE gave 0.38% of its national wealth in 2002. This compares with the average country effort of 0.41% and FRANCE's own previous highpoint of 0.76% in 1965.

FRANCE was less generous than 7 other donors but more generous than in 2001 when aid was 0.32% of GNI.

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

52.7% of total bilateral aid (US\$1905.3m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

FRANCE spent

3.4% of its bilateral aid (\$161.07m) on basic education

1.31% of its bilateral aid (\$62.34m) on basic health

3.98% of its bilateral aid (\$188.78m) on water and sanitation

Increases promised in a 'freezing' climate

Amélie Canonne and Grégory Jacob, Observatoire français de la coopération internationale (OFCI), on behalf of the Centre de Recherche et d'Information pour le Développement (CRID), with translation by David Sunderland

Since 2002, the French government has indicated that Official Development Assistance is a priority. In reality, its forecasts for 2003 were shown to be optimistically high. Whether there is the real political will to implement the full 2004 budget for ODA (€6.7 million, 0.43% of the national budget) remains to be seen.

After his re-election in May 2002, Jacques Chirac made a number of significant commitments, announcing a target for ODA of 0.7% GNI by 2010, as one of the four main priorities of his five-year tenure. In 2003, aid (not including that to French overseas territories) increased to €5.876 billion, or 0.38% of GNI.

French government budgets on aid are somewhat impenetrable and it is difficult to find a reliable breakdown of the figures. Nevertheless, two major factors explain the global increase of French Aid from 2002 to 2003:

- The increased French contribution to the European Development Fund (EDF), which grew by 127% according to the national Budget (Loi de France, LFI, 2002);
- Further steps to cancel bilateral debt under the Highly Indebted Poor Countries

(HIPC) Initiative, within the French framework for debt relief (Contrats-désendettement-développement, C2D). During 2003, the countries benefiting were Guinea, Madagascar, and Cameroon (Mozambique and Mauritania had begun to benefit in 2002).

Nevertheless, the official announcements have not been followed by concrete actions. For a start, the promised increases have been accompanied by substantial freezing of budget lines allocated to non-governmental and official development activities. In total, approximately €40 million earmarked for programmes and approximately €90 million of pledged funds, were frozen during 2003. This represented 10% of the total funds allocated to the Solidarity Priority Fund.¹

French NGOs were particularly badly affected. On top of the freezing of the Solidarity Priority Fund, there were two other implications. Firstly, initial grants to NGOs allocated from the LFI budget stagnated. Secondly, a number of NGOs were immediately hit, as grants from the 'support to private and decentralised' budget (around €3 million) were frozen.

In total, the Cooperation Ministry had to freeze 18% of its programmed actions in

France

2003, according to its Minister, Pierre-André Wiltzer. This figure excludes the decline in direct support from other parts of the French political administration to development assistance, both in France and abroad.²

Before cutting off the funds allocated to 'typical' development assistance, the Government announced that nearly all of the increase in aid levels would go towards its debt relief commitments. This was despite the fact that, in November 2002, the Inter-Ministerial Council for International Cooperation and Development³ had reaffirmed the principle of additionality (in that payments to bilateral debt relief should not adversely affect the aid budget).

The provisional 2004 Budget envisaged that there would be a natural progression from the aid budget for 2003. According to the Treasury, the commitment is €6.7 million, or 0.43% of the national budget. But, if the experience of 2003 is anything to go by, one can predict that increases in the aid budget will continue to be largely channelled to debt relief, and that there will be further cuts and freezes in 'typical' development assistance. Given the shrinkage to date, it is possible that in 2004 funds will simply go towards the frozen designated expenditure of 2003.

'Poor people are still waiting!' was the title of a press release in July 2003 from Coordination SUD, the principal French network of development NGOs. The release drew attention to the fact that the increase in aid, trumpeted by the French government, could be explained above all by sleight-of-hand accounting that was made possible by the lack of transparency in the process used to put together the Budget.

When Bruno Delaye was Director of the General Directorate for International Cooperation and Development, DGCID⁴ in 2003, he raised several alarming points in an internal memo to his supervising Minister,

Dominique de Villepin, concluding, 'It is time to end our illusions: we do not have the means to implement our policy'. The memo set this in the context of the earlier merger of the Development Ministry with the Ministry of Foreign Affairs, effectively criticising the fact that the government had differentially prioritised the work of each of the Ministries.

French 'democratic governance' outlined

Until recently, the French position on governance in southern countries had been characterised by its ambiguity. Even though France has been signing on to more and more international initiatives in the fight against poverty and progressively aligning its activities with those of the Bretton Woods institutions and the European Union, before 2003, France had not initiated any process to recognise 'governance' as a concept. French studies on governance had been very limited, although, in the field, French development cooperation had been engaged in similar sectors, particularly in sub-Saharan Africa (for example, financing 'democratic' election processes, administrative cooperation, and capacity building for civil society organisations).

The publication by DGCID, in 2003, of the general policy document 'For a democratic governance'⁵, finally laid out French development policy in this area. Care was taken, however, not to link government aid administrators to the notion of governance. Instead the term 'humanism'⁶ was stated as the key principle of French development cooperation, rooted in the 'system of universal values constituting a democracy' (of which the authors considered France to be an exemplary model). In effect, the DGCID promoted 'democratic governance' as its vision:

'French development cooperation sees the promotion of democratic

governance as a major objective. Building the rule of law, democratic values, and respect for human dignity all reinforce the capacity of partner countries to improve their public management.'

The interventions of French development cooperation in 'governance' are numerous and wide-ranging:

- *Democracy and public liberty:* support to organisations involved in democratic election processes, to local democracy and political processes involving decentralisation of power, support for the defence of human rights and fundamental liberties (in particular for women and minorities), encouragement for plural societies by promoting multi-party systems and capacity building for civil society organisations.
- *Security* support to police forces (for example establishing well-trained and well-equipped forces, recruited from all parts of society), support for the military (for instance helping develop security forces for democratic and civic purposes, increasing professionalism and transparency; improving financial management); support for the judiciary (such as reforming the judicial and penal systems) and support to conflict prevention and post-conflict management.
- *Public management:* support to participatory processes in public policy, fighting corruption (for example administrative reforms that are transparent; clear designation of responsibilities, consideration given to setting up international legal tools). A firmly integrated approach, like this, has cross-cutting effects on both programming and intervention. It

suggests that tools and methods will need to be reconsidered – not to mention changes in job specifications and competencies. It suggests the need to establish new terms of reference, and possibly completely different ways of measuring and evaluating work at both quantitative and qualitative levels. From this point of view, the structural reforms are at the moment embryonic. It seems that French development cooperation today will be confined in its operation (when aid is not being frozen) but under a new label – that of 'democratic governance'.

'Democratic governance' is, therefore, France's narrow approach. French development cooperation remains a tool for its diplomacy, which focuses little on democracy and human rights. France has a long history of supporting African dictators. It has often hidden behind multinational mechanisms, in order to indirectly impose sanctions against governments who are 'friends'. French acceptance of the term 'governance' rests largely on the security role of the state, tending to favour (directly or not) representation of France as a 'policeman'. In reality, the large majority of French development cooperation for governance is focused on national governments. Relations with, and support to, non-government actors are unclear, despite their expertise and competence in undertaking action and research related to institutional cooperation.

To conclude, France has affirmed that it is willing to consider the principle of governance and how it operates at local, national, and global levels. But the thinking of DGCID on the idea of global governance (on the institutions and standards that guide international public action, and the structure of a global government) is lacklustre, and weakly conceptualised in the form of 'democratic governance'.

France

Notes

- ¹ The Solidarity Priority Fund (*Fonds de solidarité prioritaire, FSP*) is the project Aid instrument of the Ministry for Foreign Affairs, originating from a recent reform of French development cooperation. Its remit is to support, through financial donations alone, countries in a solidarity priority zone (*Zone de solidarité prioritaire, ZSP*) by means of institutional, cultural, and social development, and research. It is a financial tool for partnerships with other countries, territories, and other donors, and also with NGOs that receive cofinancing for their projects.
- ² Note that in December 2003 the Ministry of Foreign Affairs had a strike (including ambassadors) demonstrating against budgetary restrictions, for the first time in its history.
- ³ Conseil Interministériel à la Coopération Internationale et au Développement (CICID).
- ⁴ *Direction générale de la coopération internationale et du développement*
- ⁵ Ministère des Affaires étrangères, *Pour une gouvernance démocratique*, Document d'orientation de la politique de coopération française, Paris, 2003.
- ⁶ Humanism: a belief or outlook emphasising common human needs and seeking solely rational ways of solving human problems.

*Box 16. GERMANY at a glance***How much aid does GERMANY give?**

In 2002, GERMANY gave US\$5,324m or 5,650m Euros

This means that, in 2002, each person in GERMANY gave US\$65 or 69 Euros

In 2002, aid from GERMANY rose by US\$335m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 0.2% in real terms

How generous is GERMANY?

GERMANY gave 0.27% of its national wealth in 2002. This compares with the average country effort of 0.41% and GERMANY's own previous highpoint of 0.48% in 1983.

GERMANY was less generous than 12 other donors and it gave the same level of aid as in 2001.

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

45.3% of total bilateral aid (US\$1,507.8m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

1.58% of its bilateral aid (US\$72.78) on basic education

1.73% of its bilateral aid (US\$79.64) on basic health

4.76% of its bilateral aid (US\$218.75m) on water and sanitation.

Stabilisation at last, but at a low level

Peter Mucke, terre des hommes Deutschland e.V.¹

The current federal government took office in late 2002, giving positive signals for development policy. The coalition agreement of 12 October 2002 (marking the second term for the SPD/Green government), reaffirmed the Monterrey Consensus of March 2002, whereby European governments had agreed on a binding timetable for achieving quantitative finance goals. The governing coalition parties jointly emphasised: 'In the EU context, Germany has committed itself to reaching a level of 0.33% by 2006, as an interim step towards reaching the goal of 0.7%.' The significant thing here is not just that, for the first time, a percentage figure was promised with a fixed deadline, but above all that the rise was expressly described as an 'interim step' towards the goal of 0.7%.

The coalition agreement, moreover, places development policy in the context of foreign and security policy: 'The federal government relies...on a concept of security that also takes account of economic, human rights and development policy aspects. In the context of a wider understanding of security (it) works for a balanced development of civilian and military capacities.'

The fact that this document relates the classical concept of development to national

and international security interests has nourished the hope, among development policy makers, for a stronger position on development cooperation, particularly as the federal Chancellor stressed in his governmental declaration on 29 October 2002: 'Today security is less than ever to be achieved by military means, and certainly not by military means alone. Anyone who seeks to create and uphold security must ... also pacify the environment in which the use of force arises. (In) a world in which everyone has moved closer together we will not achieve security if we allow the fermenting of injustice, oppression and underdevelopment.'

During its first term, the coalition government stopped the downward trend in German ODA, which had prevailed since 1990. While ODA as a share of gross national income (GNI) was 0.41% in 1990, it hit rock-bottom in 1998 and 1999 at just 0.26%. From 2000 to 2002, it remained at 0.27%. German ODA has thus consolidated itself at a low level.

The federal ministry for economic cooperation and development (BMZ) stated in a press release on 22 April 2003: 'That makes it clear that initial steps are to be seen on the part of the German government to

achieve its goal of 0.33% of gross national income (GNI) for ODA by 2006.'

The BMZ budget is of particular interest in terms of Germany's future development contribution. In the last few years it has represented about two thirds of ODA. In addition, ODA grants come from other portfolios, including the Foreign Office (humanitarian aid), the Finance Ministry (World Bank group), the Ministry for Consumer Protection, Food and Agriculture (contributions to the FAO) and the Ministry for Education and Research (research promotion). German ODA also includes budgetary funds from the federal states (*Bundesländer*), the federal government having little influence on the amount and use of such funds.

In 2002, the BMZ spent about 3.8 billion Euro; its share of the federal budget amounted to about 1.6%. In relation to the target figures for 2003 and the draft budget for 2004, this share is continuing to fall.

In absolute figures, BMZ had an additional €9 million available to it in 2003, compared with 2002. The federal budget for 2004, adopted in November 2003, showed a decline to €3.74 billion. Even in the unlikely eventuality that the other portfolios and *Bundesländer* maintain their ODA grants at the present level, the modest percentage increases allocated by the BMZ will not be enough to increase ODA as a percentage of GNI.

If ODA as a share of GNI were to reach 0.33% in 2006 Germany would only have reverted to the levels achieved in 1977 and 1994. If this rate of increase was maintained, the fall in German ODA since 1983 could be made up for by 2020. Only then would a 'genuine' rise be feasible. If the same trend continued, the international goal of 0.7% would only be achieved in 2043.

Broad definition of poverty reduction

The overarching aim of German development cooperation is combating

poverty. The substantive and regional orientation of bilateral cooperation must therefore be measured against this goal.

However, BMZ uses a very broad concept of poverty, including under 'combating poverty' the areas of education, health, water supply and waste water disposal, protection of human rights, peacekeeping and security, the protection of natural resources, good governance and global structural policy. With this broad definition, the share of resources available for the goal of poverty reduction would probably be raised from 56% (2001) to 60% (2002) and then to around 80% (2003). But this is mostly a matter of relabelling, which is not the same as effective action for achieving the MDGs.

The share of bilateral commitments to the least developed countries (LDCs) has remained almost unchanged in the last few years. A comparison of disbursements leads to a similar result. There have been no substantial changes, even between payments before and after 1998, which is when the change of German government occurred. The figures do not indicate any clear differences between the policies of the governments before and after 1998 in relation to their treatment of LDCs. Nor has an oft-heralded prioritisation materialised.

It is, however, pleasing to see the substantial rise in funds for development education, which has been continually called for by NGOs since the early 1980s. Until 1998, this budget item was always around 4 million Deutschmarks (2.045 million Euro). In 1998 it was the equivalent of €2.11 million. Development policy-makers within the present governing parties had, in 1998, promised to triple or even quadruple this sum, if elected. This promise has been fulfilled, absolutely and in relation to the overall amount (1998: 0.52%; 2003: 1.54% and 2004: 1.89%).

Germany

Assessment

For the third year in a row, Germany's ODA as a share of GNI remained static at just 0.27%. The downward trend can therefore be regarded as halted. But the promised turnabout has not happened. The chances of reaching the Millennium Goals on combating poverty have become remote – a finding that represents a low-point in development policy.

It is pleasing to witness the further rise in funding for development education and outreach, which enables NGOs, particularly small groups and initiatives, to contribute to the urgently needed support for development cooperation.

In the debate on the federal budget for 2004, representatives of the governing parties pointed to the significance of global forces that can either reinforce or undermine the effects of development cooperation. In fact, many inter-related interventions are needed at different levels in order to attain the millennium goals, above all, efforts to halve the number of poor and hungry people by the year 2015.

Governance and Human Rights in German Development Policy

Observing human rights and good governance are, according to the federal government, central concerns of German development policy. Back in 1991, the Federal Minister for Economic Cooperation and Development laid down the following five criteria for German development cooperation, which are applicable to this day²:

1. Respect for human rights
2. Participation of the population
3. The rule of law and guarantee of legal certainty
4. Creating a market-friendly and socially concerned economic order
5. Development orientation of government action.

In German development policy, good governance is understood as involving both strong and efficient public institutions and support for participation by civil society. This is reflected in the federal government's Programme of Action 2015, adopted in 2001.³ Among the focal areas for action by the German government, it mentions, 'Realising Human Rights', 'Ensuring the Participation of the Poor – Strengthening Good Governance'.

These goals are both part of the country strategies and of the policy dialogue with recipient countries. Observing human rights is, however, by no means a fundamental condition for granting German ODA. The ten most important recipients in 2002 included China, Indonesia, Pakistan and Egypt – countries with a continuing record of human rights violations. Accordingly, in 2003, NGOs drew attention to massive human rights violations related to the building of the Three Gorges Dam in China. The dam was made possible, by, among other things, export loans from the German bank Kreditanstalt für Wiederaufbau (KfW) and Hermes-Buergschaften, Germany's export financing agency. That is an example of strategic and foreign trade interests, taking priority over the policy of the federal government on human rights and social policy objectives.

In the context of its bilateral development cooperation activity, Germany makes approximately €100 million available each year for projects promoting 'good governance'. Priority programmes exist in more than 30 countries. According to its own figures, German support focuses on democratisation and decentralisation processes, and legal, judicial and administrative reforms. Further, support is given to reforms in the area of budgetary and finance policy (including fiscal policy and administration) as well as anti-corruption measures.⁴

Germany

At the multilateral level, too, the federal government strives for greater consideration to be given to 'good governance'. The fact that the Monterrey Conference in 2002 explicitly named 'good governance' as a basic condition for development, is regarded by the federal government as one of the main successes of this conference. However, by strongly emphasising the responsibility of developing countries, and the internal conditions for development, it distracts attention from the external causes of poverty and the negative consequences of economic globalisation.

Another problematic element is that — under the heading of 'good governance' — the federal government calls on partner countries to guarantee a market-friendly economic order, and the creation of positive conditions for foreign direct investment. Such conditionalities prevent these countries from freedom of choice about an independent economic and industrial policy. They inhibit the search for alternative development models that go beyond a neo-liberal fixation on the (global) market. They therefore contradict the principle of 'ownership', which German development policy does support, for example under PRSP processes.

The promotion of PRSP processes constitutes a further important element in the focal area of good governance. In this context, the federal government particularly stresses the involvement of civil society. To quote the Programme of Action 2015:

'The German Government will support the elaboration of national poverty reduction policies, especially as part of the Poverty Reduction Strategy Papers (PRSPs). In particular, it will give support to civil society participation and broad-based consultation within society (including the participation of women's organisations and the compilation of gender-disaggregated data).'⁵

Germany has provided financial support to PRSP processes in countries such as Bolivia, Honduras and Nicaragua.

At the same time, the federal government is concerned that donor countries in the World Bank have the last word on the formulation of PRSPs. In a position paper prior to the Annual Meeting of IMF and World Bank 2003, Germany stated:

'The impression that has arisen in many countries that have fallen into the "PRSP cycle" is that ultimately the final approval of PRSPs is given in Washington. If meant seriously, ownership calls for serious reflection about PRSP self-restraint in the relevant board discussions.'⁶

German development policy expressly stresses the connection between 'good governance' and 'global governance'. According to BMZ, democratically legitimised states with efficient public structures are in a better position to articulate the interests of their population, in the framework of global governance and international instruments. At the same time, the ministry is also committed to democratisation and reforms in the global governance system. The German Minister for Development calls for a reform of the decision making and capital structures of the IMF and World Bank, for instance, through raising basic voting rights and introducing the principle of a double majority.⁷

Furthermore, since the Monterrey Conference, the Minister has advocated the creation of a new 'global council' under the umbrella of the United Nations, in which southern countries would be equally represented. Her demands are, however, not supported by the whole of the German government — in particular not by the Minister for Economics and Labour and the Minister of Finance. This, presumably, is why the positive words of the Minister of

Germany

Table 7. Financing German ODA (in million € and in percentages)

	1990	1997	1998	1999	2000	2001	2002	2003	2004
								Target	Budget
Federal budget:									
Single budget 23, (BMZ budget)	4,067	4,010	4,052	3,997	3,675	3,790	3,759	3,768	3,744
% of federal budget	1.8	1.8	1.73	1.62	1.50	1.56	1.57	1.46	1.51
ODA	5.222	5.193	5.020	5.177	5.458	5.571	5.650		
ODA share	0.41	0.28	0.26	0.26	0.27	0.27	0.27		

Development have so far not been followed up by the necessary action, specifically political reform initiatives by the whole of the federal government.

Notes

¹ Part I of this paper is based on the report 'Die Wirklichkeit der Entwicklungshilfe – Elfter Bericht 2002/2003', Deutsche Welthungerhilfe and terre des hommes, author Dr Ludger Reuke.

² See Klemens van de Sand: Menschenrechte als integraler Bestandteil der staatlichen Entwicklungszusammenarbeit. In: Klaus Dicke/Michael Edinger/Oliver Lembcke: Menschenrechte und Entwicklung. Duncker & Humboldt, Berlin, 1997.

³ Federal Ministry for Economic Cooperation and Development: Poverty Reduction – a Global Responsibility. Program of Action 2015. The German Government's Contribution Towards Halving

Extreme Poverty Worldwide. Bonn, 2001 (Program of Action 2015).

⁴ BMZ: Kurzinformation zum Stand der Umsetzung der Internationalen Konferenz über Entwicklungsfinanzierung (International Conference on Financing for Development, FFD), 18. – 22.3.2002, Monterrey/Mexiko. Bonn, 29 October 2003.

⁵ Program of Action 2015, p. 28.

⁶ BMZ: Deutsches Positionspapier. Für eine qualitative Veränderung der Mitsprachemöglichkeiten in der Weltbank. Berlin, September 2003.

⁷ Ibid.

Table 8. Sectoral breakdown of bilateral ODA (promises)*

Sector million €	2002	%
Social infrastructure / services	1,634.195	33.5
Including:		
Education	734.612	15.1
including basic education	48.265	1.6
Health	161.134	3.3
including basic health	84.506	1.7
Population policy including combating AIDS	55.423	1.1
Water supply, waste water/waste disposal	232.116	4.8
State and civil society	246.696	5.1
Other social services	204.213	4.2
Economic infrastructure	540.743	1.1
Productive sectors	227.350	4.7
Multi-sectoral/cross-	527.474	10.8
commodity/programme aid	40.094	0.8
Debt relief	1,304.086	26.7
Emergency relief	233.400	4.8
Other	370.230	7.6
Total	4,877.573	100

*ODA net disbursements are not recorded on a sectoral basis by the BMZ.

Germany

Table 9. Bilateral ODA: Net disbursements to LDCs (in million €)

	Total <i>bilateral ODA</i>	<i>including:</i> to LDCs (percentage)
1996	3,489.094	23.9
1997	3,226.008	21.2
1998	3,139.972	24.6
1999	3,076.282	23.4
2000	2,915.312	24.1
2001	3,186.130	21.0
2002	3,531.194	24.6

*Box 17. IRELAND at a glance***How much aid does IRELAND give?**

In 2002, IRELAND gave

US\$398m or 422m Euros

This means that, in 2002, each person in IRELAND gave

US\$104 or 110 Euros

In 2002, aid from IRELAND rose by

US\$111m in cash terms. Because of inflation and exchange rate changes, the value of aid rose by 25.7% in real terms

How generous is IRELAND?

IRELAND gave 0.40% of its national wealth in 2002. This compares with the average country effort of 0.41%. This is IRELAND's highest ever level of aid as a percentage of GNI.

IRELAND was less generous than 6 other donors but more generous than in 2001 when aid was 0.33% of GNI.

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

73.9% of total bilateral aid (US\$197.5m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

IRELAND spent

5.07% of its bilateral aid (US\$13.53m) on water and sanitation

IRELAND does not report its spending on basic education or health.

Aid target missed but the outlook is positive

Claire Martin and Howard Dalzell, Concern Worldwide

Ireland's long tradition of solidarity with the poor and dispossessed was born from its own experience of colonisation, poverty, famine and mass emigration. This tradition has been expressed in public support for East Timor, debt relief and the abolition of apartheid, which has been shared by many Parliamentarians and civil society institutions. This tradition has been encapsulated in the principles of solidarity, poverty focus, neutrality and partnership that underlie the aid programme.

Much new thinking was stimulated by the 2002 report of the Ireland Aid Review Committee, which identified key areas for programme development. The agenda for this Committee was influenced by the findings of the 1999 DAC Peer Review. Since then, a number of significant changes have taken place.

Multilateral

- Increased voluntary contributions to EU and to UN agencies that demonstrate a commitment to the reforms necessary to minimise overlaps and improve effectiveness.
- Ireland has decided to concentrate on four UN agencies that support its policy

objectives. With these agencies, Ireland can become more actively involved, for example by seeking board membership. The agencies are the United Nations Development Programme (UNDP), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children Fund and the United Nations Family Planning Association (UNFPA).[end bullet list]

Bilateral

- Much energy has been put into building strong partnerships with host governments and into relating to host governments in harmonisation with other donors. To support this, there has been a move towards direct budget support related to Poverty Reduction Strategies. This has been a slow process and thus the Development Cooperation Ireland's (DCI)¹ programme retains a judicious mix of area-based projects, SWAps (sector investments) and budget support. This is based on a pragmatic approach to real obstacles to full and open support to each country, including accountability, capacity building, policy, human resources and governance issues.

Human Resources

- The 1999 DAC Peer Review identified the need for substantial staff increases in DCI. Staff numbers have increased from 84 in 1998 to 147 in 2003;² while this is welcome, it will need to continue in line with the ever-growing budget. Employment conditions have also improved.
- There has been an increase from four to nine in Senior Management posts., three of which are filled by non-civil servants with development expertise. This management enhancement, coupled with clearer policies, has strengthened DCI's voice in discussions with partner governments and donors.
- To enhance programme development, DCI is committed to commissioning, or carrying out, research of the highest international standards.

Support in Ireland

- A 2002 survey revealed that there is huge support among the Irish population for helping developing countries, but that there is very little awareness of the impact that DCI has made. This finding has led to a new strategic approach to gain public ownership of the programme, in an effort to secure support for the achievement of the 0.7% goal. Initiatives include:
 - An improved website <http://www.dci.gov.ie/>
 - More interaction with parliamentarians;
 - Increased media exposure such as marking World AIDS Day with highly publicised events and launches of the UNDP's Annual Human Development Report and the UNHCR Consolidated Appeal.
 - To assist developing countries to participate in the global economy,

Ireland has decided to commit to building relations with the private sector by:

- Setting up an Information and Communications Technology Task Force;
- Initiating a Private Sector Task Force;
- Beginning an initiative to enable experienced professional people to volunteer assistance for short periods.

Focus

- DCI is committed to addressing the challenges presented by HIV/AIDS, which is now considered in policy formulation and in strategic and project planning, so that it informs all decisions. Funding has increased by €34 million annually to support this increased focus.
- A new policy focus on governance, democracy and human rights has been adopted and reflects the values that inform Ireland's foreign policy.

Promotion of Civil Society

- Three new co-financing schemes have been developed between DCI and its main NGO partners to put their relationship on a more strategic basis:
 - Multi-annual Programme Scheme – three year funding with impact and effectiveness judged through joint evaluations.
 - HIV/AIDS Partnership Scheme – three year funding with close alignment between NGO and DCI policies.
 - The Missionary Development Fund – a support framework for Irish missionaries to assist them with partner capacity building.

Ireland

Other Initiatives

- Establishment of an Advisory Board to provide strategic advice to the Minister of State.
- Establishing an independent Audit and Evaluation Committee, chaired by a member of the Advisory Board.
- Integration of APSO and the National Committee for Development Education into DCI to promote more strategic approaches and to work through a wider range of civil society partners.
- Expansion into East Timor and preliminary appraisal of countries in South-East Asia and Sub-Saharan Africa. Any further expansion would be limited to one or two countries, so as to maintain the advantages of focussing on a small number of countries.

Policy on Governance and Human Rights

Several statements have been made on Ireland's approach to governance and human rights of which the following are the most pertinent:

Statements by Minister of State Kitt

To the Joint Committee on European Affairs³

To announce grants to assist Human Rights and Democratisation projects⁴

To the Joint Department of Foreign Affairs/NGO Committee on Human Rights⁵

Address by the Minister for Foreign Affairs, Brian Cowen TD

To the Royal Irish Academy — 'New World Order?'⁶

These statements contain the following key points, confirming Ireland's commitment to good governance and respect for human rights.

Ireland is a board member of the UN Commission on Human Rights until 2005. It fully supports the Commission in its more dynamic and strategic approach and is participating in the Commission's programme to prepare guidelines and a handbook intended to improve the effectiveness and impact of its governance programmes.

During its EU Presidency in 2004, Ireland will coordinate EU activity across a wide range of human rights issues.

A grant of €826,610 for a Human Rights and Democratisation Scheme, which is intended to support small scale human rights and democratisation projects.

Ireland is the sixth largest individual contributor to the Office of the UN High Commissioner for Human Rights.

The appointment of a Minister of State with Special Responsibility for Development Assistance and Human Rights reflects the government's commitment to human rights as a central focus of Irish foreign policy.

Governance and Human Rights in Practice

The more focused approach to governance and human rights has not changed the overall pattern of aid distribution, but there have been some changes in modality.

For example, reports from the UN Group, and the Porter Commission, about Uganda's involvement in the DRC led to an outcry from an Irish NGO and much public debate. This resulted in the transfer of funds from Direct Budget Support to the more carefully targeted and controlled Poverty Action Fund. The governance/human rights approach has not directly affected country priorities, but preliminary investigation of potential priority countries will include detailed examination of the human rights and governance situation.

Sectoral priorities have been little affected as, although it is staff intensive, human rights and governance work does not demand large amounts of money.

DCI is encouraging governments to include governance issues in Poverty Reduction Strategies. This includes setting targets for progress towards a small number of pre-agreed indicators that can be reviewed on a regular basis. Governments will thus be clear about donor expectations. This should lessen their apprehension about the need for rapid changes in governance standards. They will not be vulnerable to abrupt financial cuts, provided they implement their anti-poverty strategies.

Governance is a very broad area, as typified by the DCI programme in Uganda that includes the following initiatives:

Justice, Law and Order Programme – overcrowding in many prisons leads to contravention of basic human rights standards. Ireland is working with the Ugandan Justice Department to reform the justice system so as to minimise the number of prisoners, thereby improving prison conditions.

Support to the government-established Uganda Commission on Human Rights.

Support to the Democratisation Programme, including monitoring of elections and voter education.

Conflict Resolution – a project working through the Amnesty Commission in Northern Uganda.

DCI also supports decentralisation of government and civil society development, including the promotion of local initiatives.

Conflict resolution falls under DCI's remit and also under the Diplomatic Service of the Ministry of Foreign Affairs. Ireland intends to raise issues of conflict resolution during its Presidency of the European Union.

DCI has established a dedicated unit responsible for assessing policy coherence for development issues.

Global Governance

As a small neutral country, Ireland's foreign policy relies heavily on an effective United Nations for international peace and security. Ireland's funding of the UN and the Bretton Woods Institutions reflects both this and the need for institutional reforms.

To this end, recent Irish initiatives include:

Commissioning a study into systems for independent evaluation in UNHCR, UNDP and UNICEF;

A proposal that led to HIV/AIDS becoming a standing agenda item for all co-sponsors of UNAIDS; Tabling a resolution, approved by the UNICEF board, which required UNICEF to adopt results-based reporting and led to results-based management.

Outlook

The outlook is positive, as the programme will continue in the direction strongly endorsed in the 2003 DAC Peer Review. However, this review noted that Ireland had missed its 2002 0.45% target. The final expenditure for 2003 will fall below the level of 0.45% and the modest increases provided for 2004 mean that 0.45% will not be realised until at least 2005.

A decision has been made in principle to join the Asian Development Bank and the first steps for this were taken in October 2003. However, there remain doubts as to whether there will be enough funding to meet all planned expansion of the programme, including diversification into new priority countries. The biggest uncertainty is whether the 2007 target of 0.7% GNP will

Ireland

be realised, although this was recently reconfirmed in a statement by the Taoiseach, at the 58th General Assembly of the United Nations.⁷

Notes

- 1 In July 2003, Ireland Aid was renamed as Development Cooperation Ireland (DCI).
- 2 Review of the Development Cooperation Policies and Programmes of Ireland. DAC's Main Findings and Recommendations 2003. Page 8. Para 20.
- 3 12 November 2003 - <http://www.irlgov.ie/iveagh/>
- 4 17 August 2003 - <http://www.irlgov.ie/iveagh/>
- 5 24 September 2003 - <http://www.irlgov.ie/iveagh/>
- 6 14 November 2003 - <http://www.irlgov.ie/iveagh/>
- 7 Statement by the Taoiseach, Mr. Bertie Ahern T.D., to the General Debate at the 58th General Assembly of the United Nations. New York, 25 September 2003.

*Box 18. ITALY at a glance***How much aid does ITALY give?**

In 2002, ITALY gave US\$2,332m or 2,475m Euros

This means that, in 2002, each person in ITALY gave US\$41 or 43 Euros

In 2002, aid from ITALY rose by US\$705m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 32.6% in real terms

How generous is ITALY?

ITALY gave 0.2% of its national wealth in 2002. This compares with the average country effort of 0.41% and ITALY's own previous highpoint of 0.42% in 1989.

ITALY was less generous than 20 other donors but more generous than in 2001 when aid was 0.15% of GNI.

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

78.2% of total bilateral aid (US\$787m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

0.03% of its bilateral aid (US\$0.32m) on basic education

0.21% of its bilateral aid (US\$2.55m) on basic health

0.38% of its bilateral aid (US\$4.58m) on water and sanitation

Debt reduction fails to reverse downward trend

Carlotta Aiello, José Luis Rhi-Sausi and Marco Zupi, CeSPI

The present phase of Italian development cooperation follows a decade, the 1990s, that was characterised by a crisis of Italian ODA. *Clean Hands*, the judicial process against generalised corruption, initiated in 1992, also involved Italian development cooperation, leaving it discredited in the eyes of the public.¹ Since then, Italian aid has gradually regained credibility, although it has not returned to the levels reached in the 1980s. In the mid-1990s, Italy embraced the development priorities stated at international level, principally poverty reduction, and has translated these into strategic guidelines (*Linee-guida della cooperazione italiana sulla riduzione della povertà*, October 1999) for its aid policy.

In 2000, the Jubilee campaign (Drop the debt) marked a turning-point in the Italian situation: public opinion espoused the cause of debt cancellation and showed renewed interest in development cooperation issues; government responded with a law on bilateral cancellation of poor countries' external debt, putting Italy in the forefront of the battle for debt reduction.

These are symptoms of an important cultural change; unfortunately its impact on ODA practice is not very great. Strong Italian commitment to debt cancellation (almost

US\$986 million in HIPC countries' foreign debt cancelled by Italy between October 2001 and October 2002) is good news; but since there is no real increase, this is no more than a goodwill initiative that pumps up the otherwise poor bilateral resources, without guaranteeing a reversal in the Italian trend towards ODA reduction. The trend towards a multilateralisation of aid has been confirmed in recent years. Italian ODA, except for debt relief, continues to flow mainly through the multilateral channel.

Another interesting new dimension of Italian ODA is the growing attention paid to neighbouring countries (the Balkans and Mediterranean). Led by national geo-political priorities, this trend is in line with the 'Wider Europe approach' of the EU. It is translated into a reciprocal strategy that opens up potential space for decentralised cooperation, as well as for Italian enterprises, in particular SMEs (in 2001 the Italian Parliament passed an *ad hoc* law aimed at promoting Italian investment in the region, and a specific Fund was set up).

The role of Italian entrepreneurship (which has followed the descending parabola of Italian ODA in the last decade and is now very weak) in future aid policy, depends on the outcome of the current debate on aid

reform and on the implementation of the EU sponsored neighbourhood policy.

Italian decentralised cooperation (i.e. international cooperation carried out by local authorities in coordination with other local actors) is the emerging factor in Italian development policy. It provides an interesting opportunity to implement the objectives of participation and involvement of different stakeholders from local communities, through international partnership. At the same time, NGOs are striving hard to play a more crucial role in Italian international cooperation, trying to overcome the many limitations imposed by the slow and complex bureaucratic aid management system.

Given these overall trends, a crucial point has been reached in respect of Italy's poor (and decreasing) ODA resources. Looking at the 2004 Italian budget, resources for 2004 are estimated at €571 million for ODA administered by the Directorate General for Development Cooperation of the MFA, a drop of almost €86 million compared to 2003; The amounts budgeted for 2005 and 2006 remain the same, without even allowing for the projected inflation rate. In 2004, the amount allocated to ODA activities (total ODA resources less administrative costs) falls to €528 million, a fall of 14.7% compared to 2003. Within this amount, the allocation for voluntary contributions to the EU, international organisations, banks and funds suffers most from the contraction, totalling \$361 million, compared to almost \$459 in 2003. Most of the other items are either unchanged or decreasing, the only exception being support to NGOs, which sees an increase from €39 to 50 million. But despite the increase, NGOs complain that these resources are too low and suffer from the very long, slow and confused bureaucratic procedures needed to transform commitment into disbursement. NGOs point to the amount

of credit they have been building up over the years.

Italian official statements (for example within the DAC forum) show a strong commitment to good governance and human rights. The priority role of human rights has recently been reaffirmed by the Minister of Foreign Affairs, in his December 2002 Human Rights Day declaration in Rome. Beyond the official declarations, it is not easy to identify what 'good governance' stands for in Italian development cooperation. The MFA view seems to focus on good governance in *public sector management*: a good example is given by the Italian initiative 'E-Government for Development', launched in Palermo in April 2002 in cooperation with UNDESA (United Nations Department for Economic and Social Affairs). The initiative is in its implementation phase in the first five beneficiary nations: Jordan, Albania, Nigeria, Mozambique and Tunisia. Another activity related to good governance and human rights is the *monitoring of elections*. Italy has a long experience in this field and has operated in many countries, although it does not have a well-defined strategy and election work does not represent a big portion of its ODA budget. A third dimension of good governance at the governmental level is access to *basic social services* (such as the strengthening of epidemiological systems). Last but not least, in the Italian case, good governance strongly interrelates with *debt relief*, in the sense that Italian Law 209 of 2000, which governs all actions related to debt, makes debt relief conditional on three considerations: protection of fundamental freedoms and human rights; rejection of war; commitment to poverty reduction and to social and human development.

It is not easy to quantify Italian official efforts in the field of governance and human rights. Looking at the top ten beneficiaries of Italian ODA in 2001 (Eritrea, Serbia &

Italy

Montenegro, Somalia, Afghanistan, Albania, Palestinian territories, Ethiopia, Mozambique, Honduras and Angola)², we can see how marginal the Italian efforts on good governance and human rights are in concrete terms. The main sectors to which Italian official resources have been committed are: economic and development policy/planning, elections and government administration. The two biggest commitments were for Somalia and Angola: a US\$457,000 commitment for public sector financial management for the former, and a US\$782,000 contribution to UNDESA for economic planning for the latter. Very small amounts (less than US\$10,000) are committed to strengthening civil society and human rights. The country that benefited most from these commitments is Albania.

A widely-held opinion is that a major source of experience and lessons learned in the field of good governance is derived from Italian engagement in the Programmes of Human Development at Local Level (PDHL), which followed the Italian participation in the UNDP programme in Central America (PRODERE). This responded to the priorities stated at the Copenhagen Social Summit in 1995. Italian decentralised cooperation, if well-tuned, could be an important and effective actor in promoting good governance from a human rights perspective. Italy has given financial as well as operational support to UNDP/UNOPS programmes in many countries, among which Albania, Tunisia, Mozambique and Cuba are worth mentioning. These programmes, which have seen the active involvement of the Italian local administrations, were focused on the central idea that the strengthening of good relations between institutions and population is crucial to development.

The Italian experience with the PHDL programmes is largely over now, (the only surviving programme being the PASARP in Albania), being partly substituted by other

programmes (APPI). But this vision of good governance is still crucial to Italian decentralised cooperation, which has been widely applied in contexts such as the Balkans and the Palestinian territories, and now uses its expertise in other programmes, such as City to City in the Federal Republic of Yugoslavia (UNOPS), the Italian Programme to fight desertification and poverty in the Sahel region (IAO and UNDP), and others. Another experience worth mentioning is Italian participation in the Network of the Local Democracy Agencies (LDAs), based in 11 municipalities in the territory of former Yugoslavia, and their Association (ALDA), comprising representatives of 14 countries. On the Italian side, 18 local authorities as well as seven NGOs are members of the Association.

Within this framework, Italian decentralised cooperation has had to engage with *institution building*, a sector that is new to the Italian experience. Another test was the recently concluded NEBAME project (Network for officials of central and local administrations in the Balkan and Mediterranean areas), and also by the biggest UNIVERSITAS programme (an Italian trust fund with ILO/UNDP).

Overall it can be said that the best contribution Italian decentralised cooperation has made to the promotion of good governance and human rights has less to do with technical issues and more with political activity in support of local communities and the strengthening of relationships between institutions and populations.

Finally, it is important to stress that decentralised cooperation is not fully reported in the ODA statistics, since the share taken from the local authorities' own budgets is not included in those statistics.

The same emphasis on capacity building and civil society can be found among Italian NGOs, who have grown more aware that

projects only work where there are good governance mechanisms. NGOs have translated this new awareness into action by turning away from 'technical' projects and committing themselves more strongly to projects focused on democratisation, civil society participation, human rights and partnership. The main difficulty NGOs face is Italian bureaucracy. In fact, they argue, it is impossible to sustain good governance processes within the limitations of a short-term perspective and restrictive and inflexible budget-oriented regulations.

On the national level, much effort is put into advocacy campaigning for better global governance, on the one hand, and into awareness programmes and training in human rights on the other. From the NGOs' perspective, this emphasis on global governance, rather than on democracy and human rights alone, represents a more comprehensive approach to governance issues, which more effectively reflects the idea of a rights-based approach, focussed on the need for a more coherent and strong

international institutional structure, capable of providing global public goods. From the NGO perspective, this approach also avoids the risk of a passive acceptance of the prevailing rhetoric on democracy, human rights and security, as the priorities of current international agenda, which reflect a new dimension of the westernisation of the world.

Notes

- ¹ In order to ascertain possible criminal acts perpetrated within the Italian aid activities, in 1995 a Parliamentary Enquiry Commission was set up and a judicial process was started by the Penal Court of Rome. Although the judicial process did not find systematic corruption (only isolated cases of corruption were proved), a general disenchantment with Italian development co-operation still persists within public opinion.
- ² OECD/DAC source. No data available for Afghanistan, Eritrea and Honduras.

Japan

Box 19. JAPAN at a glance

How much aid does JAPAN give?

In 2002, JAPAN gave US\$9,283m or 1,162b Yen

This means that, in 2002, each person in JAPAN gave US\$73 or 9,120 Yen

In 2002, aid from JAPAN fell by US\$564m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 1.2% in real terms

How generous is JAPAN?

JAPAN gave 0.23% of its national wealth in 2002. This compares with the average country effort of 0.41% and JAPAN's own previous highpoint of 0.35% in 1999.

JAPAN was less generous than 17 other donors and its aid level remained the same as in 2001, when aid also stood at 0.23% of GNI.

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

61% of total bilateral aid (US\$4,080m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

JAPAN spent

1.08% of its bilateral aid (US\$101.27m) on basic education

0.85% of its bilateral aid (US\$79.07m) on basic health

4.04% of its bilateral aid (US\$378.0m) on water and sanitation

Muted celebrations for 50 years of Japanese aid

Tatsuya Watanabe, JANIC (board member)

The year 2004 marks the 50th anniversary of Japan's ODA. Though the war-worn country was still struggling hard to rise from the ashes, it started assisting less developed countries in 1954, by sending three development experts and receiving as many trainees. Following that small beginning, Japan progressed by leaps and bounds to become one of the largest donors.

However, this should hardly be a year of celebration. The decade-long economic hardship is taking its toll on Japan's ODA. The amount of aid has been decreasing for five years in a row.

Aid is also undergoing a qualitative change. The Government revised its ODA Charter for the first time in 2003. 'Strategising' was the buzzword and the distinct winner in the process was 'national interests'. This is a cause of concern for many NGOs and most probably for developing countries.

Japan's ODA peaked in 1999 at US\$15.3 billion and then started going downhill. In 2002, it stood at US\$9.28 billion — 40% less than the peak year and a mere 0.23% of GNI. There is no knowing when the downhill momentum will be arrested. The aid budget for FY2004 has been slashed by a further 4.8%.

The economic quagmire and a snowballing public debt — to the tune of six trillion dollars — have mercilessly cut into benevolence as well as budget. Recent national opinion polls show public support for ODA at an all-time low, with only 19% of those polled in favour of an increase.

The quality of aid is also suffering. The grant share of Japanese ODA in 2001-2002 lagged far behind other DAC countries, standing at 53.3% as against an average of 87.4%. The share of Japan's ODA provided to LDCs was 23.9% as against the DAC average of 34%. More revealing is the erosion of untied aid. In the face of rising criticism of the commercial nature of its aid, the Government made major efforts and accomplished 100% untying of its loan aid in FY1996. But erosion started the year after, as uncompetitive Japanese firms lost ground and started complaining vociferously. The decision was reversed and the untied portion of the loan aid kept slipping down — hitting the level of 60% in FY 2001.

ODA Charter revised

The ODA Charter, instituted in 1992, was revised by the reform-minded and nationalist Government of Premier Koizumi in 2003.

Factors behind the revision were:

1) intensifying terrorism; 2) emerging

Japan

development issues; 3) the financial crunch; and 4) the desire to engage all concerned in development assistance. Far-reaching as the revision was, the Government allowed the public only two months to consider a revised draft. Public hearings and comment gathering via its homepage were little more than a ritual. The draft came through virtually untouched and was approved by the Cabinet.

The most significant change is in the objective of aid. Whereas the original Charter sought to help realise sound economic development in developing countries, the new one aims to 'contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity'. Developing countries are sidelined and Japan's own security and prosperity — a euphemism for national interests — now take the front seat.

9/11 casts a long shadow over the new Charter. The four principles of the original Charter remain unchanged but the principle that cautions against military spending by recipient countries is now qualified by the proviso 'so as to maintain and strengthen international peace and stability, including the prevention of terrorism'. Poverty reduction is top of the four priority issues, which is an improvement over the original Charter. But the reason given is that poverty reduction is 'essential for eliminating terrorism'. Priority issues have a new entrant: peace-building that includes conflict prevention and post-conflict peace restoration. ODA is being transformed so as to serve Japan's national interest, which enshrines the strategic alliance with US above everything.

The new emphasis in policy is already evident on the ground. Despite deep public concern, the Government has bent over backward to support the US-UK occupation of

Iraq. It has stretched constitutional constraints and sent military contingents to help reconstruction. It also pledged US\$5 billion-worth of ODA, partly to ward off attacks on Japanese military by 'buying minds of Iraqi people'. Militarisation of aid is thus creeping in and resources for pure poverty reduction are being siphoned off.

Another major change is the clear departure from long-practised, request-based assistance. The new Charter tells ODA personnel to 'engage in policy consultation before requests are made'. Developing countries are likely to face more assertive, if not imposing, aid officials from Japan.

The new Charter has also not forgotten to promote commercial interests. It dictates 'appropriate use ... of the technologies and expertise of Japanese private companies, and ensuring appropriate protection of intellectual property rights'.

DAC's peer review of Japan's ODA was undertaken soon after the Charter revision in 2003. It aptly recommends the country to 'highlight that the primary objective of ODA is for the development of the recipient country' and 'ensure that narrower national interests do not over-ride this objective'. It also recommends that ODA should 'more fully mainstream poverty reduction', more clearly 'focus on poor countries or poor populations', and focus 'more investment in basic health and education services to reduce poverty'. It then asks the Japanese Government to 'make a policy statement on coherence for development' and to identify 'concrete measures to progressively untie the use of grant funds for primary contractors'.

On governance and Human Rights

Policy statements

The ODA Charters, both old and new, mention governance and human rights only in passing. The new one says, under the 'Basic

policies' heading, '[t]he most important philosophy of Japan's ODA is to support the self-help efforts of developing countries based on good governance Japan will give priority to assisting developing countries that make active efforts to pursue peace, democratisation, and the protection of human rights, as well as structural reform in the economic and social spheres'.

Then one of the four principles stipulates that '[f]ull attention should be paid for promoting democratisation and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms in the recipient country'.

The second most important official document, 'Mid-term ODA Policy' (formulated in 1999 and soon to be revised), devotes just one section to support for democratisation and expects this support to lead to people's participation in governance and development, as well as to the promotion of human rights.

Guidelines

JBIC (Japan Bank for International Cooperation) – the implementing agency specialising in loan aid – developed, in collaboration with NGOs, the 'Guidelines for Confirmation of Environmental and Social Considerations' and put these into effect in October 2003. The JBIC Guidelines have been developed to ensure that potential environmental and social impacts are duly taken into consideration before a project gets approved by JBIC and during implementation by a borrower country. If a project is found to have undesirable impacts, JBIC may not approve it, or may stop lending. There is no direct reference to human rights, but such social aspects as involuntary resettlement, ethnic minorities, indigenous peoples, cultural heritage, gender, children's rights, HIV/AIDS are to be looked into.

JICA (Japan International Cooperation Agency) – the agency implementing technical cooperation – followed suit and is now formulating its own version. The draft JICA guidelines deal more directly with the issues. The policy section of the guidelines states that 'with respect for human rights and democratic governance system, JICA secures a wide range of stakeholder meaningful participation and transparency of decision-making, works for information disclosure and keeps efficiency for undertaking environmental and social considerations'. JICA also pledges to 'respect internationally established human rights standards, such as the International Convention on Human Rights, and gives special attention to human rights of vulnerable social groups ... in implementing cooperation projects'. The guidelines also stipulate that '[a]ppropriate consideration must be given to vulnerable social groups ... who may have little access to decision-making processes within society'.

Practice

In 1996, Japan introduced a programme called 'Partnership for Democratic Development (PDD)' with a view to promoting human rights and democratisation. It encompasses assistance to:

- 1) legal, administrative and law enforcement institution-building;
- 2) holding elections;
- 3) intellectual activities (research on human rights, training for opinion leaders, etc);
- 4) strengthening civil society (election education, media development, etc); and
- 5) enhancing women's status.

But the programme did not come with any financial commitment. The Government then opened a new window in 2001 called 'Governance Grant' for democratic

Japan

institution/capacity building. But budgetary allocation has been minimal – less than US\$10 million (0.1% of total ODA) a year.

Japan's approach to human rights is characterised by 'carrot' instead of 'stick'. It seeks to constructively engage regimes that have poor human rights records and to change them by persuasion. Its application, however, has been selective: harsher to small countries and more lenient to large and

resourceful countries such as China. Myanmar should be happy that it was categorised as one of the latter. A show of goodwill by the military regime was good enough for Japan to loosen the noose and restart ODA as early as 1995. But developments in the country to date show what constructive engagement has achieved in practice, making the rhetoric ring hollow.

*Box 20. NETHERLANDS at a glance***How much aid does the NETHERLANDS give?**

In 2002, NETHERLANDS gave US\$3,338 or 3,542m Euros

That means that, in 2002, each person in the NETHERLANDS gave US\$209 or 222 Euros

In 2002, aid from NETHERLANDS rose by US\$166m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 3.3% in real terms

How generous is NETHERLANDS?

NETHERLANDS gave 0.81% of its national wealth in 2002. This compares with the average country effort of 0.41% and NETHERLANDS's own previous highpoint of 1.07% reached in 1982.

NETHERLANDS was the fourth most generous donor, but was less generous than in 2001 when aid was 0.82% of GNI

How much of NETHERLANDS's aid goes to the poorest countries and people?

55.2% of total bilateral aid (US\$1,351.4m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

How much of NETHERLANDS's aid was spent on basic health, basic education, water supply and sanitation?

NETHERLANDS spent

4.8 % of its bilateral aid (US\$214.03m) on basic education

1.33% of its bilateral aid (US\$59.37m) on basic health

2.78% of its bilateral aid (US\$123.79) on water and sanitation

Mutual interests, mutual responsibilities

Nicole Metz, Novib/Oxfam Netherlands

In November 2003, the new Minister for Development Cooperation, Agnes van Ardenne (Christian Democrats), published a policy memorandum, entitled *Mutual interests, mutual responsibilities: Dutch development cooperation en route to 2015*, which outlines The Netherlands' new development policy. Some of its main features are:

- Sustainable poverty reduction remains the main objective of Dutch development cooperation and the Millennium Development Goals (MDGs) are the means of achieving it. To meet these goals, the Dutch government plans:

to make everyone more involved in meeting the MDGs by 2015;

to boost the quality and effectiveness of development cooperation;

to make Dutch efforts and results more visible.¹

- Bilateral assistance: Minister Van Ardenne has further reduced the number of countries that are eligible for Dutch bilateral assistance from 49 to 36. The selection is based on an analysis of national development trends and on

criteria such as IDA-eligibility, improvements in the quality of policy and governance, and the relative size and added value of Dutch development aid.

- 'Partnership' is a key concept. 'Development cooperation calls for commitment from everyone involved: The Netherlands, other donors, civil society organisations, the private sector, individual citizens and multilateral organisations, as well as the developing countries themselves. We have all committed ourselves to meeting the UN Millennium Development Goals by the target date of 2015.'² Several financial instruments have been put in place or maintained to implement the collaboration between the Ministry, private companies, and civil society organisations.
- The emphasis will be on an integrated, coherent and regional approach to foreign policy, on sustainable development, on the collaboration with the private sector, and on Africa.
- Aid will focus on four priority themes: education, reproductive health, HIV/AIDS, environment and water. An increasing part of the budget, up to 15% in 2007, is earmarked for education. As a result, The Netherlands came first in a comparison of

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donors by the Global Campaign for Education.

Dutch civil society organisations reacted to the proposed policies with mixed feelings. Novib/Oxfam Netherlands welcomed the clear commitment of the Dutch government to the MDGs, but was surprised that little attention had been given to the implications of geopolitical developments, such as the Iraq crisis or the failure of the WTO Cancun Ministerial Conference. With regard to the thematic focus, there is a risk that good governance and gender are being particularly neglected. The fact that the Dutch financial contribution to UNIFEM has been discontinued was strongly criticised. The Minister's choice for 'public-private partnerships' is a subject of lively debate among Dutch NGOs. They advise the Minister to set much clearer criteria for collaboration with the private-for-profit sector and to require that these 'partnerships' contribute effectively to the realisation of the MDGs.

Regarding the country focus, doubts were raised, both in and outside Parliament, about the justification for the proposed choices. On the one hand, relatively rich countries such as Brazil, China and India will no longer benefit from bilateral cooperation, though so-called 'pockets of poverty' exist in these countries. Bilateral relations could also be important because of the geopolitical role of these countries. On the other hand, a specific country list for private sector programmes, which includes some countries that are relatively rich, or have questionable human rights records, is being maintained, for strategic reasons — for example South Africa, Egypt, Pakistan, Indonesia.

Quality of aid

In early 2003, the implementation of Dutch development cooperation policy was criticised, when a group of 150 Dutch

'practitioners' working as experts, consultants and researchers in development cooperation programmes, published a critical 'open letter' to the government. This letter expressed grave concerns about the diminishing quality of Dutch aid, especially in relation to the introduction of the sector policy. They also openly questioned whether there had been sufficient common 'learning' in the Dutch development cooperation sector over the last few years. Specific issues mentioned in the letter, were the loss of control over, and diminishing quality of, the Ministry's staff, a lack of a clear and inspiring vision on development, and the absence of a clear implementation plan to 'mainstream' gender in all policies and operations.

The letter was discussed at a symposium with representatives from the Ministry of Foreign Affairs/NEDA.

'Contamination' risk

The Netherlands has generally shown serious commitment to the UN 0.7% of GNI target for development cooperation. In 2004, ODA will be maintained at 0.8% of GNI. Of this budget, 15% will be for education and 0.1% for environment and water. At least 50% of the bilateral aid has been reserved for Africa. At the same time, there is a shift in the allocation of funds within this budget, which increases the risk of its improper use ('budget contamination'). First, a large amount of the development aid budget has been reserved for the cancellation of debts related to export credit insurance, granted by the government to Dutch companies exporting to developing countries: €540 million (or 14% of the DC budget) in 2003. According to the Jubilee Netherlands Campaign, cancellation of debt due to export credits or guarantees cannot be counted as ODA, since this is rather an instrument of export promotion and the cancellation of the related debts does not incur real costs. This

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position was supported by a European Union directive, which says that export insurance instruments should be cost neutral for the government. Also, the UN Financing for Development Conference in Monterrey (2002) decided that debt cancellation in general would be additional to existing ODA commitments. Second, the government proposes to extend the OECD/DAC standards for ODA, in order to include the implementation of a 'more integral international approach to (potential) crises' and the Clean Development Mechanism. Novib/Oxfam Netherlands has been objecting to these proposals from the start, because of the high risk of further diversion of ODA funds for non-ODA purposes.

Political support for ODA is slightly decreasing. Though parliament approved the proposed budget and policies for 2004, critical questions were asked referring to the effectiveness of aid, the need for coherence with international trade policies, as well as the critical international economic situation. This trend can be explained by the turbulent shifts in Dutch politics in the period 2001-2003, which included two consecutive changes of parliament and government. During this period, Dutch political debate seemed to be dominated by internal, rather than international, issues. The current government, a centre-right coalition of Christian democratic and liberal parties, came to power in early 2003.

Governance and human rights: high on the political agenda

As stated above, sustainable poverty reduction remains the main objective of Dutch development cooperation. In the vision of the Dutch government, 'poverty reduction and the promotion of human rights have to go hand in hand.'³ According to the government, the responsibility for observing human rights lies primarily with national

governments, though the international community can put pressure on a country to fulfil its human rights obligations.

'Good governance' is, in the government's vision, 'a political and institutional climate in which human rights, democratic principles and the rule of law are being protected, and in which human and natural resources, as well as economic and financial resources, are managed in a transparent and responsible way, in the interest of equitable and sustainable development.'⁴

Under the previous Minister, Eveline Herfkens, good governance was among the primary criteria for the selection of countries for bilateral aid relations. 'Ownership' was developed into the central philosophy. Countries that qualified as having 'good governance', were given sector-wide support on the basis of Poverty Reduction Strategy Papers. Instead of supporting concrete projects, Dutch funds were directly transferred to a sector ministry for its general policies and programmes — resulting in increased 'ownership' of recipient governments. A second group of countries were eligible for smaller funds from the so-called 'governance, human rights and peace-building' programme. These funds aimed to promote 'good governance', not necessarily through the bilateral channel. In spite of a recent budget reduction in the latter category, the new government's policy intends to include a more proactive approach to governance and human rights.

More than in the past, the efforts of the Development Cooperation and the diplomatic departments of the Ministry, as well as the embassies, will be integrated. The Netherlands intends to use its position more structurally than in the past, to try to influence recipient countries' policies. Embassies will prepare annual plans, addressing among other things, the steps

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necessary for promoting human rights and good governance. There will be annual reporting on the results.

In addition, a specific budgetary provision has been made for a new category of 'economic governance' institutions — which means institutions that facilitate the functioning of markets, such as land registers, competition authorities and taxation systems.

Stability Fund focuses on global security

The Netherlands has played an active role in several areas affected by conflict, especially the Great Lakes Region in eastern Africa, the Horn of Africa and the Western Balkans.

An integrated 'regional approach' is being developed, taking into account the often cross-boundary character of conflicts in these regions, and giving priority to these conflicts in Dutch diplomacy. The Defence, Foreign Affairs and Development Cooperation Ministers have collaborated in establishing a so-called Stability Fund, an initiative aimed at tackling global security problems, using an integrated approach. It is meant for projects related to conflict prevention and resolution, and post-conflict rehabilitation and demobilisation. For 2004, €64 million has been allocated to the Fund.⁵

Notwithstanding its traditional preference for multilateralism, The

Netherlands gave political (but not military) support to the invasion of Iraq by US and UK troops. After the war ended, Dutch troops joined the occupying forces in Iraq. Also, The Netherlands participates in peacekeeping forces in Afghanistan and Bosnia and has positioned a hospital ship off the coast of Liberia. Until 2001, Dutch troops were part of the UN peacekeeping forces in Ethiopia and Eritrea (UNMEE).

Novib/Oxfam Netherlands supports the government's intention to pay substantial attention to the impact of conflicts on human development, because Dutch (and European) foreign and development policy should be based on the principle of human security — instead of the narrow approach to (armed) security that is now central to international politics. In a reaction to the Minister, Novib welcomed the regional approach, but also warned of the risk of mixing (finances for) civil and military operations — which could lead to the above-mentioned 'budget contamination' as well as being an obstacle to humanitarian aid. The selection of regions and countries should be more carefully done. For example, West Africa should also be selected for a regional approach; there should also be financial support in conflict areas or regions, even if individual countries do not qualify for bilateral assistance.

Netherlands

Box 21. Arms Trade Treaty

In October 2003, Oxfam International, Amnesty International and the International Action Network on Small Arms (IANSA) started a joint campaign to 'Control Arms' by an international Arms Trade Treaty, as proposed by Nobel Laureates, among them former Costa Rican president Oscar Arias. Dutch Minister Van Ardenne was one of the first officials to express her support for this proposal. Novib/Oxfam Netherlands expects a lot from her in the second half of 2004, when The Netherlands, as chair of the European Union, will be in a good position to promote this initiative.

She can make a good start at home. The Netherlands is among the ten largest arms exporters in the world and is suspected of being a major transit country. There is hardly any control of transit, even though the port of Rotterdam is the largest in the world and Schiphol airport is the fourth largest airport in Europe. Available data shows, for example, large transshipments of military goods from the United States through the Netherlands, with Israel as the final destination. Novib/Oxfam, Pax Christi and Amnesty International propose to submit the transshipment of arms through The Netherlands to the same regulations as export, in order to ensure that arms are not flowing to countries in conflict, or to regimes that have a bad human rights record.

<http://www.controlarms.org/>

Notes

¹ Ministry of Foreign Affairs, Minister for Development Cooperation, 2003. Mutual interests, mutual responsibilities: Dutch development cooperation en route to 2015. http://www.minbuza.nl/default.asp?CMS_ITEM=MBZ257572

² Ibid.

³ Foreign Affairs Minister De Hoop Scheffer and Development Cooperation Minister Van Ardenne,

Beleidsreactie op het AIV advies getiteld 'Een mensenrechtenbenadering van Ontwikkelingssamenwerking', letter to the Adviesraad Internationale Vraagstukken (AIV), September 2003.

⁴ Ref. to note 1.

⁵ Budget for the Stability Fund: for 2005, €110 million; for 2006, €93 million; from 2007 onwards, €77 million per year.

*Box 22. NEW ZEALAND at a glance***How much aid does NEW ZEALAND give?**

In 2002, NEW ZEALAND gave US\$122m or 264m New Zealand Dollars

This means that, in 2002, each person in NEW ZEALAND gave US\$31 or 67 NZ\$

In 2002, aid from NEW ZEALAND rose by US\$10m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 1.1% in real terms

How generous is NEW ZEALAND?

NEW ZEALAND gave 0.22% of its national wealth in 2002. This compares with the average country effort of 0.41% and NEW ZEALAND's own previous highpoint of 0.52% in 1975.

NEW ZEALAND was less generous than 18 other donors and less generous than in 2001 when aid was 0.25% of GNI.

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

38.7% of total bilateral aid (US\$35.5m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

NEW ZEALAND spent

2.69% of its bilateral aid (US\$2.47m) on basic education

1.79% of its bilateral aid (US\$1.64m) on basic health

1.29% of its bilateral aid (US\$1.18m) on water and sanitation

New agency makes poverty elimination its mission

*Rae Julian, Council for International Development/
Kaunihera mō te Whakapakari Ao Whānui*

The most significant development in New Zealand's aid programme in the last couple of years has been the establishment of NZAID/*Nga Hoe Tuputupu-mai-tawhiti* in June 2002, as a semi-autonomous agency within the Ministry of Foreign Affairs and Trade (MFAT). This followed a major review of ODA, reported in *Reality of Aid 2002*. There are a number of key features of the new agency.

- **Permanent staff.** In contrast with the former division of MFAT, where most staff were rotated from the diplomatic corps, in order to widen their experience (development staff were not eligible for rotation), NZAID staff are selected for their skills and experience in development-related areas.
- **Semi-Autonomous from MFAT.** NZAID's increased autonomy has allowed it to take a development focus throughout all of its activities. This change is also demonstrated in the difference between the public statements of the Minister of Trade Negotiations, who espouses a neo-liberal trade agenda, and the Associate Minister of Foreign Affairs and Trade (with responsibility for ODA), who is more likely to reflect the position of developing countries, especially the Pacific.
- **An over-arching focus on poverty elimination.** This is the mission of the agency. Poverty is defined as: extreme poverty or the inability to meet basic needs; poverty of opportunity caused by lack of opportunities to participate in economic, social, civil and political life; and vulnerability to poverty through being likely to experience natural disasters or other circumstances affecting livelihoods or full participation in community and national life.
- **The Pacific Island Countries as the main developing country partners.** Currently just under half of the ODA goes to the Pacific. There are also significant programmes in South East Asia, targeted assistance for other developing countries, and funding for multilateral agencies.
- **A closer relationship with civil society.** A Strategic Policy Framework document, defining the extent of the partnership between NGOs and the then Development Cooperation Division of MFAT, was signed in 2000. The development of NZAID has enabled NGOs to participate in developing the strategic direction and core policies of the new agency. In addition to regular formal meetings, there have been numerous opportunities

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to comment on country, regional and multilateral and strategy documents, share training, participate in joint working groups and generally provide advice. There has also been an increase in funding for NGOs.

- **A greater emphasis on working directly with civil society in developing countries.** This applies particularly to countries where governance is weak or where there is little government support for civil society. In some countries, for example, NGO funding mechanisms, which are administered mainly by local NGO representatives, have been established.
- **A change in education policy, towards basic education.** The previous education policy tended to place much of its emphasis on tertiary scholarships, mainly for students to come to New Zealand. This was seen as especially desirable from a diplomatic and political perspective, as many of the students went back to be leaders in their country, with closer links to New Zealand. Evidence showed, however, that the scholarships tended to be elitist, assisting a few privileged young people, while basic education in the country was often in a very poor state.

There are also some recommendations from the DAC Review in 1999 where less or little progress has been made:

- **Striving to maximise the use of developing countries' own services and goods in the implementation of projects.** Although NZAID does not have a policy of tied aid, there is still a tendency to use management service consultants from New Zealand rather than from the local community or from another developing country. This has

changed to some extent through the use of locally engaged aid administrators in some diplomatic posts and through the NGO funding schemes referred to above.

- **Setting a medium-term ODA/GNP (GNI) target.** As can be seen from the accompanying table, New Zealand features very low on the list of OECD countries that are committed to reaching the target of spending 0.7% of GNI on ODA. The 0.22% GNI figure for 2002 was less than the 0.25% GNI figures for 2000 and 2001. The Government, however, continues to express its commitment to meeting the goal:

'The government is absolutely committed to increasing the amount of aid we give, and giving it in the most effective way possible. We're only a third of the way to the internationally agreed target, but we're definitely heading in the right direction.'

Governance and human rights

- NZAID has developed a 'Good Governance' programme, which states as its objective: To promote, sustain and support human development by promoting good governance, including promotion and protection of human rights and strengthening participatory development, at regional, national and local levels.²

There is a Global Programme and a Pacific Programme (with a Budget of NZ\$3.3m), reflecting NZAID's commitment to the Pacific as its primary area of focus. The programme will be delivered through key strategic partnerships – including those with developing country NGOs – seeding grants or pilot projects, conflict prevention and

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peace building activities and a small grants scheme.

- *NZAID has not adopted a fully rights-based approach to development, although some preliminary discussions have taken place with the Human Rights Council of Australia, one of the chief proponents of the approach throughout the region. Instead, the NZAID policy is to mainstream human rights, recognising that: Human rights are at the core of all development policy and practice and will be reflected throughout the development programming cycle – from initial appraisal to evaluation and impact assessment.*³
- NZAID, however, does not operate in a vacuum. It must work closely with the Ministry of Foreign Affairs and Trade, as well as the international financial institutions, whose policies are more likely to focus on corruption and financial management than on the human rights aspects of good governance. A number of Pacific countries, such as the Cook Islands, Solomon Islands and Tonga, have been told that assistance depends on their reduction of the public sector. There is supporting rhetoric about retraining and the opportunities for development of a stronger competition-based private sector. Little heed is paid to issues such as population size, limited opportunities for business development, and the role of many public servants in supporting extended families or even as the principal source of cash income for a village in an outer island.
- NZAID has taken a leading role in ensuring that civil society organisations are also consulted as part of country strategy studies. This accords with the human rights principle of empowering people at all levels of society to participate in decision making that

affects their lives. NZAID has also taken the step of working only with NGOs in countries where the governments were clearly in breach of basic human rights. For example, in Fiji after the coup of May 2000, all development assistance was suspended, apart from that channelled through NGOs and regional organisations.

- Issues such as security, migration and combating terrorism do not feature largely in NZAID's governance policies. New Zealand plays a role in peace-keeping throughout the world, but only the humanitarian aspects of these activities within the country of deployment are included within the calculation of ODA for the DAC report. Terrorism is a concern within Aotearoa/ New Zealand, especially since the terrorist attacks in the United States and Bali. Special legislation has been introduced since that time. This has impinged on migration and refugee policy, for example, through the incarceration for ten months in solitary confinement of an elected Algerian parliamentarian, who had attempted to claim refugee status. This imprisonment was based on insubstantial reports from international security agencies.
- New Zealand is an advocate of the internal reforms at the World Bank and the International Monetary Fund, according to the Minister of Finance⁴. He has also expressed support for change in the governance and voting systems of the two institutions, stating that, 'A strong voice for developing countries is fundamental if the Bank is to function effectively'. The Minister for Trade Negotiations has stated his support for reform of the WTO:

'That the WTO needs reform to its democratic processes is self-

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*evident, given that it has just failed [at the Cancun Ministerial meeting] to significantly advance reforms that almost all of its members – especially its poorest and least developed – desperately need’.*⁵

Conclusion

Governance issues are ranked highly on the ODA agenda of the New Zealand government, especially within the principal area of focus, the Pacific Islands region. Conditionality is not practised overtly and is not expressed in any NZAID policies but New Zealand’s close links with international funding institutions associate it with their policies. Only time will tell whether NZAID will be able to resist pressures, both overseas and domestic, in order to pursue the policies it has

developed, which aim to benefit people in poverty and promote the rights of all those within its partner countries.

Issues such as security, migration and combating terrorism do not feature largely in NZAID’s governance policies.

Notes

- ¹ *Marian’s Environment*: Newsletter from the Associate Minister of Foreign Affairs and Trade, June 2003.
- ² *Guidelines for NZAID Good Governance Programme*, NZAID 2003.
- ³ *Human rights policy statement*, NZAID 2003.
- ⁴ Statement by Dr Michael Cullen, Minister of Finance, at Joint Annual Discussion of World Bank Group, September 2003.
- ⁵ Letter to *Listener*, October 18, 2003.

Norway

Box 23. NORWAY at a glance

How much aid does NORWAY give?

In 2002, NORWAY gave US\$1,696m or 13,544m Krone

This means that, in 2002, each person in NORWAY gave US\$373 or 2,977 Krone

In 2002, aid from NORWAY rose by US\$350m in cash terms. Because of inflation and exchange rate changes, the value of aid rose by 12.7% in real terms

How generous is NORWAY?

NORWAY gave 0.89% of its national wealth in 2002. This compares with the average country effort of 0.41% and NORWAY's own previous highpoint of 1.17% in 1990.

NORWAY was the second most generous donor, more generous than in 2001 when aid was 0.8% of GNI.

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

47.5% of total bilateral aid (US\$544.4m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

NORWAY spent

5.52% of its bilateral aid (US\$60.82m) on basic education

4.1% of its bilateral aid (US\$45.18m) on basic health

2.34% of its bilateral aid (US\$25.8m) on water and sanitation

Goals and focus remain but foreign policy influence grows

Gweneth Berge, Norwegian Church Aid

- Norway's Official Development Assistance (ODA) for 2003 was 14.39 billion Norwegian Krone, which represented a modest increase of NOK 856 million from the 2002 budget. The total constituted 0.93% of GNI, compared to 0.92% in 2002. The current government (Christian Democrat-Conservative coalition) has recommended a further increase in 2004 to NOK 15.29 billion, or 0.94% of GNI. This very modest increase does not bode well for Norway's goal of allocating 1.0% of GNI to ODA by 2005.
- Oil revenues continue to give Norway a budget surplus, which is invested in the National Petroleum Fund. In terms of GNI per capita, Norway is one of the richest countries in the world. There is no excuse for not meeting the goal of 1% GNI to ODA by 2005. Norwegian NGOs have challenged the government to meet this goal and to challenge other OECD donors to do the same.
- In her 2002 statement to the Norwegian Parliament, Minister of International Development Hilde Frafjord Johnson identified education as the government's main focus in development policy. A new education strategy has been developed and 15% of total development assistance has been targeted for education initiatives.
- Norway continues to be the OECD country channelling the highest proportion of official development aid through civil society organisations (roughly 25% of ODA). There has been no indication of any dramatic decline in these proportions, but there have been indications that the trend to coordinate Norwegian NGO activities more closely with official aid priorities will continue.
- The international War on Terrorism and the militarisation of humanitarian aid have also become an issue in Norway. Norway has committed military personnel to the Coalition Forces in Iraq, where they are carrying out humanitarian work under British military command. This has raised domestic debate about how Norwegian military involvement in Iraq has confused the roles of military and humanitarian intervention and has thus increased the security risk for humanitarian aid workers in Iraq. Norwegian NGOs have also criticised the government for using the aid budget to finance military operations related to de-mining in Iraq.

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- They have also criticised the government for including assistance to refugees in Norway in the aid budget. In 2003, NOK 648.5 million (4.5%) of the total ODA budget went to assist refugees in Norway. This is a slight decrease from 2002 but an increase compared to 2001.
- In 2002, the government launched Norway's 'Action Plan 2015 for Combating Poverty in the South'. The Action Plan is intended to be a broad-based guide to Norwegian development policy. Its overarching objective is to fight poverty and to contribute to achieving the Millennium Development Goals, within the framework of national strategies for poverty reduction. Main priorities in the Action Plan include:

Commitment to the need to increase ODA and affirmation of the goal of increasing development assistance to 1% of GNI by 2005.

The intention to channel 40% of total bilateral assistance to least Developed Countries and to intensify efforts to improve the international debt relief system.

A strong emphasis on human rights as integral to human development. The rights of the most vulnerable groups will be given special attention.

Giving priority to conflict resolution as a precondition for social and economic development.

Better policy coherence between aid policy and other relevant policy areas (At international level, for example, to promote better coherence with trade, investment and debt policy. At national

level, to work for better coherence between aid policy and policies for trade, agriculture, energy and immigration).

Partner responsibility must be strengthened, governance improved, and corruption combated. The focus on recipient responsibility aims to give developing countries greater control over their own strategies for poverty reduction. Norway aims to scale down project assistance and to increase sector programme and budget support. Poverty Reduction Strategy Papers will be the foundation for this bilateral support.

Giving priority to donor coordination and alliance building with different civil society and private sector actors – both internationally and in the Norwegian context. There are increased demands on Norwegian NGOs to coordinate efforts among themselves. But many NGOs would give priority to coordinating efforts within their own international networks – including civil society partners in developing countries.

In general, Norwegian NGOs have supported the main policy directions in the plan, but have criticised the lack of clear priorities or benchmarks that are necessary to hold Government accountable for its stated good intentions. Some NGOs have criticised the plan for putting more emphasis on the responsibility of the recipients than on the rich and powerful development actors in the North – especially in relation to economic justice issues, such as debt and trade.

- A new White Paper for development cooperation is being prepared. It seems that the policy directions of the Action Plan will have a significant influence on the content of the White Paper. The

last White Paper on Development was written in 1995; the new one was due to go to the Parliament in April 2004.

- A major study (1998-2003) on democracy and power in Norway, concluded in 2003. One of the sub-studies, 'Development Aid, Foreign Policy and Power',¹ analysed the Norwegian model of close cooperation between aid and foreign policy actors: political leadership, civil servants, civil society, media and researchers. The analysis suggests that tight-knit relations between the various actors have led to the development of a 'National Regime of Goodness' (*nasjonal godhetsregime*) for development aid and peace work. Under this 'regime', the same individuals rotate in and out of top positions within public institutions, civil society organisations, and academia, which hinders any real critical debate on Norwegian aid policy. There are different views on the accuracy of this analysis and the debate is ongoing.
- As part of the Government's programme for modernising, decentralising and streamlining the public sector, a major evaluation of development aid administration was completed in 2003. The evaluation has led to a major reorganisation of NORAD and the Ministry of Foreign Affairs. As a result, a sizable portion of NORAD's staff and budget is being moved into the MFA. NORAD's regional desks and the policy unit are being integrated into MFA and there are plans to decentralise more decision making and more staff to embassies in Norway's partner countries. The goal is to achieve better coordination, less duplication of effort and more effective coordination of MFA, NORAD and the embassies. With the integration of NORAD's regional desks in MFA (and the Embassies), there is concern that specific

country competence will be weakened, due to MFA practice of rotating staff. Some NGOs are afraid that another consequence will be more politicisation of aid, with more funding flowing to the politically spectacular countries (e.g. Iraq) and programmes.

Norwegian support to good governance

Norway's *Action Plan for Combating Poverty in the South (2002)*, identifies 'good governance' as a critical factor in eradicating poverty and promoting development and lays out a comprehensive approach for supporting good governance.

In a 2002 speech, State Secretary for International Development Olav Kjørven, referring to the new Action Plan, said:

'There is a vital connection between open democratic and accountable systems of governance and respect for human rights on the one hand, and the ability to achieve economic and social development on the other. They are mutually reinforcing. We must recognise that the relationships[s] between the state, the private sector and civil society are key determinants of whether a nation is able to create and sustain equitable opportunities for its entire population. Governance can no longer be considered a closed system.'

Norway's approach to governance will build on three main approaches:

1. *Efforts to evaluate and improve basic preconditions for good governance* – education, institutional development, anti-corruption work, democratic frameworks and observance of basic rights.

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2. *Support to government reforms*, including: improved financial administration, public administration reforms (including decentralisation and capacity building for local government), developing the competence of government officials, reforms to secure a constitutional state that guarantees the rights of citizens and independence of the courts.
3. *Support for public watchdog functions*, including initiatives to improve supervision and control by government bodies, non-governmental institutions, governing and opposition parties, the media and civil society.

In the new Action Plan, the goal of good governance is to be pursued by, among other things, providing assistance for capacity-building. Countries that are willing and able to improve governance will, in general, be given priority in government-to-government allocations. In countries with poor governance, non-official channels of assistance (i.e. those defined as having public watchdog functions) will be given preference. In this case, criteria for support will be that initiatives reach people living in poverty and support forces of reform. In recent years, Norway has pursued a tougher policy on stopping development aid to countries with a deteriorating governance record. Governments that demonstrate bad leadership, practise corruption and allow serious rights abuses over long periods of time, will not be rewarded with Norwegian development aid.

Norway has, however, worked on good governance issues over a long period of time and prior to the Action Plan. Most notably, Norway has supported work on:

- civil society, especially through support to strengthen civil society organisations and independent media;
- public financial administration and
- public administration reform, especially related to decentralisation and local government.

As such, the new Action Plan mainly articulates and consolidates existing practice in respect to good governance.

In 1999, Norway raised the issue of corruption as a serious constraint to development. The then Minister for International Development challenged NORAD to become an international frontline organisation in efforts to combat corruption. As a result, a special project was established within NORAD, and a two-year action plan was developed (*NORAD's Good Governance and Anti-corruption Action Plan 2000-2001*). The main goal of the plan was to prevent and curb corruption within a context of good governance.

An internal analysis in 2003 showed that NORAD spending on anti-corruption initiatives had more than tripled since 1999. Likewise, there have been good efforts to improve public financial administration in partner countries, mainly in Africa and countries where NORAD gives, or plans to give, aid via budget support. Internal NORAD assessments suggest that more needs to be done to strengthen support to the justice sector and to public administration reforms.

Using DAC sector code definitions for 'Government and civil society', estimates are that roughly 16% of total NORAD assistance (bilateral aid) went to good governance activities in 2003. Within this category, the largest proportion (29%) of funding went to strengthening civil society. This represented an increase from 16% of total 'Government and civil society' spending in 2002, and underscores the high priority the

- human rights, especially through work to strengthen national human rights commissions;

Norwegian government has placed on civil society as a force for democratisation and nation-building, and on civil society organisations as a channel for assistance. A new mechanism to support independent media will be launched in early 2004. A free press is seen as an important tool for giving people in poverty a voice and documenting and exposing systematic and random abuses of power. The main goal will be support to strengthen the watchdog function of the media.

The other two areas where there has been an increase in the proportion of bilateral funding to good governance are economic and development policy planning, and public sector financial management. These trends correspond with NORAD's intention to increase funding to improve partner countries' financial administration systems and to support broad public administration reforms.

In her 2002 statement to the Norwegian Parliament on Development Cooperation, Minister of International Development Hilde Frafjord Johnson said that bilateral Norwegian cooperation was to be based on developing countries' own poverty reduction strategies: 'These PRSPs will form a basis for the mobilisation of the country's own resources and for the prioritisation of tasks between donors. But if these efforts are to succeed, this will require better governance.'

Good governance is seen as a prerequisite for the success of poverty reduction strategies. But are PRSPs a good strategy for promoting good governance?

Tensions between conditionality, which tends to be strengthened through donor coordination, and the ideal of national ownership become particularly evident in the context of PRSPs.

A recent study of the implementation of PRSPs in Malawi and Zambia² provides some insights:

'Civil society organisations played an active role in both Malawi and Zambia in formulating the PRSP, which gave these documents some measure of legitimacy. However, the national assemblies and political parties were marginalised in these policy-making exercises, which were driven by the respective executive branches of government, notably the Ministries of Finance. The donors found themselves in an ambivalent situation. On the one hand, in the interest of creating national ownership of the PRSP, they were expected to keep their hands off. On the other hand, they were apprehensive that the substantive nature of the final document would not satisfy the World Bank and IMF criteria for debt relief. As a result, the donors took an active part in the processes.'

The study maintains that because of good civil society participation, strong involvement of the national Ministries of Finance and a positive moderating role by donors, the formulation process has yielded PRSPs that are good policy documents. In both processes, the macroeconomic prescriptions are largely based on the donor consensus that poverty reduction requires growth and that growth is founded on a set of macroeconomic principles laid out in the World Bank/IMF structural adjustment programmes from the 1980s. Such structural reforms are still part of the economic conditions laid down by the external donors. However, in other areas (e.g. social sectors) there are indications that country ownership of PRSP in both countries is considerable.

The key question is how PRSPs will be implemented. National assemblies will be

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critical for approving the national budgets into which PRSP initiatives should be integrated. But these assemblies have generally not been involved in formulating the PRSPs, do not enjoy the same sense of ownership, and may not be full participants in getting PRSPs implemented.

In Malawi, the modest involvement of parliament in the PRSP reflects the current subordinate position of the national assembly relative to the executive branch. A representative, accountable and functioning parliament is essential to the practice of good governance. One must ask if donor promotion of PRSP processes, which strengthen the role of the executive branch of government but marginalise the role of elected representatives, will strengthen or weaken a system of governance that is accountable to the people. If PRSPs are to be given such a central role in Norwegian development assistance, adequate attention must be given to initiatives that promote the involvement of civil society and elected

representatives, as well as Ministries of Finance and Planning.

As with Norwegian development policy in general, policy on the issue of good governance is progressive, poverty-oriented and easy for Norwegian NGOs to support in principle. The question is how is this policy followed up in practice and how do these good governance initiatives actually have an impact on improving the lives of people living in poverty?

Notes

- ¹ Terje Tvedt, *Utviklingshjelp, utenrikspolitikk og makt – den norske modellen*. Gyldendal Norsk Forlag AS, 2003.
- ² E. Bwalya (University of Zambia), L. Rakner (Christian Michelsens Institute (CMI), L. Svåsand (University of Bergen), A. Tostensen (CMI), and M. Tsoka (Centre for Social Research, Malawi) 'Getting Rid of Politics? Comparing NGO-Donor Relations in the Implementation of Poverty Reduction Strategies in Malawi and Zambia' Conference paper, October 2003.

*Box 24. PORTUGAL at a glance***How much aid does PORTUGAL give?**

In 2002, PORTUGAL gave US\$323m or 342m Euros

This means that, in 2002, each person in PORTUGAL gave US\$31 or 33 Euros

In 2002, aid from PORTUGAL rose by US\$54m in cash terms. Because of inflation and exchange rate changes, the value of aid rose by 9.2% in real terms

How generous is PORTUGAL?

PORTUGAL gave 0.27% of its national wealth in 2002. This compares with the average country effort of 0.41% and PORTUGAL's own previous highpoint of 0.36% in 1992.

PORTUGAL was less generous than 13 other donors and more generous than in 2001 when aid was 0.25% of GNI.

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

84.2% of total bilateral aid (US\$156.6m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

2.49% of its bilateral aid (US\$4.64m) on basic education

0.34% of its bilateral aid (US\$0.64m) on basic health

0.17% of its bilateral aid (US\$0.31m) on water and sanitation

Regression and expectation in Portuguese cooperation

Rita Veiga, Eline Feijão, Oikos

Since Prime Minister Durão Barroso's government came to power in March 2002, there have been some changes in Portugal's development cooperation policy. A new cooperation policy has been approved, based on the importance of Official Development Aid (ODA) for the development of recipient countries. But are there any crucial changes within this new policy?

- Portuguese bilateral and multilateral ODA totalled 342.295 million euros in 2002 (299.747 million euros in 2001).
- In 2002, the percentage of ODA in relation to the Gross National Income (GNI) was 0.27%, up by 0.02% on 2001.
- The commitment to reach the UN 0.7% target made at the Earth Summit in Rio during 1992 is definitely history. At the 2002 Financing for Development conference in Monterey, Portugal promised to aim at only 0.33%. However, the Cooperation Secretary of State, Manuela Franco, recently declared that even this percentage was unrealistic. So Portugal wants to invest in a better quality of aid in order to contribute to the Millennium Development Goals in accordance with the 'deep rooted traditions we have'.
- Despite comments in the DAC's 2001 Aid Review, on the need for aid to be allocated on the basis of a 'deliberate attempt to address poverty reduction', rather than as a result of historical ties, the largest part of the Portuguese bilateral aid still goes to the five Portuguese-speaking countries (PALOPs¹) – Angola, Cape Verde, Guinea Bissau, Mozambique and São Tomé e Príncipe, plus East Timor. In 2001, 61% of bilateral ODA was transferred to PALOPs, 31.6% to East Timor and 7.5% to other countries. In 2002, those percentages were respectively 44.8%, 40.8% and 14.5%.
- Basically, the priority areas for Portuguese cooperation policy are still the same: education, poverty reduction, reinforcement of institutions and governance, and supporting business activities. But one of the priorities highlighted by the government, is the need to invest in education and training, especially to strengthen local elites.
- A new institute for development cooperation has been created. The IPAD² – Portuguese Institute of Development Aid – includes the former Institute for Portuguese Cooperation (ICP³) and the Portuguese Development

Support Agency (APAD⁴). After a long period of internal restructuring of Portuguese Cooperation, in 2002, IPAD was officially created in January 2003. IPAD is supposed to supervise and coordinate development cooperation policy.

- The last Integrated Programme of Portuguese Cooperation and the last significant programmes being applied in each country are the ones prepared by the ICP in 2001-2002. The IPAD has not yet presented any new practical programme.
- After a promising 2001, when their relationship with the former ICP seemed to be maturing, NGOs could not find a governmental interlocutor during the following year. During the restructuring carried out in the public cooperation agency, there was no one available to deal with NGOs, until the IPAD was officially created in January 2003. Several inconsistencies and a general lack of direction soon became obvious and an open conflict eventually arose (see *IPAD vs NGOs*). Most Portuguese NGOs are rather small and a number of them are now struggling to survive.

The government's new cooperation policy highlights the importance of creating a more coherent approach characterised by 'coordination, control and evaluation of future development cooperation programmes'. These guidelines are in accordance with the restrictive economic policy that has been undertaken by the government in the last two years.

Despite the objectives outlined, it seems that between 2002 and 2003 most of the significant changes in cooperation policy were the result more of budget constraints than of improvements in development cooperation.

In general, it can be said that Portuguese

development cooperation policy has taken some backward steps, if not in objectives, at least in terms of practical initiatives undertaken by the government.

Good governance and human rights

With the second generation of structural adjustment programmes, good governance and respect for human rights became relevant areas of concern for development aid. In the cooperation policy of the European Union, aid depends on political conditionality. According to the European Economic and Social Committee's guidelines, good governance is an essential objective of development aid.

The Portuguese Programme for Development Cooperation (2002), responding to EU guidelines, considers the issues of democracy and good governance strategic area of intervention, with special emphasis on the strengthening of institutions. The Portuguese Programme for Development Cooperation in 2002 therefore includes commitments to:

- strengthen administrative capacity, using technical assistance and specialised training;
- support electoral processes and institutions working in this field;
- support the preparation of legislation appropriate to the needs and circumstances of each partner country;
- support the consolidation of the state-owned and the private media;
- strengthen civil society;
- use technical and military cooperation to consolidate the role of the armed forces as a guarantee of the democratic rule of law.

Despite the stated importance of good governance, Portuguese cooperation does not really depend on authentic political

Portugal

conditionality. Economic motivations still prevail over political ones, with too many agreements between Portugal and recipient countries being tied to commercial interests. The distribution of Portuguese aid is very much concerned with the commercial benefits obtained from the recipient nations, as a counterpart of development aid. In fact, the largest share of cooperation projects are for technical assistance to enterprises in the field. There are no relevant projects supporting institutional capacities or enhancing the political transparency of the state. They are not really concerned with improving the capacity of government and public administration.

Conclusion

In general terms, and as described by OECD Development Assistance Committee (DAC), Portuguese cooperation lacks both solid coordination and evaluation. The recommendations of the DAC have, however, been taken into account in the latest Programme for Development and Cooperation (2002), which underlines the importance of reducing poverty, reinforcement of the coordination of programmes and debt-relief procedures.

Despite the well-structured cooperation policy framework, goals such as support for

education, poverty reduction and strengthening institutional capacities and good governance are far from being put into practice. Aid programmes still give insufficient attention to these areas.

Instead, Portuguese cooperation policy will give recipient countries what they want, provided that it is compatible with Portugal's own interests. Good prospects of business partnerships, which include commercial favours, are much more decisive than development goals.

The incoherence of cooperation policy explains the bad relationship between the IPAD and Portuguese NGOs. The Institute made up allegedly legal reasons for cancelling the allocation of financial resources to NGOs and unilaterally decided to impose new rules. It simply ignores the crucial role of NGOs, especially in designing and delivering development programmes and meeting the needs of the population.

Even considering the budgetary restrictions that the government has been enforcing, the whole thing seems pointless when you realise that the amount to be transferred from the IPAD to the NGOs is less than €1.4 million – for 25 projects that were selected (out of 57) in the first of two calls for proposals in 2003.

Box 25. IPAD versus NGOs

According to João Gomes Cravinho, the former president of the Institute of Portuguese Cooperation, we are going through a period of regression, but also of expectation, in Portuguese international cooperation. There is regression because the laws that were approved by Parliament and government over the last four years for the implementation of real cooperation policies are not being put into practice.

In 1999, Parliament approved a law on the statutes of NGOs, and the Council of Ministers recognised the role of the NGOs in Portuguese Cooperation. Further, the Ministry of Foreign Affairs signed a protocol with the NGO Platform, in which it recognised the role that NGOs were to play alongside the government programme. For the first time in Portugal, the status of NGOs, as well as of their representative association, the Portuguese NGO Platform, was recognised. The principle of participation and public financing of the cooperation projects of NGOs was established, including the institution of an annual donation by the Ministry of Foreign Affairs.

However, during 2003, all these decisions were disregarded. Many difficulties arose when NGOs tried to get co-financing for projects they were to carry out; none could get any response from the state. Also, a law established to allow citizens to choose a social organisation to receive a small percentage of their tax contribution had little practical result. The NGO Platform appealed to the administrative court and saw its claims – both in relation to the co-financing of projects and to the tax concession that is still not happening – reinforced by experts' statements

João Gomes Cravinho nevertheless believes that some expectation is reasonable because, as he recalls, the Prime Minister, Durão Barroso, earned a good reputation as Secretary of State for Cooperation, at the end of the 1980s, both due to his valuable role in the mediation of the Angolan conflict and because he was the first to accept the opening up of dialogue with NGOs. It was Barroso who signed the first protocol for financing a cooperation project of a Portuguese NGO and, during his term as Secretary of State, the relationship between NGOs and the state improved significantly, as dialogue conditions were created to make mutual recognition and collaboration easier. NGOs now ask themselves if the people in charge in the Ministry of Foreign Affairs are going to resume the policy of dialogue and cooperation with NGOs that was started by the man who has become the head of the government.

Luís de França

Notes

- ¹ Países Africanos de Língua Oficial Portuguesa
- ² Instituto Português de Apoio ao Desenvolvimento
- ³ Instituto Cooperação Portuguesa
- ⁴ Associação Portuguesa de Ajuda ao Desenvolvimento

Spain

Box 26. SPAIN at a glance

How much aid does SPAIN give?

In 2002, SPAIN gave US\$1,712m or €1,817m

That means that, in 2002, each person in SPAIN gave US\$43 or 45 Euros

In 2002, aid from SPAIN fell by US\$84,23m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 10.3% in real terms.

How generous is SPAIN?

SPAIN gave 0.26% of its national wealth in 2002. This compares with the average country effort of 0.41% and SPAIN's own previous highpoint of 0.3% in 2001.

SPAIN was less generous than 16 other donors and less generous than in 2001.

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

28,6% of total bilateral aid (€349 m Euros or US\$328,5 m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

How much of SPAIN's aid was spent on basic health, basic education, water supply and sanitation?¹

SPAIN spent

2.9% of its bilateral aid (US\$25.28m) on basic education

4.29% of its bilateral aid (US\$37,4m) on basic health

1.58% of its bilateral aid (US\$13,78m) on water and sanitation

Steps forward on quantity, backwards on quality

Marta Arias and Carmen González, Intermón Oxfam

After several years of decline and broken promises, the amount of Spanish Overseas Development Assistance (ODA)¹ rose to 0.30% of GNI in 2001 and then fell back to 0.26% GNI in 2002.

These figures, compared to previous years, and the new commitments signed up to at the International Conference on Finance for Development in Monterrey (0.33% GNI for 2006), could be seen as positive signs in the Spanish cooperation system. However, a closer look at the items that made up the past two years' growth, and the planned future resources, shows some worrying trends:

- 1) The extraordinary increase in 2001 was mainly due to a singular and controversial debt cancellation operation with Nicaragua.² Therefore, this **is not the result of a real change** in political will and commitment to developing countries.
- 2) The resources managed by the Foreign Affairs Ministry, recognised in the International Cooperation Law as the lead agency of the Spanish cooperation system, are stagnant. Meanwhile, the **Finance and Defence Ministries**, whose role and efficiency on poverty reduction have been frequently questioned by

different NGOs and academics, have **increasing resources** under their management.

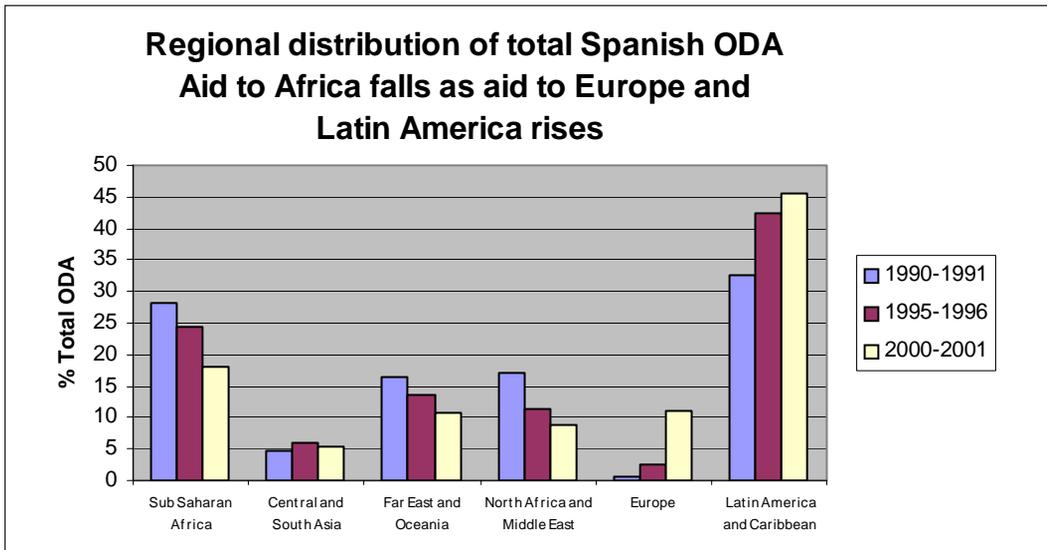
- 3) Whereas Afghanistan, Iraq and Argentina have received significant amounts of funds from the Spanish cooperation system, declining resources are allocated to some of the Sub-Saharan African countries, even though they are priorities according to Spanish International Cooperation Law. These examples show how **geostrategic and political interests increasingly determine ODA allocation**.

The second term of the Partido Popular (Conservative Party) did not bring any progress on the urgently demanded reforms to the Spanish cooperation system:

- Commercial interests and the promotion of Spanish cultural and linguistic interests remain a strong influence on the decisions of ODA officials.
- The 10.4% figure for ODA to Basic Social Services as a share of total bilateral aid, and the 0.03% figure for ODA to Least Developing Countries in 2001, show that no real progress has been achieved on the fulfilment of commitments made on Basic Social Services (under the Copenhagen 20/20 Initiative) or on aid

Spain

Graph 12.



Source: OECD DAC Report 2002

to Least Developing Countries (target 0.15% GDP).

- Decreasing levels of ODA to Sub-Saharan African countries (from US\$167 millions in 1997 to US\$86 millions in 2001).
- The Spanish government is increasingly arguing in favour of allocating a major part of Spanish ODA towards Middle-income countries. But it is not taking the necessary measures to ensure that its assistance effectively targets poverty reduction.
- Humanitarian aid remains characterised by low quality and high costs. There is increasing Armed Forces participation and an unwillingness to increase participation within the United Nations.
- There is no improvement in dialogue with civil society.

On the positive side, some internal, national and international steps should be underlined: first of all, the improvement in

Spanish cooperation planning and monitoring tools. Country and sector strategies are being elaborated and the monitoring report (*Plan Anual de Cooperación Internacional – PACI Seguimiento*) has significantly increased the data and analysis provided. Second, cooperation from regional and local governments is progressively improving both in quantity (14% of total Spanish ODA in 2002) and in coordination with central Cooperation Funds. Finally, under an EU agreement, debt relief provided to HIPC countries has been increased from 90% to 100% of commercial debt³.

Governance and Human Rights promotion

Good governance is one of the top priorities in Spanish Aid (under article 7 of the International Cooperation Law). It is considered a specific requirement for sustainable development. Currently, Spain is

carrying out activities (mainly through technical cooperation) related to good governance and institutional development consisting of: judicial and legislative reform; administrative reform (including decentralisation); tax administration and financial sector reform; and training of police.

The 2001 DAC Review report on the Spanish cooperation system recommended that: 'Spain could ensure that the objectives and targets in each institutions building project are resulted-oriented and measured against improvement in the lives of citizens, particularly the poor'. It specifically encouraged Spain to 'engage in a sector approach in institution building, together with other donors. In fact Spain could take on a lead role in pursuing a sector approach in some Latin American countries'.⁴

Recently, Spanish authorities have been working on the development of a specific strategy on this area (pending approval). On the positive side, the strategy is likely to make a significant improvement in the planning and coordination of different actors (central, regional and local governments). However, it has received significant criticism on several questions. On the one hand, the lack of effective

measures to follow up the DAC recommendations has been pointed out. On the other hand, there is also a lack of coherence between different Spanish cooperation policies. In its strategy documents, the Spanish government defends a very critical position towards some undemocratic or corrupt states. However, it maintains very favourable relations with, and makes no criticism of, the Chinese or Indonesian governments, where economic interests play a key role.

Notes

- ¹ The Spanish government signed up to reach 0.7%ODA/GNI during the 1996-2000 period. However, from 1995 to 2000 the average of Spanish ODA was 0.23% ODA/GNI. Aid fell from 0.28% GNI in 1994 to 0.22% in 2000.
- ² The origin of that debt (1980) was a concessional loan for the building up of a cellulose factory that never started functioning and which had previously been strongly criticised for its environmental costs.
- ³ This is subject to the 'cut-off date', the date of the first meeting between a debtor country and its Paris Club creditors, after which no new credits are eligible for rescheduling.
- ⁴ *DAC Journal* 2002, Volume 3, No. 2, OECD Paris, 2002.

Spain

Table 10. Spanish ODA Distribution by category

		1997	1998	1999	2000	2001	2002	2003 *
Bilateral	FAD credits	221.2	211.2	165.7	177.3	142.2	201.5	247.4
	Programmes and Projects AECI1	85.1	165.0	134.8	127.9	159.8	57.1	304
	Programmes and Projects other ministries	22.6	34.2	78.3	125.8	164.2		
	Cooperation from regional and local governments	139.1	185.8	196.1	13.9	208.2	261.4	308
	Aid to NGOs	75.3	76.6	97.0	90.2	88.0	99.2	-
	Food aid	2.8	12.0	7.4	5.0	5.7	8.6	-
	Emergency aid	17.7	26.2	68.3	42.2	25.5	19.8	-
	Microcredits	-	-	22.5	24.7	20.5	42.8	60.1
	Debt relief	92.0	134.3	60.9	18.7	434.9	125.3	124
	TOTAL Bilateral	755.8	845.3	831.0	825.7	1,249	1,059.2	1,282
Multilateral	UE	314.6	364.9	367.8	392.8	82.6	440.2	461
	IFIs	100.7	111.8	110.4	69.3	208.8	234.5	258.2
	Non IFIs	45.0	53.7	57.4	67.3	66.1	83.2	76.8
	TOTAL Multilateral	460.4	530.4	535.6	529.3	657.5	757.9	796
TOTAL		1,216.2	1,375.8	1,366.6	1,355.0	1,906.5	1,817.1	2,078

* Preliminary figures

*Box 27. SWEDEN at a glance***How much aid does SWEDEN give?**

In 2002, SWEDEN gave US\$1,991m or 19,354m Krona

This means that, in 2002, each person
In SWEDEN gave US\$207 or 2,144 Krona

In 2002, aid from SWEDEN rose by US\$325m in cash terms. Because of inflation and exchange rate changes, the value of aid rose by 10.9% in real terms. In Krona, aid from Sweden rose by 2.5 billion compared with 2001.

How generous is SWEDEN?

SWEDEN gave 0.83% of its national wealth in 2002. This compares with the average country effort of 0.41% and SWEDEN's own previous highpoint of 1.03% in 1992.

SWEDEN was the third most generous donor and more generous than in 2001 when aid was 0.77% of GNI

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

38.4% of total bilateral aid (US\$479.8m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

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

4.41 % of its bilateral aid (US\$17.77m) on basic education

0.56% of its bilateral aid (US\$7.02m) on basic health

1.97% of its bilateral aid (US\$24.88m) on water and sanitation

Sweden aims for coherent approach

Magnus Walan and Ankin Ljungman, Diakonia

After a four-year process of formulating a new, coherent policy to cover both goals for development aid and Sweden's wider development cooperation, the Swedish Government presented the new development Bill to parliament in May 2003, and it was tabled with amendments in December.

The NGO development community generally welcomed the new policy. Some questions on the proposals were raised. NGOs were concerned that the Bill signalled Government unwillingness to reconsider existing trade policies and also a lack of willingness to change the rules and policies regarding arms exports. Parliament brought up some aspects of the NGO critique in their amendments to the Bill.

The Bill was entitled, 'Shared responsibility – Sweden's policy for global development'. According to the Government, Sweden is the first country to present a coherent policy for global development.

- The Bill proposes new goals for all aspects of Government operation, with the aim of contributing to fair and sustainable global development. Trade, agricultural, security, migration, environmental and economic policies should all promote global development.
- A poverty and human rights perspective should permeate the whole of Government policy.
- With this Bill, the Government has reformulated policy in order to contribute more forcefully to the fulfilment of the UN Millennium Goals. The overriding goal is to abolish world poverty, an intermediate goal is to halve world poverty by the year 2015.
- The Bill proposes that the Government should report each year to the elected representatives in the Riksdag, on the implementation of the policy. Each ministry will explain how its political decisions have contributed to fair and sustainable global development.
- Development assistance will be increased but must also be made more efficient.
- Instead of limiting the number of partner countries, the number will probably be increased. Sweden will work in all countries where its contribution is meaningful. But development assistance will be concentrated on fewer subject areas and sectors in each country.
- The goal of contributing 1% of Sweden's GDP in development aid remains unchanged.
- A new independent evaluation function will be introduced to monitor the fulfilment of objectives and the efficiency of development cooperation.
- Sweden will continue to address difficult and controversial issues.

There are deep differences of opinion on issues relating to democracy and human rights, in particular in the matter of women's rights. Matters relating to sexual and reproductive rights are especially controversial, including the right to abortion, contraception and sex education, as well as the rights of homosexuals, bisexuals and transsexuals. The Swedish Government says it will continue to speak out on these issues.

The most outspoken development NGOs, such as Diakonia, Forum Syd and the Swedish Society for Nature Conservation, welcomed the general goals and principles of the new policies — but raised a number of concerns:

a) *Lack of clarity in instruments*

The Bill does not adequately indicate how the new policies will be implemented. It is not clear how this Bill will differ from other government statements regarding human rights in Swedish foreign policy and the rights of people living in poverty.

b) *Rights approach on trade policy?*

The Bill's own description of the present trade rules in the WTO indicates that there is no need to change the present rules and policies. This is a major weakness, because the Bill does not recognise the actual and potential conflicts between the trade institutions, regulations and policies and the conventions on human rights. This is particularly important in view of the overriding principle of formulating a rights approach in the new coherent development policy.

c) *Some steps for a new debt policy*

A similar critique came from the Swedish Jubilee Network regarding the macro economic policies of the World Bank

and the IMF, which often contradict a poverty oriented approach. The Government Bill did not deal properly with this contradiction. The Bill did, however, show willingness to discuss how a sustainable debt can be formulated, and some willingness to discuss the relationship between poverty eradication and debt reduction and the introduction of a debt arbitration mechanism.

d) *No willingness to include arms exports*

The Bill did not propose any amendment to arms policies and regulations. Sweden is supplying arms to conflicts such as the one between India and Pakistan. It is exporting arms to countries guilty of major human rights violations, despite legislation banning exports to such countries. Sweden is exporting arms to countries with major poverty problems, without any policies and regulations demanding impact assessment.

The Riksdag decided, on 17 December 2003, to adopt the Government Bill 'Shared responsibility: Sweden's policy for global development' (2002/03:122). The Bill means that the objectives of development policy for equitable and sustainable development now apply to government policies as a whole. As Carin Jämtin, Minister for International Development Cooperation, said at the time:

'Sweden will now be the first country in the world to have a development policy in which all policy areas share the same objectives. Development assistance is only one aspect of this policy. There should also be a development perspective in such areas as international trade, security and

Sweden

environment policy'.

The Bill also means that the policy will be based on two perspectives: the rights perspective and the perspectives of those in poverty.

'Individuals have the right to control their own lives. People are participants, with the will to develop, and our policy should focus on the reality of poor people and their needs,' says Carin Jämtin.

Amendments to the Bill by the Riksdag's foreign relation committee were welcomed by development NGOs. Some of the concrete issues were:

a) *On instruments*

Parliament did not specify how government should implement the new policies but requested strong co-ordination and asked for a proactive approach. Parliament also asked for departmental programmes to explain how the new policy should be implemented.

b) *Further improvements needed on debt issues*

The Riksdag requested a regular report from Government on Swedish policies in the World Bank and the IMF. The Riksdag will be able to present motions on this report. This will, according to NGOs, improve transparency and the debate around debt and development issues.

c) *'Arms exports must be included in the new government policy'*

Parliament made clear a general will to include arms exports in the new government development policy. Parliament requested government to ensure that existing rules and policies on arms exports took into account the implications of the new policies on poverty, democratic governance and human rights.

It remains to be seen to what degree, and in what way, the Government will follow the Riksdag's amendments and comments on

the Bill.

Reflections on the new approach

In January 2001, the DAC presented its review of Swedish development policy. The Government's Development Bill answers some, but not all, of the issues raised by DAC.

In line with DAC recommendations, poverty reduction has been confirmed as the overarching goal of Swedish aid, and greater attention has been given to the achievement of the Millennium Development Goals.

The Bill clearly responds to DAC recommendations on stronger mechanisms to support coherence.

Between 1975 and 1995, Sweden lived up to the ambition of the Riksdag that at least 1% of GNI should be set aside for development cooperation. But in 1993 this policy was abruptly changed by both right-wing and social-democratic led governments. The result was that between 1994 and 1999, Swedish aid plummeted from 0.96% to 0.7% GNI. After a strong advocacy campaign by civil society groups, the Social Democratic minority government, together with its partners the Green Party and the Left Party, made a promise that the goal of 1% of GNP should be fulfilled by 2006. The commitment to go back to 1% of GNI by 2006 represents a success for NGO lobbying – but there is a rather critical proviso – that achieving 1% depends on the availability of government resources.

Sweden's aid policy is meant to complement a country's own efforts, and Sweden therefore aims to develop partnership strategies, within which PRSP processes are regarded as central. Institution-building is seen as a cornerstone of the new aid policy. Cooperation and coordination between donors, the harmonisation of procedures and routines and untying of development assistance are also highlighted.

The Riksdag, in its amendment to the

Bill, underlined the ambition that at least 25% of bilateral aid should go to the Least Developed Countries by 2010.

The DAC review in 2001 talked of Swedish aid going to more than 100 countries and the dangers of dispersion of resources and dilution of effort. The new strategy does suggest aid being focused on fewer sectors and subjects — but there is not much clarity on how this matches up to guidelines on phasing out and exit strategies that the government agency had wanted

Sweden is supplying arms to conflicts such as the one between India and Pakistan. It is exporting arms to countries guilty of major human rights violations, despite legislation banning exports to such countries. Sweden is exporting arms to countries with major poverty problems, without any policies and regulations demanding impact assessment.

Switzerland

Box 28. SWITZERLAND at a glance

How much aid does SWITZERLAND give?

In 2002, SWITZERLAND gave US\$939m or 1,462m Swiss Francs

That means that, in 2002, each person in SWITZERLAND gave US\$128 or 200 Swiss Francs

In 2002, aid from SWITZERLAND rose by US\$31m in cash terms. Because of inflation and exchange rate changes, the value of aid fell by 5.0% in real terms

How generous is SWITZERLAND?

SWITZERLAND gave 0.32% of its national wealth in 2002. This compares with the average country effort of 0.41% and SWITZERLAND's own previous highpoint of 0.45% in 1992.

SWITZERLAND was less generous than 9 other donors and less generous than in 2001 when aid was 0.34% of GNI.

How much of SWITZERLAND's aid goes to the poorest countries and people?

40.6% of total bilateral aid (US\$310.6m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

How much of SWITZERLAND's aid was spent on basic health, basic education, water supply and sanitation?

SWITZERLAND spent

1.59 % of its bilateral aid (US\$12.24m) on basic education

2.87% of its bilateral aid (US\$22.06m) on basic health

2.68% of its bilateral aid (US\$20.61m) on water and sanitation

Joining the UN – but missing the UN target

Michèle Laubscher, Arbeitsgemeinschaft Swissaid/Fastenopfer/Brot für alle/Helvetas/Caritas/Heks

In 2002, the volume of Swiss ODA shrank by CHF 70 million to CHF 1.46 billion, dragging the GNP share down from 0.34% in the previous two years to 0.32%. This decline was mainly due to Switzerland's postponement of its contribution to the International Development Agency (IDA-13) from 2002 to 2003.

Despite having become a full member of the UN in 2002, the Swiss Government is unwilling to raise its ODA to the UN level of 0.7% GNP, sticking to its own target of 0.4% by 2010. But even this target is jeopardised by the large budget cuts the Government and a majority of the Parliament are planning for the next four years.

In September 2003, Foreign Minister Micheline Calmy-Rey explained that the overall government budget deficit had forced the Government to slow down the increase to a rate far below the annual 6.7% increase needed to reach the target by 2010. The Government required an ODA blanket credit line for 2004-07 totalling CHF 4.4 billion, which the Council of States (the Swiss Senate) cut by CHF 200 million¹.

This amounts to the biggest ODA credit line accorded to the Development Agency

(SDC) of the Ministry of Foreign Affairs and is destined solely for the South. A smaller credit line for Eastern European, Caucasian and Central Asian countries will be presented to the parliament in 2004.

Whether the CHF 4.2 billion credit will also get through the National Council (House of Representatives) remains to be seen. The swing to the right in the parliamentary elections of October 2003 puts it at risk. The Swiss People's Party (SPP), which won the biggest share of the vote, wants to cut it by almost a third. Being traditionally opposed to membership in multilateral institutions, it aims to clamp down on Swiss contributions to the UN, World Bank, International Monetary Fund and regional banks. The SPP has also announced its intention to push for deep cuts in the credit for the Eastern countries mentioned above.

The Government has come under growing pressure to link ODA to the willingness of partner countries to take back 'illegal' migrants and refugees who have been refused asylum. Up to now, it has refused such conditionality but there is no telling how long it may wish to hold out. Xenophobia, which the SPP has been stirring up for years, is increasing – although

Switzerland

expenditure on refugees within Switzerland has dropped sharply since 2000.

Swiss ODA is targeted at the poorest countries. Ten of the 17 priority countries in the South are in the Least Developed Country category, four are low-income countries and only three are lower or lower-middle income countries. But as the direct impacts on poverty were perceived to be unsatisfactory, the Swiss Agency for Development and Cooperation (SDC) started readjusting its focus in the aid programmes for Southern countries in 1999, through its Policy on Social Development, while poverty alleviation has only recently been incorporated into the programmes for Eastern European, Caucasian and Central Asian countries.

One result of the readjustment was the mainstreaming of gender equality, another being a stronger emphasis on empowerment of, and ownership by, the aid recipients. As to the allocation of bilateral aid in the Southern priority countries by sector, the biggest shares went to agriculture, education and culture, as well as water, infrastructure and transport. Although Switzerland doubled its spending on basic education between 1995 and 2002 to CHF 20 million, this sector still gets a mere 2% of total bilateral aid commitments.

The DAC Peer Review 2000 praised Switzerland for targeting its aid at the poorest countries, but also deplored its dispersal of aid across many recipients. Despite efforts to concentrate over the past years, in 2002 only 45% of the allocated bilateral aid was channelled into the 17 Southern priority countries. Besides these, the SDC has six special programmes in the South and in 11 key countries in Eastern Europe and Central Asia. Moreover, the State Secretariat for Economic Affairs (seco), which administers 16% of total ODA, has its own geographical priorities that are not always congruent with those of SDC. As a result,

humanitarian aid activities, such as peace promotion in Colombia and the aid channelled through Swiss NGOs, bilateral aid is spread over at least 70 countries.

SDC and, especially, seco are increasingly considering so-called public-private partnerships (PPP) in their aid programmes. They are following the World Bank line in arguing that the Millennium Development Goals can only be reached with the support of private capital. Bearing in mind the often disastrous experiences with PPPs in water and energy supply, and considering that in most cases the 'beneficiaries' and the donor community are heavily subsidising private companies, the Swiss Coalition of Development Organisations is opposing this new strategy.

Governance and Human Rights

In recent years, human security, human rights, peace promotion, and peace-keeping have become major issues in Swiss foreign policy. To provide a legal basis for the growing expenditure, the government in 2003 tabled a draft law for promoting human rights and peace and a line of credit of CHF 240 million for the next four years. The law and line credit were approved by the National Council (House of Representatives) without problems but the Council of States (Senate) cut the credit back to CHF 200 million in September. The credit is handled by a specialised department in the Foreign Ministry.

Switzerland had long believed that its neutrality made it an indispensable mediator in armed conflicts. But its role in this area has virtually disappeared in recent years. Small States with an active foreign policy, such as Sweden and Norway, stole a march on Switzerland a long time ago. The new peace and human rights endeavours are an attempt to play a more active international role once again. Hence, under the new law,

Switzerland

Switzerland is actively involving itself in the civil wars in Colombia and the Sudan, and has recently come to the fore as facilitator of the private peace plan between Israelis and Palestinians. As part of these new activities, it is also supporting a number of peace efforts by civil society organisations. The rising expenditure in this field is not at the expense of traditional development aid.

At the same time, Switzerland is trying to systematise human rights dialogues. There are dialogues on different levels with its developing country partners but not with *all* country partners. So-called 'full HR dialogues' – regular discussions on all levels – are only held with China and Iran (although Iran is not a partner country). These now include regular discussions between civil servants and exchanges of experts (such as prison governors and criminal law experts). But, as the case of China shows, the results are meagre. After 12 years of dialogue, the human rights situation remains practically unchanged. The Foreign Ministry argues that the dialogue has influenced reforms of the penal system. But it concedes that there is a big gap between the laws and their enforcement, as well as between Swiss and Chinese interpretation of the new norms. Finally, Swiss business is so eager to expand its presence in China that human rights questions are of minor importance in Swiss-Chinese relations.

The two state agencies for development aid, SDC and seco, have given added weight to good governance issues in recent years. Governance, including human rights, is one of SDC's five central guidelines. It is promoted on two levels. On the one hand, SDC wants to strengthen the capacities of public administrations; on the other, it tries to foster civil processes and to help civil society, for instance in influencing public administrations. Hence SDC supports local

authorities, the improvement of public services, the training of police and prison officers, as well as decentralisation, local initiatives and local human rights NGOs. Special attention is given to the empowerment of marginalised groups.

According to SDC, the stronger focus on aspects of governance should not affect aid distribution, as it regards governance as a mainstreaming issue. An internal evaluation has nevertheless shown that the implementation of SDC's guidelines, and hence governance, must first be promoted among SDC staff and partner organisations in the South. Thus SDC's endeavour to move from a 'needs-based approach' to a 'rights-based approach' is only just beginning.

Despite 9/11, combating terrorism is not a major issue in Swiss foreign and aid policy. Switzerland does indeed consider the fight against terrorism an urgent task common to all nations but there is growing concern in the Foreign Ministry that fighting terrorism is becoming a licence to commit human rights violations. Not only is this tendency evident among the States belonging to the US alliance against terrorism but it is increasingly influencing the World Bank's donor coordination for PRSPs as well.

Forgiving one's allies for actions that conflict with one's own principles is nothing strange to Switzerland. To obtain a seat on the Executive Boards of the IMF and World Bank, Switzerland had to build a constituency that included, among others, almost all Central Asian countries. Although bad governance is in many respects the norm in these States, Switzerland has expanded its aid to them in recent years. Whatever Switzerland may demand in the way of human rights improvements is of little significance, for the governments involved know that Switzerland will not jeopardise

Switzerland

its seats on the Executive Boards of the Bretton Woods Institutions.

The Government has come under growing pressure to link ODA to the willingness of partner countries to take back 'illegal' migrants and refugees who have been refused asylum. Up to now, it has refused such conditionality, but there is no telling how long it may wish to hold out.

Notes

- ¹ The Swiss Parliament consists of two Chambers. The Council of States (Senate) represents the Cantons; in each of the 26 Cantons (States), two members are elected. The National Council represents the people; its 200 seats are distributed among the Cantons according to the number of their inhabitants. All parliamentary decisions have to be accepted by both Chambers.

Box 29. UNITED KINGDOM at a glance

How much aid does the UNITED KINGDOM give?

In 2002, the UNITED KINGDOM gave US\$4,924m or £3,282m

This means that, in 2002, each person in the UK gave US\$84 or £56

In 2002, aid from the UK rose by US\$345m in cash terms. Because of inflation and exchange rate changes, the value of aid increased by only 0.04% in real terms

How generous is UNITED KINGDOM?

UNITED KINGDOM gave 0.31% of its national wealth in 2002. This compares with the average country effort of 0.41% and the UK's own previous highpoint of 0.51% in 1979.

UNITED KINGDOM was less generous than 10 other donors and less generous than in 2001 when aid was 0.32 of GNI.

How much of UNITED KINGDOM's aid goes to the poorest countries and people?

48% of total bilateral aid (US\$1,684.0m) went to Least Developed and Low Income Countries where 3.5 billion people (60% of the global population) live and where average incomes are less than two dollars a day.

How much of UNITED KINGDOM's aid was spent on basic health, basic education, water supply and sanitation?

The UK spent

1.89% of its bilateral aid (US\$68.36m) on basic education

3.11% of its bilateral aid (US\$112.2m) on basic health

0.53% of its bilateral aid (US\$19.2m) on water and sanitation.

Poverty focus stronger but 'war on terror' diverts funds

Audrey Gaughran, for BOND

Summary

- UK development assistance remains focused on poverty reduction and the Millennium Development Goals (MDGs). The 2002 International Development Act makes it illegal for UK aid to be spent on anything other than poverty reduction. The UK continues to emphasise working with the poorest countries: in 2001/02 78% of UK aid went to Least Developed Countries (LDCs). By 2005/6, this is expected to rise to 90%.
- However, the 'war on terror' has affected the allocation of UK development assistance; aid has been diverted from middle-income countries to fund post-war reconstruction in Iraq. Furthermore, aid to some countries that support the 'war on terror', such as Pakistan, has increased.¹ The UK government as a whole is increasingly interested in the issue of 'failed states'.

Aid volume

- The UK aid budget has continued to increase. In the 2002 Comprehensive Spending Review (reviews are held every two years) the aid budget increased by

UK£1.5 billion; it will amount to UK£4.9 billion, or 0.4% of national wealth per year, by 2005/6. No timetable has yet been set for reaching the UN target of 0.7%. At the time of the 2002 Comprehensive Spending Review, the government, responding to NGO campaigning on 0.7%, suggested that if the rate of increase was maintained in subsequent Comprehensive Spending Reviews the UK would reach 0.7% by 2012. NGOs are campaigning for the rate of increase to be maintained but considering the 2004 Comprehensive Spending Review, which will set spending limits for the period 2005/6 to 2007/8, indications are that this may be difficult to achieve.

- While the increase in UK aid volume is welcome, a significant proportion of the increase to date has been absorbed by spending related to the 'war on terror'. In 2001/02, the aid budget was UK£3.25 billion. In this spending year, (2003/04) it is UK£3.7 billion. Much of the approximately UK£450 million increase since 2001/02 has, however, been spent in Afghanistan, Iraq and Pakistan. The UK announced its new package of aid to Pakistan on 18 October 2001.

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Table 11. Aid to Afghanistan, Pakistan and Iraq, pre- and post-11 September 2001, UK£ 000

Country	2000/01	2001/02	2003/04
Afghanistan	116	216	50,000
Pakistan	12,810	42,690	65,000
Iraq	8,929	7,554	5,900
Iraq Emergency			
Assistance	0	0	195,000
TOTALS	21,855	50,460	315,900

Source: DFID allocation by country. Source: DFID Departmental Report 2003, Table 4, pg 126 - 127

- The UK has made a total financial commitment towards Iraq's reconstruction of £544m (or about US\$900m) over the three-year period from 2003-06. All UK assistance is in the form of grants.
- In October 2003, the UK announced that in order to fulfil its commitment to reconstruction in Iraq, it would have to reduce aid allocations to middle-income countries. Aid programmes in more than 20 countries – mainly in South America and Eastern Europe – are affected. Planned bilateral spending in middle-income countries in 2004/5 and 2005/6 is being reduced by approximately £100m. Bilateral aid to some countries, including Peru, Honduras, Anguilla, Romania, Bulgaria, Croatia and Macedonia, is being withdrawn completely. Spending in countries such as South Africa, Sri Lanka, Bolivia, and Jamaica will be reduced.
- The Secretary of State for International Development argues that the diversion of

funds from middle-income countries is in line with DFID's commitment to increase the share of bilateral aid going to low-income countries to 90% by 2005/6. However, civil society groups expressed serious concern about the government's actions, emphasising that those affected would be some of the poorest populations in middle-income countries.

Proposal for an International Finance Facility

- In January 2003, the UK launched a proposal for an International Finance Facility (IFF). The aim of the Facility is to frontload aid spending in the years prior to 2015, by issuing bonds on the international markets. The UK proposes that donors should make legally binding commitments to allocate the increases in aid they pledged at the Monterrey Financing for Development Conference in 2002 (US\$15 billion a year from 2006) to

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the new IFF fund. Using these collective commitments as collateral, the IFF will raise money on the international financial markets. The IFF will use the money raised to increase aid disbursements to developing countries substantially over the period 2006 to 2015. This increased spending is intended to ensure that the MDGs are reached and global poverty is halved. Essentially, the IFF enables aid money promised for the future to be spent now.²

- In order for the IFF to become a workable reality, a significant number of donor countries (at least three) must sign up. While initial reaction to the proposal was lukewarm, the UK has strongly promoted the IFF internationally and it is now gaining in popularity, although important donors, such as the United States, remain indifferent. Moreover, donors who already meet the UN target may look somewhat sceptically at proposals to increase aid, coming from countries that have not yet fulfilled their 0.7% commitment. A decision on the IFF is expected in 2004. If the Facility goes ahead, it is likely to be less ambitious and involve fewer donor countries than originally envisaged. UK-based NGOs have given a cautious welcome to the proposal, although reservations have been expressed about repayment periods and about the type of conditionality that some donors may wish to attach to IFF funding.

Emphasis on 'failed states'

- The UK government is paying greater attention to the issue of 'failed states', particularly as breeding grounds for conflict and potential havens for international terrorists. In 2003, the Strategy Unit in the Cabinet Office began

a wide-ranging review of issues related to 'failed states'. Although DFID has always promoted continued engagement with difficult and failing states, it remains to be seen if and how this broader government attention to the issue will affect development policy and aid allocations.

- The relationship between 'failed states', poor governance and conflict, has been emphasised by DFID and the Prime Minister. The UK has continued to focus significant attention on conflict prevention, including through the activities of the Global Conflict Prevention Pool. Initiatives to tackle corruption include the Extractive Industries Transparency Initiative (EITI), launched by Prime Minister Tony Blair at the World Summit on Sustainable Development in 2002. The EITI is a voluntary initiative aimed at increasing accountability and transparency with respect to revenues obtained from oil, gas and other natural resource extraction. NGOs welcomed efforts to improve transparency under the Initiative, but questioned whether a voluntary approach would work.

DFID assistance directly linked to PRS

- In 2002/3, DFID changed the way its country plans were developed. Country Assistance Plans (CAPs) are now based on local Poverty Reduction Strategies (PRS). Each CAP starts from the basis of the recipient country's PRS. DFID country teams must report annually on progress against national poverty indicators and the related targets in DFID's Public Service Agreement.

DFID's new Public Service Agreement (2003-06) ties DFID performance to achievements in 16 countries in Sub-Saharan Africa, and four countries in Asia.

Notes

- ¹ Clare Short announces 15 million for Pakistan. DFID
Web site: www.dfid.gov.uk/News/PressReleases/files/pr18oct01.html
- ² The International Finance Facility Briefing Note prepared by Development Initiatives (Draft), September 2003.

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Box 30. UNITED STATES at a glance

How much aid does the UNITED STATES give?

In 2002, UNITED STATES gave US\$13,290m

That means that, in 2002, each person in the USA gave US\$46

In 2002, aid from the USA rose by US\$1,861m in case terms or by 15% in real terms

How generous is the UNITED STATES?

UNITED STATES gave 0.13% of its national wealth in 2002. This compares with the average country effort of 0.41% and UNITED STATES own previous highpoint of 0.58% in 1965.

The USA was the least generous of all donors – but a little more generous than in 2001, when aid was 0.11% of GNI.

How much of UNITED STATES aid goes to the poorest countries and people?

34.1% total bilateral aid (US\$3,603.3m) went to Least Developed and Low Income Countries where 3.5 million people (60% of the global population) live and where average incomes are less than two dollars a day.

How much of US aid was spent on basic health, basic education, water supply and sanitation?

UNITED STATES spent

1.8% of its bilateral aid (US\$218.2m) on basic education

5.55% of its bilateral aid (US\$672.82m) on basic health

0.69% of its bilateral aid (US\$83.42m) on water and sanitation

A year of new initiatives – at what cost?

Patricia MacWilliams, InterAction¹

The Bush Administration is at the forefront of an unexpected re-emergence of US foreign assistance in the political discourse. The introduction of the National Security Strategy in September 2002, which unites diplomacy, defence, and development, placed US foreign assistance squarely in the foreign policy arena. Indeed, as the President noted in an earlier speech, 'the advancement of development is a central commitment of American foreign policy.'² With the introduction of the most significant new foreign assistance initiative in decades – the Millennium Challenge Account, 21 new presidential initiatives on foreign assistance, and a re-recognition of HIV/AIDS as a security risk – the door has begun to open for a debate and re-consideration of the foundations of the foreign assistance approach of the US government.

However, with this opportunity come challenges. US development assistance appears to be increasingly viewed through the lens of US security interests and the war on terror. Continuing engagement in Iraq and Afghanistan threatens to drain financial and human resources away from other priority areas and programmes. A focus on short-term results is distracting stakeholders from meaningful discussions on achieving long-term goals.

President Bush introduced the Millennium Challenge Account (MCA) on the eve of the Monterrey Financing for Development Conference. The initiative heralds a potential transformation in how the US provides development assistance. The proposal pledged US\$5 billion in new foreign assistance funding annually by 2006 to reward countries promoting economic development, good governance, and social investment. The MCA has been allocated US\$1 billion in the 2004 budget, its first year of operation. The authorising document calls for an independent entity governed by a board, chaired by the Secretary of State and including the Secretary of Treasury, the Administrator of the US Agency for International Development (USAID), the CEO of the Millennium Challenge Corporation, the US Trade Representative and four delegates of US civil society, to be appointed by the President from a list provided by Congress and confirmed by the Senate. The head of the Millennium Challenge Corporation, which will manage the MCA, will be appointed by the President and confirmed by the Senate, and will report to the Board. While the programme is expected to support a select group of 'top' countries committed to limiting corruption, investing in people, and enabling economic freedom, the final

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implementing regulations have yet to be issued.

Civil society groups and Members of Congress have expressed concern about creating a new foreign assistance entity to function alongside USAID, the US government's primary development agency. They have questioned the Bush Administration's failure to promote a more coherent development policy, by repeatedly relying on ad hoc initiatives without visible coordination. While US civil society organisations support the US government's decision to increase foreign assistance and recognise the potential for innovation, they caution that the MCA poses a risk of reducing funding for core development assistance programmes. The effect may be to limit US government attention to a select group of countries with the greatest chance of 'success.'

During the 2003 State of the Union Address, the Administration announced an additional major presidential initiative, to provide US\$15 billion over five years for HIV/AIDS. However, this proposal removes a major component of HIV/AIDS operations from its traditional home within USAID, creating a new office within the State Department and further fragmenting assistance mechanisms. Congress has provided US\$2.4 billion in funding for HIV/AIDS in 2004, of which US\$491 million will be managed by the new Global Aids Coordinator Office within the State Department as proposed by the Administration, US\$561 million to the Child Survival and Health budget for USAID, an additional US\$500 million for the Global Fund, and US\$654 million for programmes managed by the Department of Health and Human Services.

In total, Congress approved US\$17.2 billion in regular appropriations for Foreign Operations for the fiscal year 2004, more than US\$1.5 billion short of the President's

request of US\$18.9 billion. Although there was increased funding for the HIV/AIDS initiative from the level requested by the Administration, funding for the MCA was scaled down and funding for other core humanitarian and development programmes remained unchanged. However, when one looks below the surface, country allocations show an increasing shift of resources away from traditional recipients in Africa and Latin America, towards countries that are seen to be key allies and on the front lines of the war on terrorism. This, combined with the increased resources in extra budgetary appropriations or supplementary appropriations for contingencies emanating from Iraq and Afghanistan, has prompted many to charge that traditional humanitarian and development priorities are being threatened by the emphasis on new initiatives and security priorities.

Development through a national security lens

In short, the national security lens has increasingly caused the US government to view foreign assistance as a tool for short-term goals and quick fixes. The current Administration has proposed presidential initiatives falling outside the traditional foreign assistance entities. US development assistance delivery mechanisms have become fragmented, with multiple agencies within the US government responsible for foreign assistance delivery and an increasing reliance on budget allocations for discrete special projects. A proliferation of implementing entities, many with little experience in providing foreign assistance, complicates decision making, resulting in a loss of coherence and coordination in the delivery of aid. This escalating incoherence in foreign policy implementation is exacerbated by the US government's continued focus on a largely unilateral approach, characterised by

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decreasing consultation with development partners, other donors, and recipient countries.

In this increasingly splintered foreign assistance arena, particularly in light of the establishment of the Millennium Challenge Corporation, USAID continues to search for its identity. One of its assigned new roles is to address 'fragile, failing, and failed' states. These states, including Nigeria, Zimbabwe, and Somalia, are often far from the front lines of the war on terror, but nonetheless are seen as posing a danger to security and stability. The necessary strategy for supporting these states is not straightforward, nor can it be based on a simple formula. Expectations of USAID are high, as it must work closely with governments and their citizens to craft appropriate and original approaches to further development at the national level.

USAID is currently drafting a new strategy, which is expected to detail how the agency will meet the challenges of providing development assistance in this new environment. Expected themes include preparing countries for MCA eligibility, strengthening fragile, failing, and failed states in order to construct a platform for transformation, continuing the provision of humanitarian aid, and supporting 'strategic states', as identified by the State Department and National Security Council. Without a larger review of, and comprehensive policy for, foreign assistance priorities and mechanisms, this and any other USAID strategy risks failure.

US policy and practice on governance and human rights

The US government has laid out its strategy towards governance and human rights in the first joint US State Department-USAID Strategic Plan, based on the earlier National Security Strategy. The US government defines governance as 'the development of

democratic institutions and processes to guarantee the rule of law; freedoms of speech, association, and worship; respect for women; and respect for private property'.³ The promotion of democratic governance is seen as the best way to promote human rights, where these rights are prioritised for their ability to 'secure the peace, deter aggression, promote the rule of law, combat crime and corruption, strengthen democracies, and prevent humanitarian crises.'⁴

An example of this approach is the new presidential Middle East Program Initiative (MEPI), which was introduced by the Administration in May 2003. In his introductory speech, President Bush reiterated US commitment to advancing 'freedom and peace' in the Middle East as the best means of ensuring US security.⁵ MEPI has been described as a 're-aligning of existing bilateral economic programs to champion democratic principles'. The programme prioritises economic and political development to ensure the strengthening of financial systems, electoral institutions and processes, legislative reforms, and trade education. Additional funding is provided for curriculum development, teacher training, and leadership training for women business and political leaders.

The promotion of democracy and the protection of national interests appear to have become synonymous in US government rhetoric. The US government frames the struggle for its national security in terms of the promotion of freedoms. But its own approach has not led to a transformation in foreign assistance that ensures the promotion, protection, and fulfilment of all the freedoms embodied in international human rights instruments. Neither has it resulted in greater transparency and accountability in governance by developing country recipients.

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Just as US organisations are raising concerns over the limited number of countries expected to be reached by the MCA, some groups have expressed reservations about the US government's narrow definition of governance, with its apparent emphasis on central government structures and the economic environment. By contrast, some US groups have introduced grassroots civil society development into their governance programming, in order to strengthen local capacity to fully participate in decision making. A few groups have begun to employ a human rights analysis when developing and implementing programming, enabling them to give more attention to political development and the roles and responsibilities of those having rights and obligations in society.

One of the legacies of the Bush presidency will be the heightened attention paid to foreign assistance. Indeed, the increasing consideration by the Administration and Congress of the priorities and intentions of foreign assistance has created an unprecedented opportunity to

remake foreign assistance into an effective tool to eradicate poverty and bring about a safer and more equitable world. Realising this vision will require the creation and implementation of a comprehensive US foreign assistance strategy to ensure the fulfilment of these long-term development aims as well as these foundational national security interests.

Notes

- ¹ Parts of this analysis are drawn from an InterAction Policy Paper 'Emerging Trends', published in November 2003.
- ² President Bush remarks on Global Development at the Inter-American Development Bank, Washington, DC, March 14, 2002.
- ³ 'Strategic Plan, 2004-2009' US Department of State and US Agency for International Development, August 2003, p. 19.
- ⁴ Ibid. US Department of State, Bureau of Democracy, Human Rights, and Labor. www.state.gov/g/drl/hr/
- ⁵ President Bush, 'Remarks in Commencement Address at the University of South Carolina', May 9, 2003. www.mepi.state.gov