Chapter 5
World Aid Trends
and OECD Reports

World Aid Trends: Donors Distorting the Reality of Aid in 2008

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TRENDS IN AID VOLUME

Overall aid spending from DAC donors has stagnated since 2005. DAC aid performance, as a percentage of Gross National Income (GNI), has declined to 0.28%, failing to make any sustained progress towards the UN target for aid spending of 0.7% of donors' GNI …

The OECD Development Assistance Committee (DAC) reported that Official Development Assistance (ODA) dropped from a high of US$107.1 billion in 2005 to US$103.7 billion in 2007 (see Figure 5). As a result, the DAC measurement of overall performance (the ODA/Gross National Income ratio) fell from 0.33% in 2005 to 0.28% in 2007.

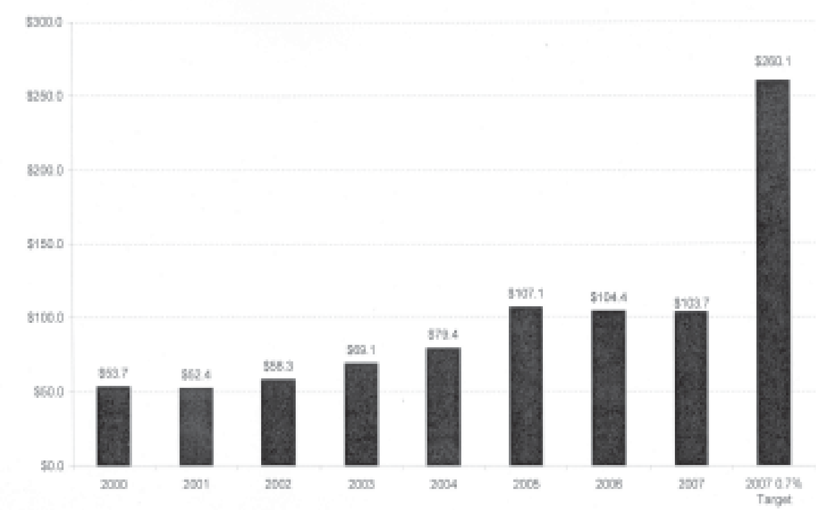
> **After discounting debt relief grants and support for students and refugees in donor countries, DAC donors increased aid very slightly in 2007, but fails to rise above 0.22% of GNI, the level achieved in 2005…**

This stagnation in spending and performance is made all the more stark when, as NGOs have consistently argued, debt relief grants and support for students and refugees in donor countries is removed from aid calculations. The inclusion of debt relief and support for students and refugees highly distorts the reality of aid.

Excluding debt relief grants and support for students and refugees from the calculation of ODA reduces aid for 2007 from US$103.7 billion to an estimated US$81 billion (see Figure 6)[1]. The US$81 represents a modest 4.2% increase from a comparable 2005 figure of US$77.7 billion. But despite the increase, ODA performance, excluding debt relief and support for students and refugees, was unchanged at 0.22% of GNI in 2005, 2006 and 2007 (see figure 7). Donors have failed to keep promises made at the 2005 Gleneagles G7 Summit, and they have clearly not met their commitment to "concentrated efforts towards the target of 0.7%" made at 2002 Monterrey Consensus on Financing for Development.

Richard Manning, the retiring DAC Chairperson, in his final "Overview" in the 2007 *Development Cooperation Report*, points to "impressive" increases in aid since 2002 (and indeed in the six years since 2000).[2] These figures, however, are much less impressive when inflation and exchange rate changes are removed. Excluding debt and student and refugee figures, in constant 2006 dollars, ODA increased by only 14%, from US$63.1 billion in 2000 to an estimated US$72.9 billion in 2007. But the latest DAC figures also reveal that such aid (in constant dollars) was no greater in 2007 (US$72.9 billion) than it was in 2004 (US$71.9 billion). In constant dollars (i.e. the value of aid), donors have consistently failed to increase spending for the world's poor.

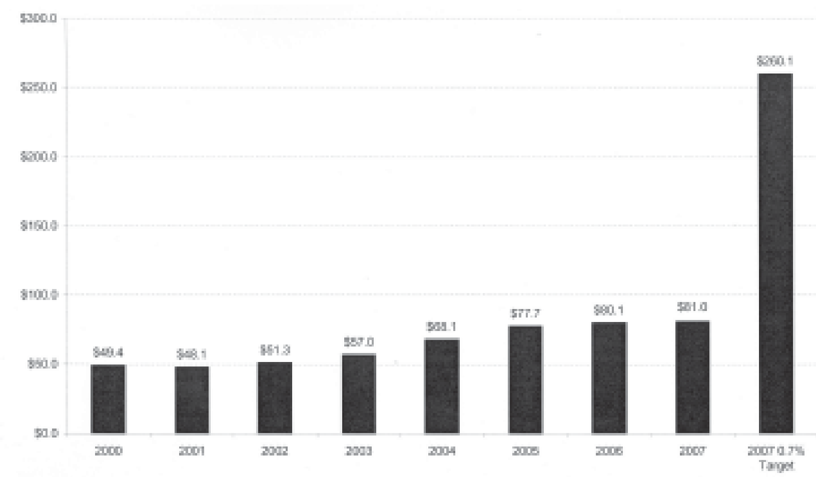
Figure 5. Total ODA at Current Prices, 2000 to 2007



OECD Stat Extract DAC 1

Figure 6. Total ODA, 2000-2007
Billions of USD, Current Prices

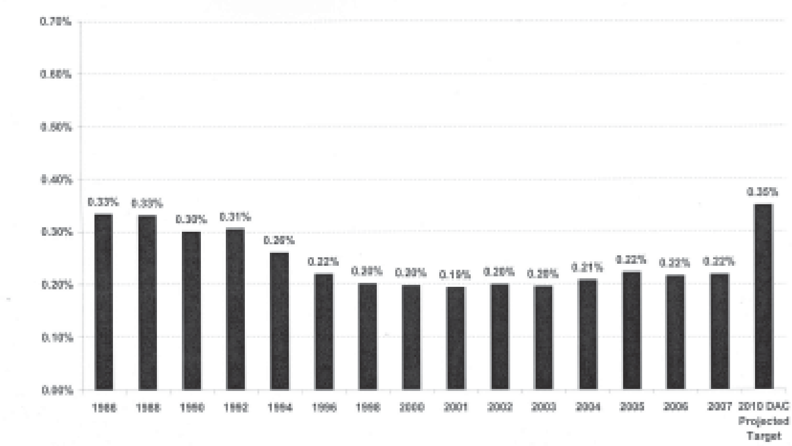
No Debt Relief Grants and Support for Students
and Refugees in Donor Countries



OECD Stat Extract DAC 1

Figure 7. DAC Donor ODA Performance
Percentage of GNI, Long Term Trend

Net of Debt Relief Grants, Support for Students and Refugees in Donor Countries



OECD Stat Extract DAC 1

Looking at longer term trends for aid (not including debt relief and support for students and refugees in donor countries) (see Figure 7), it is clear that donors collectively have failed to make any sustained progress in overall ODA performance. Sadly, donors are a long way off from the peak of their generosity at 0.31% of GNI in 1992 – not even half way to the United Nations target of 0.7%.

Debt cancellation has no place in accounting for donor aid commitments…

CSOs, including various *Reality of Aid* reports, have long called for comprehensive, unconditional debt cancellation for more than 50 of the world's poorest countries. Creditor countries committed, in the 2002 Monterrey Consensus for Financing for Development, that the Enhanced Highly Indebted Poor Country Initiative (HIPC) should be "fully financed through additional resources" (paragraph 49). Donor countries were encouraged "to take steps to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries" (paragraph 51).

Almost all donors count as ODA the full value of any debt cancelled in the year that it is cancelled.[3] The real value of debt cancellation to developing countries, however, is much smaller. When debt is cancelled, the developing country foregoes only the payment of principle and interest that would have been made to the creditor that year, while the creditor (donor country) gets to count as aid the full amount of the loan cancelled. This, again, distorts the reality of aid monies available. Donor countries appear to be spending more on aid, when the opposite is true.

Debt relief grants in ODA amounted to US$25 billion in 2005, US$18.6 billion in 2006 and US$18.9 billion in 2007. Debt cancellation highly distorts the real value of donor ODA and should not be counted as ODA.

The need for debt cancellation remains urgent. According to the World Bank's *Global Financial Report 2007* for the period of 2000 to 2006, the total cost to developing countries for servicing their debt (principal and interest) was US$2,875 billion. Total transfers to developing countries (debt disbursements, ODA grants and technical assistance) from donors wasUS$2,781.9 billion. This means that there was a net transfer *from the South to the North* of US$93.1 billion.

In Sub-Saharan Africa, where debt relief was to be a priority, some progress on past debt cancellation has been made. Unfortunately future debt remains an issue as Sub-Saharan African countries received US$36.8 billion in ODA grants and technical assistance in 2006, according to the World Bank, and these countries still made a total of US$23.5 billion in service payments on their debt, showing a net benefit for ODA of only US$13.3 billion.

ODA loans made up about 16% of bilateral aid in 2006. Significant amounts of new concessional loans continue to be extended to the poorest countries by the World Bank's International Development Association (IDA) window.

Most DAC donors provide bilateral ODA in the form of grants. Loans, as a percentage of non-debt gross bilateral ODA,[4] declined from 33% in 1990 to 22% in 2000, and 16.5% in 2006. In 2006, Japan, France and Germany however continue to extend significant bilateral ODA in the form of loans, with Japan making up most of these loans (US$6 billion or 54% of Japan's aid). According to the World Bank's *2006 Annual Report*, the World Bank's highly concessional International Development Association (IDA) window for the poorest countries disbursed US$8.9 billion in gross loans in that year to the poorest countries.

Donors unlikely to meet their commitments in absence of strong political will to do so…

Following the 2002 UN Summit on Financing for Development and the 2005 Gleneagles G7 meeting, most donors committed to substantially increase their ODA. Many European donors committed to exceed 0.5% of GNI by 2010, with some donors committing to reach the United Nations target for aid spending of 0.7% of GNI before 2015. The DAC, in its *2007 Development Cooperation Report*, updated its projections for each donor country to met their commitment for 2010. The news is not good.

A few donors seem to be on track to achieve the 0.7% target before 2015. Five donors have already met the target. Unfortunately, collectively donors are off-track to meet aid increase commitments for 2010. Significant increases to aid budgets, by several key G7 countries, are needed.

At the Gleneagles 2005 G7 Summit, G7 governments committed that "aid for all developing countries will increase … by around US$50bn per year by 2010, of which at least US$25bn is for Africa" (Chair's Summary, July 8, 2005). In the OECD DAC's updated simulation of these 2010 aid commitments (see Table 6), the DAC estimates that, if all commitments are honoured, ODA in 2010 will be US$132 billion or 0.35% of GNI (down slightly from the expected 0.36% in the DAC's 2006 Report). Donor aid increases in this DAC scenario would add US$53 billion over and above the actual amount of US$79 billion in aid in 2004, exceeding the US$50 billion target. The average country effort (the average of ODA/GNI ratios for the 22 donors) would move from 0.44% in 2007 to 0.56% in 2010.

What are the prospects for achieving this goal? The Reality of Aid is pessimistic that donors will succeed. Several donors –

Table 6: DAC Simulation of 2010 ODA Based on Donor Commitments to Reach 0.7%

Donors	2006 ODA/GNI Ratio, Actual	2006 ODA/GNI Ratio, No Debt Grants (1)	Commitments	2006 Net ODA (no debt)	Estimated 2010 net ODA (2006 millions USD) (1)	Average Annual Percentage Increase 2007 – 2010 (1)	Estimated 2010 ODA/GNI Ratio
Achieved 0.7%							
Denmark	0.80%	0.76%	Minimum of 0.8%	2,123	2,423	3.4%	0.80%
Luxembourg	0.89%	0.89%	1% in 2009	291	376	6.6%	1.00%
Netherlands	0.81%	0.76%	Minimum of 0.8%	5,140	5,962	3.6%	0.80%
Norway	0.89%	0.88%	1% over 2006-09	2,932	3,661	5.7%	1.00%
Sweden	1.02%	0.95%	1%	3,663	4,331	4.3%	1.00%
Set 0.7% Target							
Belgium	0.50%	0.40%	0.7% in 2010	1,581	3,025	17.7%	0.70%
France	0.47%	0.32%	0.7% in 2015	3,433	12,519	39.2%	0.51%
Ireland	0.54%	0.54%	0.6% in 2010 & 0.7% in 2012	1,022	1,294	6.1%	0.60%
Spain	0.32%	0.27%	0.5% in 2008 & 0.7% in 2015	3,310	7,920	24.6%	0.59%
United Kingdom	0.51%	0.37%	0.56% in 2010 & 0.7% in 2013	8,956	14,856	13.5%	0.56%
Set 0.51% Target							
Austria	0.47%	0.23%	0.51% in 2010	742	1,796	24.9%	0.51%
Finland	0.40%	0.40%	0.51% in 2010	834	1,183	9.1%	0.51%
Germany	0.36%	0.28%	0.51% in 2010	7,712	16,355	20.8%	0.51%
Greece	0.17%	0.17%	0.51% in 2010	424	1,402	35.5%	0.51%
Italy	0.20%	0.11%	0.51% in 2010	2,045	10,163	51.8%	0.51%
Portugal	0.21%	0.21%	0.51% in 2010	396	1,031	27.5%	0.51%
Other Targets							
Australia	0.30%	0.28%	0.36% in 2010 & 0.5% in 2015	1,846	2,913	12.1%	0.36%
New Zealand	0.27%	0.27%	0.33% in 2010	259	344	7.4%	0.33%
No Specific Target							
Canada	0.29%	0.27%	Aid at US$4.2 billion in 2010	3,424	4,162	5.0%	0.30%
Japan	0.25%	0.18%	Aid at US$10.1 billion in 2010	8,185	10,092	5.4%	0.21%
Switzerland	0.39%	0.37%	0.4% in 2010	1,548	1,828	4.2%	0.40%
United States	0.18%	0.17%	Aid at US$24.7 billion in 2010	21,947	24,705	3.0%	0.17%
Total DAC Donors	**0.31%**	**0.25%**		**85,547**	**132,341**	**11.1%**	**0.35%**
Average Country Effort	**0.46%**	**0.41%**					**0.56%**

DAC Secretariat Calculations, Development Cooperation 2007 Report, page. 17.

(1) Note: Aid without Debt and Average Percentage Increases are Reality of Aid calculations. To calculate the percentage increase Reality of Aid took the difference between 2006 ODA (no debt) and divided it by the four year (2007 to 2010). A percentage increase was calculated for each year and then averaged over the four years. Percentage increases are larger in early years than 2010. The resulting percentage should therefore be treated as an indicator rather than an annual target.

the United Kingdom, Ireland, and Spain – are well positioned to achieve 0.7% before 2015, if they sustain existing aid budget increases (see Table 6). Others, the United States, Canada and Japan, will achieve their own targets but only because they initially set very low targets for themselves in 2005. Their lack of ambition means that they might meet their goals. Achieving the overall G7 goal will depend on political will to provide for very large annual aid increases on the part of several key G7 donors – France, Germany and Italy – who are currently very far from their 2010 targets, when debt relief grants are removed from 2005 and 2006 figures. As the DAC points out, the high levels of debt relief grants in 2005 and 2006 will not be available to be included in ODA by 2010. There is little evidence that these three countries, which represent close to 30% of the DAC target for aid in 2010, will make the required double digit annual percentage increases to their aid budgets between 2007 and 2010 (averaging 39% for France, 21% for Germany and 52% increase for Italy).

Given political will, aid increases are affordable…

> **Aid increases are affordable for rich countries. But they have failed to increase aid as their overall wealth increases.**

As a proxy for the ability to pay, Reality of Aid examines the trend in both aid and GNI growth for the rich countries. There has been an expanding gap between per capita aid and per capita wealth in donor

Figure 8. The Growing Gap Between Aid and Wealth in Donor Countries (1961-2006)

Aid per person in the donor countries has grown by only $29 over 45 years;
Gross National Income per person has grown by %25,400.
(Aid excludes debt cancellation; 2005 constant $)

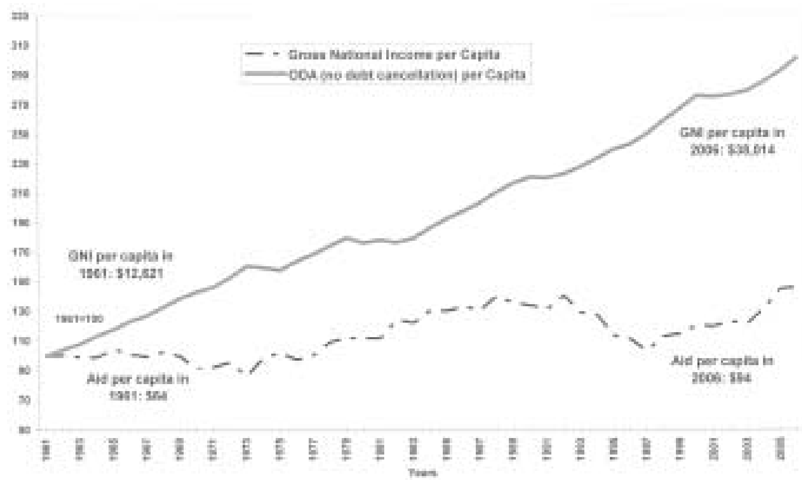
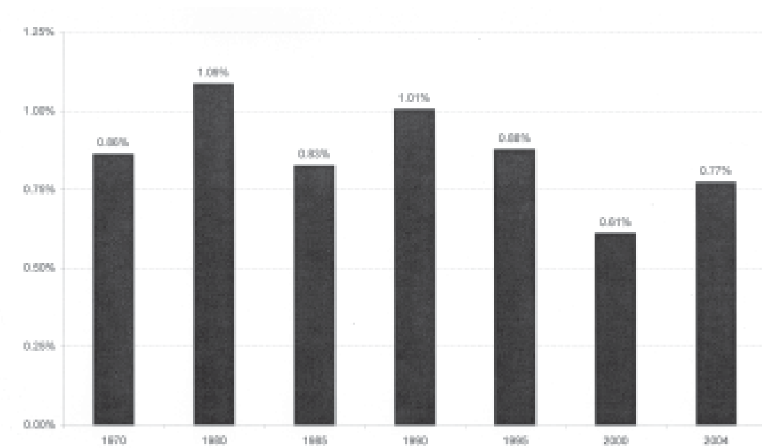


Figure 9. Aid as A Percentage of DAC Government Tax Revenue

Aid is Net of Debt Relief Grants and Support for Refugees in Donor Countries



OECD Stat Extract DAC 1 and OECD Factbook, Economic, Environmental and Social Statistics, 2007 countries since the early 1960s (see Figure 8). Aid per capita was 0.5% of GNI per capita in 1961, but by 2006, aid per capita represented less than 0.25% of GNI. Since 1995 the gap between aid and wealth has almost doubled.

Since aid is allocated from donor government revenue, the level of aid spending as a percentage of tax revenue is also a measure of political will to help end global poverty. Total DAC aid at 0.77% of total government tax revenue in 2004[5] is an increase from a low of 0.61% in 2000, but still well below the peak of more than 1% reached in 1990 and in the1980s (see Figure 9).

Aid increases since 2000 have not been available for new investments in human development goals…

Have any increases in aid spending provided *new* resources for long-term development priorities?

> **Less than 30% of all new aid money, disbursed since 2000, was actually available to poverty reduction priorities. Almost two thirds of disbursed new aid resources since 2000 have gone to donor foreign policy interests in Iraq, Afghanistan and Pakistan, and to increases for non-aid purposes in debt relief and support for students and refugees in donor countries.**

In 2000, the international community vowed, in the historic Millennium Declaration, "to spare no effort" to realize human rights and reduce poverty and inequality. Aid was identified as a critical catalyst to meet this commitment and donors pledged to increase aid accordingly. But only a minimal part of new aid resources, over and above what was already available prior to 2000, have been available for poverty reduction and the achievement of Millennium Development Goals (MDGs). Any increased donor allocations to the MDGs, since 2000 (see below), have been largely the result of re-profiling existing pre-2000 aid dollars.

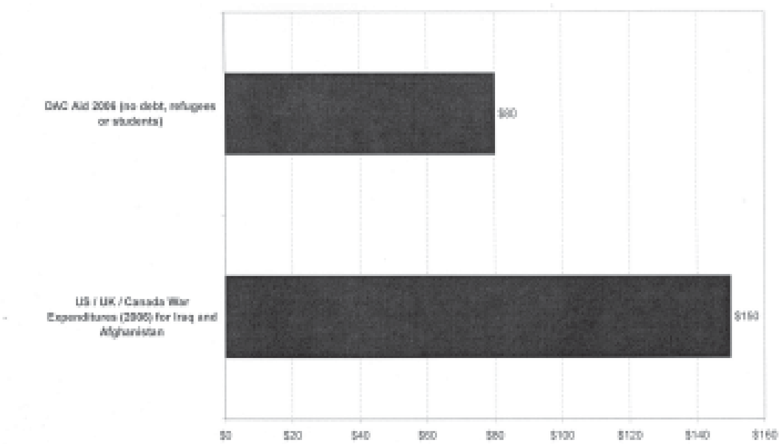
Between 2000 and 2006, donors added a total of US$148.2 billion new dollars for ODA, over and above what existed at the time of the Millennium Declaration (see Table 7). But more than 40% of these new aid dollars were never budgeted as aid. Donors were able to count as new aid, amounts resulting from increases for debt relief, increases for imputed costs for students from developing countries studying in donor countries and for support for refugees for their first year

Table 7. **Allocation of new donor aid resources, 2000 – 2006**

Indicator	Billion USD	
Net New Aid Resources		$148.2
Minus		
Additional Debt Cancellation	$53.8	
Additional Support for Refugees	$ 2.2	
Additional Imputed Student Costs	$ 4.5	
Sub-Total Non-Aid Items		$60.5 (40.8%)
Additional aid to Iraq, Afghanistan & Pakistan		$46.0 (31.0%)
New aid resources for potential use in poverty reduction / MDGs and other development programs over 6 years		$41.7 (28.1%)

Source: Reality of Aid calculations based on OECD Stat Online DAC data, 2000 to 2006, current US dollars. New aid resources in each of these years is compared to aid levels in 2000. Similarly, the deductions made from total new aid resources are compared to levels in 2000.

Figure 10. Total DAC ODA (2006) Compared to US, UK, and Canada War Expenditures for Iraq and Afghanistan (2006) (Billions of US dollars)



Reality of Aid calculations

in donor countries. All of these "ODA dollars" do not appear in any aid budget, but are permitted, by DAC rules, for calculating ODA. Massive increases in aid for Iraq and Afghanistan, following the events of 9/11 and largely in response to foreign policy interests in donor countries, further distorts the aid picture. Aid driven by "war-on-terror" foreign policy interests accounted for 31% of the disbursements of new aid dollars during this period. Only 28% of new aid money was left to honour donor pledges to increase aid spending for poverty reduction and the MDGs.[6]

The close to US$50 billion in new aid resources for Iraq, Afghanistan and Pakistan since 2000, not including US$18.4 billion in debt relief grants for these two countries, represent the largest ever donor country commitments for aid. But this aid spending seems miniscule compared to the massive cost of conducting the wars in these two countries. Joseph Stiglitz, former Chief Economist at the World Bank, estimates the current and future costs of the war in Iraq for the US at between US$1.7 and US$2 trillion up to 2017, when benefits to veterans and other future costs are considered. He further calculates that the cost of these wars in 2008 to be $12 billion *each month*. Recent UK estimates add US$500 million to this monthly bill and Canada has reported spending more than US$1 billion a year on its military efforts in Afghanistan. To put these numbers in perspective, the UK, the US and Canada will be spending US$150 billion in 2008 on wars in Afghanistan and Iraq, almost double all budgeted aid from all donors for 2006. And these figures do not factor in the costs of damage to Iraqi and Afghan infrastructure and economy as a result of the wars[7] (see Figure 10).

In promoting the importance of the 2005 Paris Declaration on Aid Effectiveness, donors have often referred to their commitment to spend effectively the new aid resources made available in the wake of the 2002 UN Financing for Development Summit. Sadly, the reality is that very few new aid dollars, from the accumulated increases since 2000, are available to demonstrate the potential impact of increased aid spending on poverty reduction for millions of people who continue to live in poverty (see Table 7).

But perhaps the quality of aid dollars has been improving overall, with the implementation of the Paris Declaration and the commitment to the Millennium Development goals? While clearly insufficient in quantity, an improved targeting of existing aid dollars and actual reform of anarchic, unpredictable, non-transparent and volatile aid practices would demonstrate that the international community has listened to the call of citizens, North and South, for governments to meet their international human rights obligations to end global poverty and inequality. Unfortunately the evidence suggests that donors have made little progress in the quality of their aid, despite repeated commitments since the early years of this decade.

TRENDS IN THE QUALITY OF AID FOR POVERTY REDUCTION

Focusing on poverty reduction and the rights of the poor: Paris Declaration indicators fail to measure impact…

In follow-up to the Paris Declaration, the DAC and the World Bank identified 14 indicators and targets for measuring progress in achieving the Paris Declaration commitment. A baseline report was produced in 2006 and progress on these indicators and targets is currently being measured in an exercise coordinated by the DAC Secretariat and involving developing country governments, donors and the World Bank for the September 2008 High Level Forum. [8]

In measuring progress from the baseline study on the Paris Declaration commitments, CSOs are calling for greater aid transparency at the country level (including gender disaggregated data), engagement with CSOs in assessing aid performance, and explicit documentation of the progress made by individual donors.

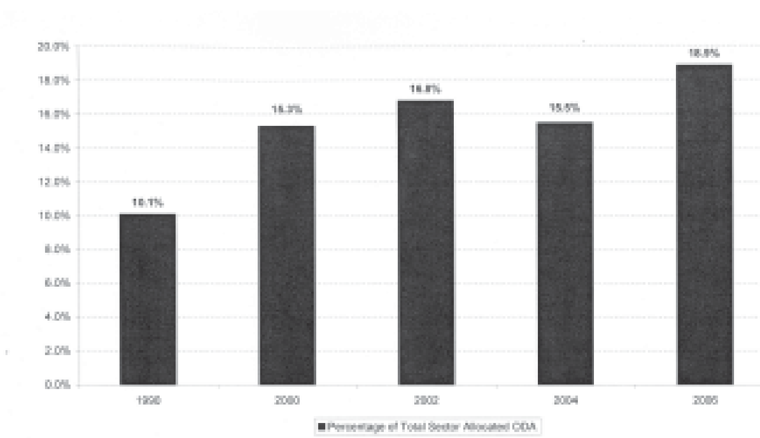
The International Civil Society Steering Group for the Accra High Level Forum has stressed the centrality of human rights, gender equality, poverty reduction and social justice as the true measure of the aid effectiveness agenda. Unfortunately, none of the current Paris Declaration indicators or targets measures the methods used for these disbursements and the actual impact of aid disbursements on the rights of poor, on women's rights or marginalized populations.

The World Bank and the International Monetary Fund in the 2008 *Global Monitoring Report: MDGs and the Environment* admits for the first time that "on current trends, most countries are off track to meet most of the MDGs, with those in fragile situations falling behind most seriously". The report notes that "shortfalls in the human development areas are especially serious in South Asia and Sub-Saharan Africa".[9] Recent World Bank technical data point to serious over-estimations of the degree to which the number of people living on less than a dollar a day, in at least 33 countries, including China and India, has been reduced.[10] These last two countries have contributed the most reductions to meet the first MDG to halve the proportion of people living on less than a dollar a day between 1990 and 2015. With this over-estimation, realizing the MDGs is even more illusory.

Donors have significantly improved their focus, since 1990, on key sectors relevant to achieving the Millennium Development Goals, such as basic education and primary health. But donors have not significantly increased funding to these key sectors since 2000.

Neither the DAC nor the United Nations system measures aid contributions in achieving the Millennium Development Goals. Aid statistics can only give an

Figure 11. MDG Sector Indicators as Percentage of Total Sector Allocated ODA, 1990 to 2006



OECD DAC Stats Extract, CRS

MDG Indicator Sectors are basic education, basic health, population programming and reproductive health, general environmental protection, development food aid and food security assistance.

Total ODA (multilateral and bilateral) includes Social Infrastructure and Services, Economic Infrastructure and Services, Production Sectors, Multi-Sector/Cross Cutting, Commodity Aid and General Program Assistance, Humanitarian Aid, Administrative Costs of Donors. Not included are Action relating to Debt, Support to NGOs, Refugees in Donor Countries and Unallocated.

approximate measure of change over time for some sector allocations that seem highly relevant to the MDGs.[11] Reality of Aid's proxy indicator for aid to MDG priorities, using a number of key sectors (see Figure 11), suggests that by 2006, the proportion of aid committed to these sectors doubled from 1990 and the dollar value of US$18 billion in 2006 was more than three times its value in 1990.

Interestingly, the proxy indicator also suggests that increased allocations, as a proportion of aid, since 2000 have been marginal. (Measuring progress from 2000 is relevant because although 1990 is the baseline for measuring progress in achieving the MDGs, world governments only committed to the MDGs in 2000.) This marginal increase is not surprising given that most new aid money since 2000 was not available for these purposes (except insofar as aid allocated to Afghanistan and Iraq were directed to MDG goals). It is also not possible to know whether improved targeting of these sectors since the early 1990s was the result of better targeting of existing aid and/or the consequence of better reporting by donors to the DAC's Donor Creditor Reporting System.

Sufficient aid to meet poverty reduction goals inherent in the MDGs requires major scaling up of total aid resources for these purposes. Aid disbursed for basic education, for example, did increase significantly from US$747 million in 2000 to US$2.8 billion by 2006, in no small measure due to strong pressure from civil society in support of the global Education for All (EFA) initiative. EFA points out that despite these investments

> "77 million children [are]not enrolled in school and an estimated 781 million adults have not yet had the opportunity to learn to read and write – two-thirds of them women. By the latest estimation, 23 countries are at risk of not achieving universal primary education by 2015 and 86 countries are at risk of not achieving gender parity even by 2015. Primary-school fees, which are a major obstacle for universal access, are still collected in 89 countries out of 103 surveyed."[12]

The 2008 *Global Monitoring Report* for the EFA initiative proposes that bilateral donors allocate 10% of their sectoral aid to basic education. Aid for basic education was only approximately 4% of total sector aid allocated aid in 2006. Civil society organizations involved in the Global Campaign for Education argue that it is only through reaching the 0.7% target for aid spending that there will be the resources needed to fulfill donor commitments to education.[13]

Gender equality is invisible in donor accountability…

It is widely agreed that poverty is a feminized phenomenon, with women making up to 70% of people living in poverty. Many donor agencies have impressive policies that put gender equality and the empowerment of women as central priorities in efforts for development. CSOs have argued, in relation to the implementation of the Paris Declaration, that "without that commitment [to gender equality and women's rights], no aid mechanism can be effective in delivering sustained poverty reduction". Assessing the gender implications of implementation of the Paris Declaration, CSOs have also drawn attention to the fact that "women's voices and perspectives have been largely excluded at both the national and international levels in development policies and processes funded by aid".[14] Given the stated centrality of gender equality in donors' development policies, it is remarkable that donors have only recently begun to provide the DAC documentation to track trends in "gender-equality focused aid".[15] There are, however, currently no statistical tables related to gender-equality focused aid included in the annual DAC *International Cooperation Report*.

Women's rights organizations are seeking a target of 10% of ODA for gender equality and women's empowerment by 2010 and 20% by 2015.[16] Donors have a long way to go to reach this target. Unfortunately, since 2003, only an estimated meager 3.8% of ODA has been allocated to gender equality. Monitoring of the Paris Declaration implementation should be adjusted to integrate gender equality targets, with substantive work up to 2010 to develop strategic plans on gender equality in subsequent aid reform initiatives. Women's organizations play a crucial role in holding government accountable for financing gender equality and women's empowerment. If donors are to achieve gender-related targets, donors must also improve and ensure direct funding for women's rights organizations as part of civil society, and particularly those CSOs representing women from socially excluded groups.

> **Gender equality-focused ODA is still not reported systematically by donors. A two-year average for 2005 and 2006 of a DAC gender marker as a proportion of sector-allocated aid put gender equality-focused aid for 16 donors reporting on this marker at only 5.1% of their sector-allocated aid.**

The DAC gender marker, while an important step forward, includes both aid that has gender equality as a "principal objective" and as a "significant objective". The latter leaves a wide margin for differing approaches to assessing aid disbursements in terms of gender equality. In a study, by the DAC Secretariat and Gendernet, of 16 countries reporting on the gender marker, more than 87% of the reported activities in 2005 reported gender equality as a "significant objective". Only US$1.2 billion were reported as disbursed to gender equality as a "principal objective", amounting to 13% of all gender marker activities, and a mere 3.3% of all sector-allocated aid in that year.[17]

"Aid-for-trade" departs from the primary focus of aid on poverty reduction and the rights of poor and excluded populations. The DAC notes strong growth in "Aid-for-Trade"…

The DAC notes in its 2007 *International Cooperation Report*, a growing commitment to "aid-for-trade" to assist developing countries to benefit from WTO agreements and more broadly to expand their trade. Between 2002 and 2005, according to the report, an average of US$21 billion per year on categories associated with "Aid for Trade" (including US$2.6 billion for trade development and increasing understanding of trade policy and regulations).[18] These aid commitments averaged 34% of total sector-allocated aid and grew by 22%. This contrasts with an average of less than half (15% of total sector-allocated aid) for basic education, primary health and population programs combined. The DAC expects that an additional US$8 billion will be delivered by donors for aid for trade by 2010, reaching a total commitment of US$30 billion in that year.

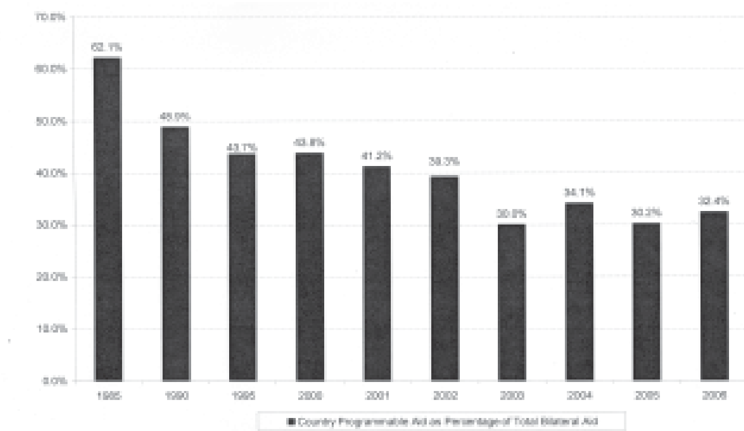
> **Can "aid-for-trade" initiatives demonstrate coherence with aid effectiveness principles? Is this aid truly country-driven and untied, or is it driven by donor policies and strategies to extend their interests in trade and investment liberalization? What is the demonstrated impact on poverty reduction, employment generation and gender equality?**

CSOs point out that a focus only on export industries and international markets will likely disadvantage poor producers, traders and entrepreneurs for whom domestic and regional markets might be more important. The latter are the backbone of economic development for poverty reduction. "Aid-for-trade" relies heavily on technical assistance, which remains highly reliant on donor initiative, knowledge and advice. Finally, increased spending on "aid-for-trade" should be clearly delinked from current and future trade negotiations. "Aid-for-trade" should not be used to "compensate" developing countries as trade deals fail to delivery real benefits for these countries.[19]

Country ownership of diminishing bilateral aid resources…

Country ownership is the defining principle of the Paris Declaration on Aid Effectiveness. But country ownership of aid priorities should be implemented in ways that build from local and democratic ownership. CSOs have pointed out that not all ODA is available to be managed by developing country partners. Since its 2002 report, Reality of Aid has estimated aid disbursements that have the *potential* to be managed by aid counterparts in the South.[20] Reality of Aid makes this estimate based on the amount of total bilateral ODA that could be available for actual programmes in developing countries .[21] Richard Manning, former DAC Chairperson, has also addressed this issue as "programmable aid", involving genuine transfer of resources to developing countries, in his "Overview" in the 2007 *Development Cooperation Report*. He points out that programmable aid, excluding Iraq, was lower in 2006 than it was in 2002.

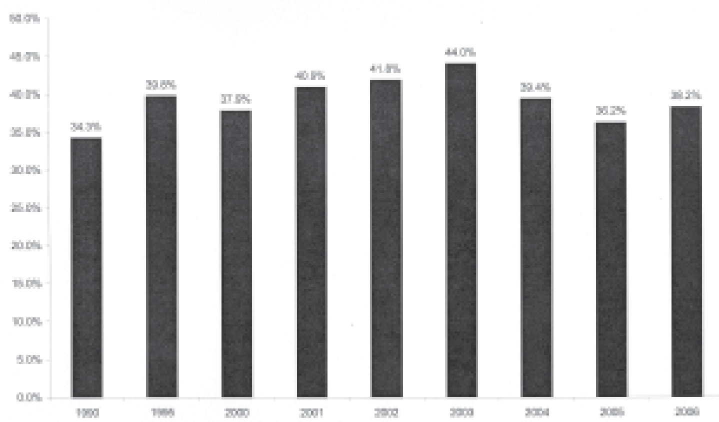
Figure 12. Trend in Country Programmable Aid As a Percentage of Total Bilateral Aid, 1985 to 2006



OECD Stat Extract DAC1 & 5

Country Programmable Aid is Bilateral Aid, Less Debt Relief Grants, Imputed Student Costs, Support for Refugees in Donor Countries, 80% of Technical Assistance, 15% Cost of Tied Aid, Humanitarian Assistance and Donor Administration Costs.

Figure 13. Percentage of Technical Assistance in Total DAC Bilateral Aid (Excluding Multilateral ODA and Less Debt Cancellation)



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According to the Reality of Aid, since 2003, less than a third of all bilateral ODA and about US$25 billion in 2006, has been available for actual programs in developing countries – that is aid which developing country partners can potentially use to meet development priorities that they themselves determine.

Country programmable aid has been falling since 1990, and particularly since 2003 (see Figure 12). As a percentage of total bilateral aid, country programmable aid has been less than 32% on average since 2003, down from an average of 41% between 2000 and 2002 and 49% in 1990.

Supply-led and donor-managed technical assistance challenged by developing country governments…

The failure of bilateral donors to address supply-led and donor-managed technical assistance is a major factor in the capacity of developing country partners to determine and manage the allocation of aid in their country.

Technical assistance, as a proportion of all bilateral aid from DAC donors (net of debt relief grants), averaged 38% between 2004 and 2006 and remains largely tied to Northern contractors and donor control.

Donor-driven technical assistance, unfortunately, is still a major channel for the delivery of development assistance (see Figure 13). While total technical assistance has declined marginally, as a proportion of non-debt bilateral aid, from a high of 44% in the early 2000s, it remains much higher today than it was in 1990 when such spending was 34% of bilateral aid. There are no comparable statistics for the levels of technical assistance in multilateral aid, but there is little doubt of its importance for the World Bank and many UN agencies. One study calculated that in 2004 there were more than 20,000 free standing technical assistance activities related to aid, enough for a least one starting every working day in every developing country.[22]

A study by Actionaid UK concluded that technical assistance remains "heavily donor-driven, tied to donor country firms and dependent on expensive 'expert' knowledge from rich countries". Actionaid's research confirmed earlier reports from the DAC, the World Bank and the UNDP that technical assistance has been largely ineffective as a development resource.[23] Donors use technical assistance often to enforce multiple conditions attached to aid programs in order to promote reforms that donors believe important for aid effectiveness, but with few options and little direction from developing country partners.

In the DAC 2006 benchmark survey of the very modest targets set for the Paris Declaration, developing country government representatives pointed to the pervasive failure of donors to make any progress in re-orienting technical assistance so that it builds real capacity, with its use and terms determined by developing country partners. While there is no agreement among donors about what the contribution of technical assistance can be, representatives of developing countries interviewed for the DAC study suggest that "the element most often missing was effective country leadership based on a specific strategic vision for capacity development". The benchmark survey report concluded that "the Paris Declaration's vision of the future needs of capacity development is clearly not just unfinished business, but business that has barely begun".[24] Given its predominance within bilateral aid, technical assistance reform remains one of the most important barriers to local and democratic ownership of aid relationships.[25]

No donor targets for reducing conditionality…

The 2006 benchmark survey on monitoring the Paris Declaration noted that country ownership implied that developing countries have to develop their own development strategies based on "each country's priorities, pace and sequencing of reform". CSOs suggest that donor conditionality undermines the potential for democratic ownership to influence the allocation of aid to country priorities as determined by citizens, legislatures and government. CSOs argue that the "use of aid as a tool to impose policy conditions has no place in an aid paradigm rooted in a commitment to ownership".[26]

> **Since the adoption of the Paris Declaration, there has been no reduction in imposed policy conditions, including benchmarks, triggers and performance-based allocations. The Paris Declaration has no objectives or targets for reducing aid conditionality, even though it espouses the principle of country ownership.**

The World Bank has adopted a set of "Good Practices Principles" for conditions it attaches to loan programs. The Bank claims that these principles have resulted in some reform of conditionality and in reducing the numbers of conditions attached to its loans. The European Network on Debt and Development (Euodad) reports, in a recent review of the World Bank's own conditionality database, that while this claim of reduced numbers of conditions may be technically true, it is the result of a reduction in non-binding conditions (from an average of 33 to 24 per loan). Binding conditions have remained largely unchanged at an average of 13 per loan. It is these binding conditions that continue to promote detrimental economic policy conditions such as privatization and liberalization. Indeed the actual number of conditions may not have fallen as the World Bank now "bundles" conditions. When counted as separate conditions, these bundled conditions resulted in a 12% increase in the overall number of conditions. There are also highly variable country experiences where Senegal, for example, faces a total 99 conditions in its recent loans with the World Bank.[27]

While aid relationships should have clear fiduciary terms that are fair to both donor and recipient, the continued practice of conditionality goes to the heart of political will on the part of donors to reform their aid practices. All donors, as they move to implement the Paris Declaration principle of harmonization, are increasingly aligning themselves, not with democratically determined country strategies, but are rather using the power of their aid relationship to impose their policy preferences. Such impositions need not be spelled out as a condition of aid. There are more oblique ways to achieve donor influence on policy. The World Bank annually assesses and ranks low income countries in terms of economic policy and institutional governance in its "Country Policy and Institutional Assessment" (CPIA).[28] Recipient-country governments are well aware of the influence CPIA scores as well as the World Bank's review of "Public Financial Management Systems" as signals for continued donor support. Indeed, donors have included in their assessment of Paris Declaration's commitments on alignment and harmonization, several indicators drawn directly from the Bank's CPIA.[29]

As a principal means to harmonize donor practices and align with country strategies, donors have agreed, in the Paris Declaration, that 66% of their aid flows by 2010 are to be "provided in the context of program-based approaches". CSOs have welcomed a greater focus on coordinating aid and support for the capacities of governments to meet their human rights obligations, particularly to those living in poverty and otherwise marginalized. At the same time, without fundamental commitments to donor-agreed targets that move substantially away from conditionality, program-based approaches will, unfortunately, become a highly effective means for the transmission of donor aid conditions.

The proportion of program aid (direct support for the budget of a developing country government or a sector-wide program) recorded by the DAC has grown from 12% of non-debt related bilateral aid in 2000 to just over 18% in 2006.

The DAC "Creditor Reporting System" records a relatively small proportion of aid as program and sector aid (18% in 2006). The 2006 benchmark survey of targets for the Paris Declaration, however, identifies a baseline of 43%. The authors of the survey indicate that donors are working with differing assumptions about a "program based approach" in arriving at this higher figure. The DAC "Creditor Reporting System" suggests that approximately 65% of "program budget support" between 2004 and 2006 was implemented in Sub-Saharan Africa, in countries where governments remain highly dependent on aid and least able to resist multiple donor conditions attached to such programs.

Aid tying still a major concern…

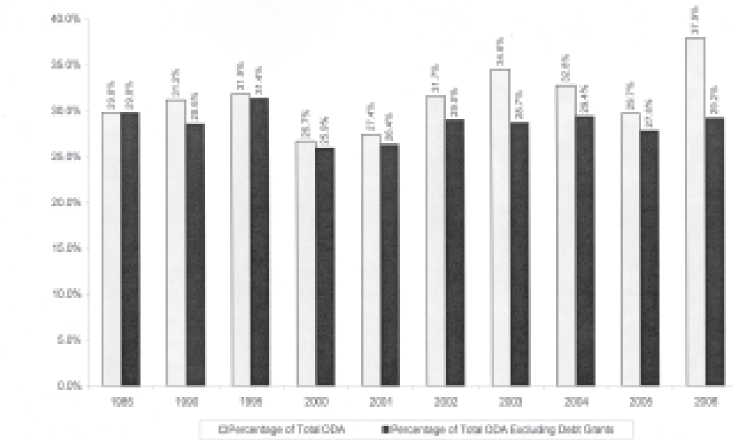
The donors offered an almost meaningless commitment in the Paris Declaration to "continue to make progress on untying aid". Untying aid reduces transactions costs for developing countries and improves country ownership and alignment.

According to the World Bank, the proportion of donor aid considered to be tied to purchases in the donor's country, all items considered, is 58%. The proportion of aid tied to purchases in least developed countries is 32%.[30]

Meanwhile the DAC reports that the proportion of tied aid has fallen from 19% in 2000 to 5.4% in 2006. DAC figures differ from the World Bank's assessment because DAC members have not agreed to include in their figures for tied aid technical assistance and food aid, which are highly tied. DAC figures also do not include the United States, the largest donor by volume (disbursing 33% of all DAC bilateral aid, net of debt relief grants), nor Italy, both of whom are reputed to heavily tied their aid.[31] The Centre for Global Development, in its 2007 *Commitment to Development Index*, estimates that approximately 70% of US aid remains tied to US purchases. The 2006 DAC survey of Paris Declaration targets reports that an astounding 93% of US aid to 29 countries was tied.

But has untying aid benefited developing country suppliers? The rationale for untying aid is to give more choice to developing country partners in the procurement of aid goods and services. It should serve to stimulate developing country enterprises and to develop and use developing country expertise. In reality, untying of aid has meant the liberalization of procurement in Northern donor countries. Incredibly, despite reported progress on aid untying, particularly by Netherlands, Sweden, Ireland and the United Kingdom with fully untied aid, according to a UNDP official, in 2003, a mere 4% of the US$50 billion development procurement business went to enterprises in G77 developing countries and China.[32] This is because "fully" untying aid means that goods and services can be procured anywhere. Donors that give preference to local developing country suppliers have, according to the DAC, only "partially" untied their aid. But in only "partially" untying their aid, donors

Figure 14. Aid to Sub-Saharan Africa as Percentage of Total ODA (2005 Constant USD)



OECD Stat Extract DAC2b

can actually favour developing country suppliers.

Donors fail to give priority to Sub-Saharan Africa…

At the 2005 Gleneagles G7 Summit major donors agreed that US$25 billion would be added to aid to Sub-Saharan Africa by 2010, more than doubling aid from 2004 (US$16.7 billion). More than two-thirds of Sub-Saharan African countries (34) rank among the bottom 40 countries on the UNDP 2007 Human Development Index (HDI). All 22 countries that the UNDP ranks as "low human development" are from the sub-continent. Sub-Saharan Africa's overall HDI in 2007 at 0.493 is lower than it was in 2005 (0.515).

Donors are significantly off-track in their commitment to add at least US$25 billion to their aid for Sub-Saharan Africa. Donors will no longer be able to hide their actual performance behind debt relief grants in their ODA. From 2004 to 2006, non-debt aid to Sub-Saharan Africa increased by only an average of 8.8%. If donors are to meet their commitment, aid to Sub-Saharan Africa will have to increase by 30% each year from 2007 to 2010.

Shockingly, there was no evident priority for aid spending to Sub-Saharan in this decade, when debt relief grants are excluded. In 2006, only 29.2% total ODA spending went to Sub-Saharan Africa down from a high of 31.4% in 1995 (see Figure 14).

If donors are serious about poverty-focused aid to Sub-Saharan Africa, Reality of Aid would have expected its proxy indicator for aid investments to achieve the MDGs to demonstrate this priority. Indeed, more than a third of the aid commitments covered by the proxy MDG indicator in 2006 were made to Sub-Saharan Africa. However, as a proportion of total sector-allocated aid to that region, the proxy indicator made up only 21%, just marginally greater than the 18% proportion for all regions of the developing world.

According to the DAC, aid disbursements to Sub-Saharan Africa amount to 37.9% of total ODA in 2006, an increased proportion from 26.7% in 2000. However, the reason for this increase is not greater priority, but rather was due to the impact of high debt relief grants, particularly in 2005 and 2006. Removing these grants, aid disbursed to the region was 29.2% of total ODA, up marginally from 25.9% in 2000. On this measure, Asia received the highest proportion of ODA in 2006 – 34.4% –primarily the result of very high disbursements for Afghanistan and Iraq (3.5% and 6.2% of non-debt ODA respectively).

Humanitarian assistance remains high…

> **Humanitarian and emergency assistance as a proportion of donor aid fell only marginally in 2006 to 8%, from a high this decade of 8.9% in 2005.[33]**

High disbursements for humanitarian assistance in 2006 are likely still affected by the huge response to the 2004 Tsunami and the 2005 earthquake in Pakistan. In dollar amounts, bilateral humanitarian assistance has more than doubled from US$2.9 billion in 2000 to US$6.6 billion in 2006.

Aid to Afghanistan and Iraq overwhelms overall aid to conflict-affected countries …

> **Total aid to countries experiencing severe and prolonged conflict is becoming more concentrated as a proportion of total donor aid. Aid to countries in conflict has more than doubled from 9.3% in 2000 to 20.4% in 2006. Aid to conflict-affected countries was also highly unequal, with extremely high levels of aid for Iraq and Afghanistan compared to other conflict-affected countries.**

With foreign policy imperatives driving large amounts of aid to Iraq and Afghanistan since 2002, the emphasis on conflict-affected countries is affecting overall aid allocations in 2006. Examining aid allocations to the most severely conflict-affected countries[34], not including debt relief grants, aid increased from 9.3% of total ODA in 2000 (for 12 countries) to 20.4% (for 10 countries) in 2006. In current dollar terms, donors have concentrated more of their aid on the immediate needs of conflict-affected countries with the amount of aid devoted to these countries almost tripling in value in these six years. But the distribution of aid among severe conflict-affected countries was also highly unequal in 2006 and influenced by donor foreign policy pre-occupations. Iraq and Afghanistan accounted for close to two-thirds of all aid directed to severely conflict-affected countries. The other eight countries shared the remaining 36.7% (with the Democratic Republic of Congo and the Palestinian Administered Areas accounting for 5.4% and 6.4% respectively).

UN aid channels declining in importance…

> **Multilateral aid as a whole, as a proportion of total ODA, experienced a modest declining trend since 2000. But within multilateral aid, the share for UN agencies declined from close to 30% in 2000/2001 to less than 20% in 2005/06. Multilateral aid channeled through the International Financial Institutions (IFIs), however, saw an increase from 33% to 37% in the same years.**

Overall, aid delivered though multilateral channels declined from 37% of non-debt ODA in 2000 to just less than 34% in 2006. This modest decline, however, has not yet approached the low of 31% in 1990. However, there have been significant shifts in the relative importance of different multilateral channels. UN agencies are seemingly increasingly marginalized financially as a channel for DAC donor multilateral aid. The UN agencies' share of this aid channel declined almost 10% since 2000, while the IFIs increased their share by 4%. The growing pre-dominance of IFIs will likely continue. In renewing their commitments to the concessional International Development Association (IDA) loan and grant window at the World Bank for the poorest countries, donors in late 2007 pledged a record US$25.1 billion for the next three years, a jump of 41% over the previous three-year period.

While there is a growing concentration of multilateral resources in the World Bank and regional bank channels, there has also been a proliferation of international organizations, funds and programs within the multilateral sector. One study noted 230 such funds and programs in 2007, many of which are specialized in a particular sector or theme.[35] This study also commented on increased donor ear-marking of contributions to multilateral organizations, with about half of bilateral aid channeled through multilateral channels in 2005 having some degree of earmarking by sector or theme. Such practices complicate budget management, and may reduce the inherent capacity of multilateral aid to more closely align with recipient countries' priorities.[36] The study also drew attention to the growth of "Vertical Funds" or global programs such as the long standing Consultative Group on International Agricultural Research (CGIAR) or the more recent Global Fund for Aids, Tuberculosis, and Malaria (GFATM). These funds have catalyzed resources in support of agreed international priorities and strategies in a particular area of health, education or environment. But again they may also distort the capacities of developing countries to maximize support for a more holistic sector approach. For example, aid for infectious diseases made up 36% of all health financing for Sub-Saharan Africa in 2005, in a context where strengthening basic health systems is essential for effective health investments.[37]

New resources for climate change adaptation and mitigation…

> **Increasing donor financing for climate-change adaptation must be channeled through equitable North/South mechanisms based within the United Nations Framework Convention on Climate Change (UNFCCC) and should be considered additional to the donor's commitment to reach the 0.7% aid target for ODA.**

At their 2006 High Level Meeting, Development Cooperation Ministers from the donor countries agreed to the *OECD Declaration on Integrating Climate Change Adaptation into Development Co-operation*. This statement acknowledged "the importance of adaptation for developing countries and poor people due to their particular vulnerability to the adverse effects of climate change and weak adaptive capacity".[38] Since then, many donors have stated their intention to review current aid programs with reference to mitigating climate change risks. Several donors have also announced an intention to create or contribute to bilateral and multilateral climate-change mechanisms promoting "low-carbon" development paths for developing countries.[39]

> **In April 2008, the World Bank moved forward on plans to create three specific investment funds, providing both loans and grants, "to scale up financing available for policy reforms and investments and achieve sustainable development goals through a transition to a low-carbon path and climate resilient economy". These funds will include a Clean Technology Fund (with a target of US$5 to $10 billion), a Forest Investment Fund (US$300 - $500 million), and an**

Adaptation/Climate Resilience Pilot Fund (US$300 to $500 million). A Strategic Climate Fund, will act as an umbrella for receipt of donor funds and disbursements.

The UNFCCC is recognized as the multilateral framework in which globally equitable climate change negotiations take place and in which the commitments under the Convention on Climate Change, including financial, are to be met. But since the December 2007 UN Climate Change Conference in Bali, donors, under the leadership of the World Bank, have been moving quickly to establish "parallel" donor-driven and controlled mechanisms for financing donor climate change commitments. These parallel mechanisms already have $US7 to $12 billion in new resources. By comparison the Least Developed Countries Fund for adaptation action under the UNFCCC had pledges of $US163 million and has received only US$67 million as of December 2007.[40]

CSOs have raised a number of concerns about placing control of significant climate change investment and mitigation resources under the control of the World Bank:

- Contrary to the UNFCCC that recognizes climate principles and the rights of developing countries who experience the impacts of climate change to participate fully in policies for its mitigation, these "parallel" Funds are donor-controlled and will be managed to respond to donor priorities.
- Rather than meeting an obligation of developed countries under the UNFCCC (polluter pays), access to funds will depend on developing countries demonstrating that they have in place a regulatory framework for a low-carbon path of development.
- Climate change funds under the control of the World Bank a pose serious risk that developing countries will be subject to new conditionalities for access to these funds, including informal pressures to agree to the negotiating framework of donor countries for a post-2012 convention on climate change.
- The World Bank, with its dismal track record of continued strong support for carbon-intensive investments in oil, gas and coal extraction, and large traditional energy infrastructure projects in developing countries, has no credibility and is in serious conflict-of-interest to be seen as a promoter of low-carbon development paths.[41]

Developed countries, as the primary sources of emissions related to climate change, have an urgent obligation to reform, fundamentally, their own high-carbon development paths. They also have a responsibility, under the UNFCCC, to provide sufficient funds to respond to the unavoidable impacts of climate change felt most acutely by billions of poor people who bear no responsibility for the shifts in climate patterns.

Meeting donor climate change financial obligations should be considered additional to individual efforts to achieve the 0.7% target for aid spending. Climate change funding should not divert ODA from other urgent development priorities. In proposing additionality for climate-change financing, CSOs are also urging donors to give priority to sustainability in implementing ODA programs, taking account of the importance of addressing adaptation and minimizing the risks for poor people.

New country donors and increasing and private aid flows assuming greater importance…

Richard Manning noted in his 2007 *Development Cooperation Report* "Overview" that recipient countries are likely to experience an expansion of aid-type flows from both non-DAC country donors and a growing number of private foundations, both of which have significantly added to the flows from the traditional private voluntary agencies (Northern NGOs).

New and existing private sources of aid, along with new emerging donors, may provide a funding counter-balance that challenges the influence of DAC donor-imposed aid terms and conditions. But, the increasingly anarchic array of aid channels may also reduce the potential for the citizens of the poorest countries to achieve real ownership in support of local and country-determined priorities.

Fifteen donors, not members of the OECD DAC, report their aid activities to the DAC. These 15 non-DAC donors accounted for US$4.2 billion in aid in 2005, up from US$3.2 billion in 2002. Several other countries – Brazil, China, India – are both developing country recipients and donors of development assistance. Brazil, China and India are not among the 15 non-DAC donor countries currently reporting to the DAC.[42] One analyst estimates that Brazil, China and India contributed between US$3.5 and US$4 billion in aid in 2005, bringing the total of non-DAC aid in 2005 to about US$8 billion.[43] This amounts to about 10% of non-debt DAC ODA in that year.

In 2007, China announced significant increases in its assistance plans for the next three years. These increases include "US$10 billion for developing countries, with an incremental US$5 billion for the ASEAN countries, US$3 billion for the Pacific Islands, and US$3 billion for Africa, plus another US$3 in preferential credits".[44] It is not clear how much can be considered ODA under the DAC guidelines. Firoze Manji, Director of Fahamu and Pambazuka News, notes that Chinese aid "has taken the form of financial investments in key infrastructural projects, training programs, debt relief, technical assistance and a program of tariff exemptions for selected products from Africa, not dissimilar to the agreements that Africa has had with Europe, the US and other western economies". Some DAC countries raise concerns that unrestricted Chinese lending in Africa, without formal conditions, may undermine DAC-donor "progress" in conditional debt relief and DAC-donor leverage over African economies.[45]

Significant new aid resources are also coming from private philanthropy. The Bill and Melina Gates Foundation, with the donation of US$30 billion by Warren Buffet in 2007, has become the world's largest foundation. It is projected that the Gates Foundation will disburse about US$2.8 billion in 2007, which is equal to more than 3% of non-debt DAC ODA in 2006 and exceeds about half of the DAC members' level of ODA.[46] The Gates Foundation influence in a number of health areas is already predominant. The Foundation is set to make major investments in "green revolution" technologies for African agriculture, a strategy criticized by African and international NGOs.

Total private aid from the United States alone is estimated at $33.5 billion in 2005, of which Private Volunteer Organizations (not including religious organizations) and International NGOs provided US$16.2 billion.[47] Approximately US$21.4 billion is directed to development projects and programs, excluding including emergency operations. These estimates for US private giving demonstrate the significant under-estimation by donors in their report to the DAC. For 2006, all DAC donors reported that Private Voluntary Agencies contributed only US14.6 billion in grants, up from US$10.2 billion in 2003. Funding from private voluntary sector organizations, including foundations, could rival total non-debt official DAC flows.

Aid architecture, with the emergence of new donors and growing funding by the private voluntary sector, is becoming more fragmented and volatile. At the same time, donors are struggling to reform their own aid practices. In this context, CSOs are independently examining their own aid effectiveness. CSOs are looking at principles to guide them in their relationships with other development actors (donor and governments). They are finding ways to strengthen the capacity of civil society to play a central role for local and democratic ownership of aid policies. CSOs will also continue to support capacity of the poor and marginalized to have a voice in the aid system.[48]

Notes

1 This calculation is made from the OECD Dataset, DAC1 Official and Private Flows for DAC donors, current dollars, accessed April 2008, taking account of Imputed Student Costs (1.A.1.2), Debt Relief Grants (1.A.1) and Refugees in Donor Countries (1.A.13). For 2007, students and refugees and donor countries is estimated by the author at the same level as 2006.

2 OECD DAC. (2008). Development cooperation report 2007. *OECD Journal on Development 9*(1). OECD Paris.

3 However, not all donors allocate their fiscal aid budgets for this purpose. Canada, for example, counts debt relief grants in its ODA reported to the DAC, but pays for bilateral debt relief out of non-budgetary reserves, not the annual budget for international assistance.

4 Non-debt bilateral aid is a term used in this review of trends to refer to total ODA minus debt relief grants, support for students and refugees in donor countries for that year. Gross bilateral ODA does not reduce ODA by loans received.

5 2004 is the last year for information on government tax revenue from the OECD statistics.

6 When converted to the value of 2006 US dollars and removing the impact of exchange rates changes, only 18% of the value of new aid resources in 2006 dollars was available for MDGs and other poverty related investments.

7 Charles Hanley, "Iraq, Afghanistan wars to cost U.S. $12-billion monthly: studies", Globe and Mail (Canada), March 10, 2008. See also Richard Norton-Taylor, "Cost for Iraqi and Afghan wars has doubled", Guardian (UK), March 11, 2008. UK estimates the total cost of both wars to the UK Treasury since 2003 is approximately US$10 billion. Canadian estimates have been reported in "Tories don't deny Afghan mission $1B over budget", Toronto Star, March 11, 2008.

8 OECD Secretariat / World Bank, "Baselines and suggested targets for the 12 indicators of progress – Paris Declaration on Aid Effectiveness", August 2005. Indicators 2 and 5 each have two separate indicators and are counted as separate in this chapter. A Benchmark study was published in 2007 and is available at http://www.oecd.org/document/20/0,3343,en_2649_3236398_38521876_1_1_1_1,00.html. For a CSO assessment of the scope and results of this monitoring exercise see EURODAD, "EURODAD brief analysis of the OECD Paris monitoring survey", June 2007, available at http://betteraid.org/index.php?Itemid=26&id=42&option=com_content&task=view. This world trends chapter also references CSO perspectives set out in the Policy Paper prepared by the International Civil Society Steering Group for the Accra High Level Forum in September 2008, "From Paris 2005 to Accra 2008: Will Aid be More Accountable and Effective?, February 2008, also available at betteraid.org (http://www.betteraid.org/index.php?option=com_content&task=view&id=88&Itemid=26).

9 The World Bank (2008, April). *Global Monitoring Report 2008: MDGs and the Environment: Agenda for Inclusive and Sustainable Development*. p.xi.

10 A Keidel, "The Limits of a Smaller Poorer China", Financial Times, November 14, 2007. This report suggests that the number of people living on less than $1 a day is 300 million in China, three times the current estimate. See also Institute of Development Studies, "PPP – Purchasing power parity or patently persistent poverty?", February 2008. The World Bank will release revised figures for number of people living on less $1 a day in late 2008. See World Bank 2008, op. cit., page 27.

11 The Reality of Aid has refined a proxy indicator for aid and the MDGs used in its 2006 Global Report. For the current Report, the following sectors have been chosen as a proxy indicator of the degree to which aid is directed to MDG purposes: basic education, basic health, population programming and reproductive health, environmental protection and development food aid and food security assistance. Aid commitment to these sectors (both bilateral and multilateral) are compared to total sector commitments of ODA, excluding action relating to debt, support to NGOs, refugees in donor countries and unallocated. Current information is quantitative only, and does not

permit a measurement of the actual impact of these disbursements on achieving quality progress in these areas. The trends should also be treated as indicative only, as it is not possible to verify that disbursement data is complete for these sector codes, particularly for earlier years. Data is drawn from the DAC CRS Database, March 2008.

12 See Education for All, "Ten Things you should know about EFA" at http://portal.unesco.org/education/en/ev.php-URL_ID=52210&URL_DO=DO_TOPIC&URL_SECTION=201.html.

13 See UNESCO, *EFA Global Monitoring Report 2008: Education for All by 2015 – Will We Make It? Summary Report*. 2008 p. 39, accessible at http://unesdoc.unesco.org/images/0015/001548/154820e.pdf and the Global Campaign for Education. *Class of 2007: Not Up to Scratch*. Johannesburg:GCE, 2007. p.16 accessible at http://www.campaignforeducation.org/documents/news/2007/April/EngsNarrativelowres.pdf.

14 Cecelia Alemany, Nerea Craviotto, Fernanda Hopenhaym et. al. "Implementing the Paris Declaration: Implications for the Promotion of Women's Rights and Gender Equality", AWID and WIDE, January 2008, accessible at http://www.ccic.ca/e/docs/002_aid_2008-02_awid_wide_aid_effect_gender_ equality.pdf.

15 The OECD DAC Gendernet and the DAC Secretariat recently published a review of "Aid in Support of Gender Equality and Women's Empowerment" based on the DAC Creditor Reporting System for 2004 – 2005, http://www.oecd.org/dataoecd/7/55/38898309.pdf. See also Report of the Expert Group Meeting, "Financing for gender equality and the empowerment of women", Division for the Advancement of Women, United Nations, Hosted by the Government of Norway, September 2007, accessible at http://www.un.org/womenwatch/daw/egm/financing_gender_equality/EGM%20Report%20Final.pdf.

16 Report of the Expert Group Meeting, op. cit., page 29.

17 OECD DAC, "Aid in Support of Gender Equality and Women's Empowerment", OECD Paris, June 2007, accessible at http://www.oecd.org/dataoecd/7/55/38898309.pdf. 70% of this US$1.2 billion was accounted for by four donors – Sweden, the Netherlands, Japan and Germany.

18 OECD DAC, *International Cooperation Report 2007*, pp 32 – 34. The broad sector categories included are i) trade policy and regulation, ii) trade development, iii) trade related infrastructure, iv) building productive capacity, and v) trade related adjustment.

19 See "CSO Statement: Global Aid for Trade Review", November 21 – 22, 2007, accessible at http://www.realizingrights.org/pdf/Global_Aid_for_Trade_Review_Statement_Nov_07.pdf.

20 The Reality of Aid measure of potential country ownership of aid reduces ODA by the following amounts: debt relief grants, imputed student costs in donor countries, imputed costs for refugees in donor countries, donor administration, emergency and humanitarian assistance, 15% of the amount of tied aid (representing the cost of tied aid to developing countries) and 80% of all technical assistance (on the assumption that it is directed by donor countries).

21 A number of other CSOs and research centres have made similar estimates (based on somewhat differing assumptions) in recent years. Actionaid UK has developed the concept of "real aid" (See http://www.actionaid.org.uk/100473/real_aid_reports.html). Concord has analyzed European donor aid using a more limited definition. Homi Kharas, writing for the Wolfensohn Centre for Development at the Brookings Institute has adopted the notion of "country programmable aid" in "Trends and Issues in Development Aid", Working Paper #1, November 2007, accessible at http://www.brookings.edu/papers/2007/11_development_aid_ kharas.aspx.

22 IDA, "Aid Architecture", op. cit., p. 22.

23 Actionaid International. Real Aid 2: Making Technical Assistance Work. 2007, accessible at http://www.actionaid.org.uk/doc_lib/real_aid2.pdf. The Actionaid Study notes that a foreign consultant in Cambodia typically costs US$17,000 a month, while a local civil servant earns US$40.

24 OECD DAC. "The 2006 Survey on Monitoring the Paris Declaration", May 2007, pages 23 & 24, accessible at http://www.oecd.org/document/52/0,2340,en_2649_15577209_36162932_1_1_1_1,00.html.

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30 International Development Association (IDA). "Aid Architecture: An overview of the main trends in official development assistance flows", February 2007, page 39, accessible at http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1172527584498/Aidarchitecture.pdf.

31 The 2007 DAC International Cooperation Report says that in 2006 the tying status of 43.9% of "financial aid" (i.e. still not including technical assistance) was not reported by DAC members (page 23).

32 Nachilala Nkombo quoting a UNDP official at the Inter Regional Dialogue on Aid Effectiveness Workshop – Ensuring Aid Effectiveness, the way to Sustainable Development – in Lusaka, Zambia, 16 – 19 October 2007 in Nkombo, N. "Development Aid and National Ownership: A review of critical experiences from Africa: milestones, good practices, failures and future research options", Forum on the Future of Aid, page 4, accessible at http://www.futureofaid.net/files/Ownership%20-%20Nkombo.pdf.

33 Reality of Aid calculations of the proportion of aid devoted to these purposes is higher than comparable DAC figures, as the former excludes both debt relief grants and support to refugees from total ODA.

34 Severely conflict-affected countries are those where the current phase of the conflict has resulted in more than 100,000 casualties. The list of such countries for 2000 and 2006 is derived from Project Ploughshares' *Armed Conflicts Report 2007* and *2001*. See http://www.ploughshares.ca/libraries/ACRText/ACR-TitlePageRev.htm. These countries are Afghanistan, Iraq, Indonesia (2000), Angola (2000), Philippines, Palestinian Administered Areas, Sudan, Somalia, Algeria, Burundi, Rwanda, and the Democratic Republic of the Congo.

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38 OECD, "Declaration on Integrating Climate Change Adaptation into Development Cooperation", adopted by OECD Environment and Development Ministers, April 2006. Accessible at http://www.oecd.org/dataoecd/44/29/36426943.pdf. See also OECD DAC, Network on Environment and Cooperation, "Adaptation: Stocktaking of Progress on Integrating Adaptation to Climate Change into Development Co-operation Activities, October 2007. Accessible at http://www.oecd.org/dataoecd/11/18/39575695.pdf.

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42 World Bank, *Global Development Finance Report*, 2007, Volume One, Chapter One, accessed electronically.

43 Kharas, H. "Trends and Issues in Development Aid", op.cit. pp. 17 – 18 and Kharas, H. "The New Aid Reality", Wolfensohn Centre for Development at Brookings, August 2007, pp. 7 – 8, accessible at http://www.brookings.edu/papers/2007/08aid_kharas.aspx.

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45 Firoze Manji, "BRICs countries – A perspective on China in Africa", presentation to an International Conference, The Changing Face of Global Development Finance", Ottawa, February 1, 2008, accessible at http://www.nsi-ins.ca/english/events/HAlifax.asp.

46 World Bank, *Global Financial Report*, op. cit.

47 Kharas, "The New Reality of Aid", op. cit., pp. 9-10.

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A Mixed Performance

Peter Mucke
Terre des Hommes Germany

Overview

- The headline ODA figure was US$10,435m (8,313m euros) in 2006 – the highest in Germany's history and up from US$10,082m in 2005.
- Officially, ODA was at 0,36% of GNI in 2006 - exceeding its EU commitments on ODA, but only through inflating the figures by including debt relief, the imputed costs for students from developing countries and the costs for refugees during their first year of stay (costs not included by most other DAC countries).
- Debt relief by Germany amounted to US$3,034m (€2,417m) in 2006 - mainly for Nigeria (US$1,840m) and Iraq (US$377m). ODA without debt relief amounted to only 0.26% of GNI.
- Imputed student costs have more than doubled over the past six years. In 2006 they amounted to €717m, higher than the total amount spent by the German Development Ministry on bilateral technical cooperation (€655m). They represent a significant part of the German ODA for education but do not provide a single euro for the direct support of the educational system in developing countries.
- Germany pledged to increase ODA by a further 750m euros in 2008 as well as providing 500m euros per year between 2008 and 2015 to combat HIV/AIDS.
- The number of Germany's partner countries has now been reduced from 92 to 78.
- Germany has continued a gradual shift of priorities towards Africa, with the percentage of funds allocated to Sub-Saharan Africa increasing each year from 27.7% in 2002 to 40.0% in 2008. In comparison the share of funds for bilateral co-operation with the Mediterranean Region and the Middle East has decreased.
- This strong focus on Africa is, however, not reflected in the leading recipient countries of German development co-operation. The list of the "Top 10" beneficiaries of German bilateral aid for 2008 does not include a single Sub-Saharan country. At the top we find – as in previous years - Afghanistan, China, India and Serbia.

- Support for the least-developed countries was raised from €432.5m in 2007 to €619.0m this year – that is, 42.8% of the bilateral finance commitment.

Shortfall in ODA looms despite the record figure

Germany faces an emerging and significant problem in its ODA funding over the coming years which it has to solve in order to meet its EU commitments. Although the headline ODA figure for 2006 amounted to 0.36% of GNI, *without debt relief the figure is only 0.26%*. Taking off the imputed costs for students from developing countries (€717m in 2006) and the costs for refugees during their first year of stay reduces the 'real' level ODA still further.

The special effect of debt-relief for Iraq and Nigeria will cease by next year. So despite a 2008 Budget increase in ODA of about €870m in 2008, there will be a sharp tumble in the ODA figure by 2010 if the Government does not close the emerging gap with additional funds.

They have to raise ODA to around €12,963m by 2010 to meet the EU target of 0.51% of GNI by that year.[1] This would require German development assistance to grow by about €1.2 billion a year between 2006 and 2010. Further substantial increases would then be required to reach the European target of 0.7% by 2015.

Germany has pledged to meet these EU commitments in large part by mobilising innovative financing instruments.[2] The country is part of the *Leading Group on Solidarity Levies to Fund Development* which has about 50 member countries. Of these, 20 have already announced or introduced a solidarity levy on air tickets. But Germany did not follow suit.

The Government has, instead, taken a decision to earmark about 30% of the revenue from the public sale of CO_2 emission certificates to go towards ODA in international climate protection measures. It is estimated that this will amount to roughly €120m in 2008.[3]

Mixed results of the German G8 presidency

Germany's presidency of the G8 in 2007 resulted in a unique boom in public interest and media coverage of its development policies. The Federal Government sought to use the G8 Summit in Heiligendamm to put poverty eradication and Africa on top of the political agenda. This was in contrast to former G8 Presidencies, which had largely focused on new measures for debt relief - as in Cologne, 1999 - or additional ODA - as in Gleneagles, 2005.

This focus on poverty eradication and Africa, with priority given to Africa's own efforts to improve good governance, was seen as the prerequisite for further foreign and domestic investment towards achieving the Millennium Development Goals in Africa.[4] Yet, despite this approach, the Government announced that German ODA would be increased by €750m in 2008 in any case. This was clearly a reaction to the extensive media campaign mounted by NGOs and celebrities in the run-up to the Summit.

The G8 commitment *"to scaling up towards 'universal access' to comprehensive HIV prevention, treatment and care by 2010"*[5] resulted in the Federal Government's announcement of €500m per year in additional funds to fight AIDS and HIV from 2008-2015. But in contradiction with that policy, they also argued for strict intellectual property protection that met the interests of German industry but would be likely to raise the price of generic drugs vital for treatment of AIDS patients.

Aid effectiveness, Ownership and Human Rights

Official German development policies ascribe great importance to the improvement of aid effectiveness, the

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strengthening of ownership and participation, and the promotion of human rights.

1. Action plan for human rights

A 2004 'Development Policy Action Plan on Human Rights'[6] from Germany's Ministry for Economic Co-operation and Development (BMZ) aimed to "*to mainstream the human rights approach in German development cooperation".*[7] The plan stipulates the targeted support of economic, social and cultural rights and emphasizes gender equality and the empowerment of women as well as the protection and promotion of children.

The BMZ developed criteria for the allocation of ODA, which included the respect, protection and fulfilment of all human rights. Although these criteria are supposed to form the basis of all country-specific aid allocations, a look at the main recipient countries such as China and Indonesia reveals that, the criteria are obviously not the only deciding factors for allocation of funds at present.

The BMZ acknowledges this to some extent when it says: *"In order to protect global interests, such as securing peace or ensuring the supply of basic services for the population, the BMZ sometimes decides to engage in a country which does not fully meet these five criteria."*[8]

In February 2008, the BMZ drafted an up-date to the Development Policy Action Plan on Human Rights for the period 2008-2010 and is engaging in discussions with civil society on this issue.

2. Implementation of the Paris principles

The objectives of the Paris Declaration have served as a guiding principle for German development policy. Germany took the lead among OECD member countries by adopting an operational plan for implementation of the Declaration at its inception in 2005.[9] This plan links in to the Millennium Development Goals.

German development policy places emphasis on the need for a better coordination and division of labour between the donors. The "*Code of conduct on division of labour in EU development policy*", adopted by the EU in May 2007 under the German presidency[10] is supposed to help in this. The German Development Minister called the code of conduct *"an exemplary milestone for the international donor community... We want to put an end to the indiscriminate allocation... [which] is too much of a burden for the government of the [countries] concerned."*[11]

The Code defines guidelines for improved co-ordination within recipient countries and proposes that EU donors limit their involvement in a partner country to a maximum of three sectors. EU governments are also seeking to reduce the number of recipient countries while bearing in mind that this must not lead to aid orphans entirely neglected by European assistance.

After serious disputes between ministries, the Federal Government decided to focus its development co-operation measures on a smaller number of countries. In February 2008 it reduced the number of partner countries from 92 to 78. Of these, 57 countries (including 24 from sub-Saharan Africa) will be supported by country programs and 21 by regional and sectoral programs

However, a number of shortcomings and contradictions can be seen in the implementation of the Paris principles. Germany continues to oppose further steps towards untying aid and has failed to improve the co-ordination of its own development co-operation bodies.

The last DAC Peer Review criticized the fragmentation of German development co-operation with its large number of implementation agencies and somewhat artificial distinction between "technical" and "financial" cooperation. The German development co-operation model was described as *"no longer… appropriate from a partner country perspective"*[12], as it implies the risk of designing policies and programs from the point of view of the donor. The report recommended improving effectiveness through *"a major reform of the overall structure of the German development co-operation system".*[13]

The BMZ reacted by starting a fundamental reform process with a main objective of strengthening its political capacities to steer and govern the implementing agencies GTZ (German Technical Co-operation) and KfW Development Bank. However, up to now this plan has not succeeded because of strong opposition from these agencies and the German Parliament.

3. Budget support

There is great debate within Germany's development assistance community about the effectiveness of program-based forms of aid and especially budget support. Many fear that budget support will just seep away instead of benefiting the poor in countries with weak governance structures and a lack of budgetary control.[14]

Nevertheless, there has been a continuous increase in German funds going to direct budget support and other forms of program-based approaches. In 2007, that figure was €350m, compared to €300m in 2006; for 2008, a further increase to €407m is planned.

The program-based share of aid to Sub-Saharan Africa increased from 6% in 2002 to about 40% in 2006.[15] However, the Federal Government is still far from the target set in the Paris Declaration of 66% of aid in program-based approaches by 2010.

Notes

1 Cf. Commission of the European Communities (2007), p. 7.

2 Cf. BMZ (2005a), p.19.

3 Statement by Heidemarie Wieczorek-Zeul on 30 June 2007.

4 According to a communication of the Federal Ministry of Economics to inform the Bundestag committee on globalisation and foreign trade, 17 January 2007.

5 G8 (2007), Pkt. 57.

6 Cf. BMZ (2004).

7 Ibid. p. 12.

8 Cf. http://www.bmz.de/de/ziele/regeln/kriterienkatalog/index.html

9 Cf. BMZ (2005b).

10 Cf. Council of the European Union (2007).

11 BMZ, press release 15 May 2007.

12 OECD-DAC (2006), p.12.

13 Ibid.

14 For a thorough analysis of program-based approaches cf. Deutsche Welthungerhilfe/terre des hommes (2006), chapter 2.

15 Cf. Foerster/Schröder (2006).

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Delivery Falls Short of Progressive Policies

Elvira Groll, Elena Chiarella, Sarah Mulley
UK Aid Network

Overview of ODA

- According to provisional OECD DAC figures, in 2007 UK ODA was US$ 9 921 million, making the UK the fourth largest donor in real terms after the US, Germany and France.
- In 2007, the share of ODA in Gross National Income (GNI) fell to 0.36% compared to 0.51% in 2006, largely due to the end of big debt relief deals.
- In 2007, just 0.7% of UK ODA was debt relief compared to 28% in 2006
- In recent years, the UK's contribution to international organisations has increased; DFID's multilateral programme accounted for 43.2 % of UK aid in 2006/07.[1]
- In 2006, the UK provided 15.3% of the EC's development assistance and 15.6% of the World Bank's IDA funding.[2]

The 2007 Comprehensive Spending Review (CSR) puts the UK on track to meet the European collective target to give at least 0.56% of GNI as aid by 2010. If this is delivered, the UK will also seem to be on course to meet the Government's commitment to give 0.7% of GNI as aid by 2013.

However, it is not certain that the UK will hit its ODA/GNI targets, even if ODA funds committed to DFID and other departments in the CSR are fully disbursed. GNI is hard to predict, and debt relief, which the Government continues to count towards these commitments, is extremely volatile. The UK is also putting off meeting its commitments ('backloading' the funding) – this means that the UK will be giving up to £2bn less between 2004 and 2013 than expected in the 2004 Spending Review.

Changes in Government,
But a Continuation of Policy

A new UK Secretary of State for International Development was appointed in June 2007, following changes in the UK government (as Gordon Brown succeeded Tony Blair as Prime Minister). The overall focus of UK aid on poverty reduction and the MDGs (as set out in the 2006 White Paper[3]) remains, but there is increasing emphasis on the Department for International Development (DFID) moving 'beyond aid'. This has manifested itself in a greater emphasis on promoting economic growth in Southern countries, and an increased role for DFID in the UK's policy on trade, climate change and conflict/security.

UK CSOs are broadly welcoming of DFID's expanded role, seeing an opportunity to have development concerns reflected in a wider range of government policies, and greater policy coherence. However, CSOs continue to emphasise that the UK's trade, climate change and conflict/security policies need to be brought into line with poverty reduction priorities, not the other way round.

The new Prime Minister has maintained a strong focus on the MDGs and launched the MDG Call for Action together with the UN Secretary General in July 2007. The UK Government has been promoting a UN General Assembly meeting on the MDGs, which will take place in September 2008.

Dangers of the Poverty Focus of Aid Becoming Diluted

There has been some concern among UK CSOs about the objectives of aid being broadened to bring in other funding streams, without actually providing additional resources for development. For example, the UK has committed to provide £800 million over three years for a multi-donor 'Environmental Transformation Fund', which is being channelled into new climate change funds at the World Bank. This money is counted as ODA and will make a significant contribution to meeting the target of reaching 0.7% ODA/GNI by 2013.

Although environmental sustainability is a key part of poverty reduction and there is an urgent need to tackle climate change as a poverty issue, UK CSOs argue that real additional resources above and beyond 0.7% ODA/GNI need to be provided to meet the huge costs of climate change in Southern countries.

Similarly, the expansion of the 'Conflict Prevention Pool' and the creation of a Stabilisation Aid Fund, which partly counts as ODA in the 2007 Spending Review have raised concerns that security and foreign policy objectives may be playing a greater role in UK aid spending.[4]

The UK must sustain its promises that the poorest will benefit from development efforts, including a continued commitment to promote basic services and social protection.

Improving UK Aid Quality: Making Democratic Ownership A Reality

DFID has made some progress in recent years in improving its bilateral aid programme. In areas such as untying aid, reforming conditionality and increasing the use of budget support, the UK is arguably ahead of many other donors. However, there is no room for complacency – the UK still falls short in implementing its commitments in a number of areas, and is not yet as effective as it should be in promoting real democratic ownership.

To improve ownership and plan and implement development strategies, developing countries need to be able to rely on long-term support. In its 2006 medium-term action plan, DFID committed to "provide effective long-term financial support to implement national strategies and to ensure that 100% of aid is reported on national budget".[5] However, according to the 2006 Paris baseline survey, only 84% of DFID's aid was reported on budget and the un-weighted country average was just 48%, suggesting that DFID is significantly underperforming in a number of countries.

In 2006 the UK government disbursed only 52% of its poverty reduction budget support in the first six months of the year, despite making a commitment to disburse 100% of these funds in full by mid-year.[6]

Ownership is also still heavily undermined by donors through economic and political conditions. In 2005, DFID committed to end its use of economic conditions but has not yet demonstrated implementation of this commitment. There are particular challenges in cases where DFID is working with conditionality-heavy donors such as the World Bank and the IMF. DFID must continue to make implementation of its policy a priority, and must also work with other donors to reduce the overall burden of conditions. DFID must also immediately start to publish details of its conditions in all countries where it works, as promised in the conditionality policy.

The challenge of aligning technical assistance (TA), which accounts for around a fifth of UK's bilateral aid, with national systems, needs and priorities remains to be tackled. To improve the effectiveness of TA, the 2006 White Paper laid out specific implementation commitments: it needs to be demand-driven, country-led, provided through government systems and run through pooled donor funds. However, DFID is a long way from realising these commitments. For example, although the UK has committed to untie all its aid, up to 80% of centrally procured TA contracts still go to UK contractors.

Accountability and Transparency: More Work To Be Done

Improving the accountability of aid is fundamental to improving its effectiveness, and transparency forms the basis of accountability. Although the UK is supportive of mutual accountability in international fora, this has yet to be fully reflected in DFID's own operations. As the first step in this process, DFID must improve its transparency by communicating its policies, activities and impacts to recipient governments, and to parliaments and civil society.

As a result of an Act of Parliament, the UK Government must now report annually on: progress towards the Millennium Development Goals and the international 0.7% (ODA/GNI) target as well as on overall effectiveness of UK aid. The first of these reports was produced in 2007, but transparency at recipient country level must now be the priority. DFID should lead the way in adopting a policy of automatic disclosure of all documents (e.g. conditions attached to aid and findings of evaluation reports) with a strictly limited regime of exceptions.[7] Information must be made accessible to the wider national public, especially as documents are all too often very technical in language and style and only available in English.

Another key challenge for DFID is to make its decision-making transparent. The criteria upon which budget support (and other aid) will be disbursed or withdrawn from particular countries should be clear to recipient governments, parliaments and civil society.[8]

DFID should further contribute to better donor reporting on financial flows by providing more timely and transparent data on commitments, disbursements and future flows. This would assist long-term planning, support developing country ownership and increase accountability to stakeholders in developing countries and in the UK.

In December 2007, DFID established an Independent Advisory Committee on Development Impact as a monitoring body of UK aid effectiveness. However, its role has not yet become clear and its independence is questionable since the members have been chosen by the Secretary of State. UK NGOs have welcomed the recent appointment of a Southern representative to the Committee. However, the Committee now needs to ensure to involve a wide range of Southern stakeholders in agenda setting as well as evaluations.

Using the UK's Influence in the Wider Aid System

The next few years present real opportunities for significant changes in the aid system – the UK must make the best possible use of its influence in the EU, the International Financial Institutions and the OECD DAC.

During the IDA 15 Replenishment round in December 2007, DFID became the single largest donor to the World Bank but missed the opportunity to leverage an agreement by the World Bank to end the use of economic policy conditions. The UK should also push much more strongly for comprehensive reform of IMF/World Bank governance, which should include:

- Ending the practice of appointed chairs
- Significantly reducing European over-representation on the board
- Implementing a double-majority decision-making system
- Ensuring transparent, merit-based leadership selection
- Enshrining the presumption of disclosure as elaborated in the principles of the Global Transparency Initiative.[9]

The EU is becoming more important in the aid system. According to OECD forecasts, by 2010 more than 65% of aid will come from the EU, and the EC will be providing twice as much aid as IDA.[10] The EU has already agreed to higher standards of aid quality than other donors. If it delivers these and other reforms, this could provide the basis for a step change in aid effectiveness. The UK is already one of the main providers of EC aid and needs to be more effective in driving quality improvements in the EC, including an increased focus on poverty in aid allocations.

Conclusions

CSOs welcome the UK's continued commitment to increasing aid spending, but new challenges require new commitments. The poverty focus of UK aid must be preserved and reinforced. Commitments to meet new challenges such as climate change should be matched by new funding in addition to the 0.7% ODA target.

The UK already has many progressive policies in place to improve aid effectiveness. It is now time to deliver on those commitments and focus on:

- Improving the predictability of aid and providing timely disbursements and long-term budget support
- Ending all economic policy conditions, and demonstrating this through transparent reporting
- Ensuring that technical assistance truly reflects national priorities, is aligned to country systems, and is procured locally wherever possible
- Improving accountability and transparency mechanisms at national and international level including through increased access to timely and more disaggregated information on resource flows
- Pushing the World Bank and the IMF on reform of their governance structures as well as on ending the use of economic conditionality policies
- Pushing the EC to improve its effectiveness and focus more effectively on poverty reduction.

Notes

1 DFID. (2008). Statistics on International Development. p. 202.

2 OECD/DAC. (2007). Development Cooperation Report, Statistical Data.

3 Available at http://www.dfid.gov.uk/wp2006/

4 The Stabilisation Aid Fund is a joint fund of DFID, the Foreign Office and the Ministry for Defence

5 DFID Medium Term Action Plan[6] DFID Annual Report 2007, section 5.17

7 See the recommendations for standards of transparency at the "Charter for International Financial Institutions" by the Global Transparency Initiative. Available at: http://www.ifitransparency.org/doc/charter_en.pdf

8 See also the recent evaluation of DFID's budget support programmes by the National Audit Office recommending clearer and more transparent objectives and monitoring procedures in giving budget support. Report is available at: http://www.nao.org.uk/publications/nao_reports/07-08/07086es.pdf

9 See "Charter for International Financial Institutions" by the Global Transparency Initiative. Available at: http://www.ifitransparency.org/doc/charter_en.pdf

10 See 2008 EU Aidatch report "No time to waste: European governments behind schedule on aid quantity and quality", Available at: http://www.dochas.ie/documents/Aidwatch2008_NoTimeToWaste.pdf

Bringing ODA to the Centre of Foreign Policy

Olive Towey and Howard Dalzell
Concern

Overview

- In 2008, Ireland will allocate €914million to Overseas Development Assistance (ODA)[1]
- It is on track to meet the government's commitment to reach the 0.7% GNI target by 2012.
- Africa remains the primary geographical focus of Irish Aid[2].
- The Millennium Development Goals (MDGs) remain at the heart of the programme with continued investment in health, education and HIV&AIDS, alongside commitments to the productive sectors including rural development.
- Gender, Environment, HIV&AIDS and Governance have been defined as cross-cutting issues which are to inform all aid programming. In 2007, new policies on Health, Education and the Environment were published and a new strategy paper on governance is imminent.
- Ireland's development assistance remains entirely untied.
- A Rapid Response Initiative has been established to provide pre-planned response to humanitarian crisis situations.
- A Hunger Task Force has been set up to draw on world-class expertise in support of a substantial Irish contribution to tackling food insecurity.
- In February 2008, Ireland announced the appointment of its first roving Ambassador for conflict-resolution. The ambassador will focus on Timor Leste.

Section 1
Key Policy Changes 2006-2008

White Paper on Aid and Operational Plan

In 2006, following a period of extensive internal and external consultation, Ireland's first White Paper on Irish Aid was launched. The White Paper affirms the principles underpinning Irish Aid. It provides an overarching framework for government policy and practice in overseas development and humanitarian assistance. It restates the government's commitment to reaching the 0.7% of GNI target by 2012.

It signalled a commitment to conflict prevention and resolution and peace-building, emphasising the central importance of development cooperation to Ireland's wider foreign policy.[3] A Unit for Conflict Analysis and Resolution and an annual fund of €25 million to assist conflict resolution in the developing world will be established.

The White Paper is being implemented through an Operational Plan (2008-2012), annual business plans, new policy documents, revised five-year Country Strategy Papers (CSPs) and the development of new CSP Guidelines[4]. These Guidelines, due to be published by May 2008, have been developed in consultation with Irish Aid Headquarters and Field Missions and are informed by existing DAC Principles and Guidelines and by Ireland's commitments under the Paris Declaration.

A Management Review is underway to determine what structure, systems and resources must be put in place to deliver the ambitious agenda set out in the White Paper. The results of this review and the actions which follow will exert a major influence on the effectiveness of the next steps of implementation.

Irish civil society and aid modalities

Irish Aid's support to civil society has become more systematised. The Civil Society Fund (CSF), operational since mid-2006, has consolidated seven former schemes which support development NGOs, while the second five-year Multi Annual Programme Scheme[5] (2007-2011) provides over €400 million per annum to the five participating organisations. Within the latest CSPs there is also a gradual shift towards supporting civil society networks through 'pooled' funding.

Policies on Civil Society and on Local Development will be published shortly. The former will set down a framework for Irish Aid's partnership with civil society, including support for democratisation, human rights and governance. The latter will outline why and how Irish Aid supports development at the local level.

As aid modalities have changed in recent years, Irish Aid has continued to work at the district and sub-district levels. The evolution on modalities and the likely drift to budget support is an issue which Irish Aid will keep under close review.[6] Irish Aid is keen to maintain a mix of aid modalities, including budget support and funding administered by the International Financial Institutions, depending on country specific contexts and needs.

Section 2
Aid Effectiveness:
Democratic Ownership and Human Rights.

With the significant recent growth of the Irish aid programme comes an increasing challenge of ensuring optimum quality and effectiveness of that aid. The Paris Declaration is considered by Irish Aid as the roadmap for improving aid effectiveness. It features prominently in the White Paper, has also been incorporated into the Multi Annual Programme Scheme (MAPS), the CSF and CSP Guidelines and the revised CSPs, each of which has a section on Aid Effectiveness and some of which (e.g. Uganda) set down specific objectives in relation to aid effectiveness.

Aid concentration and harmonization

The EU Code of Conduct on Complementarity and Division of Labour in Development proposes that EU donors focus their involvement in a partner country on a maximum of three sectors. Recent Irish Aid programmes show clear advancements in this context, achieving greater harmonization with other donors. In Zambia, Ireland has decided to withdraw from the area of health and to further develop its education programme so as to become the lead donor on education. These decisions have been guided by the importance of the sector in reducing poverty, Irish Aid's relative contribution (expertise and financial), the number of

Ireland

like-minded donors within the sector, and the sector's need and capacity to manage funds effectively. Over the last four years, Irish Aid's focus in Tanzania has narrowed from 13 sectors to three, each of which is aligned to the national growth and poverty reduction strategy.

Ownership - Central to the Paris Declaration is the principle of ownership. Ireland's Minister for Foreign Affairs recently stated that: "The [Irish] government particularly believes that the governments and people of our partner countries are primarily responsible for their own development and should lead the development process, just as the Irish government did in the past here at home."[7] CSPs are designed around national country processes and informed by detailed contextual analysis, lessons learnt under the previous CSP and increasingly by assessment of comparative advantage and ways in which donors can complement each other.

Democratic ownership - Increasing democratic ownership by ensuring strong civil society participation in local and national processes is seen as particularly important in the context of the Paris Declaration which is a 'government to government' agreement. Irish Aid's policies and guidelines on Civil Society and Local Development seek to strengthen civil society, promote participation in consultation processes and grow capacity to monitor the implementation of government policy.

Governance - The commitment to democratic ownership and accountability is further strengthened by Irish Aid's actions in the area of governance. Governance is one of the four cross-cutting themes in the White Paper and spending is estimated at 15% of overall programme expenditure. Every programme country, with the exception of Timor Leste and Sierra Leone, has a Governance Advisor and every CSP has both a background section on political/ governance issues and a Governance component in the paper. Included in governance initiatives are support for parliaments, public financial management, watchdog organisations and institutions of redress, media organisations including local media, citizenship education, human rights and independent local policy analysis institutions. Tracking expenditure and the extent to which participatory principles are in place are examples of the ways in which implementation of governance is monitored.

Governance clearly has a political dimension and the Political Division of the Department of Foreign Affairs is regularly consulted on governance programming issues. A new strategy paper on Governance is imminent and will set out lessons learnt to date in governance work, the rationale for addressing governance, challenges to be faced and the main priorities to be addressed by Irish Aid.

Human rights

Human Rights are given particular emphasis within the White Paper and Ireland is a strong supporter of the UN human rights machinery, including the Human Rights Council established in 2006. At regional and national level, it supports systems such as the UN Special Court in Sierra Leone, working for the protection and promotion of human rights. By strengthening government systems and in-country human rights institutions – in particular through legal training – Irish Aid aims to 'bring to life' the language of rights.

Promoting debate

Growth in Irish ODA has fuelled public debate about governance and corruption in the developing world. The government has responded by addressing key issues via newspaper articles, radio interviews and other media channels. A broader communications and awareness raising strategy has included the opening in 2008 of a new Information and Volunteering Centre in Dublin's city centre. Much of this communication reinforces the principle that Irish Aid's programmes seek to work in partnership with poor and vulnerable people so that they can claim and promote their rights.

In 2007, Irish Aid hosted a DAC Workshop on Development Effectiveness in Practice[8] and in 2008 Ireland will co-chair with Tanzania the Working Group on Mutual Accountability at the High Level Forum on Aid Effectiveness in Ghana[9].

Conclusions

The Irish government has made serious attempts to begin the implementation of the White Paper, and to align these efforts with existing commitments to the MDGs and the Paris Declaration. It is too early to say whether adequate mechanisms and manpower will be put in place to ensure these steps are sustained and result in effective delivery on plans and policies. That said, Ireland has brought overseas development policy from the margins to the centre of Irish foreign policy in a few short years. Therefore it can certainly be hoped that political ambition will be equalled by results, enabling Ireland to be a leader in the fields of overseas development and humanitarian assistance.

Notes

1 Ireland is strongly supportive of the current definition of ODA.

2 Malawi and Vietnam have become the newest partner countries bringing to nine the number of Irish Aid programme countries.

3 White Paper on Irish Aid, 2006.

4 Irish Aid's 'Operational Plan' is also aligned to the 'Strategy Statement' of the Department of Foreign Affairs.

5 The abbreviation of Multi Annual Programme Scheme is MAPS.

6 Tanzania Country Strategy Paper (2008-2011).

7 'Why Ireland has got it largely right on foreign aid' by Minister for Foreign Affairs Dermot Ahern, Irish Times, January 12, 2008.

8 The full title of the DAC workshop was 'Development Effectiveness in Practice – Applying the Paris Declaration to Advancing Gender Equality, Environmental Sustainability and Human Rights.

9 The High Level Forum on Aid Effectiveness will take place in Accra, Ghana in September 2008.

A New Commitment to International Co-operation

Arjan El Fassed
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Overview

- The Netherlands is one of the most generous DAC donors in terms of the proportion of national income dedicated to ODA.
- Since 1997, successive governments have fixed ODA at 0.8% of GNI.
- In 2007, ODA amounted to 4.7 billion euros.
- In 2007, the new coalition government committed to making an additional 50 million euros of development co-operation funding (over and above the 0.8%) available each year specifically for sustainable energy.
- The government has renewed focus on achieving the MDGs.

The Debt-Cancellation Effect

However, the headline figures do not tell the whole story about the level of aid.

The reported ODA figure is inflated by the amount spent on cancellation of export credit debt. In a recent evaluation of Dutch policies in Africa, the amount of debt cancellation for countries in Sub-Sahara Africa between 1998-2006 was estimated at 1.1 billion euros (the largest being DRC, 360 million, and Nigeria, 350 million). Of this, 1 billion was export credit debt. This amounts to at least 20% of ODA in the same period.

The evaluation concluded that the Dutch government 'earns' from debt-cancellation. It found that costs were covered by ODA funds from the Ministry of Development Co-operation but the benefits went to Dutch export rather than poverty-eradication. This year (2008) the cancellation of export credit debt will amount to 301 million euros (around 6 percent of the budget).

There would have been an even greater effect on the ODA calculation if the government had not decided against a move to include security-related expenditure in the OECD-DAC criteria.

The New Agenda: Focus on Achieving the Millennium Development Goals

There are, however, good reasons for optimism for the future. In 2007, the Netherlands came in first on the 2007 Commitment to Development Index and fourth on the Humanitarian Response Index.[1] After a number of years in which international co-operation was mentioned last, the new Coalition government announced last year that the *first* pillar of their agreement was a commitment "to strengthening international co-operation and the international legal order, and investing in the sustainable development of countries blighted by poverty".[2]

The new cabinet promised a stronger focus on achieving the Millennium Development Goals (MDGs), the harmonization of bilateral aid and pursuing new initiatives for "substantial debt relief". It said that Europe "must make a concerted effort to promote the position of poor countries within international organisations such as the WTO. Developing countries should be encouraged and helped to play a much greater role in the world trade system".

The Minister for Development Co-operation presented his new policy on 16 October 2007 setting out four areas where government was to step up efforts:

(1) *The fragile states* - which are lagging furthest behind on the MDGs. The emphasis that donor countries have placed on good governance has led to a situation where the countries that need assistance most do not receive it because they do not meet the criteria.

(2) *Equal rights* - opportunities for women; sexual and reproductive health and rights.

(3) *Growth and equity* - to help bridge the gap between rich and poor, both between and within countries.

(4) *Environment* - Greater recognition will be given to the importance of the environment and energy in achieving all MDGs and to the impact of climate change. The government intends to take the lead on measures to mitigate climate change and has recognized that extra funds will be necessary for adaptation, although it has not yet made them available. It believes that adaptation should be organised according to the 'polluter pays principle.'

NGOs concerned about areas where progress towards achieving the MDGs has been slow – *fragile states, gender* and *women's rights* – have been encouraged by the new priorities. However, they argue that the funds necessary for the climate change agenda must be on top of ODA because of the need to support the MDGs.

The Role of Budget Support

Development countries need long-term, predictable aid that is based on nationally-owned plans, and aligned to national budget processes. The aid needs to become part of their budget (i.e. budget support) so that they can use it to finance their own plans to increase access to basic services. The kind of budget aid needed is tied to clear outcomes on health, education, gender equality, and other targets contained in the MDGs. In particular, achieving the MDGs would require the recruitment of around two million teachers and more than four million health workers. This requires real long-term planning and investment. It needs to be based on plans that are designed by developing-country governments themselves, in consultation with civil society, and agreed by parliaments. It should only be given to countries that are tackling corruption and which can ensure that the money is clearly accounted for.

However, despite the Netherlands being among the driving forces within the DAC promoting budget support, only a small amount of Dutch aid is provided in this way. In 2007, 5% of net aid came as general budget support. The Netherlands currently uses a mix of general budget support with earmarking, and sectoral budget support.

The Netherlands

Policy coherence

The Netherlands has become more coherent in areas of investment, trade and environment, but less coherent in its development co-operation and migration policies and the transshipment of arms. Meanwhile, the practice of referring to EU decision-making tends to shift responsibility for coherence issues to Brussels at a time when there is a lot of criticism at the lack of coherence within common European policy. Dutch NGOs have called on the government to stop financing export credit debt cancellation from the ODA budget and ensure that gender equality is a key theme in all aid modalities. In addition, Dutch NGOs are concerned that the Dutch government is still reluctant to take a strong position on economic policy conditionality. While the government's position is somewhat critical of old-fashioned economic policy conditions, and is pushing for increasing the use of Poverty and Social Impact Analyses to asses the impact of specific economic policy recommendations on development, the government has not taken steps to explicitly refuse the use of economic policy conditions in aid. This means that there has been little progress overall in Dutch policy coherence during the past two years and this is an area where the Netherlands has room for improvement. The top ranking the country received from the Center for Global Development can to some extent be explained by the lack of progress by other rich countries.

Notes

1 Commitment to Development Index 2007, Center for Global Development. The index ranks 21 of the world's richest countries on their dedication to policies that benefit the five billion people living in poorer nations. The Humanitarian Response Index, ranking 23 OECD/DAC countries that endorsed the Principles and Good Practices of Humanitarian Donorship (GHD), considered to be the international benchmark for best practices in humanitarian action, is developed by the Madrid-based evaluation agency DARA.

2 Coalition agreement between the parliamentary parties of the Christian Democratic Alliance, Labour Party and Christian Union, 7 February 2007.

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Aid Gap Leaves Questions Over Commitment

"Global Responsibility -Austrian Platform for Development and Humanitarian Aid" and Hilde Wipfel (KOO)

ODA in 2006

- Official Austrian ODA in 2006 was US$1,498m, representing 0.47% of GNI.
- This was down (6.9% in real terms) from US$ 1,573m in 2005, which represented 0.52% of GNI.
- However, debt relief grants make up a dramatic proportion of overall ODA - in 2006, 50% of ODA referred to debt relief in Cameroon and Iraq. Equally, in 2005, the ODA figures were more than doubled with the inclusion of US$ 904m in debt relief grants to Iraq and Madagascar.
- "Real" ODA - net of debt-relief and such items as the imputed cost of foreign students and refugee housing - in 2006 was only 0.2% of GNI.[1]
- In 2006, Austria spent US$ 406m for multilateral activities. US$ 236m went to EU development activities, US$ 98m to IDA, US$ 36m to regional development banks and US$27m to UN organisations.

Given that Austria's apparent good performance in spending on ODA is heavily based on debt relief initiatives and that debt cancellation will probably come to an end in 2009, it is not at all clear how Austria will meet its ODA commitments (0.51% of GNI by 2010). So far, no budgetary forecasts beyond 2008 or binding political obligations exist.

Despite the European initiative to put policy coherence into political practice, most of the ODA activities are not coherent at all. The Austrian Ministry of European and International Affairs (BMeiA) is legally in charge of implementing policy coherence for development, but has so far started only informal dialogues with other ministries and stakeholders of various interests.

Only the bilateral core budget for development co-operation, implemented by the Austrian Development Agency (ADA) and amounting to US$ 119m (8% of Austrian ODA), meets the internationally-agreed quality standards. Most of the remaining budget reported as ODA is spent by the Ministry of Finance, the Ministry of Science and Education and the Ministry of Interior, and therefore, in many cases is not in line with development priorities. Expenditure for debt cancellation, imputed student costs and asylum seekers reflects neither DAC principles nor effective aid efforts.

Austria

New Trends in Austrian Policy

Increasing focus on private sector development and co-operation with business

An *Austrian Development Bank* was due to start operations in March 2008. Established as a subsidiary of the Austrian export credit agency OeKB, its aim is to support long-term private-sector investment in developing countries and economies in transition.

Austrian CSOs lobbied for a strong development orientation for this new institution, which should be reflected in its strategy, expertise, structures, and the process of project-appraisal, monitoring and evaluation. Key issues are the observance of internationally-recognized standards; safeguard mechanisms; participation of stakeholders; transparency; and public accountability.

There are some positive signs. It is committed to: observe the Austrian Act for Development Cooperation and link to its three-year-programme; untie aid; co-operate with other European development banks including the German DEG; report to Parliament; conduct regular evaluations; and enter into dialogue with civil society.

It remains to be seen whether the Bank will contribute primarily to development and poverty-reduction or merely serve the interests of Austrian business. These concerns are exacerbated given that its operations are regulated by the Austrian Export Credit Act and that it is ultimately accountable to the Ministry of Finance.

Finally, it must not be forgotten that, overall, its contributions to ODA will remain limited and that increases will still need to be sought elsewhere.

Aid-effectiveness and human rights as new paradigms for development co-operation

A 2007 update of the three-year Austrian Development Cooperation Programme recognised the “enormous challenge of delivering more and better aid” and suggests stronger concentration on focus countries and sectors; division of labour within the donor community; active participation in donor co-ordination processes in partner countries; support for national parliaments and civil society, and increased engagement in international organisations.

In 2006, the Development Agency and the BMeiA published policy documents on good governance and human rights which function as political guidelines for state-funded development assistance.[2] Both documents stress direct links with the aid-effectiveness agenda of the Paris Declaration and underline the importance of systematic harmonisation and alignment in order to “increase the effectiveness of work, lower transaction costs and promote ownership of and alignment to Austrian Development Cooperation partners”.[3]

The policy document identifies three intervention levels in terms of human rights: integration of human rights perspectives into all areas of development co-operation; human rights promotion as a sector intervention; and human rights as part of “political dialogue”. It says “The aim of political dialogue… is to increase the effectiveness of programmes by aligning them with national development strategies… by promoting transparency and harmonisation and hence strengthen the partner government”.[4]

Good governance is both a crucial precondition and result of effective development cooperation. In this context, Austrian Development Cooperation puts a strong emphasis on ownership, with the participation of all relevant social groups. In more precise terms, this is a commitment to "democratic ownership", especially recognizing civil society organisations and democratic institutions (in the South) as partners in the implementation processes.

However, it remains largely unclear what these commitments mean in practice and to what extent Austrian development cooperation has significantly changed with respect to aid effectiveness and human rights since the Paris Declaration was signed. Significantly, human rights discussion and strategies have been almost absent in Austria's preparation for the Third High-Level Forum in Accra in September 2008.

Overall, Austria can be seen to be still in a starting phase, but has initiated the following:

1. capacity and awareness building, including for parliamentarians and local civil society (to overcome major deficits in this field in recipient countries)
2. budget support to selected partner countries such as Nicaragua, Uganda and Mozambique with which Austria has long-term partnership experience (started as a pilot phase in 2005). So far, this has focused exclusively on sector budget support (e.g. Austria has taken on donor coordination in the water sector in Uganda and supports the health sector in Nicaragua.
3. minimal support to international trust funds in areas such as health, gender, environment or governance[5]
4. some regulations regarding project funding show an increasing tendency to prove that projects support the Austrian policy focus or national development plans in the respective countries
5. recognising that NGO projects can contribute to strengthening local civil society or institutions

Public debate on the Paris Declaration

Discussion on the Paris Declaration and its consequences for development co-operation intensified in Austria during 2007. Various public events, workshops and discussion forums were organised, and the non-state development actors initiated debate around their reading of the Paris Declaration and the relevance of effectiveness-related questions for Austrian CSOs themselves and their work in partner countries.

This debate continues among the various stakeholders and the CSO umbrella organisations.. In 2006, an internal paper on civil society perspectives on the Paris Declaration circulated among CSOs.[6] Lively discussion among Austrian NGOs[7] resulted in a joint paper by AGEZ and the Austrian EU Platform[8] about their roles in the light of recent trends, including the Paris Declaration. Crucial for Austrian CSOs is the somewhat narrow perspective and very technical approach of the official aid-effectiveness agenda.

Once more, whilst Austrian Development Co-operation shows apparent commitment to the principles of democratic ownership, decentralization, transparency, participation and local accountability, a closer look is needed to identify overlaps and differences between official perceptions and those of the CSOs.

The following proposals emerged from the Austrian NGO perspective:

1. *Broaden the agenda from aid-effectiveness to the quality of development co-operation*.

   This would cover systemic issues and the coherence of policies and require special measures to counteract imbalanced power relations.

2. *Agree on the aims and types of aid as a basis for alignment.*

   Alignment requires common understanding of aims and processes. CSOs view development as empowering people to improve their own lives and contribute to the common good. Development cooperation partners need to work together towards the common agenda of poverty reduction and human rights for all. This approach also needs qualitative and quantitative monitoring of the impact on poverty on the ground. Nevertheless, harmonisation should allow flexibility and diversity in order to avoid support gaps in crucial areas.

3. *Promote broad-based democratic ownership*

   National development strategies can only function as a useful basis for ownership if they are themselves products of a broad participation and consultation process within the societies concerned. This is threatened in practice by a lack of both political will among the elites and capacity among marginalised sections of the population. Donor countries themselves are responsible for securing conditions of broadest possible participation in the formulation of national development strategies, ensuring transparency and fostering local accountability.

The role of NGOs

Austrian NGOs are trying to integrate human rights aspects into development policy in a systematic way, from project co-operation to advocacy. In particular, lobbying and training has been done regarding the right for food, women's rights, children's rights, the right for health care (e.g. in the context of HIV/AIDS) and the social rights of disabled people. They call for full local participation in development policy processes.

However, official Austrian development co-operation tends to see only a limited role for CSOs in the future, mainly restricted to implementing innovative pilot projects, to being partners in policy dialogue and acting as "watchdogs".[9] It sees the primary role of Northern CSOs as that of supporting Southern civil society through capacity-building and networking; their contribution to raising development-awareness in the North does not get much attention in the recent three-year programme.

In contrast, the CSO draft paper of 2006 underlines the importance of CSOs as respected development actors in their own right. Their strengths are their diversity; focus on the poorest and most-marginalised groups of society; commitment to equal rights; and closeness to the grassroots. They identify a diversity of tasks that need to be taken on by CSOs:

- Supporting and implementing projects at grass-roots level or in fragile states.
- Contributing practical and scientific experience and expertise.
- Capacity building and empowerment of Southern partners.
- Building bridges and networking from national to international level.
- Awareness raising and advocacy in the North to influence global politics.
- Contributing to the formulation of development policy and strategy
- Acting as watch-dogs and monitoring implementation.

- Campaigning or mobilising movements developing alternatives.

CSOs are challenged by the Paris Declaration to make their work more effective in their own way, without simply following government frameworks. Thus, acceptance of CSOs and their roles in (effective) development processes cannot be their alignment with the development policies of the donor states. They are not subject to official donors' interests, but have an important role to play in giving voice to otherwise neglected needs and perspectives and they may need to be critical of national development policies.

Conclusion

The debate over Austria's official development co-operation policy in the light of the Paris Declaration continues. Whilst the government is emphasising aid effectiveness in its policy documents (if not yet fully in practice), human rights based approaches and the issue of power relations are not clearly addressed.

The Declaration also tends to increase pressure on NGOs to fulfil a rather limited complementary role such as capacity building for local civil society or experimenting with innovative pilot projects. This limits the space of NGOs as actors in their own right and the diversity of their roles with regard to development policies.

These are matters that Austrian Civil Society is challenged to engage with and thereby review its own effectiveness and added value.

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Abbreviations:

ADA: Austrian Development Agency (state owned agency for development cooperation)

BMeiA: Federal Ministry for European and International Affairs (Austrian Foreign Ministry)

OEZA: (Public) Austrian development cooperation

Notes

1 CONCORD: Hold the Applause! EU governments risk breaking aid promises. April 2007 (http://doku.cac.at/aidwatchreport.pdf)

2 Federal Ministry for Foreign Affairs, Good Governance. Policy Document, 2006, Vienna (http://www.ada.gv.at/fileadmin/user_upload/ADA/media/2-Aussenpolitik_Zentrale/OEZA_ab_Februar_2006/2380_policy_document_good_governance_web.pdf); Federal Ministry for Foreign Affairs, Human Rights. Policy Document, 2006, Vienna (http://www.ada.gv.at/fileadmin/user_upload/ADA/media/2-Aussenpolitik_Zentrale/OEZA_ab_Februar_2006/2379_policy_document_human_rights_web.pdf)

3 Federal Ministry for Foreign Affairs, Good Governance. Policy Document, 2006, Vienna, 15

4 Federal Ministry for Foreign Affairs, Human Rights. Policy Document, 2006, Vienna, 15

5 OEZA Bericht 2006, Teil II (http://www.bmeia.gv.at/fileadmin/user_upload/bmeia/media/2-Aussenpolitik_Zentrale/EZA/4844_oeza_bericht_teil_ii.pdf)

6 Johannes Trimmel, Stellungnahme der NGOs zur Pariser Erklärung [NGO comment on the Paris Declaration] (unpublished paper), 2006, Vienna

7 In April 2008, the new Austrian NGO umbrella organisation "Global Responsibility – Platform for Development and Humanitarian Aid" has started to operate as a successor of AGEZ and the Austrian EU Platform of Non-governmental Development Organisations.

Austria

[8] AGEZ & Austrian EU-Platform of Non-governmantal Development Organisations, Die österreichischen NGOs der Entwicklungspolitik und Entwicklungszusammenarbeit – ihre Rolle jetzt und in der Zukunft: ein unverzichtbarer Partner für die OEZA und die Länder des Südens [Role of the Austrian NGOs in development policy and cooperation], March 2006 (http://www.oneworld.at/agez/Positionspapier%20Rolle%20der%20NGOs%2027-3-06.pdf)

[9] Federal Ministry for Foreign Affairs, NGO cooperation. Policy Document, 2007, Vienna (http://www.ada.gv.at/fileadmin/user_upload/ADA/media/2-Aussenpolitik_Zentrale/OEZA_ab_Februar_2006/2664_ngo_cooperation_policy_document.pdf)

The Changeability of Aid

Els Hertogen
11.11.11 – Coalition of the Flemish North South Movement

Belgium At A Glance

- In 2006, Belgium gave 1,575,720,347.00 Euros, which is the equivalent of 149.47 Euros per person.
- ODA from Belgium rose by a meagre 1.8 million Euros in 2006 compared to the previous year
- The percentage of GNI given dropped slightly from 0.53% in 2005 to 0.5 % in 2006 and then to a mere 0.43% in 2007..
- Almost 25% of this 'aid' is inflated with debt cancellations and costs for the reception of refugees.
- Belgium was fourteenth amongst the OECD donors in absolute figures and ranked eighth by percentage of ODA in relation to GNI.
- In 2006, Belgium spent 123.6 million Euros on education (7.8% of total ODA), 110.1 million Euros (6.9% of total ODA) on health and 43.9 million Euros (2.7% of total ODA) on water and sanitation.

Main Developments in Belgium's Aid

"In 2005, the OECD-DAC report made a promising assessment of our development cooperation policy. The DAC congratulated Belgium for its commitment to reach the 0.7% norm by 2010, on its geographical concentration and on the increasing aid figures. Despite a difficult budgetary context, Belgium will stick to its promise to reach 0.7% by 2010. "

- Former Prime Minister Guy Verhofstadt in a speech to the Belgian Technical Cooperation, 6th February 2007

The changing dace of Belgian aid

In December 2001, Belgium confirmed by law its commitment to reach the 0.7% target by 2010. Since then, the level of Belgian aid has been very changeable. The Belgian government blames the latest fall since 2006 on the political crisis in the second half of 2007 while Belgian NGOs blame a lack of political will.

Year	Percentage of GNI given by Belgium
2002	0.43%
2003	0.6%
2004	0.41%
2005	0.53%
2006	0.5%
2007	0.43%

Belgium

The main cause for this instability is that Belgium inflates its aid with considerable amounts of debt relief, which tend to fluctuate substantially from one year to the next. If debt relief is subtracted from the overall budget, Belgian aid remains more or less stable at 0.38% of GNI.

Given the fact that possibilities for debt relief will disappear in coming years, a serious commitment to real aid must be made, particularly if the 0.7% target is to be met. The preliminary 2008 budget aims to reach 0.5%, of which approximately 58% will be spent by the Directorate-General of Development Cooperation (DGDC) and the rest by other departments (finance, external affairs and internal affairs) and regional governments.

In 2005 the DAC congratulated Belgium on its efforts at geographical concentration and Belgium has continued with this focus. The new Minister of Development Cooperation intends to further decrease the number of partner countries of which there are currently eighteen. The Belgian government launched the idea of slowing down cooperation with middle-income countries in terms of aid, instead: seeking other forms of collaboration, developing efficient exit strategies, focussing the extra aid money on Central Africa etc. Currently, Belgium has no adequate exit strategy and, in 2006, expenses were still budgeted for 36 developing countries. In principle, Belgium wishes to further geographic concentration, but there are questions on how this will be implemented.

According to official statistics based on the 2001 OECD-DAC recommendation, 97-99% of Belgian aid is untied. This figure however, also includes multilateral aid, which in itself is untied. According to 2007 OECD DAC figures on bilateral aid, only 90,7% is untied. The fact that technical assistance (which makes up 40-50% of total Belgian aid) is not being taken into account in the figure makes it difficult to have an exact idea on the untying of Belgian aid. In 2002, Belgium decided to make all aid given under the budget of development cooperation untied, except technical assistance. Nonetheless, this decision implies that budget posts such as loans from state to state, which fall under the responsibility of the Department of Finance, also remain tied.

Institutional changes

The autonomy of Development Cooperation from Foreign Affairs remains an issue. After the 2003 elections, a Minister of Development Cooperation was appointed, as was requested by Belgian NGOs. However, the decision to integrate the budget of Development Cooperation into the budget of Foreign Affairs diminished his influence on the aid budget substantially, undermining his overall power. The Ministry of Foreign Affairs also has responsibility for discussions on good governance.

Additionally, the Belgian development administration went through some fundamental reforms in 1999, which have taken some time to digest. There remains concern in filling the roles of the different institutions involved in bilateral cooperation. The relationship between the DGCD - responsible for policy making - and the Belgian Technical Cooperation (BTC) - responsible for policy implementation - remains a difficult one. Although the management of both institutions is committed to ensure dialogue between the two, this is not always the case in practice. The DGCD is not substantially equipped – due to a lack of experts – to fully take up the responsibility of policy making.

Criticism has also been directed at the BTC, since too many decisions are being made in Brussels. Although the BTC is making efforts to decentralise the implementation of Belgian development policy, there is not a strong framework within which the Belgian delegates can operate efficiently.

De-federalisation remains a political issue in Belgium, but has not been implemented so far. A new round of state reforms is to be prepared in 2008. Belgian NGOs will look closely at this discussion and continue stressing the contradiction between a de-federalisation of development cooperation and principles such as concentration, harmonisation and coordination.

Aid Effectiveness

In June 2007, Belgium released a 'Plan on Harmonisation and Alignment' (H&A). In this plan, Belgium focuses on the implementation of the Paris Declaration:

- Belgium aims to respect the country's PRSP by aligning to the priorities set in it. It will adjust its own programming cycle to the Mid-Term review rhythm of the PRSP cycle of the partner country.
- Belgium aims to shift from service delivery to local populations to strengthening the capacities of national institutions by giving technical assistance.
- Belgium will invest in capacity building of procurement systems.
- Belgium will concentrate on only two sectors per partner country to foster active partnership and participation in policy dialogue.
- Belgium will increase budget support.
- Two evaluations are foreseen on how Belgium implements its Plan on H&A.

This plan is full of intentions in terms of procedure, but it lacks statements about concrete priorities. Furthermore, it refers to national ownership as defined in the Paris Declaration. The concept of democratic ownership is not used, nor is civil society in general referred to. This plan has only been operational since June 2007, so it is too early to see any major shifts in Belgian development cooperation spending.

The Minister of Development Cooperation wants to take some concrete steps to further concentrate on both geographical (supra) and sectoral levels. The selection of just two sectors per partner country - one social and one economic - will happen on the basis of the Belgian delegate's analysis stemming from the partner country's PRSP and dialogue with the recipient government. While the intentions of sectoral concentration can be encouraged, its definitions of 'social and economic sectors' are too vague to be workable. Moreover, too much power is laid in the hands of the Belgian delegates in the partner countries. A much stronger framework is required.

Belgium has been giving budgetary support since 2005 and has developed strongly on this issue. Since Belgium does not have the capacity to do a qualitative follow-up and hardly influences policy dialogue because it is a relatively small donor, it will only give general budget support in a delegation of the EC or the World Bank.

Within the framework of alignment and harmonisation, the Belgian government also decided to delegate some of its funds to other donors, who have more experience in certain areas. It is necessary to be aware that there may be a hidden agenda behind this decision. Some argue that the Belgian Technical Cooperation (BTC) (the institution responsible for the implementation of development policy) is being weakened by this decision, since the implementation of certain programmes is being handed out to other institutions. Therefore, we need to stress that to attain good quality development cooperation, strong Belgian institutions and administrations are needed. The Belgian government should invest in the strengthening of these institutions instead of weakening them. Also, a sound framework on delegated forms of cooperation needs to be elaborated.

Neither democratic ownership nor NGOs in general are mentioned in the Plan on H&A. Nevertheless, the Belgian government does invest in strengthening civil society capacity. It has a programme which directly funds local southern NGOs. However, this is managed by Belgian delegates in the countries and there is no guiding framework or coherent policy to guide their work, which therefore depends on the personal interest and will of the local delegate to decide on budget usage. Another means of support is that the Belgian government also co-funds Belgian NGOs and several Southern NGOs are funded through Northern (Belgian) NGOs. Some Belgian NGOs have the explicit goal of strengthening local civil society.

In the policy statements by the Minister and DGCD special attention is given to cooperation between the Belgian government and Belgian NGOs. There is to be more involvement in the preparation of the mixed commissions which prepare the new indicative programmes with partner countries. This will hopefully aim at true dialogue, rather than an attempt to align NGOs to government policies. However, in this context, it is somewhat worrying that NGOs will be asked for complementarity with the Belgian governments sectoral and geographical concentration, while no qualitative consultative framework exists at this moment.

Human Rights

Although human rights are inscribed in Belgian Law on International Cooperation as a principle and a goal, and both the Department of Foreign Affairs and Development Cooperation work on this issue, it is difficult to see how this is being implemented in practice.

From a development perspective the focus lies on children's rights, which are inscribed in the Law on International Cooperation as a cross-cutting theme meaning that they should be taken into account in every programme of Belgian development cooperation. However, up to February 2008, there had not been a specific budget for this issue. While efforts are being made to help reach MDG 2 (basic education, which is a child's right), budgetary analysis points out that finance tends to go to higher education, particularly through scholarships. The DGCD awaits extra funds, but these will only be available if the Belgian government decides to make a true effort to achieve the 0.7% goal.

Finnish Development Co-operation: Focus on Climate Change

Matti Ylönen
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Overview

- Finnish ODA in 2007 amounted to 711 million euros.[1]
- Finland channels 31.5% of its ODA through bilateral aid, 28.8% via multilateral institutions, 12.6% to humanitarian aid and 11.8% to development co-operation projects carried out by CSOs.[2]
- Finland is seeking to focus its aid on fewer countries and sectors
- Far-reaching changes have been made to Finnish development policy by the new government elected in March 2007. The key changes are:
    - Greater stress on issues of climate change and the environment.
    - A stronger focus on sustainable development

New Priorities and Challenges Under a New Government

The new government (a coalition of the right-wing Centre, Coalition and Swedish Peoples' parties, together with Greens) had its new development policy programme, *Towards Sustainable and Just World Community,* ratified in October 2007.

The new programme was agreed after the first-ever plenary session in the Finnish Parliament devoted completely to development issues. Stated aims were that "Finland's development policy stresses to a greater extent the significance of climate change and environmental issues, crisis prevention and support for peace processes".

Sustainable development is the main theme. Within this, economic, ecological and social aspects are all taken into account, but the main emphasis is on ecological issues and crisis management, linking in to the process started by the1992 United Nations Conference on Environment and Development. Compared to the previous development policy programme, the importance of sustainable development was strengthened, while poverty reduction remains as a main goal of Finnish development policy.

The new programme also contained a revised timetable for increasing ODA commitments. The target is now for ODA to reach 0.51% of GNI in 2010 and 0.7% by 2015. This is in line with UN and EU targets, but is less ambitious than the previous government's goal of reaching 0.7% by 2010. However, with aid this year (2008) predicted to be 0.44% and GNI growing steadily, Finland is unlikely to be able to meet the EU mid-target of 0.51% by 2010.

Finland is also seeking to focus its aid on fewer countries and sectors, with transition strategies for those countries where development co-operation is being phased out.

Finnish development NGOs have been happy to note that the programme is committed to key principles of complementarity, effectiveness and cohesion. They have welcomed a pledge that Finland will particularly seek to take developing countries into consideration in trade, rural (agriculture) and environment policy and they are hoping to see real change in overall development policy coherence.

Effects of the New Programme

As Finland is set to continue to concentrate ODA (generally) on three sectors in each main partner country, the new focus could make a big difference to the impact of Finnish policies on these countries. Concerns have been raised that work in some of the traditional core areas of Finnish development co-operation – such as social sector policies and support for vulnerable groups – will suffer as a result of the new priorities.

However, a big concern is that the new programme lacks both lacks precise targets or guidelines for aid allocation- and ideas on how to increase attention to identified key cross-cutting themes such as gender equality and vulnerable groups. An exception to this is the stronger emphasis on environmental issues, natural resources and security

The lack of concrete targets and indicators - as well as being among the biggest concerns of Finnish CSOs - is also a departure from the earlier development policy programme of 2004. It remains to be seen how well human rights, aid effectiveness and democratic ownership will be taken into account and how the progress or lack of it is going to be measured.

The effect of the new programme on MFA funding decisions are still not clear. The Finnish Minister for Foreign Trade and Development, Paavo Väyrynen, has stated that social sector projects would be natural role for CSOs in the framework of sustainable development, signaling a shift away from comprehensive social policies approach. On the other hand, development research grants distributed in Autumn 2007 had focus on new environmental priorities.

On-Going Debates

- *Budget support*. Under the previous government, Finland had begun to increase the use of budget support. The new programme declared that the "role of budget support in our development co-operation will be considered in the near future." Changes seem, however, to be underway. In late 2007, the Finnish embassy in Mozambique wanted to increase the share of budget support in development aid, but the request was rejected by the MFA.[3] This decision was at odds with a commitment to stress local expertise in such decisions. It remains to be seen whether this was an exception or a sign of a change in policy.

- *Outsourcing.* There has been discussion about the MFA outsourcing administration of small NGOs funding decisions. Outsourcing can be seen partly as a result of pressure to cut down the Ministry's administrative costs in line with the government's efficiency program at a time when the gross amount of ODA is increasing.

- *Peace-keeping*. Minister of Defence Jyri Häkämies proposed in 2007 that peace-keeping expenses should be included in Finland's ODA figures. This would be a major departure from Finland's good record on this issue in OECD DAC peer reviews. Up to now the proposal has not resulted in any action.

Aid Effectiveness, Democratic Wwnership and Human Rights

Finnish development policy is guided by the government programme and the development policy programme. Other important guiding documents are the UN strategy and strategy for multilateral aid. At the time of writing, both documents are being rewritten, to be published in Spring 2008.

Internal policy papers help focus work related to specific issues. Examples include policies or guidelines on: humanitarian aid (2007); the health sector (2007); HIV/Aids (2006); education (2006); ICT and information society (2005); and aid for trade (to be finalised). Currently MFA does not have a gender strategy in effect.

In preparation for the Accra high-level forum, Finland has chosen its **aid effectiveness priorities** to be: ecologically sustainable development and climate change; coherence and clarity between different development actors and activities; and division of labour between donors and the predictability of funding.

Approaching the mid-term review of the Paris Declaration, Finland has performed well with strengthening capacity through **co-ordinated support** (indicator 4), use of **country procurement systems** (5b), and **untied aid** (8).

However, two indicators show average results. These are **alignment** of aid flows with national priorities (indicator 3) and use of partner country **public financial management systems** (5a). Finland has room for improvement especially in terms of **aid-predictability** and use of common arrangements or procedures in **aid harmonisation**. It is of note, however, that - with only eight main partner countries - particularly good or bad results in a single country can significantly affect the overall result.

In general, Finland does not attach **conditions** to its aid, with the exception of export credit loans. However, in its country-level programme Finland follows the conditions set by the WB and IMF. Contrary to the recommendation of the OECD peer review of 2003, Finland has continued its concessional credit scheme. Use of this scheme is in line with the OECD rules, but the OECD peer review 2007 argues that there should be a better system for monitoring its development impact.

Despite Finland's desire to focus aid on fewer countries to reduce **fragmentation**, the OECD peer review notes that bilateral ODA to Finland's eight main partners fell from 40% in 1999-2000 to 28% in 2004-2005. Part, but not all, of this drop was a result of Iraq debt relief. This fragmentation of aid is a challenge that has to be addressed. Furthermore, Finland is only now preparing formal country strategies for its long-term partners, for the first time. Documents are being drafted as an internal exercise by the MFA, with no outside consultation. The strategies should be ready during Spring 2008.

Finland has traditionally voiced strong support towards the **UN system**. This is repeated in the new programme. However, the core funding that Finland gives to UN organisations is rather small compared to other Nordic countries. Statistics for multilateral aid are fragmented; however, the general trend is that - although funding for both IFIs and UN organisations is growing in line with growth of ODA - proportional support for IFIs is growing faster. Whereas funding for IFIs and UN organisations used to be about equal, the 2008 government budget shows around 90 million euros of multilateral aid directed to IFIs, while UN institutions will receive only around 80 million. This contradicts aforementioned government policies.

Finland

Notes

[1] OECD DAC

[2] Finnish Development Cooperation report 2008

[3] In Finland, it is the responsibility of Ministry for Foreign Affairs to co-ordinate development co-operation at policy level as well as in the partner countries

French Development Cooperation: Little Leadership to be Expected on the Fight Against Poverty

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Coordination SUD

Overview

- In 2007, France gave US$ 9.9 billion or 7.2 billion euros - this means that, in 2007, each person in France gave US$ 156 or 113 euros. This total amounted to 0.39% of its national wealth (GNI) in 2007 (compared with the average country effort of DAC members of 0.31%).
- From 2006 - when aid was 0.47% of GNI - to 2007, aid from France decreased by US$ 661 million in cash terms. Because of inflation and exchange rate changes, the value of aid decreased by 16% in real terms.
- However, discounting refugee costs (434 millions €, +16%), imputed students costs (891 millions €, +7%) and spending to support French overseas territories (345 millions €, -1%), 'real' French aid has decreased from 0.24% of GNI in 2006 to 0.23% in 2007[1].
- Debt relief for Nigeria represented €1.1 billion of French ODA in 2005 and €1.6 billion in 2006. Cancellation of Iraqi debt reached up to €504 million in 2005 and €625 million in 2006.
- In 2005-2006, 61% of bilateral ODA (US$ 4.6 billion) went to least developed and low-income countries where 3.5 billion people (60% of the global population) live on less than two dollars a day.
- In 2006, France spent: 1.1% of its bilateral aid (US$ 87.1m) on basic education; 1.8% of its bilateral aid (US$ 142.5m) on basic health; and 2.4% of its bilateral aid (US$ 190.1m) on water and sanitation.

Doubts Over Future ODA Levels

In March 2002, France was the first G7 country to adopt a timetable for its development assistance to reach 0.7% of GNI by 2012. French ODA has been in fact increasing since 2002, even if it fell dramatically in 2007. However, the new President, Mr Sarkozy, went back on the calendar adopted in 2002, announcing that France would only respect the European timetable to reach 0.7% by 2015. However, even this commitment seems unlikely to be met, since the ODA budget is not expected to increase in 2008.

Moreover, the growth of French ODA over the last few years did not necessarily lead to increased funding available for the MDGs. The increase in ODA is above all due to the implementation of the Highly Indebted Poor Countries Initiative (HIPC) and debt relief for Iraq and Nigeria, which had a very big impact on the figures for 2005 and 2006. Cancellation of HIPC debt is largely a matter of writing off unpayable debts - indeed, a significant share of the now cancelled debts was generated by the French export credit agency to support French companies in exporting to developing countries. Therefore, the extra resources made available in beneficiary countries are very limited.

The decrease in ODA in 2007 is due to the decline of debt relief, which decreased by 55% from 2006. In actual fact, discounting debt relief, DAC figures show a slight increase in French aid. However, this increase will not represent new expenditures for development since discounting refugee costs, imputed students costs and spending to support French overseas territories shows that 'real' French aid has decreased from 0.24% of GNI in 2006 to 0.23% in 2007.[2]

France must take up urgently the challenge of raising its ODA substantially, especially given the decline of debt cancellations expected for 2010– 2011. The multi-annual budget to be in the coming months by the Parliament must lead the government to clarify its commitments and adopt a binding timetable for ODA increases from 2009 to 2015. This would bring the French government in line with the European Commission demands to establish clear ODA timetables to reach 0.7% by 2015.

A failure to provide consistent leadership on ODA levels would be detrimental to France's credibility on development issues. This could potentially jeopardise the government's efforts in the context of the French EU presidency in July-December 2008.

Doubts About the Focus of Aid

Moreover, NGOs are also concerned that France is increasingly using aid to promote its geopolitical interests. A new Ministry, bringing together migration, integration, national identity and development issues, was created in 2007 and intends to guide development policy towards the fight against migration using part of the ODA budget. This ministry co-chairs the intergovernmental committee in charge of steering French aid policy - together with the Ministry for Foreign Affairs and the Finance Ministry.

This approach to development aid as a tool in the fight against migration is dangerous and counter-productive. Migration is mainly due to the extreme poverty experienced by people in the South. The fight against poverty requires a focus on long-term solutions to economic and social exclusion. The government should use the ongoing process of reforming public policies to clarify the objectives of development policy. It needs to reaffirm the focus on the fight against poverty and inequalities, in order to meet French citizens' expectations.

Problems with Harmonization and Alignment

In 2004, France launched a reform of its aid system aimed at rationalizing the system which is divided between too many actors. That reform took place within the framework of the harmonization and coordination of aid processes[3].

Framework Partnership Papers (FPP) have been drawn up to guide French aid in recipient countries, in line with the Poverty Reduction Strategy Papers (PRSP). These documents allow programming on a period of five years. They focus aid on a maximum of three priority sectors linked to the MDGs. However, this has not yet led to a real change of approach and French aid is still lacking real focus. Furthermore, the focus on three sectors has, in certain cases, only led to essential needs being ignored by French aid. For example, in West Africa, education has been widely selected as a focal sector, meaning that health has become a marginal sector of French aid in the region, even though the needs in this sector are still huge[4].

Coordination among donors should have improved with these papers. However a recent report on French aid in Mali from Coordination SUD and the FECONG, the Federation of Malian NGOs, demonstrates that coordination has been very limited in the elaboration of the FPP[5].

This report also highlights the fact that harmonisation of aid led to alignment with frameworks controlled *de facto* by international financial institutions. Conditionalities imposed by the World Bank on the privatisation of the cotton sector became conditionalities to access French aid. These conditionalities were equally applied to other donors' aid programmes in Mali, specifically when aid is allocated through budget support.

These examples show how harmonisation can be detrimental to real ownership. Alignment, in certain cases is not helping in addressing the structural and underlying causes of inequality.

Good Intentions But Weak Implementation in Democratic Ownership and Human Rights

In December 2006, France adopted an action plan on aid effectiveness, going beyond the Paris Declaration on certain issues. It prioritises capacity building on the elaboration and implementation of policies, it sets ambitious objectives to improve the predictability of aid and values the diversity of analysis on development. In particular, it stresses the need for adopting a programming law to guarantee predictable aid. Nevertheless, it is difficult to assess how this plan is implemented and which resources are dedicated to its implementation.

The first multi-annual budget for the period 2009-2011, which should be discussed in the coming months, is not likely to secure aid credits for the period 2009-2011 since it will give maximum ceilings for aid policy without defining a binding minimum ceiling. Moreover, the action plan could be improved on mutual accountability and transparency, which do not address the issue of conditionality.

France adopted a comprehensive strategy on Governance in 2006. It is positive that the strategy defines governance as a process embracing human rights and gender equality, participation of all actors in development and the need for effective and transparent policies. It also stresses the importance of capacity building in this process. Nevertheless, the current trend to link migration and aid policies is not consistent with the essence of this strategy on governance. One can then wonder how the strategy is really going to apply to all aspects of French aid.

Conclusions

While nice promises are being made to improve the quality and quantity of French aid, their translation into concrete actions still needs to be seen. Certain questions remain unanswered before confirming France's potential to play a leading role in the field of development. Will the government adopt a comprehensive strategy on development cooperation? How will adequate resources be made available to the fight against poverty and inequalities? Is the French government ready to adopt a clear timetable setting out its contributions to ODA from 2009 to 2015? Will civil society organisations, parliamentarians and other stakeholders be part of the discussions on the future of French Aid?

France

Notes

1 Fore more details, see Coordination SUD, *APD française et coopération au développement: Etat des lieux, analyses et propositions*, version actualised in February 2006, and Coordination SUD's analyses on French aid in 2007, available on its website: www.coordinationsud.org

2 Ibid.

3 France plays an active role in the process of harmonisation and, among other activities, hosted the Second High-Level Forum on Joint Progress toward Enhanced Aid Effectiveness, in February 2005.

4 In 9 of 11 countries, Education is a focal sector, whereas health is a focal sector in only 2 of 11 countries.

5 On this topic, see Coordination SUD and FECONG, *Rapport conjoint FECONG / Coordination SUD sur la mise en oeuvre de l'aide française au Mali, March 2007*; available in French on Coordination SUD website: www.coordinationsud.org

First Steps Towards ODA Reform After Years of Crisis

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Development co-operation policy in Italy has suffered from a long period in crisis, characterised by the lack of any coherent, clear, shared vision as well as by limited financial resources and understaffed offices.

Key ODA Data

- Italy's ODA in 2006 was only 0.2% - this not only failed to reach the EU target of 0.33% GNI (2002 Barcelona commitment), but was a lower level than in 2005.
- In real terms, the net total of ODA in 2006 was US$ 3,641m - 28.5% lower than in 2005
- Italian ODA net of debt relief was only 0.11% of GNI in 2006. This represented a more dramatic annual decrease from 2005 (41.1%) than any other DAC country. This was largely due to much lower replenishment - $1,640m in 2006 against $2,821m in 2005 - of multilateral banks (IDA in particular).
- Preliminary figures for 2007 show a slight improvement of overall ODA to between 0.21-0.23%, but still well off-track for meeting the European target of 0.51% by 2010.

Claiming Debt Cancellation as Aid

- Debt relief grant initiatives reached US$ 1,595m in 2006, accounting for 43.8% of Italian ODA.
- Debt cancellation at 0.086% of GNI continued to be the most relevant area of intervention (in contrast, bilateral grants net of debt cancellation equalled only 0.003% of GNI)
- Another measure used was buy-back operations in Nigeria that accounted for US$ 216m.
- This emphasis on debt reduction has affected the geographical profile of Italian aid policy with increasing concentration on the least developed countries and sub-Saharan Africa in particular
- This high level of debt relief has also dramatically reduced Italy's traditionally high percentage of tied bilateral aid.
- This massive cancellation of debt is expected to have reached a historical peak and to decrease dramatically in coming years.

Italy

Preferring Multilateral Channels for New Loans

- In 2006, 55% of total ODA resources were defined as bilateral aid, amounting to US$ 2,001. Yet only 15% of the total was in bilateral grants net of debt relief managed by the Ministry of Foreign Affairs and the Ministry of the Economy.
- Moreover, one third of this was multi-bilateral aid (voluntary contributions to international organisations).
- Real, new, bilateral grants were just US$385m, or 10% of total ODA. Net of negative loan-flows, the figure falls to 6%. The transaction type of interventions are basically programme/project aid (through NGOs) and technical co-operation. Bilateral grants to Italian NGO projects increased from US$35m in 2006 euros to US$150m in 2007.
- DAC figures for 2006 showed that only US$ 261m (0.014% of GNI) was allocated through bilateral aid (13% of it) to the Least Developed Countries. In the same period, Sub-Saharan Africa received 50% of bilateral Italian aid. Emergency and post-conflict interventions have represented a crucial area of bilateral aid in recent years, putting Iraq, Serbia, Lebanon and Afghanistan among the top 10 recipient countries.
- Multilateral aid was 45% of Italian ODA and including multi-bilateral aid this increases to 50%. Multi-bilateral grants totalled US$299m in 2007 (from US$120m in 2006) with Government providing new funds in the second half of the year for replenishing multilateral banks and supporting the fight against AIDS, malaria and tuberculosis. Further resources were allocated to co-operation initiatives linked to peace-keeping missions - supporting reconstruction in countries devastated by natural disasters or conflict.
- Obligatory payments to EU programmes constitute around a third of Italy's total ODA.

The Move to Reform

The majority of stakeholders were calling for a new law to renew the mandate and scope of Italian development policy. Public officials, political parties, NGOs, civil society and experts[1] contributed their points of view. Parliamentary debate started on a new ODA reform bill in 2006 and, after a long process, the government presented a draft law in April 2007. The main innovation was the proposed creation of an agency for development assistance, aimed at guaranteeing a more coherent and unified process. The proposed law also foresaw the complete untying of aid.

The centre-left coalition collapsed before the proposals could be passed, but not before the successful introduction of a first concrete step towards reform: nomination of a Deputy Minister for Foreign Affairs with the specific portfolio of development co-operation policy and African issues. The first incumbent of the post used the new political profile to redirect Italian cooperation policy towards these strategic priorities:

(1) Stronger focus on reduction of poverty in Africa
(2) Refocussing on achieving of the MDGs - Italy secured the opening of the European Office of the United Nations for the MDG's Campaign in Rome
(3) Giving support and legitimacy to the crucial role of developmental NGOs and CSOs, both in Italy and the South

(4) The empowerment of women.
(5) The enhancement of de-centralised co-operation, that is: development aid provided by sub-national authorities, with active participation of local partners[2].
(6) Increasing pressure on multilateral organisations for more co-ordination at the same tiem as honoring commitments made to the international community, in terms of:
    a. financial support (starting with UN special funds such as the Global Fund to fight pandemics)
    b. achievement of objectives (starting with external debt relief and achievement of the MDGs)

Other features of government policy in 2007:

- No changes were made on **tied aid**, identified as one of the main areas of policy weakness in the 2004 DAC peer-review. However, in December 2007 the General Directorate for Development Cooperation/Ministry for Foreign Affairs (DGCS) - responsible for managing bilateral grants - stated that from January 2008 project proposals have to indicate both the level of tied aid and the linkage with the MDGs. The impacts of this new approach are not yet visible and cannot be estimated.
- **Sectoral priorities**: In addition to health-care and education and strategic priorities identified above, there will be focus on environment and community assets (with particular reference to rural development, organic or conventional agriculture) and alternative and renewable resources.
- **Geographical priorities**: Sub-Saharan Africa, and several countries in conflict or post-conflict situation (Iraq, Afghanistan[3], Lebanon, Sudan, Somali, Palestinian territories) were defined as the geographic priorities for aid allocation 2007-2009[4].
- **Aid volume**: the government reaffirmed Italy's commitment to achieving the 0.7% ODA/GNI target, emphasising the need to bring Italy closer to the European concensus. After failing to set out a clear timetable, they eventually set out the interim targets of: 0.33% in 2008 and 0.51% by 2010.
- **Bilateral aid and debt relief**: The law was amended to allow partial or total unilateral cancellation or conversion of debt beyond merely cases of disaster or humanitarian crisis, but also to include finance for development projects. Thus, the effect of debt relief on ODA statistics is expected to remain stable in the coming years rather than being drastically reduced. The law authorised full financial support to the implementation of the Multilateral Debt Relief Initiative (MDRI).

Innovative Mechanisms of Finance for Development

The importance of debt relief as well as emergency and post-conflict interventions are translated into operative terms through project aid and technical assistance. So far, Direct Budget Support has been applied in only a limited way in poverty-reduction strategies. However, Italy has looked to developing some innovative funding mecahnisms.

Italy participated in the *Leading Group on Solidarity Levies to Fund Development* (the so–called 46 Group), a forum for discussing additional sources of ODA funding from specific taxation. In 2006, the Italian Ministry of Economy participated in the launch of the International Finance Facility for Immunization (IFF-Im), an instrument to issue bonds guaranteed by donors to finance ODA. At the beginning of 2007, the same Ministry was the main international promoter of Advanced Market Commitments (AMC), an instrument to provide anticipated incentives to private companies for research into vaccines. At the end of the year, Italy authorized for the first time a 40-year commitment to ODA expenditure through IFF-Im and AMC.

Within the context of the G-8, Italy re-affirmed its commitment to exploring innovative mechanisms to link ODA and workers' remittances, aimed at reducing the cost of transfers and promoting matching funds through public and private partnerships for enhancing effectiveness of remittances in development terms.

Aid Effectiveness, Democratic Ownership and Human Rights[5]

Major limitations to greater Italian aid effectiveness are:

1. the scarcity of ODA resources, which has restricted strategic bilateral aid allocations
2. the lack of a regular system of monitoring and evaluation of projects and programmes - an Inspection, Monitoring and Evaluation Unit was set up in 2002 but has never been operational, due to budget constraints. The MFA use internal experts for the identification and initial appraisal of projects. The fact that bilateral aid is managed through the project modality, rather than being mainstreamed through programmes, creates fragmentation and discourages effectiveness analysis.

Human rights and democratic ownership are not directly referred to as priorities in the main strategic MFA documents[6]. However, Italy has confirmed its strategic engagement to a poverty reduction strategy[7] and the empowerment of local civil society has been identified as a key means of enabling a central role for local communities in this strategy. This is a democratic ownership agenda.

Generally, the approach prefers to address human rights through political commitment on other specific matters, such as food and natural resources, sovereignity, environment and rural development[8]. At the UN Human Rights Council, Italy supported the inclusion of the access to water[9] in the criteria.

A strong commitment to gender empowerment has emerged as one of the more relevant issues. The approach is to consider women as stakeholders both in economic development and in peace processes at local level. It is considered a crucial component in addressing social tensions and conflict problems. In 2007, Italy organised a number of initiatives with international relevance on the issue, including a significant conference in Bamako with broad representation from West African Governments and Women's Associations. The Somali Women's Reconciliation Conference was organised in Rome last May. Italian commitment against Female Genital Mutilation within the Maputo Conference was reflected through the financing of UNEFPA and UNICEF initiatives.

The new priority towards countries in conflict or post-conflict situations also represents an important way to look at the Italian ODA approach to human rights issues. It is in these situations when human rights and democratic ownership are violated most powerfully. Direct involvement in Lebanon in 2006 is one of the most interesting examples, where ODA policy also proved able to translate commitment into immediate disbursements. Italian engagement in Lebanon relief and rehabilitation occurred through a combination of bilateral, multi-bilateral and multilateral interventions spread through a huge range of different sectors from local economic empowerment and refugee assistance to health and social services. It demonstrated an approach based on multi-dimensional and multi-level interventions where human rights and democratic ownership are considered cross-cutting issues rather than simple sectoral pillars.

Some weaknesses of policy also show up in this area. Strategy is not described operationally, and there is a high level of discretionary use of aid, without any perspective on the long-term or on sustainability. In this sense, the DAC emphasis on coherence, efficiency and effectiveness— officially assumed as the main benchmarks of Italian ODA policy—provokes questions about the best long-term approach to improving the quality of development cooperation.

Notes

1 Among other stakeholders, Sbilanciamoci Report, the CGIL Report of 2006 and Actiod Aid Reports emphasized current limitation of the law 49/1987, the lack of human resources and the mismanagement by DGCS and challenges of the Italian assistance in a globalised and multifaced system of relationships.

2 "self-development cooperation between communities promoted by decentralised cooperation programmes run by regional and local authorities, and civil society, and giving local stakeholders and partner countries an prominent role in identifying priorities and strategies" is said in MFA-DGCS (2007), *Forward Planning and Policy Paper on Development Cooperation activities in 2007*, Rome, p. 1

3 MFA-DGCS (2007), *Interventi umanitari della cooperazione italiana in Afghanistan 2002-2007*, Rome.

4 In *the Nota informativa sugli indirizzi di programmazione 2007-2009* (DGCS deliberation n. 23 Dipco 14/2007).

5 This section benefits from valuable opinions and inputs collected by Silvia Aprile (CeSPI researcher) through interviews with senior aid officials in the Italian government and NGOs. In particular, Silvia Aprile interviewed Luciano Carrino, Lodovica Longinotti, Giancarlo Palma and Bianca Pomeranzi (technical experts, MFA aid implementation arm), Andrea Di Vecchia (director of Movimondo, Italian NGO), and Giulietta Rak (Deputy Ministry Secretary).

6 MFA-DGCS (2007), *Forward Planning and Policy Paper on Development Cooperation activities in 2007*, and *the Nota informativa sugli indirizzi di programmazione 2007-2009*.

7 In December 2007, the DGCS in a communication stated that from 1st January 2008 project proposals had to indicate both the level of tied aid and the linking with MDGS. As far as its influence on projects and programmes approach it is not yet visible and can not be estimated.

8 At least, this information was collected in most interviews.

9 "Water is not a tradeable good". This was the message of Mrs. Patrizia Sentinelli at the Assemblée mondiale des élus et des citoyens pour l'eau (AMECE) conference, on the 20th March 2007 at the European Parliament in Bruxelles.

Sweden Claims 1% Aid Achievement

Peter Sörbom, Forum Syd
In collaboration with Penny Davies, Diakonia

In September 2006, a new Swedish government consisting of four parties was elected. This centre-right alliance allocated 1% of GNI to Swedish development assistance in their first budget for 2007. Sweden is one of only five countries in the world giving 0.7 % or more.

However, in continuing the policy of the previous government, debt cancellation was once again financed with ODA resources. Sweden also includes housing refugees in the development cooperation budget. Overall, in 2007, the development cooperation budget was inflated by 10%, a record compared with the past five years.

Debts originating from export credit guarantees to the Democratic Republic of the Congo (DRC) and Liberia in the seventies were counted as ODA in 2007 and 2008. The government has introduced a new way of calculating the value of the debts as of 2007 so that the amount has actually increased. It now includes the value of non-payment of interests and principal. This means that in 2007, 1.5 billion Swedish crowns of the development cooperation budget was set aside for the cancellation of export credit debts for the DRC and Liberia. Swedish CSOs have argued that these debts ought to be defined as illegitimate since the loans were given to undemocratic regimes and did not reach the broader populations of DRC or Liberia.

However these two cancellations did not come into effect in 2007, which partly explains a decrease of the aid reported to the OECD DAC, namely down to 0.93% of GNI for 2007 compared with 1.02% in 2006. Therefore, in reality, Sweden did not meet the 1% target. Furthermore, the biggest party within the coalition (the Moderate party), has on several occasions expressed concern about the target itself. The Minister for International Development Cooperation, appointed by the Moderate party, has referred to the target as "a curse"[1], indicating that the ambitious quantitative goal is jeopardizing the quality of Swedish development cooperation. Despite the differing views within the coalition, the 1% target currently remains.

Increased Country Focus

Swedish aid spread to more bilateral partner countries in the period from 1988 to 2005. A country focus process had been discussed for some time and became a priority for the new government.

Four criteria laid the foundation for the country focus:

1) The extension of poverty and needs
2) Expectations regarding the effectiveness of aid

3) The direction of democratic development and the potential to influence it
4) Swedish comparative advantages and Swedish expertise in relation to other donors.

As a result, Sweden has reduced the number of countries it supports from 70 to 33, based on the following rationale for selecting them: In twelve countries, Sweden is identified as providing clear added value towards long-term poverty reduction and economic growth. Twelve of the chosen countries or regions are in conflict or post-conflict situations with which Sweden will conduct development cooperation. Sweden will conduct reform cooperation in nine Eastern European countries. Additionally, four countries were identified with serious deficits regarding human rights and democracy where Sweden will commit to democratic social development using alternative aid mechanisms to state-to-state development cooperation.

The country focus process does not include the co-funding of the work of CSOs, but it will have indirect consequences on it as it most likely will reduce funding possibilities because of the absence of bilateral aid in a country or region. There is however a possibility that alternative mechanisms will be set up through which aid can be channelled to CSOs. Although the country focus was welcomed by Swedish civil society, there is concern that possibilities to support valuable work for human rights and democracy will be severely curtailed where bilateral aid is phased out, particularly in several Latin American and Asian countries.

In line with the poverty reduction objective, there will be a stronger focus on Africa. The country focus mainly identifies African countries as those most appropriate for long-term development cooperation. The work of reform in countries in Eastern Europe is also a main geographic priority.

Partnerships

From 2008, Sweden will produce organization-specific strategies for the most important multilateral institutions, among which the World Bank and the EU are a priority. Sweden will also review the division of labour between Sida (the Swedish International Development Cooperation Agency) and the Ministry for Foreign Affairs.

In the coming years, the government will actively strengthen the role of the Swedish private sector in development cooperation. "Through closer cooperation with the different policy areas, the innovation skills, knowledge and resources of Swedish private sector will be used in order to improve the effects of development cooperation."[2] A council with representatives from the private sector and different state bodies has been created with the objective to expand the presence of Swedish private sector in development cooperation.

Swedish CSOs welcome all relevant actors in development cooperation, but have also stressed that the results, particularly of aid money spent through the private sector, must be scrutinized and measured. It should meet the same standards as other actors and align with the objectives of Swedish aid. The increased role of the private sector should not mean that Sweden moves backwards on untying aid.

Promoting Aid Effectiveness and Democratic Ownership

In the 2008 development cooperation budget, the government formulated three sectoral priorities: democracy and human rights; climate and environment; and gender equality. Democracy and human rights are at the centre of these priorities. A clear ambition is to work long term in places where democratic values are shared.

Sweden's Policy for Global Development (PGD), which was endorsed by the parliament in 2003, prescribes a government-wide approach to "equitable and sustainable global development". Sweden was the first DAC member to adopt such an ambitious coherence instrument and a specific aid objective included in the PGD is to "contribute to create the necessary conditions for poor people to improve their living conditions." Nonetheless, there are several challenges within this framework. CSOs have repeatedly criticised the fact that the overall objective of the PGD does not influence other policy areas enough, such as trade and arms exports.

The Paris Declaration is a key reference point for the 2008 development cooperation budget. The government presents the country focus and thematic priorities in areas where Swedish aid is of best use as being consistent with the declaration. The budget also draws parallels between managing for results (one of the five pillars of the Paris Declaration) and Sweden's evaluation of how to make aid more effective and the results more measurable.

The government also aims to be actively involved in making multilateral aid more effective, particularly EC aid with the Code of Conduct on Division of labour and complementarity. One outcome during 2008 will be limiting the amount of sectors in each country in which Sweden will be present.

Civil Society Concerns

Unfortunately, Sweden's position regarding economic policy conditionality remains unclear. Representatives from MFA have confirmed that Sweden has raised the importance of ownership in the context of the World Bank, arguing that consultations need to include parliaments, relevant authorities, and civil society representatives and underlining the importance of strengthening local policy analysis. Nonetheless, the Swedish government has not explicitly said no to economic policy conditions; Sweden chose not to support the proposal from Norway on a common statement from the Nordic constituency against economic policy conditionality before the IMF and World Bank annual meetings in 2007.

Swedish CSOs stress that more concrete action must be taken to ensure that parliaments, civil society and relevant actors are genuinely included in policy-making. Sweden needs to push for changes in the policies of the World Bank and the IMF to end the use of economic policy conditions which override national poverty reduction plans and national democratic decision-making processes.

Furthermore, Sweden must ensure that the ambition to increase cooperation with the private sector does not undermine the core Paris principle of ownership by focusing on the interests of Swedish companies and developing supply-driven development cooperation.

Finally, CSOs stress that that Sweden should stop counting debt cancellation and refugee costs as ODA, and that it should refrain from advocating for the inclusion of security-—related expenditures within the definition of ODA.

Notes

1 Retrieved from: www.gp.se/gp/jsp/Crosslink.jsp?d=913&a=349478

2 The 2008 Budget Proposition, p. 57.

Becoming A Major ODA Player

Isabel Kreisler
Intermón Oxfam

Overview

- Total Spanish ODA in 2006 was 3,038 million EUR or 0,32% of GDP, which was up 25% in real terms from 2005.
- Budget provisions for ODA are: 0,42 of GDP in 2007 and 0,5 of GDP in 2008.
- According to DAC statistics, 73,6% of the Spanish ODA 2005-06 was concessional aid.
- Tied aid increased up to 13,8% of the total Spanish ODA.
- Spain allocated 12,6% of its ODA to the least developed countries (LDC)
- ODA to essential services was 17,3%.

Advancements and Lags of the Spanish Cooperation

Spain is changing positions within the international community of donors. Traditionally trailing in the last positions of OECD rankings, Spain experienced a historic increase of its total ODA in 2006. Furthermore, "Africa" and "the United Nations" were the major topics in the international development agenda during 2006 and 2007.

Yet there are still significant challenges on the table: reform of the aid instruments generating foreign debt, such as the Development Aid Fund (*Fondo de Ayuda al Desarrollo*) and the Spanish Exports' Credit Agency; the Spanish Agency for International Cooperation still needs to implement reforms to improve management procedures; and the influence that domestic economic and commercial interests exert on development policies should be curtailed.

The biggest increase in the history of Spanish cooperation was made in 2006, when aid was increased by 25% compared to 2005 levels. Overall, with the budget provisions made for 2007 and 2008, Spain will have more than doubled its ODA since 2004. All of the political parties with parliamentary representation have signed up a "State Pact" that aims for 0,7 of GDP for ODA in 2012.

However, the aid increase in 2006 was partially tarnished by the fact that debt relief accounted for as much as 14% of total ODA. This means that Spain needs to increase ODA still further to meet the future agreed targets. Furthermore, Spain tied 13,8% of its ODA in 2006, which is clearly bad practice. Although Spain made a substantive improvement in the amount of tied aid from 2004 to 2005, no further progress was seen in 2006.

From 2004 an "active, selective and strategic multilateralism" has become one of the main goals of Spanish cooperation. In 2006 multilateral aid experienced an increase of 47,5%. The Government has made real, in financial terms, its support to the multilateral system and especially to the

UN system. An “MDGs Fund” has been established within UNDP with an initial investment of nearly US$ 700 million. This initiative has marked a turning point in the way Spain conceives multilateral aid, but funds will need to be accompanied by long-term sustainability of allocations and with a clear and strategic orientation of funds.

Spain Within the Aid Effectiveness Agenda

The above data shows that perhaps the biggest challenge to full aid effectiveness from Spain is to **untie ODA objectives from the economic interests of Spanish companies**. Complementary and related issues to improve the effectiveness of Spanish ODA are:

- **Reform of the Development Aid Fund (FAD)**

  The Development Aid Fund (FAD) allocates credits for the internationalisation of Spanish companies that are still counted as ODA. CSOs are therefore extremely concerned about the reform of this fund. Although the weight of FAD credits decreased substantially in 2006, Spain kept using such tied aid with some least developed countries (LDC), such as Mozambique and Senegal and with some heavily indebted poor countries (HIPC), such as Honduras and Nicaragua.

  There is a lack of policy coherence in Spain’s approach since, on one hand it joins debt relief initiatives and yet on the other it still contributes to generate new debts in the interests of its own companies.

- **Regional Distribution According to Geographic Targets**

  The goal of contributing to a more effective aid system implies for Spain identifying key areas where it can provide greatest added value and generate bigger impacts. This is why it is expected that regional distribution of ODA will respond to geographic targets as stated in the official master plan of Spanish international cooperation 2005-2008.

  However, data from 2006 show that some criteria other than poverty indicators or Spanish added value have severely interfered with the geographic distribution of Spanish ODA. Despite the mandate to concentrate 70% of resources in “priority countries”, only 46,5% of the geographically specified bilateral aid actually went to countries prioritised by the official master plan.

  Indeed, amongst the list of the ten biggest recipients of Spanish ODA, one can still find some countries like China or Turkey. It is highly questionable that these national economies are in a pressing need of ODA (China has itself become a donor to developing countries), but there is no doubt both countries have a significant commercial appeal to the Spanish economy.

- **Increasing the capacity of the Spanish Agency for International Cooperation**

  In comparison to the general geographic distribution of the ODA, it is interesting to emphasize that aid directly managed by the Spanish Agency for International Cooperation has adjusted much better to the official master plan orientations: 62,5% of ODA directly distributed by the Agency did go to “priority countries”. This indicates how important an effective renovation and an increase of management capacities of the Agency are, if Spain is to comply with the principles of the Paris Declaration.

- **Prioritisation of Sectors**

  Regarding sectors of activity, Spanish aid does not show a clear pattern of priorities yet. This is no surprise given how wide and unspecific the official master plan is in this regard. A recent study[1] from FRIDE (Foundation for International Relations and External Dialogue) identified in the Country Strategy Papers an average of up to ten "strategic sector priorities". This reveals the lack of specialisation in Spanish aid, which implies a limitation to coordination opportunities with other donors.

- **New instruments and Greater Management Capacity**

  Considering the high increase of ODA already committed for the next years and the need to improve aid effectiveness and countries´ ownership, Spain needs to pursue its exploration of new instruments and improve the administrative capacity to manage them in a more fluid and predictable way. In 2006, Spain provided financial support to different instruments, quite new to its aid system. Spanish contributions to the "new instruments" jumped from 1 million EUR in 2004 to 22 million EUR in 2005 and 24,3 million EUR in 2006 (equivalent to 1,5% of all bilateral aid). Budget provision for 2008 is 70 million EUR.

  Most of those funds are channelled as budgetary support for the partner country. One of the instruments Spain has privileged is the *Fast Track Initiative.* Spanish contributions increased from 5 million euros to Honduras in 2005 to 7 million for the Catalytic Fund, 5 million for Honduras and 22m for Vietnam in 2006. The 2007 provision was for 10 million for the Catalytic Fund, 2 million for Mozambique, 2 million for Vietnam and 2 million for Haiti. This significant increase of funds consolidates the stake of new instruments on the ground and should help contribute to the fulfilment of the Millennium Goal on education.

Conclusions

Firstly, to be effective, Spanish aid should be untied from the interests of Spanish companies. Then, to facilitate division of labour and thus, respond to EU Code of conduct and contribute more effectively to the Paris agenda, the future master plan (2008 and beyond) of Spanish Cooperation should be much more precise on strategic, geographic and sector priorities.

Consolidating improvements achieved in 2006 in the management of foreign debt, facing bravely the renovation of the FAD (so insistently called for by civil society and for so long postponed by different governments), successfully concluding the renovation of the Spanish Agency for International Cooperation and making decisions ensuring multilateral aid reaches a good end are all key challenges for Spanish cooperation to meet the principles of the Paris Declaration on aid effectiveness.

Note

1 "Division of labour among European donors: allotting the pie or committing to effectiveness?". Nils-Sjard Schulz, FRIDE, 2007.

2008: A Pivotal Year for Development Co-operation

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Alliance Sud - Swiss Alliance of Development Organisations

Overview

- Swiss ODA rose to 0.44% of GNI in 2005, fell back to 0.39% in 2006 and then fell again to 0.37% in 2007.
- The level of Switzerland's real ODA has been sinking steadily since 2003 and in 2007 reached the level of 1990 .
- Three years of public debate has put pressure on the Government over both the amount of aid and its effectiveness.
- In response, a new development co-operation strategy was announced in March 2008. It focuses on poverty-reduction, human security and the integration of advanced developing countries into the world economy.
- But the target for ODA is still set to remain at 0.4% until 2015.

2008: A Pivotal Year

In March 2008, the government decided to stabilise the allocation to ODA at 0.4% by 2015 and refused the proposal made by the Minister of Foreign Affairs to increase it to 0.5%. This latest decision has drawn criticism from development circles and beyond. That same target was set in 1991 but Switzerland only reached it in 2004 and 2005. Swiss ODA is consistently below the average for OECD countries (which, for example, was 0.46% in 2006).

In recent years the Government's Advisory Commission for Development Co-operation has repeatedly called for an increase to 0.5% by 2010. At the September 2005 UN Millennium Summit, Switzerland held out the prospect of increasing it after 2008.

Furthermore, the figures since 2003 have *included* spending on asylum seekers and the nominal values of debt write-offs. These have made-up 15-21% of all Swiss ODA.

GNI%	2001	2002	2003	2004	2005	2006	2007
Reported aid	0.34%	0.33%	0.39%	0.41%	0.44%	0,39%	0.37%
Real aid	0.34%	0.33%	0.38%	0.37%	0.35%	0,33%	0.31%

Taking these amounts out puts Switzerland's real level of aid at only 0.35% for 2005 and 0.33% for 2006 . That is below the level in 2002, the last year when neither asylum spending nor nominal debt relief was included. In 2007, real aid shrank to 0,31%, falling to the level of 1990.

These figures could have been even more disappointing. Last year, Parliament prevented the development budget plummeting further, by refusing to allow the Government to offset Switzerland's billion-franc "cohesion contribution" (for the new EU Member States) against the development co-operation budget. Development organisations had criticised this plan from the start, because support for EU States does not meet criteria for ODA either in the EU or the OECD. After extensive debate, Parliament accepted by clear majorities the Alliance Sud proposal that the contribution be funded from the Confederation's general budget.

The Government has decided after hesitation that Switzerland will participate in the *Multilateral Debt Relief Initiative* (MDRI). Yet it wants to find fresh funds to cover only a part of the required amount, charging roughly 40 per cent to bilateral aid. In contrast, Switzerland is reluctant to join in new financial mechanisms like global taxes (e.g. currency transaction tax or air ticket levies).

The 0.7% Campaign

Public debate on the effectiveness of development aid began in 2005 in the lead-up to the UN Millennium+5 Summit. To undermine strong calls for increases in aid from development cooperation circles, opponents launched a fierce blanket criticism of the effectiveness of aid. They also attacked the work of the Swiss Agency for Development and Co-operation (SDC). The upshot was a Parliamentary inquiry that called on the Government to come up with a harmonised development strategy.

Swiss NGOs joined the debate by stressing how aid *was* effective when correctly administered rather than used to further donor countries' own interests. They then launched the 0.7% campaign in 2007 centred on a petition calling for aid to be increased to that level of GNP by 2015. It was supported by 70 relief agencies, environmental protection bodies, youth and women's organisations, trade unions and churches. Their petition carried over 201,000 signatures and was delivered to Parliament and Government at the end of May 2008 just before Parliament began debating the new aid strategy and funding. The outcome will be pivotal to the future direction of all official development co-operation funding.

Aims of the New Strategy

The new development co-operation strategy before Parliament harmonises previous guidelines but introduces a new, controversial element. The three main pillars of the strategy are:

1. *Poverty reduction*. This has always been central to Swiss aid, but in future will be more focused on attaining the MDGs.

2. *Human Security.* Since the start of the new millennium, promoting peace and strengthening human rights have taken on greater significance in Swiss development co-operation. At the same time, the definition of human security has been broadened to include risks and conflicts conditioned by social, economic and environmental factors.

3. *Development-friendly globalisation*. Advanced developing countries to be integrated into the world economy on a sustainable basis - socially, economically and

Switzerland

environmentally. This third element is a new and controversial one given the risk that Switzerland could use aid partly to promote its foreign economic interests.

Aid Effectiveness, Democratic Ownership and Human Rights

Switzerland takes the Paris Declaration as its own work programme[1].

Participation: Both aid agencies, the SDC and SECO (State Secretariat for Economic Affairs which implements part of official aid), agreed an implementation plan in 2005 and said in a joint statement[2] at the time that " all the stakeholders need to participate in the endeavour of improving aid effectiveness: bilateral donors, multilateral institutions, public administrations and civil society organisations."

However, it failed to specify how Switzerland would help to ensure this participation or to give any indication of the role of civil society. The Implementation Plan is a technical document on the different tasks within the Federal Administration; it makes no specific reference to civil society organisations among the partners to be included in the dialogue on implementing the Declaration.

Human rights: Official documents on the Paris Declaration contain no explicit mention of human rights, but the SDC's 2006 human rights policy[3] does refer to the Declaration. With it, the SDC gave more weight to guidelines drawn up in the 1990s which set human rights as both a means and an end in development co-operation.

The policy stipulates that adopting a human-rights-based approach "means for example that policy goals on aid harmonisation, international partnership and aid effectiveness will take into account the human rights principles." Human rights were included in the definition of good governance, which became one of the SDC's priorities in all country programmes. Human rights standards are to be used to monitor and evaluate the impact of aid programmes.

Democratic ownership: The SDC has traditionally founded its work on partnerships with civil society, NGOs and the private sector as well as governments. The SDC's human rights policy promotes support for accountability and national ownership by strengthening national and local stakeholders. Its activities are to be aimed at "empowering people to participate fully in decision-making processes that affect their lives and at making state institutions capable of responding to the opinions expressed". They are also to aim at strengthening accountability and the capacity of state actors to respect, protect and fulfil human rights.

Priorities and principles: Under SDC development policy for the coming years, the central focus of poverty-reduction will not only be on health, education, clean drinking water and agriculture, but also the promotion of democracy with special emphasis on human rights and good governance.

As key principles here, the SDC undertakes to promote transparency, non-discrimination, participation, accountability and the rule of law systematically in all its programmes and to insist on them in political dialogue with governments. This also expressly includes equal opportunities for both men and women to avail themselves of their rights and development opportunities.

Focus on democratic ownership and good governance has not led the SDC to redistribute its aid. Instead, the cooperation strategies for existing partner countries are gradually being geared towards this new focus. This means that impact studies of country programmes will cover democratic participation and the observance of human rights. In countries with problems of governance such as

Afghanistan, Pakistan or Nepal, the SDC has buttressed its support for civil society.

Problems in Practice

Swiss NGOs working in partner countries observe that alignment and harmonisation could prevent Switzerland from translating its principles into reality.

In Nicaragua, for instance, where Switzerland is among the countries providing direct budget support, civil society was not really included in the formulation of national poverty-reduction strategies and neither is it significantly involved in monitoring for development results.

Switzerland is sparing with direct budget support, but there is a growing trend toward sectoral budget support. This is making it increasingly difficult to perform the balancing act between alignment and harmonisation on the one hand, and democratic ownership and human rights on the other. This is why Swiss NGOs are urging their Government to call at the High-Level Forum in Accra for independent support of civil society, to emphasise a human-rights-based approach to implementing the Paris Declaration and to advocate a combination of instruments (budget support, programmes, projects) geared toward the needs of the poor in the individual countries.

Notes

1 Paris Declaration on Aid Effectiveness: Swiss Implementation Plan. Retrieved from http://www.deza.ch/ressources/ressource_en_150617.pdf

2 Retreived from http://www.deza.ch/ressources/ressource_en_150616.pdf

3 SDC's Human Rights Policy: Towards a Life in Dignity. Retrieved from http://212.47.173.113/dezaweb/ressources/resource_en_25225.pdf

A New Government Brings New Commitments

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The Current Situation

There has been significant change in Australia's aid program since the 2006 Reality of Aid was published. In April 2006, the conservative government re-framed the Australian aid program following an aid White Paper. Significant funding for this plan was initially made available in the 2007-08 federal budget. However, in November 2007, the Australian Labor Party took office with an undertaking to make a significant medium-term increase in aid volume and to place the MDGs at the centre of aid programming. There is likely to be considerably more change in the design of the program by late 2009.

Main Developments in Australian Aid

In 2006, the Government's Aid White Paper identified four themes for the aid program:

- To accelerate economic growth
- To foster functioning and effective states
- Investing in people
- Promoting regional stability and cooperation

It also identified the following four strategies for effectiveness[1]:

- Strengthening performance orientation
- Combating corruption
- Enhancing engagement in the Asia Pacific Region
- Working with partners.

Since the May 2007 federal budget, AusAID has been fully engaged in trying to implement these themes and strategies. This has included the following changes:

- Commitment to make the aid program more transparent by means of an annual report on development effectiveness to parliament (to be released in March 2008).[2]
- Greater coordination with other donors and harmonization with receiving country systems.
- A major decentralization of staff, with 60% to be located offshore by 2009
- Expanded and well-structured initiatives for basic and vocational education, basic health and for HIV and AIDS

Table 8. Planned levels of Australian ODA Up to 2010-11

	A$ (current prices)	estimated ODA/GNI
2007-08	$3155 m	0.30%
2008-09	$3500 m	0.31%
2009-10	$3800 m	0.32%
2010-11	$4300 m	0.34%

Source: Forward estimates from aid budget papers 2007-08. ODA/GNI estimates after 2007-08 are by the authors and assume 3.5% average annual GNI growth, 2.5% average annual inflation.

Table 9. Sectoral Distribution of Australian Aid 2005-06 vs 2007-08 Budgets

Sectoral distribution of aid	% of total aid program 2005-06	% of total aid program 2007-08
law and justice	16.9%	5.5%
other governance	19.1%	19.5%
HIV/AIDS	3.8%	4.1%
other health	8.2%	10.4%
basic education	3.9%	4.2%
other education	10.1%	11.3%
rural development	9.0%	6.5%
infrastructure	7.0%	11.5%
emergencies and multisector	22.0%	27.0%

Source: Aid budget papers 2005-06 and 2007-08

- Expanded support for some South East Asian countries
- Improved preparedness for emergencies
- New initiatives in governance, particularly in grass roots governance with the prospect of a more substantive link to civil society in partner countries
- New small and medium enterprise support initiatives.

There has also been significant politically driven support for Afghanistan and Iraq-- particularly for debt relief in Iraq which totalled A$668 million in 2005-06 and 2006-07 or 12% of total Australian ODA in those two years.

The last Reality of Aid was critical of the high level of Australian ODA budgeted on governance programs (36% in total in 2005-06). This dropped to only 25% in 2007-08 with a much lower proportion (5.5%, compared to 16.9% in 2005-6) going to law and justice programs. Meanwhile, support for demand-driven governance has increased.

Aid As An Election Issue

The growth of public interest on the issue of aid has been the most notable change in the Australian aid policy landscape since the last ROA report. For the first time in Australia's history of election campaigns, aid policy was included by the major political parties in the top 25 campaign issues.

The Labor leader, Kevin Rudd, used it to differentiate his internationalist vision for Australia from that of the incumbent government and there were a series of lively, constituency-level debates among federal candidates. This change resulted from a mix of factors, but the sustained advocacy efforts over the preceding 3-4 years by such civil society groups as ACFID, the Make Poverty History campaign, and Micah Challenge were significant.

The Labor Party came to the recent election supporting much of the existing aid framework. It also stated that it would not increase aid expenditure beyond the previous government commitment for 2010. However, it promised to reach an expenditure level of 0.5% of GNI by 2015 and to make the MDGs a central part of the program. Before the election, it pledged to increase funding for: programs on water and sanitation; blindness prevention; a modest but innovative debt-for-development swap to combat TB in Indonesia; and climate change programs.

Assessment

The 2006 White Paper was seen by Australia's development NGO sector as a significant improvement on the previous program design. It included a better balancing of priorities between economic growth and the provision of basic services.

However, it failed to integrate the Millennium Development Goals (MDGs), largely ignored climate change as an issue, and provided little scope to enhance engagement with multilateral agencies. While the scale of projected aid budget increases over the four-year plan is substantial, it remains well below that of most other OECD donors as a proportion of Gross National Income (GNI).

Considering Labor's short time in power, it is too early to assess how substantively the new government will re-shape the aid program. However, there is no doubt about their intention to implement all pre-election aid commitments in a timely way. This includes an allocation of an additional A$300m per year for the pledges listed above. After four years of inaction on this issue by the former government, Labor has also undertaken to develop a cross-cutting disability strategy for the aid program.

While it is too early to be definitive about the Labor approach, it is clear that:

- As a first-term government, they have started to consult more actively than their predecessors with external stakeholders, including the development NGO sector
- They recognise that their practical partnership with NGOs should be enhanced. (In 2007-08 only 4.6% of Australian ODA will be distributed through NGOs compared with a most recent average of 8.2% for all DAC donors[3])
- The emerging aid program will include a far more substantial role for partnership with the United Nations and relevant multilateral agencies. Agencies such as the Global Fund, GAVI, the EFA Fast Track Initiative, UNHCR and the UN's Central Emergency Response Fund are likely to receive enhanced support.
- MDGs will become a significant reference point in new program strategies

- There will be a greater focus on partnership and consultation with the people of Pacific Island countries.
- There will be a more substantial focus on Africa, mainly using partnerships with other donors.
- As part of a broader government policy response to climate change, the aid program is likely to include a comprehensive strategy for adaptation and mitigation, especially in the Pacific Island countries.
- There is an interest in examining other debt relief options, especially for non-HIPC countries.

One key weakness in the new government's policy framework for Pacific Island countries is its ambivalence about providing access to the Australian labour market for select groups of Pacific Island workers. This is despite three years considering the proposal, acute labour gaps in Australia's horticultural sector, and evidence from the World Bank and Canada that such access would have more substantial positive impacts for island countries than many other policy interventions.

The Labor Party's 2007 election campaign commitment to reach aid expenditure of 0.5% of GNI by 2015, will still leave Australia in the bottom third of OECD donors in that year. Given Australia's exceptional economic performance among OECD countries for the last 15 years, the high per capita private giving by Australian citizens through NGOs, and Labor's stated aim to re-position Australia as a more constructive player in contributing on global and regional issues, Labor will need to consider how it can become one of the group of 10-12 leading OECD donors (in terms of GNI) by 2015.

The pattern and tone of Australia's official relationships with governments and civil society groups in the Pacific Islands and Timor Leste over the next few years will provide a clear test case of Labor's commitment to improved partnership.

Aid Effectiveness

Australia did not perform well in the 2006 OECD review of the Paris Declaration – relatively low scores were recorded for all nine indicators for the 2005 period[4]. However there has been significant action since then by AusAID to shape the program in line with the five Paris principles of ownership, alignment, harmonisation, results-based management and mutual accountability.

Australia has played an active role in improving harmonisation with other donors in several countries including Indonesia, Timor-Leste, Cambodia, Vietnam and a number of Pacific countries. In some cases this involves the allocation of sectoral responsibilities amongst donors (for example in Cambodia and Vietnam) in line with the recipient country's development plans. In others, it involves joint programs (such as with New Zealand in Samoa and the Cook Islands) or greater use of the public financial and procurement systems of partner countries (such as Vietnam).

In the last two years, Australia has increased efforts to coordinate aid with multilaterals and to provide longer term and growing levels of financial support for a number of important international initiatives. For example, the Government is now funding the Global Alliance for Vaccines and Immunisation (GAVI) and the Education for All Fast Track Initiative. It has recently announced a large increase in support for the Global Fund to fight AIDS, Tuberculosis and Malaria.

This is all expected to increase further under the new government. However, Australia still has a long way to go to match the contribution and cooperation levels of some of the European donors. Furthermore, as many CSOs have pointed out, effective aid which reduces poverty is not just an instrumental exercise of service funding and market-friendly reform. It must involve real partnership, local control and involvement of the poorest and most marginalised people.

Decentralization of AusAID decision making, improved consultation with Australian NGOs, a new focus on assisting people with disabilities and support for demand-led governance programs are all positive recent changes in AusAID. Nevertheless, the Australian aid program still has improvements to make in its transparency, the depth and quality of consultation with CSOs (in recipient countries and in Australia) and in increasing its focus on helping the poorest people achieve their human rights.

Notes

1 AusAID 2006 Australian Aid: Promoting Growth and Stability[2] For more details see AusAID Annual Report 2006-07.

3 OECD DAC Development Cooperation Report 2006 Statistical Annex Table 18.

4 OECD DAC 2007 2006 Survey on Monitoring the Paris Declaration: Overview of the Results.

Overview: Unmet Promises and No Plans to Increase Canadian ODA

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- Canadian ODA performance has stagnated at 0.28% of GNI in 2007 and 0.30% 2008, with no plan for increases beyond 2010.
- ·After three consecutive budgets, it seems clear that the current Conservative Government is not living up to its election promises on aid made in January 2006. At that time, the Conservatives promised:
  - o to honour all the commitments made by the then Liberal government (doubling Canadian aid between 2001 and 2010 with 8% annual increases to the International Assistance Envelope, and a $500 million one-off addition to aid in 2006 and 2007)
  - o to put another one-off $425 million into the aid program before 2010.
  - o to improve Canada's ODA performance ratio to reach the average of OECD DAC countries, which according to the OECD DAC was 0.45% of GNI in 2007.
- However, in the past two years, it has announced no plan for growing aid in the medium term, beyond the 8% increases up to 2010.
- For 2008/09, Canadian ODA is estimated at CDN$4.6 billion, up from a projected CDN$4.4 billion for 2007/08.
- CCIC is projecting that by 2010 Canadian aid may have doubled in dollar terms from 2001, but its performance is likely to be no better than 0.31% - a long way from the DAC average.
- CCIC and the Canadian *Make Poverty History* campaign has been seeking a ten-year timetable for aid to reach the UN target of 0.7%. This call was supported by the 2007 DAC Peer Review which commended the 8% aid increases while suggesting that Canada "draw up a timetable for achieving the UN 0.7% ODA/GNI target".[1] However, this government has never publicly acknowledged Canada's long-standing commitment to this target.

Part One: Aid Priorities

A commitment to double aid to Africa by 2008 uncertain

At the Gleneagles G7 meeting, the former Liberal government pledged to double aid to

Africa between Canadian fiscal years 2003/04 and 2008/09 as its contribution to the G7 undertaking to increase aid to Sub-Saharan Africa by $25 billion by 2010. The 2007 Peer Review confirmed the government's claim to be on track to meet this commitment. Unfortunately, there is no published evidence to assess this claim independently, since as of May 2008 CIDA had produced no public *Statistical Report on Canadian ODA* since fiscal year 2005/06.

In correspondence with CCIC, CIDA has confirmed that the government is interpreting its commitment as "international assistance", which allows them to include non-ODA items such as its contributions to the Africa Union peacekeeping efforts in the Sudan. The latter are considered military-related expenditures under the DAC rules for aid to which all donors subscribe, and while they may be important contributions, they are not to be included in ODA.

Foreign policy security interests and aid allocations

Canadian foreign policy interests seem to be a strong determinant of new aid allocations by the Conservative government. The DAC Peer Review expressly worried that the government is moving to make development cooperation policy more consistent with foreign policy goals and points to the 2004 National Security Policy which considers development assistance to be an element of counter-terrorism.[2]

Afghanistan has been by far Canada's largest country recipient of aid over the past two years and significant amounts of the new aid resources provided through the 8% increases since 2001 have gone there. With an additional $650 million announced since the February 2008 budget for 2008/09, Canada has a ten-year CDN$1.9 billion aid commitment to the country from 2001 to 2011. For fiscal year 2006/07, CIDA reports that it disbursed CDN$179 million, with CDN$49 million directed to aid programs in Kandahar Province where Canada has 2,500 combat troops as part of the NATO ISAF mission in Southern Afghanistan. In 2008/09 Afghan aid disbursements are expected to reach CDN$280 million.

Meanwhile, the stated cost of Canada's military ISAF mission since 2001 is CDN$7.5 billion, which overwhelms the aid budget for the country. For 2007/08 alone, the government's original estimate of the mission's incremental costs to the defence budget was CDN$846 million. Latest newspaper reports suggest overspending of over CDN$1 billion,[3] which means the total cost for this fiscal year will be nearly CDN$2 billion. In March 2008 the Conservatives and Liberals joined forces in parliament to extend the mission until 2011, with greater emphasis on training Afghan police and military as well as development assistance.

According to DAC figures, Canada allocated more than US$500 million in aid to Afghanistan and Iraq from 2000 to 2006 (not including debt relief grants). These two country programs (but mainly Afghanistan) account for about 20% of all the new aid resources since 2000. In addition, Canada granted US$353 million in debt relief for Iraq, which was included in ODA for 2005.

Trade interests influencing aid allocations

At the same time, it seems clear that Canada's trade and investment interests are encouraging it to increase aid allocations in the Americas. In July 2007 the Prime Minister announced that "Canada is committed to playing a bigger role in the Americas", with three key objectives: "to promote basic democratic values, to strengthen economic linkages and to meet new security challenges." The government has completed negotiations for a free-trade agreement with Colombia, an agreement which has been challenged by both human rights and development CSOs in Canada and Colombia.

Haiti is Canada's largest aid recipient in the Americas, where there is a five-year undertaking to allocate CDN$555 million (2006-2011) to reconstruction and development. This makes Haiti the second-highest priority country for CIDA (only exceeded by the program for Afghanistan). At this point, there is no way to assess the implications that the renewed focus on the Americas will have on other regions.

Increases for health-related projects

In both the 2006/07 and 2007/08 budgets the government also targeted special aid increases for high-profile health-related funding. These included one-off increases for Canada's pledge to the Global Fund to Fight AIDS, Tuberculosis and Malaria (CDN$250 million), the Global Polio Eradication Initiative (CDN$45 million) and the Advanced Market Commitment to create the pneumococcal vaccine. These special increases are not taken into account when the government determines the annual 8% aid increases. In the February 2008 budget, the government indicated a CDN$450 million pledge to the Global Fund, but, unlike the added CDN$100 million for Afghanistan, this money is to come from existing aid resources over the next three years.

Part two: Strengthening Canadian Aid Effectiveness

The 2007 DAC Peer Review acknowledged the aid reforms Canada has initiated since 2002, consistent with the principles of the *Paris Declaration on Aid Effectiveness*. These reforms have included:

- Stronger emphasis on program-based approaches and co-ordination of its aid with other donors (approximately 30% of Canadian bilateral programs in 2007).
- Progress in untying Canadian aid (eliminating aid-tying for food aid in May 2008).
- Increased sector focus (much higher priority for basic education and democratic governance for example).
- Increased country concentration (higher disbursements to the top 20 bilateral aid recipients).

Yet much more is needed to ensure Canadian aid effectiveness.

Recognising CSO voices

Since January 2007, CIDA has chaired an Advisory Group on Civil Society and Aid Effectiveness aimed at strengthening the recognition and voice of civil society as development actors in their own right. It advises on the applicability and contributions of CSOs in the implementation of the Paris Declaration and sets out good practices in CSO aid effectiveness.[4]

It is expected that CIDA will push for a fuller inclusion of CSO voices and positions in the multi-stakeholder dialogue at the Third High Level Forum in Accra in September 2008. It should also lead in following up the Forum's outcomes over the next two years to enrich and deepen the aid-effectiveness agenda.

At the same time CIDA has been developing its own policy perspectives on the role of CSOs in development and their implications for renewing its partnerships with the voluntary sector. Canadian CSOs will be looking for renewed relationships with CIDA consistent with the conclusions of the Advisory Group's work and which facilitate unique and independent roles for civil society as development actors.

A new legal mandate for improved effectiveness and accountability for Canadian aid

The DAC Peer Review proposed that Canada's development assistance programs "be given a stronger foundation, whether through legislation or other means" and called for "a development co-operation policy that puts poverty reduction at the heart of [Canada's] international co-operation programs."[5] In early May, the Official Development Assistance Accountability Act, the "Better Aid Bill", was unanimously passed in the House of Commons. This Bill directs the government to allocate aid only if it can assure Parliament that it "*contributes to poverty reduction…takes into account the perspectives of the poor… and is consistent with international human rights standards.*"[6] CSOs have argued globally that aid effectiveness must be measured by the degree to which the means to deliver aid contributes to these goals.

The Bill also provides for annual reports to parliament, including detailed statistical reports on disbursements. Urgent and substantial improvements are needed in timely and systematic accounting transparency as a foundation for strengthening Canada's aid effectiveness. CIDA *has* undertaken reform, as the Peer Review points out, but without transparency there can be little public awareness of the impact of these reforms.

In recent years, details on recent Canadian aid transactions have been completely inaccessible. As noted above, CIDA had not published its record of official aid statistics for 2006/07 as of May 2008. There is therefore no timely aid data from CIDA in the form of verifiable time-series statistics which independent analysts can use to assess Canadian aid over the past three years. Requests for specific sector or program information are sometimes granted, but more often lately, analysts have been referred to a Freedom of Information Act process, which is seldom timely and often produces no useful information.[7] Interestingly, up-to-date aid statistics are available on CIDA's web-site for the program in Afghanistan, which is high profile and has been subject to public criticism.

Calls for reform of CIDA

Notwithstanding several aid reforms since 2002, CIDA has been the target of strong criticisms in recent years.[8] Critics have cited failures of accountability, failures to deliver aid effectively, and lack of demonstrable impacts on poverty in Africa.

Remedies suggested are various, but include the prospect of structural changes– the abolition of CIDA as a stand-alone development agency and (by implication) the integration of international co-operation policy-making within Canada's Department of Foreign Affairs.

The DAC 2007 Peer Review of Canada acknowledged reforms underway within CIDA to strengthen the internal coherence of the Agency and called for strengthening CIDA as a single point of reference for Canadian development assistance.

Nevertheless, there are important issues under discussion by the government, with almost no public debate. Country focus is one such issue. The government proposed in its 2007 Budget that aid would be focused only on countries where Canada ranked greater than 5th largest donor, with the rationale that scale alone produces impact. CSOs have appreciated the need to focus, but have proposed criteria that relate to the purpose of Canadian aid, its role and synergy with other development actors, and the country's obligations to meet human development needs in a range of developing countries.[9]

The need and growing appetite for public discussion on these issues and the passage of the ODA Accountability Bill has led the Canadian Council for International Co-operation to propose public consultations on implementing the Bill and reform of Canadian aid policies and practices that deepen the effectiveness of aid in reducing poverty.

It would provide recommendations and a rationale that takes account of the conclusions of the DAC Peer Review as well as proposals from Canadians with a rich experience in four decades of development co-operation. It should also offer advice on the guidelines needed to implement the Accountability Act, which itself includes a requirement for consultations on how the government is implementing the purposes of Canadian ODA as defined by the Act.

Notes

1 OECD DAC, Canada, Peer Review, OECD Paris, October 2007, accessible at http://www.oecd.org/dataoecd/48/61/39515510.pdf. See CCIC's summary of the highlights of this review at http://www.ccic.ca/e/docs/002_aid_2007-10_dac_peer_review_hilites.pdf.

2 OECD DAC, op.cit., page 30.

3 "Tories don't deny Afghan mission $1 billion over budget", Toronto Star, March 11, 2007.

4 Background documents and a synthesis of the outcomes of the work of the Advisory Group can be found on CCIC's web site (http://ccic.ca/e/002/aid.shtml) or at CIDA's civil society extranet site (by registration) (http://web.acdi-cida.gc.ca/cs). CCIC is one of six CSO members of the Advisory Group.

5 OECD DAC, op.cit., page 11.[6] House of Commons of Canada, Official Development Assistance Accountability Act, Bill C-293, accessible at http://www2.parl.gc.ca/HousePublications/Publication.aspx?pub=bill&doc=C-293&parl=39&ses=1&language=E&File=24.

7 Aid analysts must now rely on Canada's annual reports to the DAC, which sometimes distort Canadian aid commitments stated in Canadian fiscal terms because DAC statistics are reported on a calendar year basis, can be incomplete because they are voluntary, and are subject to reporting rules that sometimes mask true aid allocations (for example sector purposes must be 100% to be included).

8 See Africa Canada Forum (CCIC). "Issues Raised by the Senate Committee Report: Overcoming 40 years of Failure: A New Road Map for Sub-Saharan Africa", March 2007 and more recent, Toronto Sun, "Controversy swirls around CIDA", February 20, 2008.

9 The Peer Review acknowledged that Canada has improved its focus of bilateral aid on 20 countries, raising this proportion from 60% in 1999 to 68% in 2005 (page 36). While several donors have greater concentration in the top 20 recipients, CCIC has calculated that Canada's current concentration is similar to that of Norway (70%), Sweden (68%) and the Netherlands (70%), all donors with whom Canada has strongly collaborated in the past.

Good Intent Must Be Balanced With Financial Commitment

Rae Julian
Council for International Development (CID)

Overview

- Much of New Zealand's aid programme during the past two years reflects a response to the OECD and Ministerial Reviews carried out in 2005[1].
- ODA has increased from 0.23% of GNI in 2004, to 0.27% in 2005 and 0.30% in 2007-8, following campaigning by CSOs.
- The government has pledged to increase ODA to 0.35% of GNI by 2010
- There has been an increased focus on fewer countries, mainly in the Pacific and Southeast Asia, and NZAID's field presence in those countries has been increased markedly.
- The primary focus on poverty eradication has been maintained, despite some political comment on the need to consider New Zealand's strategic interests when distributing ODA.
- In general, NZAID's progress could be described as steady and dependable.

Developments in New Zealand's aid commitments

A Ministerial Review of NZAID carried out by Dr Marilyn Waring in 2005 and released in 2006 made a number of recommendations similar to those of the OECD.

One of the major concerns of both reviews was the New Zealand government's lack of progress in meeting the United Nations target of allocating 0.7% of Gross National Income (GNI) to Official Development Assistance (ODA) by 2015 and the lack of commitment to interim targets. "New Zealand Governments have continued to support the target, but have made it clear they were not willing to fund ODA increases just to meet an international target, and they would not commit to any specific plan."[2]

More positively, the ODA level does not include any support for debt relief since the country has no external debtors. New Zealand has also seen a steady decline in tied aid since the establishment of NZAID. In 2002, 24% of ODA was tied aid; this figure has dropped to 9.8%.[3]

However, New Zealand civil society organisations (CSOs) were very disappointed that there was no percentage increase in ODA between the 2005 and the 2006 Budgets, especially as the level remained at only 0.27%. The increase in 2005, from the

2004 level of 0.23%, had largely been due to the government response to the Indian Ocean tsunami in late 2004.

The lack of commitment to aid increases has been the subject of a major campaign currently known as the Point Seven campaign. It has been coordinated by the NZ Council for International Development (CID) since 1985. CID also participates in the local Make Poverty History coalition of CSOs, which has included the Point Seven goal among its many advocacy events since its formation in 2005.

In 2006, the government pledged to increase the level of ODA in 2007, but only to 0.28%. Following intensive campaigning and some significant support from the New Zealand Parliamentarians Group on Population and Development - a cross-party group that endorsed and lobbied among their colleagues for the Point Seven goal - the Budget level was increased to 0.30% for 2007-08. Furthermore, the Government pledged to reach 0.35% by 2010.

Further findings of and responses to the Waring Review

Waring stressed the importance of policy coherence, noting that NZAID's focus on the Millennium Development Goal of providing basic education was being undermined by the Ministry of Education. NZAID funds a number of short-term training awards to provide the opportunity for individuals from participating developing countries to undertake short-term, skills-based training in New Zealand when there is no appropriate training institution within their region. This is intended to meet high priority human resource development needs of the participating country.

At the same time, the Ministry of Education planned a scholarship programme for postgraduate students from Pacific Island countries to take effect from 2007. The goal of the scheme is "to attract top international postgraduate and undergraduate students to study and carry out research in New Zealand".[4] Furthermore, the scholarship students are encouraged to remain in New Zealand after graduation. Two hundred of these scholarships were available by 2007. Not only is this tied aid, but it also threatens to contribute to the "brain drain" in their own countries.

Waring reports that NZAID was unaware of the scheme, prior to its announcement by the Ministry of Education. Since that time an arrangement has been made to liaise on the outcome of the annual selection process for scholarships administered through the Ministry of Education. NZAID reports that "currently, there is no policy coherence problem with scholarships to the Pacific Island region."[5]

The Waring review drew attention to other examples of policy incoherence between NZ government agencies, notably around trade policy issues. NZAID's policy promotes labour rights, support for trade capacity building and good governance in this and other areas. On the other hand, Oxfam NZ's submission to the review reports that the Ministry of Foreign Affairs and Trade is working in an atmosphere of secrecy to promote accession to the WTO in the Pacific, for example[6].

The third major area of concern from the Ministerial Review was the large number of developing countries (over one hundred) receiving ODA from New Zealand. In response, NZAID now focuses on 17 core bilateral partners, 11 in the Pacific, and six in Southeast Asia and Afghanistan. However, NZ ODA scholarships go to about 40 countries. The Commonwealth Scholarship Scheme includes an additional 34 countries, bringing the total number of countries eligible to 74.

NZAID funding also goes to CSOs in New Zealand as subsidies for their development assistance work with partner CSOs in developing countries. The policy of not restricting CSO funding to countries where NZAID has a bilateral relationship is valued by the CSOs. Most are working with long-term partners at community level and the effectiveness of their programmes is reviewed regularly.

Outlook for aid

2008 is election year in New Zealand and polling trends have indicate that a change of government is possible. The current major opposition party, the National Party, has produced a discussion paper on Foreign Affairs, Defence and Trade.[7] This document states that "we will maintain current aid levels set out in the 2007 Budget". It goes on to express concerns about delivery mechanisms and the impact of expenditure and the lack of follow-up of problems identified in the Ministerial review. It stresses the need to place even greater focus on the South Pacific. "We will not renew certain aid projects in distant regions that are not grounded in any realistic appraisal of New Zealand's interests or our capacity to make a difference". The report urges fresh thinking to add political and economic sustainability as key principles along with poverty elimination.

If aid effectiveness principles are fully applied, they should contribute to both economic and social stability. The civil society agenda to be discussed during the election period includes the importance of human rights (especially women's rights), environmental issues (especially the impact of climate change) and fair trade.

Unfortunately, the only political parties to openly support the Point Seven goal with interim targets are minor parties. The Point Seven campaign will be necessary regardless of the election's outcome.

New Zealand and aid effectiveness

Both NZAID and CSOs have endorsed the principles of the Paris Declaration. There are few differences between government and CSOs in the interpretation of the principles and both acknowledge the importance of civil society as essential elements of the process. There have been regular opportunities for discussion of their differences and the dialogue is likely to continue up to and after the meeting in Accra in September 2008.

In May 2007, NZAID and CID participated in three regional meetings around New Zealand. Presentations on the Paris Declaration and aid effectiveness were made by both agencies, with one CSO in each centre also contributing relevant experience from the field.

NZAID was one of the countries that volunteered to participate in the DAC-co-ordinated evaluation of implementation of the Paris Declaration, to be released in 2008. The field work for this exercise was carried out in 2007 and CID was represented on the advisory committee for the survey. Civil society views expressed at the meetings were reflected in the draft document.

Since its establishment in 2002, NZAID has been working in line with a number of the principles of the Paris Declaration. In its annual report for 2006-07, NZAID affirms its commitment to "ensuring the effectiveness of the funding it provides".[8] It goes on to state that: "To make these (Paris Declaration) principles work, donors must work more closely with each other and there has been a shift towards funding the implementation of long-term sectoral strategies. These approaches create more sustainable results and more mutual accountability, and also strengthen partners' capacity to manage their own development processes.[9]

The Pacific Island countries through their regional body, the Pacific Forum, have developed their own seven aid effectiveness principles, based on the Paris Declaration, but with a strong regional focus[10]. Some individual Pacific countries are also reported to be developing their own principles as well.

Ownership

- NZAID's first and overarching policy statement states as a core value that they "are responsive to people and communities in developing countries".[11]
- The ownership principle is further illustrated through the involvement of partner governments and developing country CSOs in the development of bilateral policies and strategies.
- NZAID has set up a number of CSO funding schemes in Pacific Island countries[12], either wholly or partly managed by local CSO representatives and the partner government.
- Some countries are also encouraged to organise technical assistance through their own sources as needed.

Alignment

- An example of alignment is the move towards multi-year appropriations, which correspond with the partner country's financial year.
- Alignment with the development plan of the partner country can be more problematic, especially when the development plan has been drawn up with no consultation with civil society within the country or if there is little emphasis on meeting Millennium Development Goals.
- Gender issues are a key concern when considering the Pacific, which has the second lowest representation of women in parliaments (after the Arab countries). The statistics for women in decision-making roles, women and violence, maternal mortality, and female literacy are similarly problematic. In Papua New Guinea, for example, women over 15 are almost twice as likely as men to be illiterate.[13]
- Some Pacific governments also take a short-term view of environmental issues, such as deforestation. Both the Solomon Islands and Papua New Guinea practice massive deforestation, far above sustainable levels. Most of this is carried out by international companies who have been sold the logging rights by the respective governments for short-term gain.
- NZAID therefore faces challenges in balancing the Paris principles of alignment and ownership with its own core values that include human rights, gender equality and environmental sustainability. They must choose those aspects of national development plans that they can align with their own overarching policy statement.
- However, there is a danger of attempting to influence partner governments without understanding the long-term impacts of economic policies in a specific developing country. NZAID should "avoid offering the standard policy prescriptions that have been widely discredited in the past. The priority should be to support partner governments to undertake their own analysis, preferably with the participation of those most affected, conduct broad consultations and follow democratic processes in policy formulation and approval."[14]

Harmonisation

- "NZAID believes that donors must coordinate their development assistance in ways that allow developing nations to own, control and achieve their development goals".[15]
- NZAID leads an education SWAP in the Solomon Islands, working closely with the local Ministry of Education and focusing on meeting the needs for basic education so that all children can at least complete primary education.
- NZAID is a founding partner in a health SWAP in Papua New Guinea, which includes AusAID, WHO, UNFPA, UNICEF, ADB and the World Bank. NZAID also manages AusAID's programme in the Cook Islands on its behalf.
- There are further examples of harmonisation with the Asia Development Bank and AusAID in Samoa.

Managing for Results

- Management for results and outcome reporting is an area that needs greater clarity and agreement between developing and developed countries. If partner countries are to take ownership of all aspects of their development programmes, they must have rigorous systems for assessing the results.
- The validity of many Pacific Island country poverty statistics has been open to question over many years. It is notable that, in the UN Development Index 2007-08, a number of Pacific countries either have gaps in the tables, or include statistics that are likely to be invalid since they do not cover the same years as the other countries in the tables. Six are not even included in the main index, due to the dearth of statistical information available.
- Capacity building in this area is an ongoing need.
- There are concerns about the indicators for the Paris Declaration. To state that aid is effective if a country has an operational development strategy without any consideration of the contents of that strategy, for example, is ludicrous.
- Additionally, New Zealand CSOs find the differentiation between aid effectiveness indicators and development effectiveness measures, such as the targets in the MDGs, very artificial. Issues such as human rights, gender equality and environmental sustainability must be intrinsic to aid effectiveness.

Mutual Accountability

- Mutual accountability is another challenging area for NZAID. Their commitment is stated as recognition that "sustainable development is achieved only through effective partnerships… that are based on trust, openness, respect and mutual accountability".[16] They are developing robust systems to feed back results and also to provide more security of funding through multi-year appropriations.
- There are a number of mechanisms for accountability to the wider New Zealand public. An annual Budget statement, with an

opportunity for comment to a Parliamentary Committee, is published each year. The annual Budget estimates and an annual NZAID report are also tabled in Parliament and publicly available.

- NZAID is audited annually. Some consideration is also being given to forms of reporting, with civil society consultation as part of the process.
- Unfortunately, some partner governments are not as transparent with their systems of accountability. Many CSOs in the Pacific, for example, report that they do not have the same opportunities to comment on aid and development issues in their countries. Some Pacific countries also lack similar reporting systems to those in New Zealand.

Conclusions

New Zealand is still a long way from meeting its commitment to the goal of allocating 0.7% of GNI to ODA by 2015. Although the current government has set an interim target of 0.35% by 2010, there are no commitments to further interim targets or to the goal in parties' policies in the run up to the next election. Should there be a change of government in late 2008, the major opposition party shows no current inclination to support the goal. Civil society has a major challenge, regardless of the result of the election.

Although the report of the review of NZAID's compliance with the Paris Declaration is not yet publicly available, it is clear that it is likely to be mainly positive. Many of the aid effectiveness principles were incorporated into NZAID's core philosophy from its establishment in 2002. NZAID is also aware of the concerns of civil society about aspects of the Paris Declaration and CSOs look to them to support these issues at official meetings on the road to Accra and at the meeting in Ghana in September 2008.

Notes

1 Refer *Reality of Aid 2006*, p. 313-314.

2 Retrieved from http://www.nzaid.govt.nz/library/docs/nzaid-waring-review-full-report.pdf, p. 15

3 Retrieved from http://www.oecd.org/dac/statsdac/dcrannex, Table 23

4 Retrieved from http://www.educationcounts.govt.nz/publications/international/student_trends_reports

5 Personal communication, 18 January 2008.

6 Retrieved from http://www.nzaid.govt.nz/library/docs/nzaid-waring-review-full-report.pdf, p.63

7 Retrieved from http://www.national.org.nz/files/ForeignAffairs.pdf

8 NZAID Annual Review 2006/07, p. 29.

9 Ibid, p.29

10 Pacific Islands Forum Secretariat, *Pacific aid effectiveness principles*, adopted Koror Palau, 13 July 2007.

11 NZAID policy statement towards a safe and just world free of poverty (undated), p.7.

12 I have confined my examples to Pacific Island countries since these include many of NZAID's core bilateral partners.

13 UNDP Human Development Report 2007-08.

14 OxfamNZ submission on NZAID Policy on Growth and Livelihoods, 2007.

15 NZAID policy statement towards a safe and just world free of poverty (undated), p. 14.

16 NZAID policy statement as above, p.13.

Targeting State 'Transformation', Not Poverty Reduction

Cheri Waters
Interaction

Overview of ODA

- In 2006, the US gave US$22.9 billion in aid, meaning that each person in the US gave US$76.
- From 2005 to 2006 ODA from the US fell by US$5 billion in cash terms (from $27.9 million), or by 18.2% in real terms. Nearly half of the difference is attributable to a decrease in debt forgiveness from $4.2 million in 2005 to $1.7 in 2006.
- The US gave 0.18% of its national wealth in 2006, compared with the average DAC country effort of 0.46%, the US' own 2005 figure of 0.23% and its own previous high point of 0.58% in 1965.
- While the US continues to provide the largest absolute amount of ODA, Greece alone has a lower ODA/GNI ratio.[1]

US ODA Does Not Go Primarily To Poor Countries Or Most Directly To Poverty Reduction

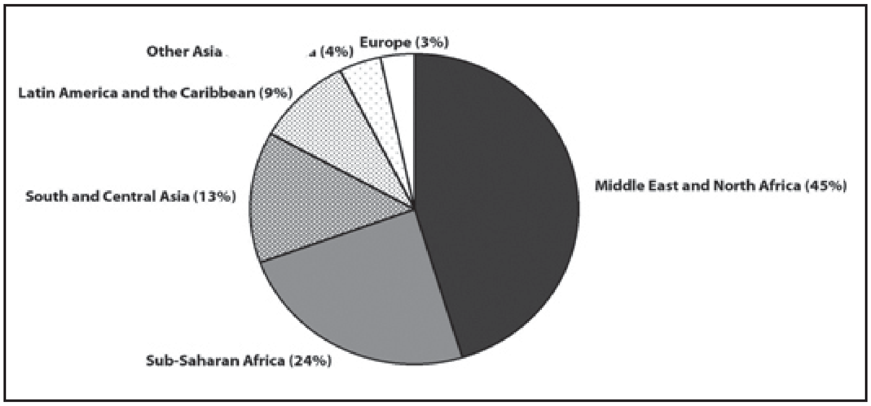
According to the 2006 DAC Peer Review, the US has *not* had a tradition of targeting assistance based on a country's poverty level. Instead, USAID has used a poverty index as one of several tools in country screening.[2]

In 2006, only 28.9% of bilateral ODA went to least developed countries and 9.3% to other low-income countries, compared to 59.6% to lower-middle-income countries and 2.2% to upper-middle-income countries.[3] In 2006, the top ten receipts of total gross disbursements received more than half of USAID. The top three were Iraq (30.0%), Afghanistan (5.1%) and Sudan (2.8%).

The *World Development Report 2008* points out that economic growth originating in agriculture benefits the poorest half of the population in developing countries.[4] However, less than 2% of total bilateral assistance commitments in 2006 went to agriculture, forestry, and fishing. Moreover, although investments in basic education, basic health, and water and sanitation are vital to poverty reduction and human well-being, the US provided less than 10 % of total bilateral commitments to these sectors in 2006:

- 4.9% (US$1,185.3 million) on basic health
- 1.1% (US$275.5 million) on basic education
- 3.4% (US$817.8 million) on water supply and sanitation

Figure 15. U.S. ODA by Region



US Foreign Assistance As A Security Tool

Since the last publication of *Reality of Aid*, the US government has made profound changes in official development assistance. Indeed, the Bush Administration has used the term "transformation" to describe both their intent and the results obtained. The process of change began when the administration named the global war on terrorism the top foreign aid priority in its 2002 *National Security Strategy of the United States* (NSS).[5]

The NSS articulated a policy that included global development as one of three US national security pillars for the first time - alongside defense and diplomacy. The US development community's question was whether the three would be equal and there was a concern that development would become subordinate to the others. The most substantial policy change has come following the stated intent by the Secretary of State[6] in January 2006 to "reform and restructure" US foreign assistance. The overarching aim was to craft US aid as an *instrument of national security through* "transformational diplomacy" - not just engaging with other countries, but transforming them. The new model was to ensure that foreign assistance was used effectively to meet the administration's broad foreign policy objectives and to align operations of the two major agencies responsible for aid activities: the US Agency for International Development (USAID) and State Department.[7]

The Secretary of State created a new position, the Director of Foreign Assistance (DFA), to serve concurrently as a Deputy Secretary in the State Department and as USAID Administrator. The DFA would be responsible for "transformational development" and would lead the process of reforming US aid.

Over the following months, the State Department's Office of Foreign Assistance (OFA) developed a new comprehensive framework for US foreign assistance with the following overarching goal: "*To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system*."

To accomplish this goal, the framework set out five strategic objectives: (1) peace and security, (2) governing justly and democratically, (3) investing in people, (4) economic growth, and (5) humanitarian assistance.

The United States

The framework also created five country categories:

- **Rebuilding** countries are in, or emerging from, internal or external conflicts.
- **Developing** countries are low- and lower-middle-income countries that are not yet meeting performance criteria.
- **Transforming** countries are low- and lower-middle-income countries that meet certain performance criteria based on good governance and sound economic policies.
- **Sustaining partnership** countries are upper-middle-income countries with which the United States maintains economic, trade, and security relationships beyond foreign aid.
- **Restrictive** countries are authoritarian regimes - most ineligible for US aid - with significant issues around freedom and human rights.

Each of the recipients of US foreign assistance (over 130) has been assigned to *one* category[8] with some surprising results. For example, Bolivia is in the same 'transforming' category as Brazil although it has twice as many people living in poverty and only one-third the GNI per capita. Equatorial Guinea, Taiwan, and Portugal are in the same 'sustaining partnership' category.

The OFA has produced a matrix which sets out the different programs for each type of country under each objective. Since the new purpose of US foreign aid is to *move* a country from one category to the next (e.g. from rebuilding to developing), the framework sets end goals for US assistance and establishes a corresponding "graduation trajectory".

Evaluating the Changes: Transformation and Aid Effectiveness

Examined from the perspective of aid effectiveness and democratic ownership, the reform process and its results have been extremely troubling. The following three points demonstrate why.

1. **The reform process itself was the antithesis of both "country ownership," as defined in the Paris Declaration, and "democratic ownership."**

   In a system driven by US interests and security concerns, all major decisions are to be decided by Washington because it has a "better, more comprehensive vision of US strategic interests in any particular country." Allowing the USAID missions in developing countries to make strategic decisions might be "biased by 'country-capture'."[9] Thus, the DFA leads small groups in Washington in using the DFA-developed matrix to develop a strategy for each country and allocate resources. There is *no* consultation with USAID in-country missions or US-based implementing partners, let alone with recipient governments or civil society.[10]

   A nine-country study of the immediate effects of the reform process by *InterAction* found that the vast majority of the field staff of USAID had not even been informed of the nature of the reforms being made. US-based and local NGO staff were in the same position.[11] In one country, a recently completed strategy written in consultation with the national government had had to be thrown out in favour of a new strategy provided by Washington. Thus, "the … reform [process had] affected the mission's ability to be predictable to the [national] government."

There is **one notable exception to this top-down approach to US assistance:** the Millennium Challenge Corporation (MCC). This is a US government corporation whose mission is to provide assistance to support economic growth and poverty reduction. To be eligible for MCC funding, low- and lower-middle-income countries must meet specific selection criteria. A country that meets all criteria is eligible to negotiate a multi-year "compact" with the MCC to implement a plan for poverty reduction and economic growth programs. The law establishing the MCC requires that each plan be *developed by the national government in consultation with civil society, including women, NGOs, and the private sector*.[12]

2. **The framework sets prescriptive and inflexible mandates that effectively tie the hands of those responsible for implementation.**

The new foreign assistance framework is extremely explicit and fixed in terms of what activities can be funded with US aid. The framework establishes a certain number of specific program areas under each objective for each category of country. For each program area, there are multiple program elements and sub-elements. For example, the objective "Investing in People" has three program areas. One of these, health, has eight program elements (e.g. malaria) and seventy-nine sub-elements (e.g. insecticide-treated nets).[13]

No activity can be funded if it does not appear in the matrix in the correct place for each country. To make sure this is the case, OFA staff have developed a 108-page compilation of *Standardized Program Structure and Definitions* listing the programs that can be funded.

Under this arrangement, the US will provide assistance to attain five objectives, twenty-four program areas, ninety-six program elements, and about four hundred sub-elements, all precisely defined in Washington without consultation. The only decision left to be made on the ground - with or without democratic ownership - is at the sub-element level.

3. **OFA took decision-making regarding indicators of aid performance away from recipients**

As one respondent to our study put it, OFA has developed a "cookie cutter approach to development indicators" divorced from realities on the ground. In fact, OFA has developed a set of "standard performance indicators," with literally hundreds of indicators that focus primarily on outputs rather than outcomes. This means that, for example, the output of the number of classrooms built is seen as more important than the outcome of educating children.

Notes

[1] DAC Online. Retrieved March 26, 2008 from http://www.oecd.org/dataoecd/50/17/5037721.htm

[2] Development Assistance Committee. (2006). *DAC Peer Review of the United States*, (Paris: Organization for Economic Cooperation and Development. p. 34. Retrieved from http://www.oecd.org/document/27/0,3343,en_2649_34603_37829787_1_1_1_1,00.html.

[3] DAC Online. Retrieved March 26, 2008 from http://www.oecd.org/dataoecd/50/17/5037721.htm

[4] World Bank. (2008). *World Development Report 2008: Agriculture and Development* (Washington: The World Bank. p. 6. Retrieved from http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2008/0,,contentMDK:21410054~menuPK:3149676~

pagePK:64167689~piPK:64167673~theSitePK:2795143,00.html.

5 White House. (2002). *The national security strategy of the United States of America*. Washington: White House. Retrieved from http://www.whitehouse.gov/nsc/nss.html

6 Condoleeza Rice.

7 Condoleeza Rice. (2007). *Remarks on foreign assistance*. Washington: US Department of State. Retrieved from http://www.state.gov/secretary/rm/2006/59408.htm

8 For the original list of countries by category. In InterAction. (2007). *US contributions to reducing global poverty: An assessment of the US and the millennium development goals.* Washington. p. 20. Retrieved from http://interaction.org/library/detail.php?id =6035

9 Hyman. G. (2008). Assessing Secretary of State Rice's reform of US foreign assistance. *Carnegie Paper No. 90.* Washington: Carnegie Endowment for International Peace. p. 14. Retrieved from http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=19906 &prog=zgp&proj=zdrl.

10 Ibid., p. 7.

11 The principal investigator, Carolyn Long, worked with a team of researchers in: Ghana; Honduras; Kenya; Nepal; and Vietnam. InterAction staff conducted supplementary interviews in: El Salvador, Nicaragua, Tanzania and Zambia. In all, the research team conducted interviews with 270 people in nine countries from May to December 2007.

12 For an in-depth description of MCC selection criteria and operations, go to http://www.mcc.gov/index.php

13 The document can be accessed at http://www.state.gov/f/c24132.htm

Silver Clouds and Dark Linings

John Y. Jones
Networkers SouthNorth

Aid and Environmental Policy in Norway

In 2007, the Norwegian minister for Development co-operation was appointed Minister for Environment and Development. The two ministries, however, remain separate. This step of creating top-level coordination was a signal of the government's commitment to face the grave environmental challenges ahead.

Expectations were high. A centre-left majority in the electorate guaranteed strong support for aid, as it has since inception of aid in the 1950s, regardless of government colour. Huge national financial surpluses added to the expectations. The so-called Soria Moria government policy paper had feasible goals like: turning away from the World Bank and its economic policies; heralding debt cancellation; fighting neoliberal tendencies abroad and at home; and turning our high CO^2-consuming life into an environmentally sustainable one. Radical but feasible.

With a record high aid budget presented in October 2007, promises to make Norway carbon-emission free, and an ethical investment plan for our huge oil-fund revenues, applause was expected from a proud government. After all, the Minister had even quoted Berthold Brecht: "*hunger doesn't merely emerge, it is organised by grain-dealers. Poverty isn't coincidental. It is a product of international power structures. Caused by bad policies in many countries, as well as weak, corrupt and incompetent, and a product passed on from hundreds of years of history."*[1]

Civil Society Unimpressed

However, to the astonishment of the outside world, civil society did not applaud. In fact, they saw little evidence of any new direction in 2007. On the contrary, the Minister for environment and development underlined that he would continue the business of his predecessors: We know what the world needs, he summed up: peace, good governance for sharing resources, a market-based economy, education and raising necessary resources through investment and development aid. The market-based economy had become a corner stone for socialist-led environmentalism in Norway!

For Norway he identified obvious tasks: "We need to do what we are good at: energy, peace and reconciliation, women's and environmental issues."[2] As late as May 2008 the Prime Minister assured that co-operation between government and big business "is a good thing"[3]. Warnings of mixing Norway's strategic interests in the oil, gas, shipping, fish and fertiliser business sectors with development aid cannot just be brushed away with assurances of anti-corruption ambitions. Add military engagements in Afghanistan and other trouble spots, and one sees a potential minefield of great proportions.

The national press across the political spectrum also had a clearly negative verdict when the budget was presented: the steps taken were too small – and not really in the right direction. The influential conservative newspaper Aftenposten[4] stated with disappointment that the entire climate effort was covered by less than a month's surplus from our hugely polluting oil and gas revenues. The government-supportive newspaper Nationen[5] stated that private consumption had increased ten times more than the environmental budget increase. Vaart Land[6] bluntly stated that the budget was "built on greed."

The government's environment policies have also been strongly criticised. A large majority of Norwegians have always supported the targeted 1% of GDP for development, and also the idea that funds for environmental targets should come in *addition to this*, and not taken from what is already allocated for the poor. The Prime Minister's speech on Norway's dedication to fight climate change by becoming a zero-emission country was hailed as groundbreaking. An extra multi-billion investment in environmental programmes initially soothed the environmentalists who would otherwise have focused on the many environmentally dubious projects emanating from oil- and gas-extractive industries. But shortly it became evident that large parts of our reductions actually meant using Norway's oil-based wealth to buy the right to pollute abroad through carbon shares.

Failing to Match All the Rhetoric With Reality on Aid Effectiveness

The World Bank and conditionalities

World Bank- critical groups have applauded Norway's new and groundbreaking initiative to support the renegotiations of deals forced upon African governments under World Bank efforts to privatise extractive & mining industries in the 1980s and 1990s. The realisation that privatisation of historically money-making sectors had resulted in little if any income to governments in spite of currently booming prices, led to Norwegian initiatives, first in Zambia and DRC and likely also in Tanzania.

This was more than an indirect Norwegian criticism of the World Bank's conditionality policies. In spite of reportedly harsh, though unofficial, reactions from World Bank representatives, the renegotiations supported by Norwegian money for litigation and expert support have so far reportedly been a considerable success. How much remains to be seen.[7]

However, many meetings between the Minister for Development Cooperation and the World Bank, together with promises of joint cooperation between the two, were treacherous signals to Bank-critical government supporters. Minor reductions by Norway to parts of the funding of the Bank did little to correct this impression. A similar double message was sent out on Norway's policies on *privatisation*.

The Bank was urged to stop conditioning loans with privatisation. But at the same time, privatisation-driving trust funds at the World Bank received Norwegian support in crucial sectors like health and education.[8] In the water sector, however, privatisation fighter FIVAS was successfully pressuring to withdraw Bank-support[9]. A conference on conditionality in the fall of 2006 actually left an impression that research allegedly showed that the Bank was improving its conditionality policies ("fewer conditions are imposed" as if numbers were the issue!), and due to "successful" Norwegian pressure, at that. Norway is safely back on the World Bank track.

Debt cancellation

A much applauded debt reduction step was Norway's partial admission of guilt in a series of lending operation in the 1970s.

Loans to ship builders in the 1970s were labelled illegitimate by NGOs since they were in reality support to Norwegian shipyards in times of trouble, rather than benefiting the end user in the developing world. Norwegian debt campaigner SLUG[10] eventually saw the fruition of its long fight. Globally unprecedented, Norway decided to cancel the remaining parts of loans under the relevant ship builder's contracts. It is to be welcomed that no funds were taken from aid budgets to carry out this cancellation of remaining debt, nor was it included in the Norwegian DAC figures. However, the government did not pursue the issue to include returning the down payments already processed from the debtor countries. This, undeniably, would have been a logical and moral consequence of admitting guilt in the first place.

Brain drain

In the spring of 2007 Norwegians woke up to shocking news, as the minister for development co-operation announced plans to improve Norway's (sic) looming health personnel shortage by mass import of African health personnel. The damaging impression of completely lacking in understanding the consequences of such deliberate brain-drain policies was not really ameliorated by next-day clarification of what had "really" been meant: a win-win for Norway *and* Africa, since "many of them" would return to nurse- and doctor-starved Africa after having served in Norway. [11] The final outcome of this initiative remains to be seen.

Medical research

Norway has been arguing strongly for a reduction in the number of aid agents for a more manageable and coordinated aid field, and has also proclaimed increased support for the UN. It made little sense then, critics claimed, to set up an entirely new body, GAVI, to administer a renewed effort in vaccination and medical research. The GAVI project came under attack by a former Reagan economist, Princeton professor Donald W. Light, for being little more than support for American pharmaceutical companies.[12] GAVI is about to receive a considerable 6 billion NOK over 5 years. This criticism came on top of NGO claims that GAVI was designed by Bill Gates and suspiciously well timed to subtly underpin an embattled global patent regime, a move that would strongly benefit Gate's own company Microsoft. The Prime Minister's office had already assured critics that the patent-based market system would lead to reduced cost of medicines and thus benefit the poor and sick. Many were surprised that a left-green government this way would trust outdated market arguments this way.[13]

Militarisation of aid

It would not be correct to leave the Norwegian scene without referring to the applause Paul Collier's book "Bottom Billion" received from the Norwegian Minister for Environment and Development Cooperation. Many were surprised that this former head of research at the World Bank got away with so many undocumented assumptions and arguing for *de facto* militarisation of the aid sector. Collier falls in line with American assumptions that "responsibility to protect" as a genocide preventive measure should include *early military intervention*. This is seen by many as another attempt to expand the US war-on-terror into the field of development assistance, and is strongly resisted by EU[14].

Collier's unsubstantiated criticism of Christian Aid's research methods led to a reversed focus on Collier's own track record and the scathing criticism by the Deaton commission on research under Collier's leadership at the World Bank.[15] That Norway could declare it has anything at all to learn from the author of *Bottom Billion* is at best incomprehensible.

Norway

Openness and watchdogs

Norway's dedication to openness in aid policy and action was highlighted when the Extractive industries transparency initiative, EITI secretariat was located to Oslo, in line with the Minister's concern to fight corruption.

It should be noted that after the government had stopped reporting regularly to the Parliament on aid, the Committee on Foreign Affairs' meeting with NGOs on budget issues has become increasingly more important. The committee subsequently poses questions publicly to the government.[16] Organisations are also offered 4-year government support programmes by Norad[17] to carry out information and development education on North-South issues, and are also encouraged to act as government watchdogs in their respective fields of interest. This is a much acclaimed democracy and transparency enhancing investment on the government's side.[18] Development and environment NGOs are organised and coordinate their efforts in a similar umbrella, ForUM[19]. The Minister for Foreign Affairs is prolifically publishing the minister's speeches on the Internet, but for some reason the Environment and Development Minister has not adopted the same standard.

Notes

1 See http://www.rorg.no/Artikler/1571.html, June 11, 2007.

2 See http://www.rorg.no/Artikler/1290.html

3 Norwegian Broadcasting Corporation, NRK, News 4. (2008, May).

4 *Aftenposten*. (2007, October 5). Oslo.

5 *Nationen*. (2007), October 6). Oslo.

6 *Vaart Land*. (2007, October 6). Oslo.

7 Retrieved from http://www.bicusa.org/en/Article.3396.aspx

8 Retrieved from http://siteresources.worldbank.org/EXTNTFPSI/Resources/NTFPSIframework0115.pdf

9 See http://www.rorg.no/Artikler/1511.html, February 23, 2008.

10 Retrieved from http://www.slettgjelda.no

11 Norwegian Broadcasting Corporation. (2007, March 27).

12 *Aftenposten*. (2008, March 3). Oslo.

13 *Ny Tid*. (2007, January). Oslo.

14 The Madariaga Foundation in Brussels in its conference on this topic 13 March 2008, will issue a report on this mid 2008 (see http://www.madariaga.org).

15 Deaton, A. ( ). An evaluation of World Bank research, 1998 - 2005. World Bank.

16 Retrieved from http://www.regjeringen.no/nb/dep/ud/dok/andre/Brev/Brev_til_Stortinget/2006/Statsbudsjettet-2007-Svar-pa-sporsmal-fra-Utenrikskomiteen.html?id=429604

17 Norad. ( ). Norwegian Agency for Development Cooperation. See http://www.norad.no/english

18 For more on the RORG-frame agreements, see http://www.rorg.no

19 Retrieved from http://www.forumfor.no

Increasing Budget Support, But Slow on Participation

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Overview

- In 2006, the EC's aid disbursements amounted to US$ 9.9 billion - this means that, each person in the EU gave US$ 21.4 in aid which was channelled through the EC.[1]
- The 2006 figure represents an increase of US$ 0.9 billion from its 2005 level. Taking into account inflation and exchange rate changes, the value of EC aid increased by 6.2% in real terms.
- In 2006, DAC EU Member States gave 0.43% of their combined GNI. This was lower than the average country effort of 0.46% and a decrease from DAC EU Member States' level of 0.44% in 2005.
- In 2006, the EC gave US$ 4.3 billion (43%) of its total aid to least developed and other low-income countries.
- In 2006, the EC spent US$ 302 million (3%) of its aid on basic health, US$ 259 million (3%) on basic education and US$ 375 million (4%) on water supply and sanitation.

Lisbon Treaty

In December 2007, the heads of state and government of the 27 EU Member-States finally signed the Lisbon Treaty. The new treaty clearly states that the EU's external actions will be guided by the following principles: democracy, the rule of law, the

In this section:

- 'EC aid' refers to the development aid programme which is financed by the Member States but managed by the European Commission.
- 'EU aid' denotes the combined aid from both the European Commission and the EU Member States.

All figures cited are gross disbursements at current prices.

Source: OECD/DAC Creditor Reporting System online database universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, equality and solidarity, and respect for the principles of the United Nations Charter and international law.

In addition to highlighting the importance of human rights to the EU's external relations, the Lisbon Treaty both clarifies and strengthens the legal basis for the EU's development cooperation policy.

It sets out development cooperation as a specific policy area which is independent of all other elements of the EU's external relations and clearly identifies poverty eradication as the overarching objective of this policy. In addition, it maintains the principle of 'coherence' by which all EU policies that may have an impact on developing countries must take into account the objectives of EU development cooperation.

The Lisbon Treaty needs to be ratified by all 27 EU Member States. By 1 July 2008, 18 countries had given their approval but Ireland's rejection of the Treaty in a referendum on 12 June means that it is unclear if or when the process will be completed. The ratification process is continuing in other EU Member States with a view to its eventual completion, possibly through the adoption of additional measures to address Ireland's concerns.[2]

Aid Effectiveness

Alongside the process of ratifying the Lisbon Treaty, the European aid agenda in 2008 will be dominated by the issue of aid effectiveness, including the ongoing preparations for the review of the Paris Declaration at the Third High Level Forum on Aid Effectiveness (HLF 3) which will take place in September in Accra, Ghana. HLF 3 will take place midway through France's Presidency of the Council of the EU.

The European Commission (EC) will play a central role in the EU's contribution to the Paris Declaration review process. In the first half of 2008, it published a set of communications on aid effectiveness, the MDGs, financing for development, policy coherence for development and aid for trade.[3] This package was discussed by EU Development Ministers when they met in May 2008 and the outcomes of these discussions formed the basis of European Council (heads of state and government) conclusions in June 2008.[4]

Tenth European Development Fund (EDF 10)

The European Development fund (EDF) is the main channel for the EU's development aid to countries in the African, Caribbean and Pacific (ACP) Group of States. The current EDF, (EDF 10) will cover the period 2008 – 2013.

Throughout 2007, European NGOs were highly critical of the processes through which the EC was preparing its EDF 10 aid programmes for ACP countries. Concerns were raised about the EC's diminishing focus on social sector funding and the dramatic increase in the use of general budget support (GBS) as a means of delivering EC aid.[5]

In addition to the above-mentioned issues, NGOs were also critical of the lack of consultation which had taken place with civil society in the EC's partner countries in the South[6] and the almost complete lack of parliamentary scrutiny over the EC's country aid programmes (known as country strategy papers (CSPs)) for ACP countries. The fact that the European Parliament has so far been virtually excluded from the ACP programming process received particularly strong criticism as the EC had previously conceded that, as the EU's only directly-elected body, the European Parliament had a democratic right to scrutinise EC development aid programmes for countries in Asia, Latin America and the EU's neighbouring countries.[7]

This criticism derives from the fact that the EC Treaty does not distinguish between regions and NGOs have repeatedly argued that democratic scrutiny is especially important for the EC's aid programmes in Africa given the increased levels of GBS which are being allocated there.

General Budget Support (GBS)

In December 2007, the EC stated that approximately 47% of the funding available under EDF would be provided as budget support.[8] It also appears likely that GBS will be prioritised over sector budget support (SBS).

The EC has repeatedly used its increased reliance on GBS to justify the decrease in its direct support to the sectors of health and education. However, the measurement of the contribution of EC GBS to social sectors has been brought into question.[9]

The details of the EC's GBS programmes are set out in so-called "financing agreements" (budget support contracts between the EC and its partner countries). Despite their clearly stated poverty reduction objectives, these documents reveal a disturbing lack of indicators for measuring the impact of GBS on poverty.[10] Furthermore, the content of certain financing agreements indicates that results-orientation towards the promotion of women's rights and gender equality is absent from the EC's GBS programmes.[11]

The content of certain financing agreements also raises questions about the degree of ownership which the governments of the EC's partner countries are able to exercise over their own national development strategies when those strategies are partly financed by EC GBS. The EC consistently presents budget support as the aid modality which is best suited to upholding the principle of 'ownership' as set out in the Paris Declaration. However, the EC's standard requirement for its partner countries to have an IMF-approved macroeconomic policy can limit the fiscal space available to governments, for instance to fund additional teachers and health workers. This conditionality can seriously hinder governments' abilities to implement their national development strategies. It thus reduces their ownership of their countries' development.

In autumn 2007, the EC informally agreed to publish its budget support financing agreements. This constituted a small step on the path to increasing the transparency of its GBS programmes. However, this can in no way be seen as redress for the fact that these programmes are still devoid of democratic control from parliaments either in the EC's partner countries or in Europe. A selection of financing agreements can currently be viewed on Eurostep's aid programming websites.[12]

In July 2007, the EC published a proposal for a new form of long-term, predictable budget support aimed at improving results in social sectors by financing long-term, recurrent costs.[13] The proposal for these so-called "MDG contracts" was initially applauded by NGOs as it appeared to offer the potential for the EC's partner governments to finance recurrent costs such as those involved in paying the salaries of teachers and health workers. However, since the EC unveiled its proposal, questions have been raised about the limited number of MDG contracts which will be available and about the continued existence of IMF-based conditionalities.[14]

Conclusions

The agreement on the Lisbon Treaty marks an important step in clarifying and strengthening the legal basis for the EU's development cooperation policy. Once it is ratified and comes into force, it is essential that the Lisbon Treaty is translated into an administrative structure which fully reflects this reality.

Despite a legal obligation to involve civil society in its aid programming processes, civil society was, to all intents and purposes, excluded from the negotiations over the EC's aid plans for countries in the ACP Group of States under EDF 10. This has major implications for the issue of partner country ownership.

The EC's aid programmes for ACP countries have also been devoid of effective parliamentary scrutiny either in those countries or within the EU. This is despite continued calls in Europe for the European Parliament to scrutinise the EC's aid to Africa as it does with the EC's aid to developing countries in other regions.

Seventy percent of the world's poorest people are women. It is, therefore, essential that gender issues are concretely operationalised in all of the EC's aid modalities, especially budget support.

If the EC is be taken seriously in its stated aim to increase its partner countries' ownership of their own development plans, it should desist from making its GBS conditional on the existence of an agreement with the IMF. It should be up to partner governments and not the EC to decide if those countries engage with the IMF.

Under EDF10, the EC should aim to ensure long-term predictable aid which is not tied to IMF-based conditionality. This will enable it to assist the governments of its partner countries to finance recurrent costs, including paying the salaries of teachers and health workers, which are central to the achievement of the MDGs.

Notes

1 This calculation is based on Eurostat data on the population of the EU on 1 January 2006.

2 For more information about the implications of the Lisbon Treaty for EU development cooperation, see http://www.lisbon-treaty.org

3 See http://ec.europa.eu/development/icenter/repository/COMM_PDF_COM_2008_0177_F_EN_ACTE.pdf

4 See http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/101346.pdf

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6 Eurostep. (2006). We decide, you "own"! An assessment of the programming of European Community aid to ACP countries under the 10th European Development Fund (EDF).

7 Alliance2015.(2007). 2015-Watch Scorecard.

8 Eurostep. (2007). Assessing EU cooperation with ACP countries 2008-2013.

9 Alliance2015. (2007). Expert meeting: Measuring the contribution of general budget support.

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11 EEPA. (2007). Briefing Paper 8: Gender and sexual and reproductive health and rights Indicators in EU development aid.

12 See http://www.developmentportal.eu/wcm/subsite/acp/content/section/4/27/

13 EEPA. (2007). Briefing Paper 1: MDG contracting.

14 EEPA. (2007). Report of MDG contracting meeting.