Chapter 4

Global Aid Trends, BRICS Reports and OECD Reports

Fit for Purpose: ODA and the financing of the Post-2015 Development Agenda

Brian Tomlinson
AidWatch Canada

Establishing a Framework for Financing Post-2015 Development Partnerships

In September 2015, the United Nations (UN) Member States will gather in New York for a special General Assembly Summit to launch a new global development agenda for the next 15 years. The intention is to mobilize a fully inclusive global partnership of both state and non-state actors to achieve a set of Sustainable Development Goals (SDGs) that will succeed the Millennium Development Goals (MDGs).

Future success in realizing the SDGs will undoubtedly depend upon maximum efforts on the part of all development actors to harness the full range of financial resources at the country, regional and global levels. To this end, a third global conference on Financing for Development will be convened in July 2015, just prior to the historic UN General Assembly in September. Its purpose will be to draw lessons from the previous Financing for Development conferences – the 2002 Monterrey Consensus and the 2008 Doha Declaration – and apply those lessons to a comprehensive financing framework in support of the global development agenda beyond 2015.1
According to UN Secretary-General Ban Ki-moon, "Official Development Assistance [ODA] will continue to be a critical source of development finance after 2015. …ODA can be better targeted than other sources to help ensure inclusive access to public services; leverage other sources of development finance or improve their targeting; and put the world on the pathway to sustainability."2 He notes however that progress on ODA quantity, transparency and accountability is essential to achieve these ends. This chapter examines the current 'reality of aid' and its potential to make substantial contributions to financing the SDGs.

At the April 2014 High Level Meeting (HLM) of the Global Partnership for Effective Development Cooperation (GPEDC), the Secretary-General called on the GPEDC to make meaningful progress on reforms to development cooperation – strengthening country ownership, expanding diverse partnerships involving the private sector and civil society, and realizing the 2011 Busan High Level Forum commitments. He called on the GPEDC to inform discussions at the United Nations on critical strategies for implementing the Sustainable Development Goals.3

What then could be the role of development assistance in a post-2015 financial framework for the SDGs? How will this framework involve an increasingly complex architecture for development finance that has emerged globally over the past 15 years? What role will ODA and other concessional finance play in facilitating and financing development partnerships in the post-2015 agenda? Will ODA be increasingly replaced by the allocation of domestic resources, loans and private sector investment, and philanthropic finance?

This chapter first situates aid trends in the context of changing patterns of global poverty and domestic financing available through governments in developing countries. It then discusses global aid trends, as well as current directions and issues regarding the level, allocation and effectiveness of ODA from members

of the OECD Development Assistance Committee (DAC). It raises questions about the amount of ODA resources that are actually available to developing country counterparts and for the financing of the MDGs and the post-2015 SDGs. It then looks at current debates on "modernizing" ODA and the inclusion of other financial flows in a new measure of "Total Official Support for Development (TOSD)."

In an increasingly complex aid architecture it is also important to look at some basic trends for resource transfers from non-state development actors such as civil society organizations (CSOs) and the private sector, as well as from aid-providing middle-income countries through South-South Cooperation (SSC). The chapter then looks at these trends.

The focus of this chapter is primarily on the contributions of ODA and other concessional assistance that could and should be dedicated to implementing the post-2015 development agenda. It does not address broader issues of development finance that are highly relevant to mobilizing global resources towards the SDGs and reducing rapidly increasing inequality. This is a world where the top 10% of the world's population holds 86% of the wealth, while the poorest 70% (over 3 billion people) holds just 3%.4 In this respect, there are a range of important issues that are essential to consider within the context of a discussion on ODA flows, but these are beyond the scope of this chapter – attention to preventing illicit financial flows and implementing country level tax reform, further initiatives in debt reduction for highly indebted countries, reform of the major institutions governing global finance, and regulations to improve the transparency and quality of other private financial flows, including the implementation of innovative taxes on the use of the global commons and financial transactions. Yet these issues must also be addressed in a comprehensive financing framework for the post-2015 agenda.

As noted by the UN Secretary-General, ODA is a unique public finance resource in that it can be utilised to overcome poverty, marginalization and inequality, and can be grounded in the values of equity, solidarity and human rights. But aid reform is an essential precondition if it is to maximize its contributions to the SDGs. How might ODA and other concessional flows strengthen the capacities of all actors to effectively implement the SDGs, and focus on ending poverty, reducing inequality and realizing peoples' human rights? The Reality of Aid Network suggests that the following key areas are essential ingredients for such a plan:

1. **In setting out the SDGs, the international community must address the human rights of all people living in poverty, an unacceptable condition that continues to affect the vast majority of people across developing countries at all levels of development.** The SDGs must not reduce the issue of global poverty and inequality to a headline focus on the eradication of extreme poverty. Of course, the notion that extreme poverty could be eradicated by 2030 is long overdue for the 1.2 billion people that continue to live in destitution on less than $1.25 a day. Yet conditions of poverty and inequality still profoundly affect the life chances for the vast majority of the populations of developing countries. More than 40% live on less than $2.00 a day in 2010, a level of existence still just barely above subsistence. And fully two-thirds of the population of developing countries, or 3.9 billion people, live on less than $4.00 a day, including more than half the population of those living in upper middle-income countries.

   These populations, living on incomes of $1.25-$4.00 a day, are very poor, often highly marginalized, and remain vulnerable to economic, climatic and political shocks in the household,

community, national or global levels. The SDGs must focus on the human rights and dignity of these populations.

2. **In allocating concessional development finance, donors and other aid providers should be guided by an assessment of conditions of poverty and inequality, as well as capacities for government spending for SDGs, not by arbitrary thresholds of per capita income levels for developing countries determined by the World Bank (WB)**. Domestic resources are the main resource for achieving the SDGs in all countries. But for low-income and the majority of middle-income countries where poverty remains pervasive, governments are currently able to mobilize less than $2,000 per person for all government programs. This fiscal capacity compares to an average of $15,000 per person for government-supported programs and institutions in the developed world.

   Preliminary estimates suggest that more than $1 trillion in incremental annual spending globally may be needed to fully achieve a range of SDGs across all developing countries. Clearly governments are not expected to provide all of these resources. But government expenditures are critical for achieving social and economic rights, particularly for marginalized and vulnerable populations, in all countries. Even in the more advanced developing countries, the capacity for mobilizing government resources to target poverty and marginalization are without doubt inadequate.

3. **Donors must allocate Official Development Assistance (ODA) as a critical and essential resource for achieving the broad range of SDGs across many different developing country contexts.** Given the pervasiveness of poverty, the growing inequality in many countries, and the severe limits on the capacity for government spending, irrespective of per capita country income levels, ODA will continue to be a unique resource to catalyse development across all developing countries. Aid modalities, types of counterparts and levels of funding can and should vary according to country conditions.

4. **Donor governments must show leadership and demonstrable global responsibility by creating domestic political momentum to urgently redress woefully inadequate levels of ODA, where many donors are projecting even lower amounts of aid in future years.** All traditional DAC donors should achieve, as soon as possible, the long-standing UN target of 0.7% of Gross National Income for ODA. Achieving this goal in 2013 would have delivered US$315 billion in aid, making a real difference for advancing the MDGs. While Real ODA increased slightly in 2013 to US$124.2 billion, it may in fact be closer to US$100 billion when fully accounting for aid loans. Moreover, the OECD DAC calculates that less than US$60 billion of ODA is actually available as an aid resource over which developing country partners have significant control, despite the rhetorical commitment to "country ownership." Aid levels have been falling or stagnant since 2010, and projections for beyond 2014 are at even lower levels. If the British government can achieve its aid pledge of 0.7%, as it did in 2013 in difficult economic circumstances, there are no irresolvable fiscal or political barriers for other donors to do likewise.

   Reality of Aid has calculated that only 35% of aid that donors have allocated to all sectors is dedicated to proxy sectors for the MDGs. Given these allocations coupled with failures to meet commitments in ODA quantity, as well as limits on government spending noted in the previous section, it should be no surprise then that the MDGs remain elusive in many countries.

5. **The resource transfers that count as ODA should be clearly directed to reducing poverty and inequality. In reforming the criteria for ODA, there must be a clear purpose to**

enable the human rights of populations most affected by marginalization, inequality and poverty, wherever they may live. The OECD DAC members are undertaking a process to clarify the definition of ODA. This process should make clear its purpose and be limited to genuine concessional resource transfers, with benefit and addition to the resources available for partner countries. Only a grant equivalency of loans should be included in "modernized" guidelines for ODA. A new metric for "Total Official Support for Development" (TOSD) can include a wider range of official resource transfers. But it should be fully transparent, and because these resources are in fact for development, they should be linked directly to realizing various outcomes for the SDGs, i.e. reducing poverty and inequality and promoting sustainability, consistent with human rights standards.

6. **Aid quality matters. The norms and commitments for effective development, established through an inclusive multi-stakeholder Global Partnership for Effective Development Cooperation, must be fully implemented, and should inform and shape the process and financing architecture for the SDGs.** Despite strong rhetorical support from donors and partner countries for the Busan principles for development effectiveness (country ownership, inclusive partnerships, focus on results, and transparency and accountability), it largely has been 'aid business as usual.' More deliberate attention, with time-bound targets for monitoring progress, is needed. Donors need to meet their commitments to use developing country systems, to improve transparency, with greater predictability and access to meaningful aid data, to gender equality and women's empowerment, and to decent work. Mutual accountability for development results should be informed by a human rights-based approach to development cooperation. In particular, lack of progress on democratic ownership of development policy and a deteriorating enabling environment for CSOs in many developing countries, will severely limit inclusive development partnerships for the SDGs.

7. **Donors must increase overall aid budgets and direct resources to countries most in need. Donors should reverse the bias in aid allocations towards upper middle-income countries, which has been existing at the expense of low-income and lower middle-income countries, including Sub-Saharan Africa.** There are still roles for ODA in upper middle-income countries, including support for local civil society to improve accountability for the reduction of poverty and inequality. However, the value of aid to these countries has increased by 30% between 2010 and 2012. In contrast, the value of aid for Sub-Saharan Africa has levelled off since 2010 and declined in 2013. For the Least Developed Countries and lower middle-income countries the value of aid declined by 3% and 13% respectively, between 2010 and 2012. Where overall aid levels are stagnant, upper middle-income countries are benefiting at the expense of poorer countries.

8. **Donors and other aid providers must step up commitments to climate change mitigation and adaptation if they are to mobilize US$100 million annually by 2020.** About 80% of Fast Start Finance for climate change between 2010 and 2012 was reported as ODA, making it difficult to determine whether it was new and additional financing as promised. Financing for the climate change 2020 target must be transparently new and additional to ODA. In this financing, donors should aim to fully capitalize the Green Development Fund as mandated by the United Nations Framework Convention on Climate Change (UNFCCC) process. And to ensure additionality, donor financing for climate change should be reported under the proposed "Total Official Support for Development" metric, separate from ODA.

9. **The SDGs will only be achieved if gender equality and women's empowerment is given priority and mainstreamed through allocations of resources gender-sensitive targets.** While measuring total donor support for gender equality and women's empowerment remains elusive, donor support - at 2.3% of aid for these purposes as a principal objective - constitutes a very small part of donor activities. Official donor support for women's rights organizations has shrunk in value since 2008. This trend needs to be reversed with new priority given by donors to funding gender equality, women's empowerment and women's organizations.

10. **The inclusion of CSOs as equal partners in implementing the post-2015 agenda requires the commitment of not only CSO financial resources to the SDGs, but also measures to address the deteriorating enabling environment of CSOs as development actors in many developing countries.** It is estimated that CSOs are managing about US$65 billion in development assistance annually, amounting to about 60% of DAC Real ODA in 2012. CSOs are crucial partners in realizing the post-2015 agenda and holding governments to account. Any post-2015 framework needs to include CSOs as equitable partners in development through a multi-stakeholder global partnership responsible for monitoring the implementation of the framework. All governments must realize their commitment to establish an enabling environment for civil society.

11. **The private sector can be as an active partner in achieving the SDGs. But how will the private sector be accountable to normative human rights and development effectiveness principles in defining their roles in the post-2015 agenda?** The private sector is an essential contributor to sustainable livelihoods, with the potential to mobilize domestic resources and investment for development. The Busan development effectiveness principles and the normative human rights framework of the United Nations should be the basis for assessing the various financing modalities for engaging and strengthening the private sector, instead of the quality of public-private dialogue for an enabling environment for business, as is the current indicator for the Global Partnership.

12. **All development actors should collaborate in ways that strengthen South-South Cooperation (SSC), respecting the differential responsibilities of Southern assistance and the unique principles that Southern aid providers have established to guide SSC.** South-South Cooperation is estimated to have grown rapidly to US$23.6 billion in concessional international assistance in 2013. While not a substitute for North-South Cooperation, SSC will play increasingly crucial roles in financing, and in knowledge exchange, in the post-2015 agenda. Increased transparency of SSC activities will be essential not only for knowledge exchange, but also for accountability to affected populations. Engagement with other development actors, such as CSOs, has not been a notable element of SSC partnerships. But CSOs in SSC aid-providing countries, such as Brazil, have established parallel relationships with CSOs in partner countries for SSC in order to share relevant development experience from a civil society perspective.

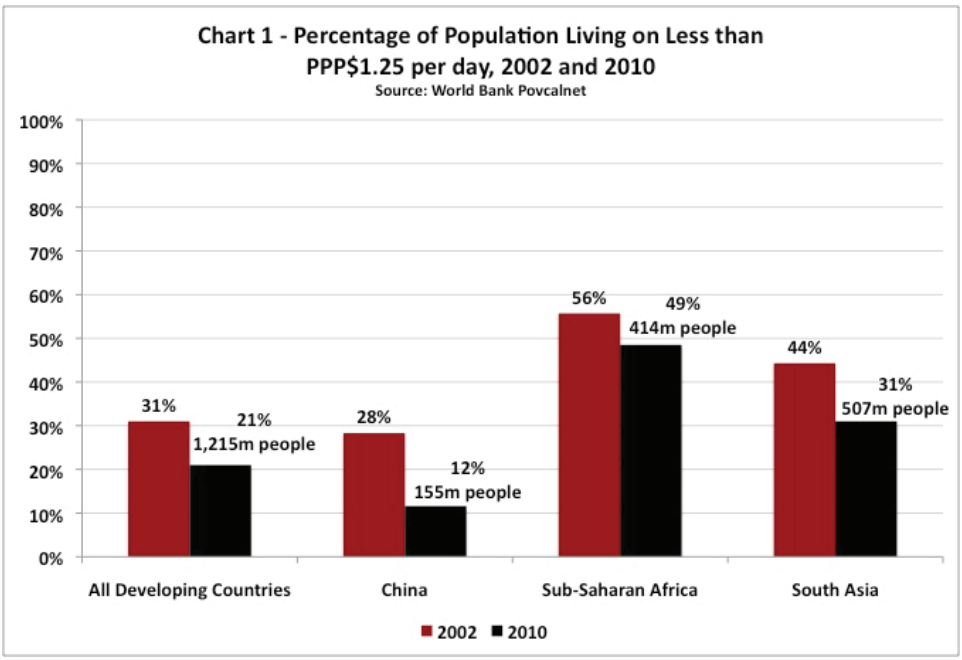
Trends in Global Poverty

The reality of poverty across all developing countries requires aid strategies that provide resources to tackle conditions of poverty which still affect the vast majority of the populations of these countries, not just those living in extreme destitution on less than $1.25 a day. More than 40% of the population of developing countries live on less than $2.00 a day, and two-thirds on less than $4.00 a day, forming the vast majority in all developing countries, including upper middle-income countries.

How to end poverty, both in terms of its depth and geo-location, is a prominent issue in debates about the current and future allocations of ODA for the SDGs. In April 2014, WB President Jim Yong Kim joined the 2013 UN High-Level Panel on the Post-2015 Development Agenda with a call to "make poverty history."[5] Both the WB President and the High-Level Panel have called for the elimination of "extreme poverty" by 2030 through a global partnership to promote equitable and inclusive growth. They are referring to the condition of absolute poverty and deprivation, defined as people living on less than $1.25 a day.

Elimination of extreme poverty is a highly ambitious and worthy goal. It raises the bar substantially in relation to the more modest first Millennium Development Goal (MDG), which is to halve the proportion of people living in extreme poverty between 1990 and 2015. This MDG gave impetus to a greater focus on poor countries for aid allocations in the early 2000s (see section 6 below). But in doing so, the MDGs did not require any fundamental rethinking of ODA. Priorities mainly stressed increasing aid quantity, increasing allocations to countries in Sub-Saharan Africa and improving the delivery of aid (2005 Paris Declaration on Aid Effectiveness). By backdating the MDG target to 1990, it was possible to retroactively claim the large reduction in poverty in China in the 1990s.

At a global level, it seems that the first MDG on reducing the proportion of extreme poverty in developing countries has been achieved (**Chart 1**). But the numbers of poor people are still staggering. At best, an estimated figure of over 1.2 billion people continues to live in extreme poverty in 2012. This fact gives strong moral weight to the call to eliminate these conditions by 2030. But is this more ambitious goal realistic in the absence of a more comprehensive focus on all levels of poverty? Is an exclusive focus on extreme poverty the best approach for a human rights-based post-2015 development agenda that also must address inequality? And should ODA become the resource dedicated to this new goal, while other development resources (domestic resources, private sector investments) respond to other dimensions of the SDGs? This section provides a wider context for



understanding poverty in developing countries and argues that ODA cannot ignore broader dimensions of poverty.

No doubt significant progress has been made in reducing the proportion of people living in extreme poverty at the global level.[6] But as noted above, approximately one-fifth of the population of the developing world still have incomes of less than $1.25 a day. This is a level of destitution where meeting even basic human needs, such as enough food and basic health, are in question.

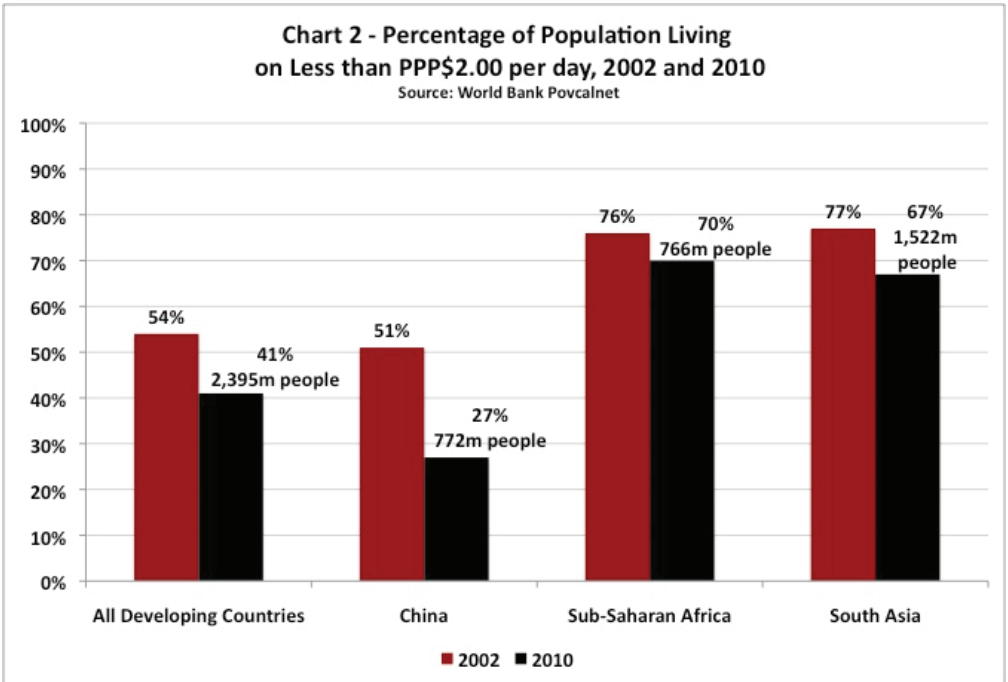
Economic advances in China, based on a largely unsustainable export-oriented economic model, have played a big role in the success of this MDG. Since 2002 the number of extremely poor people in China have declined from 28% to 12% of the population. The decline of proportions of the population living in extreme poverty in Sub-Saharan Africa and South Asia, however, have not been nearly as dramatic, with 49% of Sub-Saharan Africa's population still affected by these conditions and 31% of South Asia. Extreme poverty is often very deep and multi-generational. Evidence suggests that many people actually live on much less than $1.25 – some as low as $0.77 a day, particularly in rural societies and in Sub-Saharan Africa.[7]

Attention to conditions of extreme poverty is an essential part of the post-2015 agenda and the future allocation of ODA. But there is also evidence that poverty is much more widespread across countries, and is prevalent in various income groups of developing countries. Without concerted attention to other levels of poverty, particularly the very large majority that currently live on less than $4.00 a day, tackling extreme poverty alone may not be sustainable and may lead to greater levels of inequalities in these societies. An exclusive focus on the extreme poor in the SDGs is potentially discriminatory in terms of the rights of others living in poverty. It is also highly 'convenient' for donors who argue that levels of ODA might be limited by fiscal constraints and therefore should be devoted to eliminating extreme poverty.[8]

Many people are locked permanently in extreme poverty. The 2014 *Chronic Poverty Report* points out that extreme poverty affects some of the most excluded groups such as indigenous minorities, castes, the elderly, informal sector labourers, etc.[9] But many others move through different gradations of poverty in their lifetime and across generations. Without attention to broader systemic issues (conflict or environmental change) and social security (ill health, disability, unsustainable livelihoods), people can return to conditions of extreme poverty after some fleeting progress. This *Chronic Poverty Report* points to household surveys that demonstrate that 30% to 40% of people who may escape extreme poverty in Kenya or South Africa fall back into this level of poverty at a later point.

As Duncan Green underlines there is little justice and well-being for a person who is able to 'come out of poverty,' but remains at daily income of $1.26 a day.[10] **Chart 2** demonstrates that considerably more people in developing countries (2.4 billion people or 41% of the population) live below $2.00 a day – amounting to 70% of the population of Sub-Saharan Africa and 67% of the population of South Asia – a standard of living only marginally better than $1.25 a day. These populations are still very highly vulnerable to economic, climatic or political shocks in the household, community, national or global levels. They are a mix of people, all of them very poor and vulnerable – some below $1.25 a day, but many more just above this extreme level, where they can just meet most basic human needs such as an acceptable daily caloric intake.[11]

Poverty is not a static state for many poor people. There is a huge chasm between those living above and below arbitrary lines for measuring extreme poverty and the very poor, whether $1.25 a day or $2.00 a day. And poverty in developing countries does not end when incomes rise above $2.00 a day. Populations with incomes between $2.00 and $4.00 a day can be considered the "near poor." The "near



poor" continue to live with widespread informality in livelihoods and a high degree of vulnerability to unexpected economic or household shocks. WB statistics identify 3.9 billion people in developing countries – *two-thirds of the population of the South* – that live on less than $4.00 a day (or less than US$1,460 per year). Reality of Aid considers such populations as poor: they face widespread marginalization, gendered inequality, discrimination and a denial of many of their fundamental human rights.

Those living on less than $4.00 a day certainly constitute a very large share of the population in the least developed and low-income countries, but they also comprise the vast majority of populations in middle-income countries. This reality of deep and widespread poverty in middle-income countries cannot be ignored in strategies to end poverty. It puts in high relief recent policies on the part of an increasing number of donors to narrow the focus of ODA exclusively to the very poorest people and to reduce the number of countries eligible for their aid programs.[12]

To effectively reduce and end poverty, Reality of Aid argues that donors and other aid providers must frame policies for their assistance as a resource that must be used to address all conditions that sustain poverty and inequality in their many dimensions. These targeted concessional resources are still highly relevant across a wide range of country contexts, although aid priorities and modalities may differ for different country income groups. But what is the evidence in the distribution of poverty among income groups of developing countries that would support a broad donor aid policy for the post-2015 agenda?

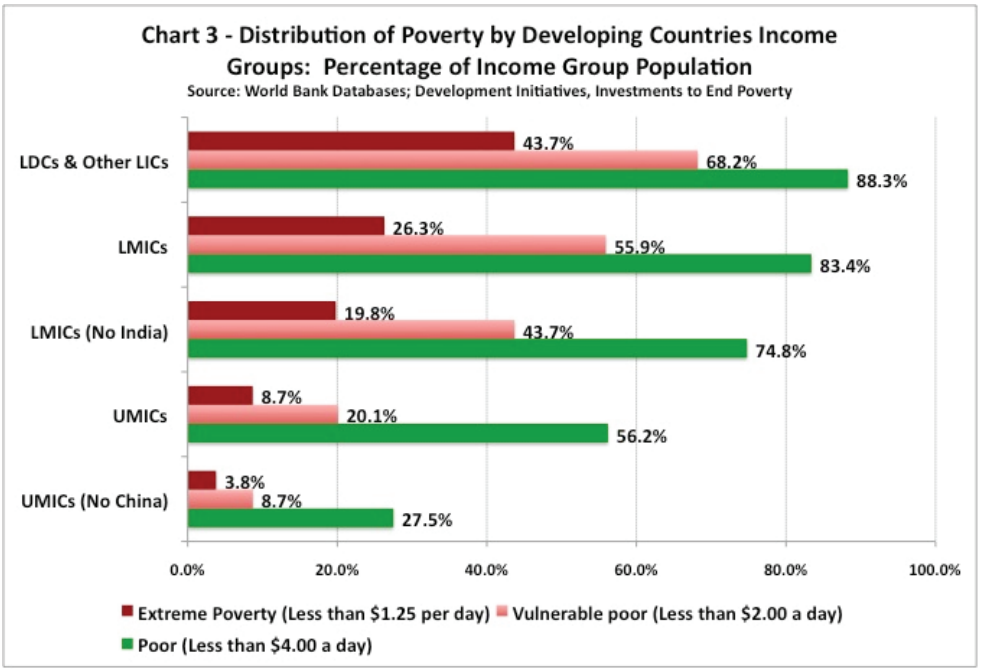
The demography of poverty is complex. Using WB data on the incidence of poverty, **Chart 3** clearly demonstrates the prevalence of extreme poverty (less than $1.25 a day) among all countries, and even to some degree upper middle-income countries (where China tends to dominate poverty trends). A poverty line of $2.00 a day, where people are highly vulnerable to slipping back into extreme poverty, is even more pervasive, capturing

more than two-thirds of people in low-income/least developed countries, but also 60% of populations in lower middle-income countries (including India). While not vulnerable to absolute deprivation, people living on less than $4.00 a day, as noted above, should also be considered 'near poor.' These people make up close to 90% of people in low-income countries, more than 80% in lower middle-income countries, and more than 50% of people in upper middle-income countries (including China). While low-income countries are clearly highly vulnerable with pervasive levels of poverty, poverty is in fact also widespread in lower middle-income and in many upper-middle-income countries (taking into account the near-poor).

An SDG that focuses exclusively on extreme poverty (below $1.25 a day), and a corresponding concentration of ODA resources for this Goal, will not address the pervasiveness of poverty affecting the lives of many additional people across the countries of the South, nor the complex movement of people within and out of poverty.[13]

DAC donors and the World Bank point to a growing "middle class" in developing countries, particularly in middle-income countries such as China, India or Brazil. This emerging middle class is seen as the rationale for an exit strategy for allocation of ODA to many middle-income countries. It is argued that they create the potential tax base for government resources to tackle poverty in middle-income countries. However, while indeed growing in numbers — particularly in Latin America and in upper middle-income countries — a secure middle class, one that will drive robust consumer-based economic growth and government revenue, remains small and fragile for most of these countries.[14] As will be evident in an analysis of government domestic revenue, most developing countries with emerging middle classes are still severely resource-challenged in addressing conditions poverty and inequality.

What constitutes a stable middle class in developing countries?[15] People with incomes between $4 and $10 are not poor, but should they be considered middle class? In changing economic circumstances, they too



can be vulnerable to slipping back into some levels of poverty. A common measure then of a stable middle class income in developing countries is $10 to $50 a day.[16] Using this definition, overall about 300 million families in developing countries could be considered middle class. In China, despite its substantial economic progress in the past two decades, only 6% of the population earned more than $10 a day in 2009. In India, at only 8.8 million people, the middle class is very small in both absolute and relative terms. Brazil on the other hand is a country where the middle class has grown rapidly, and this sector now constitutes about one-third of the population. But even here the reality is complex. Brazil remains a highly unequal society, with still 6% of the population living in extreme poverty, 11% living on an income of less than $2.00 a day, and 28% below $4 a day.[17]

From the perspective of addressing poverty and inequality, these statistics on the distribution of poverty demonstrate that a focus on extreme poverty in low-income countries, while essential, is too narrow to address conditions of global poverty. As a poverty-focused resource that can be a catalyst for development in combination with domestic resources, ODA is highly relevant in all developing countries, including some that are considered "emerging economies" and aid providers in their own right. Average per capita income is not an indicator, per se, of progress for poor and vulnerable people. Evidence on the reality and capacities for spending by developing country governments for MDGs/SDGs provides further support both for an overall increase in ODA by all donors, and for its fair application to conditions of poverty in a wide variety of country contexts.

Government Spending and the Capacities to Invest in the Post-2015 SDGs[18]

> Developing countries' government spending ranges from less than $200 to more than $4,000 per capita, compared to $15,025 per person for developed countries. Lower middle-income country (LMIC) governments' face severe resource constraints to address conditions of poverty and should not be abandoned or de-prioritised by donors and other aid providers. Even in the 24 upper middle-income countries (UMICs), where government spending is above $2,000 per person, this level of spending is inadequate to address 28% of the population living on less than $4.00 day. ODA that is focused on reducing global poverty and inequality cannot just ignore such conditions in LMICs and UMICs – they affect the rights of large numbers of people.

Financing strategies for the post-2015 SDGs have put renewed attention on a diversity of public and private flows to and within developing countries. These flows involve not only ODA, but also trade and private investment flows, development cooperation through not-for-profit organizations, remittances between family members, and developing country government spending. While many of these private flows are important for economic change and development, the focus of this chapter is on trends for resources that have the potential to be proactively devoted to addressing poverty and inequality.

What domestic resources are available?

Clearly, developing country governments themselves invest significant resources in development, particularly in the social sectors, but also in enabling economic growth and improved livelihoods for their citizens. Government is a close partner with many ODA donors and other aid providers in these efforts, particularly in low-income countries. The Global Partnership for Effective Development Cooperation (GPEDC), as well as many individual donors, stress the importance of strengthening developing country revenue collection and administration of its taxes, including controlling illicit financial flows.[19]

After the disastrous donor-inspired experience with "structural adjustment" and policies to diminish government in the 1980s and 1990s, the role of government is now widely acknowledged as an essential catalyst for development. But what are the capacities of government spending for development? How do these financing capacities relate to the prevalence of poverty? To what degree are governments in middle-income countries able to finance increased investments in post-2015 SDGs? What roles should ODA play in bridging spending gaps in these countries?

In all but the very poorest and conflict affected countries, domestic government resources for development far surpass international resource flows. According to a detailed study by Development Initiatives, an NGO, government spending for all developing countries amounted to US$5.9 trillion in 2011, almost three times the level in 2000, and much larger than gross international resource flows of US$2.1 trillion to these countries in that year.[20] However, regarding the data for international resource flows, DAC ODA only amounts to approximately $55 billion, as a net of loan repayments and resources spent in donor countries (see below for calculations of ODA flows available to developing country counterparts). But while ODA resources may be small for many countries, they are often very strategic, particularly for the poorest countries.

At the country level, there is great variance in the level of total government spending per capita. As a point of reference, northern developed countries spend US$15,025 per person on average for all government services and programs. These expenditures include defence, rule of law, infrastructure, payment on domestic and foreign debt, social safety nets, environment and conservation, the conduct of foreign policy, etc. For Northern countries, real ODA makes up a mere US$30 or 2% of this spending.[a] With the exception of ODA, developing country governments are also expected to finance government activity in all of these same areas.

The comparable figures for government spending in developing countries range from less than US$200 per capita to more than US$4,000 for a country like Brazil – albeit still very far below the spending capacities of a government in the North to meet obligations to its citizens. Overall, developing country governments spend 29% of their Gross National Product, compared to 46% on average in developed countries. Yet despite a relatively high investment of government resources, Northern countries continue to experience many socio-economic challenges of poverty and injustice. Southern governments, even if they were to improve the efficiency of revenue collection, must make do with considerably less revenue.

Table One demonstrates a correlation between levels of government spending and the per capita income of a developing country, but one that is not as robust as might be assumed. The distribution is not surprising for least developed and upper middle-income countries, given the obvious reliance on the economic well-being of citizens as a primary source

Table 1: Per Capita Government Spending by Country Income Groups: Number of Countries

Government Spending Per Capita (Number of countries)	Least Developed Countries / Low- Income Countries (39)	Lower Middle-Income Countries (28)	Upper Middle-Income Countries (31)
Less than $500	30	4	0
$500 to $1,000	7	12	0
$1,000 to $2,000	2	11	7
More than $2,000	0	1	24

Source: Development Initiatives, Investments to End Poverty, World Bank Data, 2014

a For a definition of Real ODA, see section 3 below.

for government revenue. What is important to note, however, is the number of lower middle-income countries (amounting to 16) that spend less than $1,000 per person on all government services, with all but one country spending less than $2,000. Almost a quarter of the upper middle-income countries (7 out of 31) are countries where governments spend less than $2,000 per capita.

While government spending per capita is only one measure of the effectiveness of government in addressing the human rights of its citizens, it is clearly still a severely limiting factor in many developing countries. Policies and the effective use of resources are also very important factors. But even at $2,000 per capita, a developing country government has access to domestic resources that amount to just over 10% of the average spending of a northern developed country government. Despite approaches to limit country eligibility for aid by income group on the part of some donors, it is apparent that the traditional World Bank/DAC division of countries by per capita income is a very poor indicator of the financial capacities of developing country governments to meet their obligations of governance and enable the socio-economic rights of their citizens. Donors need to take into account a broader set of criteria that include the distribution of poverty and marginalized populations as well as per capita spending capacities of governments.

What scale of finance is required to meet the SDGs?

There are no easy and accessible calculations of the additional financing needs of developing country governments for current MDGs or the post-2015 SDGs. The World Health Organization (WHO) estimates that low-income countries need at least $60 per capita to provide even the most basic health care. The UN Millennium Project estimates US$50 to US$100 per pupil to achieve full quality primary education and US$100 to US$200 for secondary education.[21] Others have attempted to measure what levels of resources might be required to meet the post-2015 SDGs. One estimate, based on a review of the literature, indicates that US$1,086 billion annually in incremental spending is required (i.e. beyond existing levels of spending by governments and donor agencies).[22] This study covered only potential goals in education, universal health coverage, water and sanitation, food security and sustainable and renewable energy. Another study noted that it would take upwards of 20% of global GNP to raise all people above a $10 per day income, concluding that such efforts to reduce inequalities will require a much longer-term project for development cooperation.[23]

How affordable is this additional spending for developing countries?

The current estimates, as shown above, do not include other important potential areas for SDGs, or other government spending priorities. According to the calculations made by Development Initiatives:

> "Almost 3 billion people [out of 5.9 billion in developing countries] live in countries with annual government spending of less than PPP$1,000 per person, [and] 1 billion of them – more than the population of Western Europe and the United States combined – live where it is less than PPP$500 per person, and 200 million people live where it is less than PPP$200 per person – a little over 1% of the DAC average [government spending per capita]."[24]

Table Two looks more closely at the range of government spending levels per person in relation to the proportion of the population living in various conditions of poverty – the target populations for many of the post-2015 SDGs. As would be expected, with increasing levels of government spending per capita, the proportion of people living in extreme poverty ($1.25 a day or less) decreases.

Nevertheless, the analysis also reveals that conditions of poverty affect large proportions of the population

Table 2: Per Capita Government Spending Level: Proportion of People Living in Poverty in Countries at that Level

Government Spending Per Capita (Number of Countries in brackets)	Extreme Poverty (Percentage living on $1.25 per day or less)	Vulnerable poor (Percentage living on $2.00 per day or less)	Poor (Percentage living on $4.00 per day or less)
Less than $200 (6)	53.7%	75.2%	91.4%
$200 to $500 (28)	35.5%	63.4%	86.9%
$500 to $1,000 (19)	29.6%	60.9%	87.2%
$1,000 to $1,500 (6)	6.3%	16.4%	46.5%
$1,500 to $2,000 (14)	10.5%	24.9%	56.3%
$1,500 to $2000 (13, no China)	5.1%	15.4%	51.2%
More than $2,000 (25)	3.9%	8.6%	25.2%

Source: Development Initiatives, Investments to End Poverty, World Bank Data, 2014

at all levels of government spending. This observation includes those countries above US$2,000 per capita in government spending, with an average of more than a quarter of the population (25.2%) living in poverty on less than $4.00 a day. While the capacities of governments may be greater at this level of government spending, certainly more so than those below $1,000 per capita, they nevertheless face severe resource constraints in addressing the multiple aspects of poverty, often in contexts with increasing inequality and social strife. ODA and other concessional resources can be an important catalyst for innovative and targeted programs tackling the different dimensions of poverty in these countries.

How do different levels of capacity for government spending in the various WB categories of countries (classified by per capita income) affect the ability of these countries to address poverty and the SDGs? A series of tables in Annex One sets out the proportion of people living in different conditions of poverty, in relation to different levels of government spending in least developed/low-income countries, lower middle-income countries, and upper middle-income countries.

It is striking that among the 16 lower middle-income countries where government spending amounts to less than $1,000, 44% of the population live on less than $1.25 per day, more than two thirds (68%) live on less than $2,00 a day, and more than 88% of the population live on less than $4.00 a day! There seems little doubt that the 39 lower-middle income country governments face severe resource constraints in addressing conditions of poverty and should not be abandoned or de-prioritized by donors and other aid providers, simply on the basis of per capita incomes. Rather, donors must ramp up levels of ODA, finally meeting their international commitments to the UN target of 0.7% of their Gross National Income. Only then will the concessional resource pie grow, in combination with domestic resources, in ways that can truly tackle poverty and inequality.

The realities of poverty in upper middle-income countries (UMICs) are more complex, particularly when China is removed as a special case within this group of countries. While extreme poverty and those in vulnerable poverty (living on less than $2.00 a day) exist at all levels of government spending among UMICs (Annex One, Tables One and Two), reducing such poverty seems manageable with appropriate government policies and priorities. However, there are still significant proportions of the population living on less than $4.00 a day in UMICs (Annex One, Table Three). For example, about a third of the population (32%) live in these conditions of poverty, where governments spend

less than $2,000 a person. Even in the 24 UMICs, where spending is above $2,000 a day, 28% of the population live on less than $4.00 day.

The stated policies of most DAC donors for ODA, while often not realized in the actual allocations of aid, seek to address global social justice and the reduction of poverty. The need for development finance by low-income and conflict affected countries is clear. But ODA that is truly focused on reducing global poverty and inequality cannot just ignore such conditions even in upper middle-income countries – poverty and marginalization affect the rights of large numbers of vulnerable people.

DAC donors should also continue to make some focused space available for aid relationships in upper middle-income countries. But recognizing their different domestic capacities, greater attention in ODA allocation in these countries might be given to innovative North-South partnerships, including supporting South-South collaborations, focusing on the exchange of knowledge and experiences in various sectors relevant to strengthening of human capacities (social welfare schemes) for improving livelihoods and reducing inequalities. Some forms of ODA loan finance may also be appropriate for these countries.

Can developing countries improve their revenue collection?

What are the prospects for future government revenue growth? A study by the Overseas Development Institute looked at the prognosis for future increases in government revenue that might be applied to realizing post-2015 SDGs.[25] The IMF suggests that the positive trend of the 2000s will continue, with government revenues in all emerging and developing countries expected to reach US$10.7 trillion by 2017, up from the current estimate of US$7 trillion. The vast majority of the value increase in this revenue, both since 2000 and expected up to 2017, is attributed to government revenue growth in middle-income countries, and particularly in upper middle-income countries. At best, low-income countries can expect from their revenues to increase from US$95 billion to $177 billion by 2017.

According to the Greenhill and Ali study, "even if [their calculation of] the full $82 billion in additional revenue were to be allocated to the five post-2015 sectors discussed [noted above], it would not meet even half of the funding gap identified." Clearly these government for the most part are not able to meet current MDGs, and as the study points out they are likely to have additional spending priorities, including other post-2015 SDGs.[26] The authors quote another ODI study of several African countries that concluded that if these countries met all agreed international sectoral spending targets, they would exceed total current government expenditures and leave no resources for other areas.[27]

Can governments increase their revenue through more effective tax collection efforts? Greenhill and Ali summarize several studies, concluding "the majority of the countries that had potential to collect more domestic resources were countries that have already made significant progress in achieving the MDGs and are unlikely to have a significant financing gap in the future."[28] They point to evidence that demonstrate that upper middle-income countries have the highest potential to increase government resources, capturing the vast majority of revenue increases: UMICs could increase their revenue base by US$60 billion, compared to $1 billion for LMICs and $3 billion for LICs.[29] Nevertheless, in 2012, only US$120 million, or 0.07% of ODA, was invested by donors in supporting and strengthening developing country tax-related activities.[30]

These trends in poverty and developing country government spending capacities point to the urgency of dramatically increasing ODA to address SDGs across many different developing country contexts. They indicate the need for greater analysis of the relevance of different aid modalities and partnerships, which effectively address the different needs and capacities of low-income, lower-middle and upper-middle income countries, respectively. But while an increased quantity of ODA is essential, as much attention is needed on

the quality of the ODA resource and its focus on countries and targeted populations most affected by marginalization, inequality and poverty — and not just *extreme* poverty. How effective has ODA been to date in contributing to the MDGs and focusing on improving conditions for poor and vulnerable people? What are the implications for the SDGs?

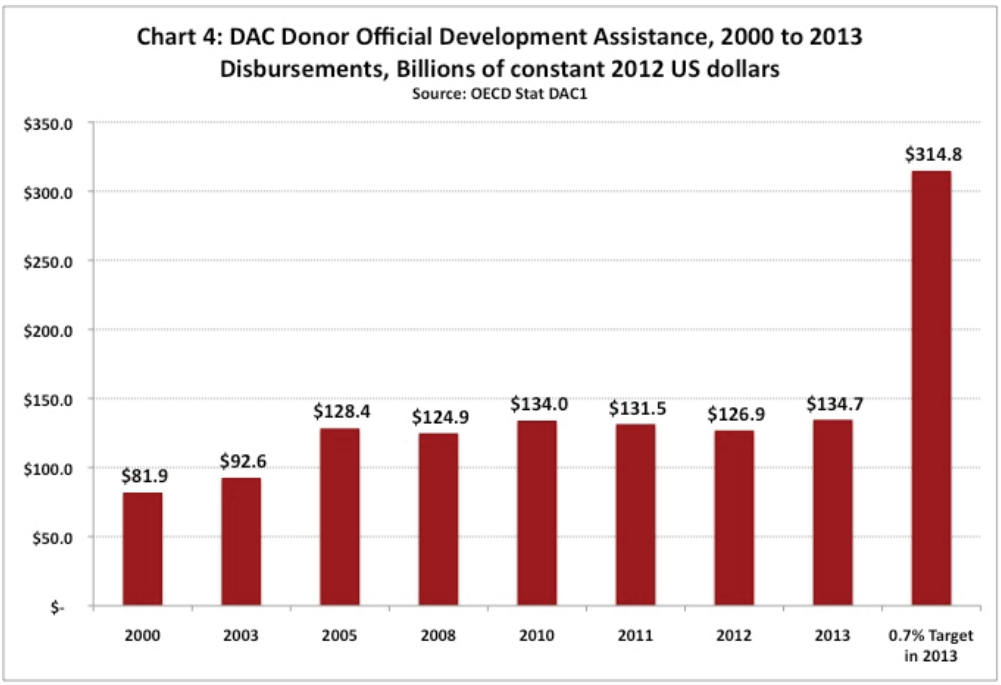
The next sections look more specifically at ODA provided by OECD Development Assistance Committee (DAC) donors. Subsequent sections will look at trends for non-DAC aid providers, civil society actors, and partnerships with the private sector.

Meeting DAC Donor Commitments to Aid Quantity

> While welcoming the increase in 2013, after two years of successive declines in ODA, this increase is a very marginal improvement – in particular when set against the commitments made by donors since 2005 and the UN target of 0.7% of Gross National Income. Since 2005, Real ODA has increased in value, but these increases may not be sustainable: in 2013, four donors accounted for most of the improvement between 2012 and 2013.

In April 2014, the OECD DAC headlined a significant increase in ODA for 2013, reversing a two-year trend of declining ODA in 2011 and 2012. Preliminary figures for 2013 put ODA at US$134.8 billion, compared to US$126.9 billion in 2012, a 6.1% increase. While clearly welcome, how real is this increase in terms of the value of ODA resources? And what do individual donor trends suggest for sustainable ODA increases that will be available to contribute to the financing of post-2015 development goals?

Chart 4 looks at recent DAC donor aid trends, converting each year into the value of 2012 dollars, i.e. it looks at the value of ODA since 2000, taking account exchange rate differences and changes in purchasing power of the US dollar over these years.



A number of observations arise from this Chart:

- The value of ODA in 2013 has grown very significantly (by 65%) since 2000, but by only 6.4% since 2005, the year in which donors made pledges to increase ODA at the 2005 Gleneagles G7 Summit.
- Furthermore, ODA in 2013 is only equal in value to ODA in 2010, the peak achieved in the last decade, the result of largely unmet Gleneagles aid pledges.
- If all DAC donors honoured the UN target to devote 0.7% of their Gross National Income (GNI) to ODA, ODA would have been US$314.7 billion in 2013, about 133% more than the level reached. Even if the EU donors had achieved their collective goal of 0.56% of GNI, there would have been US$25.3 billion extra resources for aid in 2013. At 0.7% of GNI, ODA has the potential to be a substantial catalyst for efforts to achieve the SDGs, end poverty and address inequalities.
- Among the 19 DAC donors whose performance is less than the 0.7% target in 2013, ten saw their ODA performance to GNI fall between 2012 and 2013, and another five remained the same, leaving only four donors (Finland, Germany, Italy, and Japan) who managed to improve their performance against the ODA target.

All development actors strongly praised the government of the United Kingdom for its achievement of the UN goal (0.72%) in 2013. The UK did so in the context of continued fiscal challenges, and is the first G7 country to achieve this level of ODA. UK ODA increased from US$13.9 billion to US$17.9 billion between 2012 and 2013, and presumably will continue to track growth in UK's GNI. Still only five traditional DAC donors have met this UN target – the UK (0.72%), Denmark (0.85%), Luxembourg (1.00%), Norway (1.07%) and Sweden (1.02%). The Netherlands, a long-standing country devoting more than 0.7% of its GNI to ODA since the 1970s, cut its ODA below the UN threshold, with a performance ratio of 0.67%. The Netherlands is expected to reduce even further its ODA in 2014 and beyond.

Beyond those that have been achieving 0.7%, Finland is the only other EU donor with a performance ratio above 0.50% (at 0.55%), despite a 2005 EU donor commitment to achieve at least 0.56% by 2010 and 0.7% by 2015.

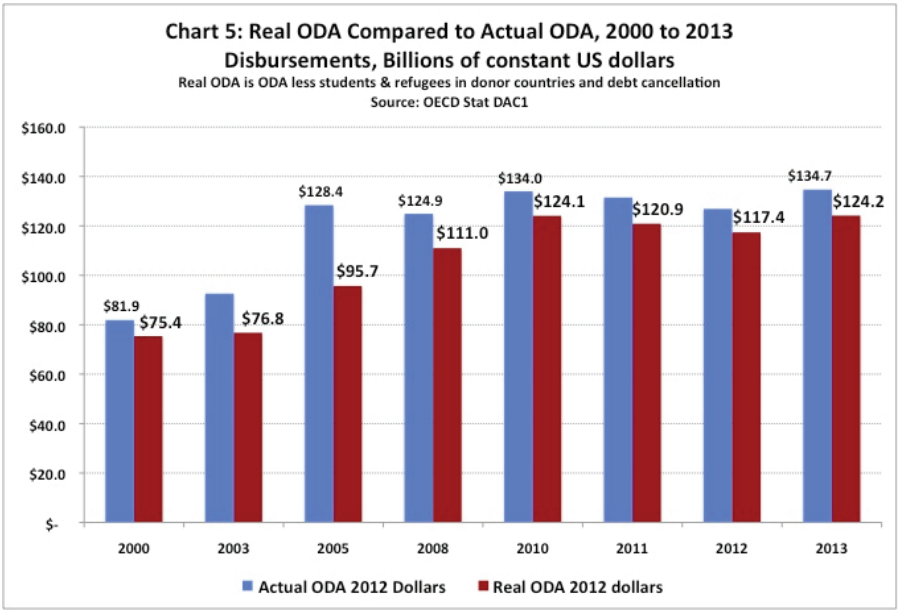
Trends in "Real Aid"

Under DAC guidelines for what can be included in ODA, donors have been able to 'inflate' their ODA through the inclusion of disbursements and items that many consider inappropriate. In this regard, Reality of Aid has focused on three areas that have had significant impact on levels of ODA: 1) The counting of the full value of debt cancellation in the year that it is cancelled; 2) The inclusion of donor-country costs for refugees for their first year; and 3) The imputing of a value of institutional support for students from developing countries studying in the donor's country.

While all of these policies are important in their own right, Reality of Aid discounts these amounts when assessing the true amounts of ODA as concessional development assistance for counterparts in developing countries. The resulting "Real Aid" is therefore actual ODA, less debt cancellation and expenditures for refugees and students in donor countries.[b] Trends in Real Aid provide a more accurate picture of aid resources allocated more directly to development assistance (see **Chart 5**).

Real Aid in 2013 was approximately 5% less than ODA reported by the DAC for that year. But in fact,

b There are other issues affecting the quality of ODA under the DAC rules, such as the methodology for the inclusion of loans in ODA. The OECD DAC also developed a measure of "Country Programmable Aid" (CPA) in 2007, which addresses some of the same issues. See below for more discussion of these issues and CPA.



the trends for Real Aid since 2000 demonstrate even greater recovery of ODA in 2013 than is the case for the increases in actual reported ODA referenced above:

- The value of Real Aid grew strongly from 2000 to 2010 by more than 65%, and by 30% between 2005 and 2010. After declining by a modest 5.4% from 2010 to 2012, the value of Real Aid at US$124.2 billion in 2013 is at its highest level since 2000. It represents an increase of 5.8% over Real Aid in 2012.
- Nevertheless, as measured by the UN target of 0.7% of GNI (**Chart 6**), Real Aid in 2013 was 0.28% of GNI, a better performance than 0.21% in 2000 and 0.24% in 2005, but down from its peak of 0.29% in 2010, and not even half of what is required to meet the UN target.
- What were the particular drivers for the increase of Real Aid in 2013, and how sustainable are these increases?
- Eight donors (Japan, Australia, Canada, Portugal, the Netherlands, Greece, Spain and the Czech Republic) together cut US$2.3 billion from their Real Aid disbursements between 2012 and 2013. The remaining 19 donors increased their ODA by a cumulative US$9.5 billion.
- But only five donors (the UK, Germany, Norway, Sweden and Italy) are responsible for a large share of the increases in Real Aid, accounting for almost 80% of the US$9.5 billion, and the UK, having committed to reach 0.7% of their GNI, alone accounts for close to half (43%).
- The preliminary (April 2014) DAC report on 2013 ODA does not provide sufficient detail to determine precisely which components of ODA were affected by the increase between 2012 and 2013. Overall ODA increased by 5.9%, but bilateral disbursements increased by a slightly lesser proportion – 5.2% – and multilateral disbursements by a larger proportion – 7.4%. There were increased disbursements to UN agencies (increased by 9.1%), to EU institutions (increased by 7.3%), and to World Bank institutions (increased by 14.0%). It seems likely that together, multilateral institutions were significant beneficiaries of the overall increases in ODA.
- This trend towards multilateral institutions is born out by UK spending. It increased its overall ODA by 28% between 2012 and 2013, but increased multilateral disbursements by more than 38%,

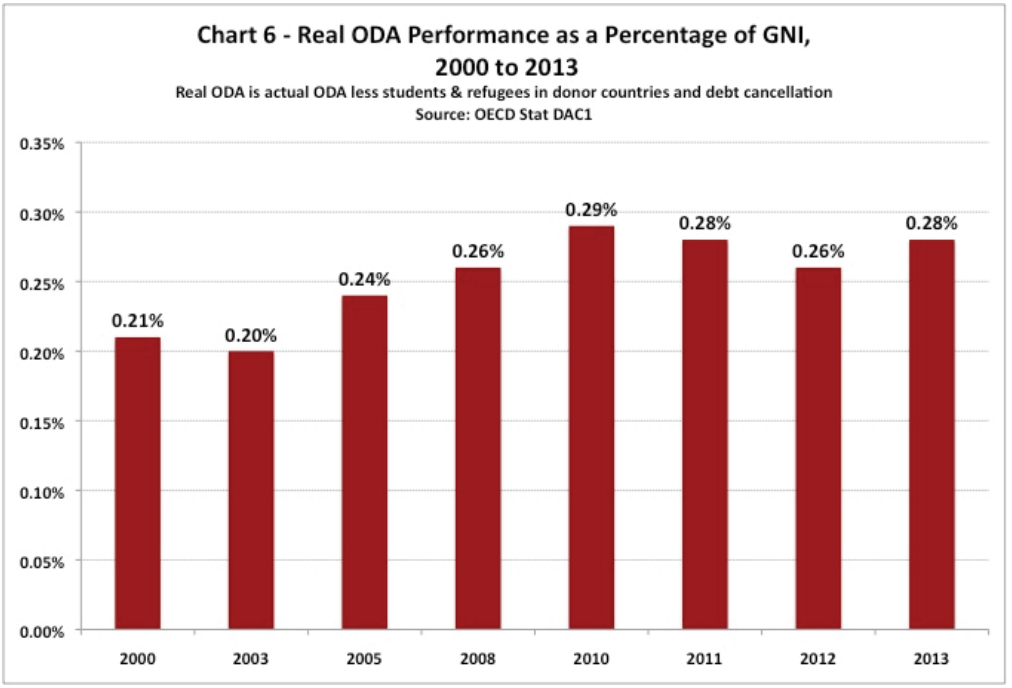
with disbursements to World Bank institutions doubling from US$1.26 billion to US$2.52 billion.

- In its April 2014 preliminary report, the DAC noted that within donor bilateral aid, disbursements of loans and equity investments in 2013 "rose by about 33% in real terms from 2012," while grants only rose by only 3.5%.[31]
- In conclusion, it does not seem that the recent increases in nominal ODA and the trends in Real ODA are sustainable as the international community launches an ambitious post-2015 agenda. The political momentum for aid increases in many donor countries is weak. Those few countries, with the exception of the UK, which have reached the 0.7% target, may sustain their aid levels, but these are not the major donors. The five largest bilateral donors – the United States, Japan, the UK, Germany, and France – accounted for 63% of ODA in 2013, but this amounted to only 0.26% of their collective GNI.

What are the future projections for ODA spending?

The key components of ODA available to developing countries are expected to stagnate, and even decline, in 2014 and beyond. As a troubling context for the post-2015 SDGs, donors have long abandoned the world's commitment in the 2000 Millennium Declaration "to spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty." Evidence suggests that aid will fall after 2014 or at best stagnate at present levels.

Projections for the future of DAC ODA as a substantial resource dedicated to the post-2015 SDGs are not promising. The DAC publishes an annual *Survey on Donors' Forward Spending Plans* based



on reports from various donors (but not all). The 2014 *Survey* suggests that key components of ODA available for programming in developing countries will largely stagnate after 2014.[32] This trend of declining or stagnating resources for aid is reinforced by contributors to this Reality of Aid Report and by other independent observers.

Annex Two sets out a Table summarizing expected future trends for ODA in 14 donor countries. Of these donors, only six are expecting to increase their ODA in 2014 and beyond, and most of these donors are suggesting that these increases will be modest. The remaining eight donors will see their aid decline. Among these eight, for five donors (Australia, Canada, France, Ireland, the Netherlands) future declines will build upon existing declines between 2010 and 2013.

As noted above, the UK's widely celebrated achievement of the 0.7% UN target accounted for a significant share of ODA's increase in 2013. While UK ODA will grow modestly in relation to its GNI in the following years, they will not repeat the large increase seen in 2013 needed to achieve this target. Other donors, such as Finland, Spain and the United States had increased ODA in 2013, but indications are that ODA for these donors will be cut in the next few years.

Donor governments have long abandoned the world's commitment under the 2000 Millennium Declaration "to spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty."

The allocation of an extra US$180 billion annually in ODA, which would result from all donors achieving the UN target of 0.7%, would go a long way to creating a dedicated resource for the post-2015 development goals. Aid commitments at this level are very much affordable despite challenging fiscal realities in some donor countries. If the UK can fulfil its commitment to 0.7%, there are no excuses for other donors, many of whom have better fundamental economic conditions. On average, Real Aid was responsible for a mere two cents in each revenue dollar in donor countries in 2012. Reaching the 0.7% target would mean only an additional 3 cents of each revenue dollar dedicated to meeting repeated global commitments. By contrast, current military expenditures, at US$1.1 trillion, amount to approximately 20 cents from each donor government's revenue dollar.[33]

But if ODA is to be effective as this dedicated resource, major reforms are urgently needed to address current issues in the quality of ODA. Unfortunately, there is little indication that efforts underway since 2005 among donors and partner countries are resulting in meaningful reform. Important areas to be addressed include:

1. Focusing ODA as a dedicated resource for poverty eradication;
2. Addressing the use of concessional loans in ODA; and
3. Meeting the commitments made in Paris, Accra and Busan for improving the development effectiveness of ODA.

The Quality of DAC ODA

ODA as a dedicated resource for poverty eradication

ODA dedicated to the MDGs has improved modestly since 2000, but the proxy indicator for what donors allocate to the MDGs still remains below 35% of aid allocated to all sectors.

While "country ownership" for directing aid is the first principle of the 2005 Paris Declaration on Aid Effectiveness, in 2012, just over half of DAC bilateral aid is potentially available to developing country partners in ways that respond to their priorities and needs. Country Programmable Aid (CPA) has been declining since 2010.

Foreign policy priorities relating to anti-terrorism continue to drive country priorities, with at least 10% of real bilateral aid dedicated to Afghanistan, Iraq and Pakistan since 2008.

Donors committed in 2000 to spare no effort to reduce poverty through global partnerships (MDG 8), yet there were no specific commitments to ODA targets dedicated to achieving the MDGs. While the actual allocation of ODA since 2000 to the MDGs would be an important indicator for the future dedication of ODA to the post-2015 SDGs, the DAC does not track current ODA resource commitments to the MDGs.

Reality of Aid has consequently developed and tracked a proxy indicator for ODA dedicated to the MDGs[c] **Chart 7** demonstrates some fairly small improvements in this indicator since 2000, but even accounting for the partial nature of the indicator, the level of ODA dedicated to the MDGs has been modest at best, with these improvements stalling after 2010. Given failures to meet commitments in ODA quantity and in addressing the MDGs, as well as limits on government spending noted in the previous section, it should be no surprise then that the MDGs remain elusive in many countries.

All aid actors accept that strengthening country ownership through developing country governments and other development counterparts is essential for effective programs to address poverty. An important DAC measure in this regard is "country programmable aid" (CPA). CPA is the portion of DAC bilateral aid disbursements over which developing country partners have a significant say. **Chart 8** indicates that there has been little improvement in CPA since 2008. Improvements since 2005 were mainly the result of high levels of debt cancellation in 2005 (which is excluded from CPA). "Country ownership" has been a first principle in aid reform since the Paris Declaration in 2008; still, in 2012, just over half of DAC bilateral aid was actually available to developing country partners in ways that respond to their priorities and needs.

DAC CPA has been declining since 2010, by 3.8% from US$58.6 billion in 2010 to US$56.1 billion in 2012. In April 2014 the DAC reported that CPA for bilateral donors increased by 2% in 2013 and by an expected 2.4% in 2014.[34] However, as noted above, DAC bilateral ODA increased by 5.2% in 2013, and therefore CPA as a proportion of gross bilateral ODA will actually decline in 2013 despite increased ODA.

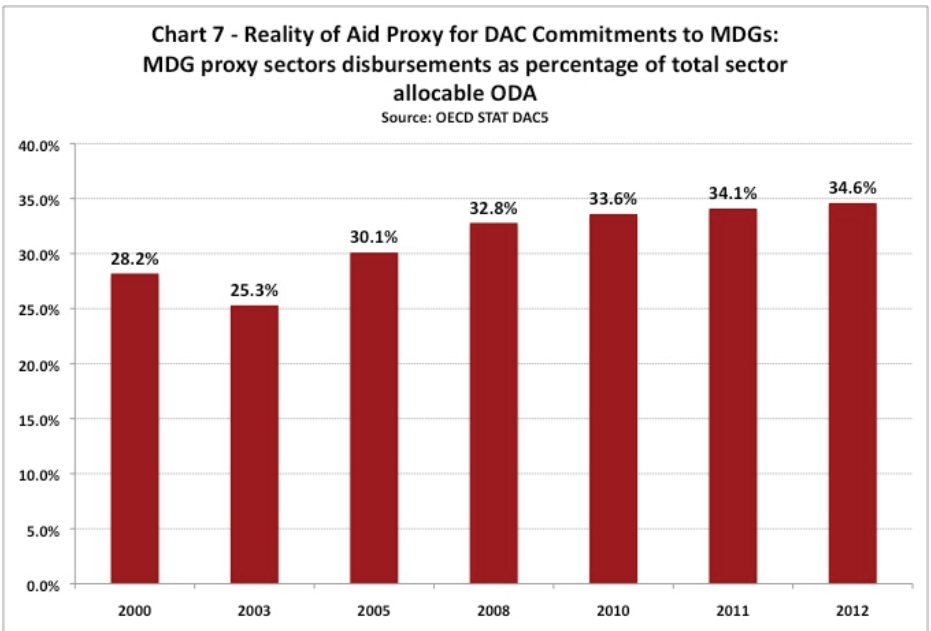
While CPA is a valuable measure of resources available at the country level, it overestimates these resources by including freestanding technical assistance and donor personnel for project activities. Technical assistance is still very strongly tied to donor country consultants and priorities. In 2012 allocations of ODA for technical assistance totalled US$8.0 billion or 10% of net bilateral aid. Discounting 80% of technical assistance and donor personnel from CPA as donor-driven reduces CPA to less than half of bilateral ODA (49%) in 2012.

Finally, foreign policy priorities relating to anti-terrorism continue to drive the country priorities for a significant proportions of ODA, limiting a fair allocation to other low-income and lower middle-income countries for their poverty reduction goals.

The Use of Concessional Loans in ODA

At US$29.4 billion in 2012, the use of concessional loans has been growing among DAC donors. The DAC points out that

c The Reality of Aid proxy indicator is based on DAC sector codes in OECD Dataset DAC2a. It includes CRS sector codes for basic education, basic health, population and reproductive health, water supply and sanitation, agriculture, development food aid and food security, and general environmental protection. Bilateral sector allocated aid is bilateral commitments to sectors less debt cancellation, support for refugees, support for NGOs, administration, and aid unallocated to sectors (such as humanitarian assistance) in the DAC sector codes.



recently the growth of ODA loans has surpassed the growth of ODA grants. And many of these concessional loans are not truly concessional due to very liberal rules in the DAC regarding the calculation of concessionality.

Most DAC donors provide aid in the form of grants, although there is evidence that there is a renewal of interest in providing ODA as loans in response to donor fiscal pressures. This trend will have implications for ODA directed towards accomplishing the post-2015 SDGs.

With the exception of the World Bank's International Development Assistance (IDA) program, loans are usually provided to middle-income countries. Given the widespread conditions of poverty and limited government revenues across most developing countries noted above, ODA as grants provides the needed budget additionality for governments to meet their obligations to provide social services and most infrastructure, while avoiding deepening unsustainable debt. Appropriate modalities of aid may be different in upper middle-income countries, such as Brazil or China.

On the whole, allocating ODA through loans is usually justified in terms of potential for economic growth, rather than based on the needs of millions of people living in poverty, many of whom have benefited the least from this economic growth in middle-income countries.

In 2012, ODA included US$29.4 billion in the form of "concessional loans," which developing countries must pay back to the donor with (subsidized) interest payments over long amortization periods. The dollar amount of loans in ODA has grown by close to 80% since 2000 (US$17.1 billion in that year), with most of this growth coming from DAC bilateral donors.

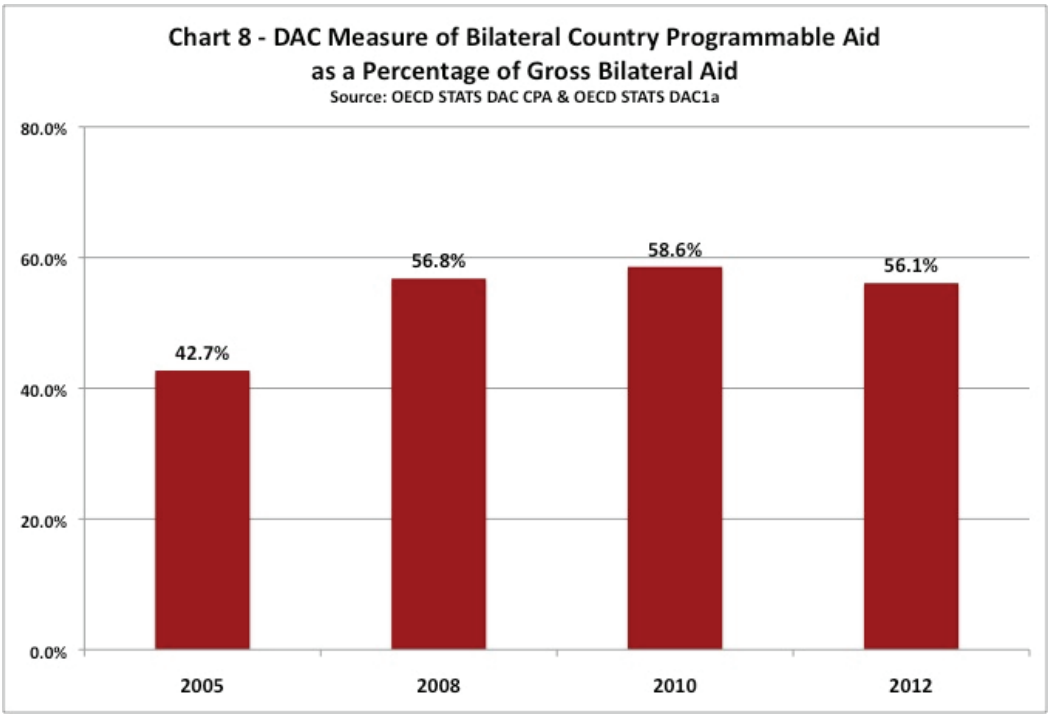
The most recent replenishment of the IDA also emphasizes this trend among bilateral donors towards loans. While successful in achieving a record three-year replenishment of US$52 billion, for the first time US$4 billion of this amount was in the form of concessional loans from donors. This practice reduced the real value of the replenishment to at most US$46.5 billion (in 2010 dollars) compared to the US$49.3 billion in the last replenishment.[35]

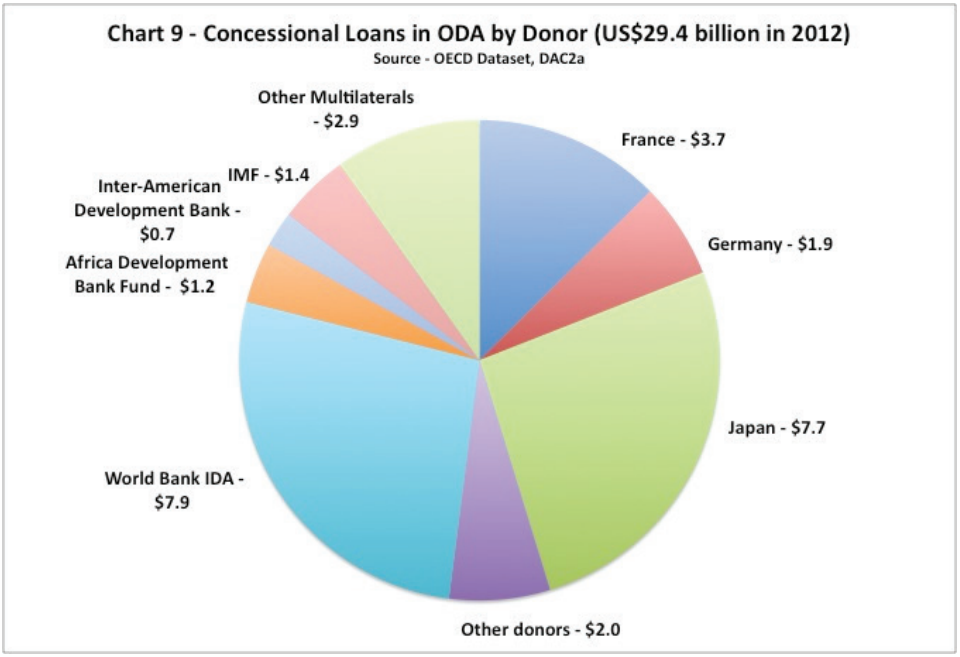
Interest and loan repayments back to donors have been growing alongside the growth in loans. In 2012 they amounted to US$24.7 billion or 17.6% of gross ODA for that year. This is an increase of US$3.1 billion since 2010, when these repayments were US$21.6 billion or 15% of gross ODA. In 2012, large payments came from China, Indonesia, the Philippines, India and Egypt. Countries in Sub-Saharan Africa, some of the poorest in the world, sent back more than $US1.1 billion in loan repayments and interest to DAC donors in that year.

The amount of grants in ODA has also increased in the past decade, and by an even greater amount than loans. As a result, as a share of Gross ODA (net of debt cancellation and humanitarian assistance), loans have declined steadily since 2000, from 28.9% in 2000 to 20.4% in 2010. This pattern has changed since 2010 as some donors look to loans to sustain their ODA in the context of continued fiscal challenges in allocating tax dollars. The DAC recently has noted, "in the past three years the growth of ODA loans has surpassed the growth of ODA grants," and loans as share of Gross ODA may be growing again.[36]

While a number of countries such as Canada have re-introduced or increased the use of loans in their ODA disbursements, the use of loans is still highly concentrated among three donors. These three countries (**Chart 9**) – Japan (US$7.7 billion), France (US$3.7 billion) and Germany (US$1.9 billion) – account for 45% of the US$29.4 billion in 2012. Several multilateral institutions – the World Bank's IDA (US$7.9 billion), the African Development Bank Fund, the Inter-American Development Bank and the IMF make up another 38% of the US$29.4 billion.

As indicated in **Table Three**, the use of concessional loans is also highly concentrated in lower middle-income countries and in upper middle-income countries, making up almost three-quarters (72.3%) of gross loan disbursements in 2012. The highest concentration is among lower middle-income countries where vast majorities of poor people live and where there is weak government revenue to service these loans. Several of these countries have only just emerged from programs to cancel unsustainable debts. The remaining quarter (27.7%) have been disbursed to low-income countries,





mainly through the World Bank's IDA window for low-income countries. It was recently reported that the Bank intends to increase lending to middle-income countries, from all its windows, to as much as US$28 billion up from US$15 billion currently.[37]

Are many of these loans even truly "concessional?"[38] In order to be considered "concessional in character" an ODA loan must have a grant element of at least 25% when measured against a discount rate of 10%.[d] The DAC makes no distinction between loans with a grant element of 26% and one with a grant element of 75% as the full loan is included as long as the threshold criteria are met. With commercial interest rates well below 10%, loans that are effectively at commercial rates can have substantial grant elements when measured against a hypothetical interest rate of 10%. These loans can be included as ODA, producing a potential profit for the lending donor.[39] In its recent review, a DAC paper made the following observation:

> "A growing share of loans from DAC members is made from market-raised funds, some of which without a subsidy. Provisional data for ODA loans indicate that, in 2011, 88% of concessional loans were made from market-raised funds, either in full (48.5%) or partially (39.8%), and market-raised loans without a subsidy represented 31% of all loans. "[40]

David Roodman from the Center for Global Development among others (EURODAD and Development Initiatives) has pointed to the 10% discount rate as a major problem.[41] Richard Manning, former Chair of the DAC, concluded an article in the Financial Times noting that, "it is shocking that the OECD should publish official statistics … which make a mockery of its own requirement that loans are concessional in character."[42] Roodman proposes an alternative, using the OECD's Differentiated Discount Rates (DDR), which has been agreed by all OECD

d The reference discount rate for the DAC is 10%. This rate is the basis for calculating the grant element of a loan, i.e. the cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10 percent or more; it is 100 per cent for a grant; and it lies between these two limits for a soft loan. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan. See http://www.oecd.org/dac/dac-glossary.htm#Grant_Element

Table 3 Allocation of Concessional Loans by Income Group (2012)

Income Group	Share of Concessional Loans	Share of Total ODA (net of debt relief)
Low Income Countries	27.7%	51.3%
Lower Middle Income Countries	40.3%	29.1%
Upper Middle Income Countries	32.0%	19.6%

Source: OECD Dataset DAC2a

members for export credit subsidies.[43] He suggests this rate would have reduced bilateral loans by more than half (56%) in 2012.

The donor members of the DAC are seeking a new consensus that would reform the treatment of loans in ODA. Such reforms are urgently needed (and discussed in more detail below). To date (September 2014) there is not much support for the DDR, but most donors are moving towards the idea of reporting only the grant equivalency for loans, rather than the full loan as is the current practice.[44] One concern with this proposal is that such a move may encourage more loans to LDCs, because such loans would have a high grant equivalency. Many of these countries have just emerged from unsustainable debt loads.

The inclusion of essentially non-concessional loans is not the only issue arising from DAC rules governing loans. While DAC members are required to calculate their annual net ODA, subtracting payments on the principal of each loan, they are not required to deduct the interest payments on these loans. According to Rob Tew, "the data published by the OECD DAC shows that, if interest repayments are taken into account, the net resource flows associated with global ODA are approximately $5 billion per annum lower than the reported total net ODA figure suggests."[45]

Overall, considering both the estimates of non-concessional loans made in 2012 (approximately US$9 billion as noted above) and the US$5 billion in non-reported interest payments on previous loans, "Real Aid" in 2012 is even lower than previously stated, not US$117 billion, but would fall to US$103 billion. This amount is US$24 billion less than reported-ODA (US$126.9 billion) for that year. Applied to Country Programmable Aid that takes account technical assistance, net CPA, which includes loans, also declines significantly.[46]

Implementing Aid and Development Effectiveness Reforms

> There remains strong rhetorical support for the Busan principles for development effectiveness and the need to improve aid practices among all development actors accordingly. Nevertheless CSOs have witnessed 'business as usual' among most donors and little progress at the country level in implementing these principles, including democratic ownership of development policy and an enabling environment for civil society organizations.
>
> At the same time, while not without its challenges, the multi-stakeholder Global Partnership for Effective Development Cooperation (GPEDC) is a uniquely inclusive space for policy dialogue and monitoring commitments in aid reform on the part of most aid actors. How can the advances in norms and commitments resulting from the informal and voluntary GPEDC processes translate into practice? Will reformed aid practice be the standard in the more formal UN post-2015 development agenda?

The real amount and terms of ODA resources available for programming in developing countries

is an important, but not the only, consideration for understanding the role of ODA in financing the SDGs. Equally important is the effectiveness of these resources in sustainably addressing the conditions shaping poverty, inequality and marginalization. In this regard, development actors have come together at a series of informal High Level Forums (HLF) since 2002,[47] where they have agreed on principles, and some measurable commitments, to improve the effectiveness of aid as a development resource.

The Paris Declaration, agreed by donors and partner governments at the HLF in Paris in 2005, set out five high profile principles for improving aid effectiveness (country ownership, alignment to country strategies, harmonization of donor terms and conditions, managing for results and mutual accountability). These principles were intended to guide donor and partner country reforms in aid practices.

After a review of limited progress on these Paris principles at the 2008 Accra HLF, development actors, including CSOs, parliamentarians, local governments, the private sector, and some southern aid providers (with qualifications), participated in the Busan HLF in 2011 to shape an agreement that focused on the development impact of aid, not just the modalities under which aid is delivered, as was agreed in Paris in 2005.

At Busan, all actors agreed on a set of common principles for development effectiveness, "consistent with our agreed international commitments on human rights." These principles include:

1. Ownership and leadership on development priorities by developing countries themselves;
2. Focus on results that must have a lasting impact on eradicating poverty and reducing inequality, and on sustainable development;
3. Inclusive development partnerships, recognizing the different and complementary roles of all actors; and
4. Mutual accountability involving the intended beneficiaries of our co-operation, as well as respective citizens, organizations, constituents and shareholders. Transparent practices form the basis for enhanced accountability. [Busan Partnership for Effective Development Cooperation, §11]

These Busan principles were to guide actions to "operationalise the democratic ownership of development policies and processes." [Busan Partnership for Effective Development Cooperation, §12] Together, they form the basis for specific commitments on the use of country systems, transparency, CSO enabling conditions and development effectiveness, gender equality, and more, for the various development actors, recognizing that there will be "differential commitments" for each stakeholder.

Now more than two years after Busan, how well are we doing? Following the Busan HLF, in 2012 the Steering Committee for the Global Partnership agreed on a set of ten indicators to measure progress on the commitments made in Busan and uphold global accountability for delivering them. A report drafted for the first High Level Meeting of the Global Partnership in Mexico in April 2014 by the OECD/UNDP monitoring team concludes, "globally, the results are mixed:"

> "Longstanding efforts to change the way development cooperation is delivered are paying off, but much more needs to be done to transform cooperation practices and ensure country ownership of all development efforts, as well as transparency and accountability among development partners."[48]

There remains strong rhetorical support for the principles and the need to improve the development effectiveness of aid among all development actors. Nevertheless, CSOs have witnessed 'business as usual'

among most donors, and little progress at the country level in implementing these principles.[49] In some areas, such as a commitment to an enabling environment for CSOs as effective development actors, there has been marked deterioration.

Specifically, much more progress is needed in the following areas:

- Country Ownership: There has been limited and very mixed progress in the use of a partner country's own indicators and monitoring systems to measure results for ODA. The OECD/UNDP reported that about two-thirds of development cooperation scheduled for the government sector is now reflected in national budgets; but it also cautions that much greater transparency is required for donor information at the country level. Only half of development cooperation is channelled through a partner country's own public finance management system, and this has not changed since 2010.[50]
- An important indicator for country ownership in the GPEDC monitoring framework is the level of untied aid. The first monitoring report suggested that aid providers are delivering on this commitment with close to 80% of aid formally untied to specific geographic sources for procurement. Tied aid is 15% to 25% less cost effective than untied aid.[51] However, independent research of one donor's policies and practices highlights the continued informal tying of aid contracts, with more than 88% of aid contracts going to UK firms despite the UK policy of 100% of untied aid.[52]
- Inclusive development partnerships: Contrary to the explicit commitments in Busan, inclusion of CSOs in development processes has been adversely affected by a significant deterioration in the enabling conditions within which CSOs must operate in an increasing number of developing and some developed countries.[53] There has been modest progress in countries implementing systems to track and make public allocations for gender equality and women's empowerment. On the other hand, women's rights CSOs have expressed concern that much more needs to be done to deepen inclusive and democratic multi-stakeholder dialogue on gender equality and women's rights at country and regional level. The number of countries engaged in future monitoring of the post-Busan gender equality indicator must grow. [54]

Transparency and accountability: There has been good progress in gradual implementation of the International Aid Transparency Initiative (IATI) Standard for transparency. But not nearly enough has been implemented in publishing timely, comprehensive and forward-looking information on development cooperation resources. Just over half of partner countries in the OECD/UNDP survey have a mutual assessment review for aid in their country, and less than half of these processes include non-state actors such as CSOs at any level.[55]

An inclusive multi-stakeholder process

The creation of the Global Partnership for Effective Development Cooperation (GPEDC) has been a unique and highly inclusive space for non-state actors to engage with governments, donors and multilateral institutions on a somewhat equal footing. CSOs are active participants in the Global Partnership through the CSO Partnership for Development Effectiveness (CPDE).[56] The OECD, multilateral organizations and bilateral donors have also been working to increase the participation of the private sector in the Global Partnership, consistent with recent renewed aid allocations to public-private partnerships.

Southern aid providers, such as Brazil, China and India, on the other hand, are reluctant to participate directly in the Busan commitments and the GPEDC, seeing the UN as a more legitimate forum for discussion of global finance and cooperation. Herein lies the greatest challenge for the Global Partnership and its efforts at inclusivity in global policy dialogue. How can the

advances in norms and commitments resulting from the informal HLF process translate not only into better practice for all aid providers, but also inform the formal and more legitimate outcomes for the UN post-2015 sustainable development agenda?[57]

Despite concerns of lost momentum and truly modest change on the ground, the HLF process over the past twelve years has advanced broad awareness of the norms and directions for more significant reforms in aid practice. These norms, alongside inclusive efforts to reform aid practices, need to be more directly reflected in the post-2015 development agenda and should guide the ways in which development actors allocate finance for the SDGs.

"Modernizing ODA": Aid resources and the post-2015 sustainable development goals?

> Reality of Aid welcomes the DAC initiative to "modernize ODA" and to sharpen ODA as a true measure of donor commitments to poverty reduction and social justice at the country level. This requires donors to include only resources that are grants or the grant equivalent of loans, excluding expenses for students and refugees in donor countries and counting the full face value of debt cancellation in a given year.
>
> Any new measure of "Total Official Support for Development" should develop clear norms and standards for the transparent inclusion of finance in this measure, based on demonstrable outcomes for any future SDGs, i.e. reducing poverty and inequality and promoting sustainable development, consistent with human rights standards.

In parallel with the Global Partnership and its efforts to reform aid practices, is a more recent initiative in the OECD DAC to "modernize ODA." The latter focus is on fair measurements of donor contributions to development cooperation. Many aid actors, including the global Reality of Aid network, have long called for such reforms in the guidelines for determining DAC ODA - guidelines that affect the level of resource commitments specifically dedicated to poverty reduction for which donors can be held accountable.[58] In 2012, for example, real concessional ODA is at least 20% less than reported ODA. The DAC Development Cooperation Directorate (DCD) and many DAC donors have also come to acknowledge these issues, particularly when viewed from a partner country perspective.

At the DAC's December 2012 High Level Meeting, donors asked the Development Co-operation Directorate (which supports the work of the DAC) to lead a process to "modernize the ODA concept" and to "elaborate a proposal for a new measure of "Total Official Support for Development (TOSD)." There are three main aspects of accounting for development finance under review: 1) a "modernization" of the concept of ODA; 2) a more comprehensive measure of official financial resources for development – Total Official Support for Development; and 3) the eligibility criteria for inclusion of countries for ODA.

The DAC is undertaking this review as an explicit contribution to the ongoing UN discussions on financing options for the post-2015 SDGs, with a global Financing for Development conference likely in 2015. Domestic resources will be a primary source of finance to implement the post-2015 goals for most developing countries; nevertheless various forms of external finance will be crucially important for achieving the Goals. ODA is but one flow among other external financing from government sources – others include official risk management instruments to promote private lending and investment or measures to provide an incentive to private charitable giving.

In modernizing the notion of ODA, the DAC is clarifying the place of ODA alongside other official resources. In

this regard, there is a push to have donors report their development finance from a recipient country point of view, i.e. capturing all of the donor's different financial flows beyond what is currently considered ODA. There is a proposal along these lines for a new measure – Total Official Support for Development – regardless of how these flows might contribute to poverty reduction and the SDGs.[59] From a partner country point of view, where a government must meet its obligations to its citizens financed by a variety of flows and revenue sources, a more comprehensive measure of resource transfer is an important metric. But this legitimate interest is different than assessing the quantity and quality of a dedicated flow of concessional resources that has the unique potential to be devoted to reducing poverty and inequality. Presumably all stakeholders, North and South, share a common interest in maximizing this concessional resource. It will be important for all countries and development actors, not just donors, therefore, to have a say in defining the objectives, norms and standards that might govern TOSD and the place of a reformed notion of ODA.[60]

The DAC expects to reach consensus on a proposal for modernizing ODA by December 2014, one that would presumably improve the transparency of official flows to developing countries. The process now underway, however, also has the risk of further undermining the transparency of donor resources for poverty reduction through the creation of a broad measure of TOSD. But it is also an opportunity to simplify and focus on what are truly concessional resources to be included in ODA, and what might be counted in this broader measure of TOSD. Whatever the measure of total official support for development, it will be essential to clarify the development character of these resources in relation to the overarching goal of poverty eradication.

Modernising ODA

There are currently three proposals for modernizing ODA developed by the DCD for the DAC members to consider: 1) "Focused ODA": Removing many current donor-centric costs (refugees, students, etc.), reporting contributions to multilateral financial institutions on an encashment basis, counting only expenditures actually incurred by a donor; 2) "New ODA": ODA would include grants and only the "grant equivalent" of loans taking account the cost of borrowing and country risk, and would remove bilateral debt relief, but not in-donor costs such as refugees and students; and 3) "Updated ODA": Including the gross amounts of loans assessed as concessional using a risk adjusted discount rate, as well as flows mobilized or leveraged by ODA. At this point none of these proposals are fixed or mutually exclusive.[61]

CSOs will certainly see the merit of this process, and have lobbied for a more focused ODA, including measuring only the grant equivalency of loans. However, there is evidence that donors are opting towards measures that emphasize linking ODA to market instruments and actually expanding what could be included. In making the three proposals in January 2014, the DAC Secretariat notes "that there has been wide interest in exploring how to incentivise the provision of development finance in the form of market-like financing as appropriate, so options to accommodate this interest are incorporated in the scenarios presented." They also draw attention to a "strong interest in exploring an expanded treatment of security as an enabler of development and possible broader coverage of such activities in ODA."[62] CSOs have argued that these security and market-linked contributions to development properly belong in a separate measure of Total Official Support for Development.[63]

Total Official Support for Development

To date, there has been little specific elaboration of the proposed new measure of Total Official Support for Development. The intent is seemingly not to replace the concept of ODA and its role in holding donors to account for measures to address poverty and inequality. However, the criteria for inclusion of financing in this broader measure of TOSD are not clear. Are donors attempting to "move the goal posts," in the context of wide failure by most to live

up to commitments they made only a decade earlier at Gleneagles to increase ODA and contribute 0.7% of their national income to such efforts? At the same time CSOs understand the importance of, and advocate for, a comprehensive approach to development financing – bringing attention to the need to cancel unpayable debts, promote fair trade and investment that respects the right to development, as well as tax justice and stopping illicit capital flows.

In a submission to the DAC by CONCORD's AidWatch Europe (with the support of Eurodad),[64] European CSOs have drawn attention to a number of essential notions that should inform the development of a measure of Total Official Support for Development:

- Development results and their implications for poverty eradication should be demonstrable goal of TOSD, not just a "modernized ODA;"
- TOSD should align with internationally agreed principles and commitments to inclusive development effectiveness;
- Private development finance mobilized by official guarantees or incentives must demonstrate clear additionality for development goals;
- There should be transparency on gross and net disbursements for loans/export credits included in TOSD; and
- There should be clear attention to transparency and accountability in TOSD at the level of each transaction, with transparency consistent with the International Aid Transparency Initiative (IATI) Standard.

Threshold for ODA

Currently the upper-middle income country cut-off for eligibility for ODA is a per capita income of US$12,615 (in 2012). The DCD issued a discussion paper in October 2013 following up DAC interest "in the possibility of revising the DAC's list of ODA-eligible countries and territories …, so as to focus concessional finance on countries that need it."[65] All options being considered by the DAC would lower the current threshold. The paper suggests revising the threshold to US$7,115, which is the per capita point at which countries begin the transition from World Bank (IDA) concessional lending. The authors argue that this would bring greater consistency between bilateral and multilateral concessional finance for development. They calculate that such a move would affect 18 current recipients and US$2.1 billion in ODA (1.7% of ODA in 2012). Brazil, Mexico, Turkey and Chile represent more than 75% of this amount. ODA from the EU and France would be most affected, declining 19% and 9% respectively due to large loans to Brazil and Turkey. At the other end of the spectrum, there is a proposal that donors target LDCs better with an agreed portion of their total ODA – perhaps 50% – rather than the current measure in terms of a percentage of donor GNI.[66]

The issue of aid to middle-income countries and the resources sufficient to meet commitments to the post-2015 SDG has been discussed above in relation to the breadth of conditions of poverty in these countries. For the four countries most affected as noted by the DAC, 7.5% of their combined population still lives on less than $2 a day, highly vulnerable to extreme poverty. But more alarming is the broader level of poverty, a quarter of the combined population (24.6%) live on less than $4 a day. These governments must deal with this poverty through per capita government spending that ranges from $3,075 for Mexico to $4,574 for Turkey.[67] As noted earlier, CSOs have come to the defense of aid for middle-income countries where indeed the majority of people are still living in varying degrees of poverty. One cannot also assume governments in these countries are willing or able to meet human rights obligations to maximize the realization of social and economic rights for all their populations.[68]

Current Patterns in the Allocation of DAC ODA

Allocation of ODA to Country-Income Groups

Aid to low-income countries has increased steadily since 2000 and in 2012 was 53% of country allocable aid.

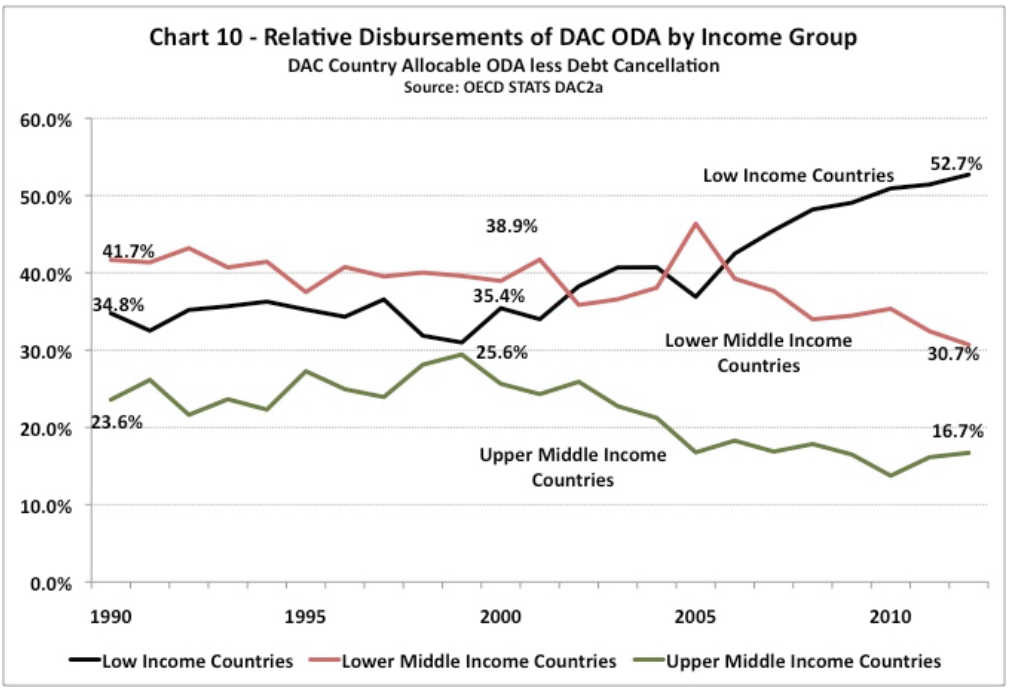
The value of aid to lower middle-income countries has also shrunk by 14% since 2005, while the value of aid to upper middle-income countries has increased 30%, just in the period 2010 to 2012.

Conversely, since 2010 the value of aid to Least Developed Countries (in 2012 dollars) has decreased for the first time in the decade.

How much aid is currently directed to middle-income countries? In fact, during the last decade there has been a major positive shift in the proportion of bilateral and multilateral DAC aid (net of debt cancellation) directed to the poorest low-income countries, from 36% of DAC country-allocable ODA in 2000 to 52% in 2010, mainly at the expense of middle-income countries. Since 2008, there has been little change in these proportions, with aid directed to low-income countries remaining at just over 50% (**Chart 10**). Within low-income countries, aid to the least developed countries has also remained constant at around 47% since 2008. Aid to least-developed countries makes up more than 70% of external flows of finance to these countries and represents half of government revenue.[69]

The proportion of DAC aid to lower middle-income countries declined slightly from 34% in 2010 to 31% in 2012. At the same time aid to upper middle-income countries increased from 13% in 2010 to 17% in 2012. DAC aid to upper middle-income countries grew in quantity from US$11.0 billion in 2010 to US$14.6 billion in 2012. These changing middle-income country priorities have mainly affected allocations to lower middle-income countries, which dropped from US$29.5 billion in 2010 to US$26.8 billion in 2012. While there are reasons as noted above to continue ODA for upper middle-income countries, the pervasiveness of poverty in lower middle-income countries makes this shift in emphasis troubling in the context of stalled or declining overall aid levels.

Since 2008, DAC aid to least developed countries (LDCs) has remained relatively constant as a share of total DAC country-allocable aid. However, since 2005, donor foreign/military policy priorities have had a major impact on the distribution of DAC bilateral



aid among LDCs. Aid to Afghanistan has commanded an increasingly significant share of this aid to LDCs. As a proportion of total bilateral DAC aid to LDCs, Afghanistan's share rose from 15% in 2005 to 21% in 2010, and has remained at this level up to 2012 (**Chart 11**). This priority has clearly affected the degree to which other LDCs have benefited from increased attention to low-income countries since 2005.

The relative share of poor countries in country-allocated ODA has been growing since 2000. But **Table Four** indicates that most of this growth in the value of ODA to these countries (in constant 2012 dollars) was pre-2005. Indeed, since 2010 the value of ODA for least developed countries has actually declined by 3% (**Table Four**).

For lower middle-income countries, a 14% decline in value started in 2005 and continued in the 2010 to 2012 period. On the other hand, upper middle income countries, while still a relatively small share of overall ODA, has increased in value significantly since 2005 by about 30%, and this trend has also continued since 2010.

The Allocation of ODA by Region

Aid to Sub-Saharan Africa has increased steadily since 2005, but has levelled off since 2010. This growth has been largely at the expense of allocations to countries in Asia (excluding Afghanistan).

Since 2008 there has been a consistent allocation of more than 40% of ODA (not including debt cancellation) to Sub-Saharan Africa (**Chart 12**). This allocation is a marked improvement since 2000 when donors (bilateral and multilateral) disbursed only 30% of their ODA to Sub-Saharan Africa. Aid to this sub-region has grown largely at the expense of countries in Asia (not including Afghanistan), where proportion of disbursements to these Asian countries have declined from 39% to 25% between 2000 and 2012.

But similar to the changes in value of ODA to low income countries, the increase in the value of ODA (in 2012 dollars) for Sub-Saharan Africa also mainly occurred pre-2005 (see **Table Five**). In the seven-year

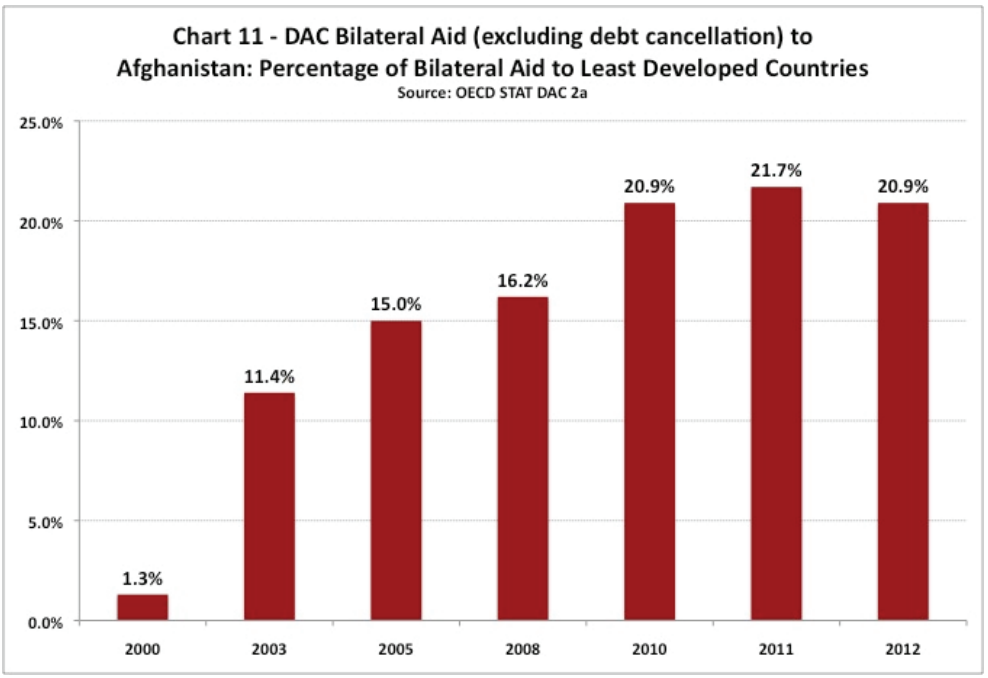


Table 4: Changes in the Value of ODA to Different Income Groups (in 2012 US dollars)

Income Groups Percentage Change in Value	2000 to 2012	2005 to 2012	2010 to 2012
49 Least Developed Countries	130%	45%	-3%
All Low Income Countries (less than $1,005 per capita income in 2010)	134%	51%	0.0%
Lower Middle Income Countries (between $1,006 and $3,975 per capital income in 2010)	40%	-14%	-13%
Upper Middle Income Countries (between $3,976 and $12,275 per capita income in 2010)	10%	28%	30%

Table 5: Changes in the Value of ODA to Different Regions (2012 dollars)

Region	2000 to 2012	2005 to 2012	2010 to 2012
Sub-Saharan Africa	127%	50%	2%
Asia	42%	-16%	-11%
Asia (not including Afghanistan)	13%	-27%	-14%
Americas	43%	32%	-12%
Oceania	39%	29%	-5%

period after 2005 (when donors made commitments to Africa at the Gleneagles G7 Summit), ODA to this sub-region increased in value by 50%, but since 2010 by less than 2%. Removing Afghanistan, countries in the Asia region experienced a significant decline in the value of their ODA since 2005 – by 27%, and by 14% since 2010! The value of ODA to the Americas increased modestly between 2005 and 2012, but has also declined by 12% since 2012.

Humanitarian Assistance

Humanitarian assistance from DAC donors has remained steady at approximately 10% of Real ODA, and in light of the growing number of natural disasters is likely to continue to rise.

Some domestic governments are playing an increasingly important role in responding to disasters within their borders.

Improvements in humanitarian practice will form an important dimension of the post-2015 agenda (and the 2016 Humanitarian Summit), as those most affected by crisis and conflict are often people living in extreme and vulnerable poverty.

Humanitarian assistance from DAC donors has remained at approximately 10% of Real ODA (removing debt cancellation, students and refugees in donor countries) since 2008. Preliminary DAC figures (OECD STATS DAC1a) suggest a slight increase in the proportion of Real ODA in 2013 (10.1%) from 2012 (9.0%), likely due to the humanitarian needs in Syria, the responses to typhoon Haiyan in the Philippines and the needs of the Central African Republic. The annual UN appeal for humanitarian funds for 2014 at US$12.9 billion is the largest call for funds to date, an increase of $4.4 billion over 2013.[70] In June 2013 the UN also launched its largest ever country appeal for Syria at US$5.2 billion.

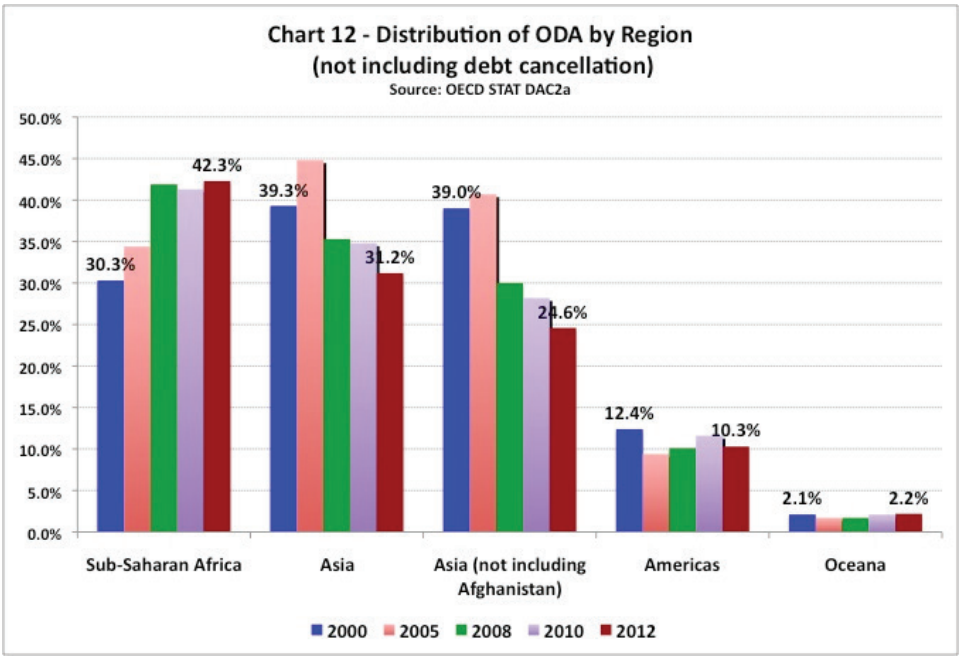
The latest *Humanitarian Assistance Report, 2014*[71] says that total humanitarian assistance from all sources in 2013 was a record US$22 billion, up from US$17.9 billion in 2012, of which DAC donors provided US$14.1 billion (64%). Other government donors provided US$2.3 billion, of which Turkey was

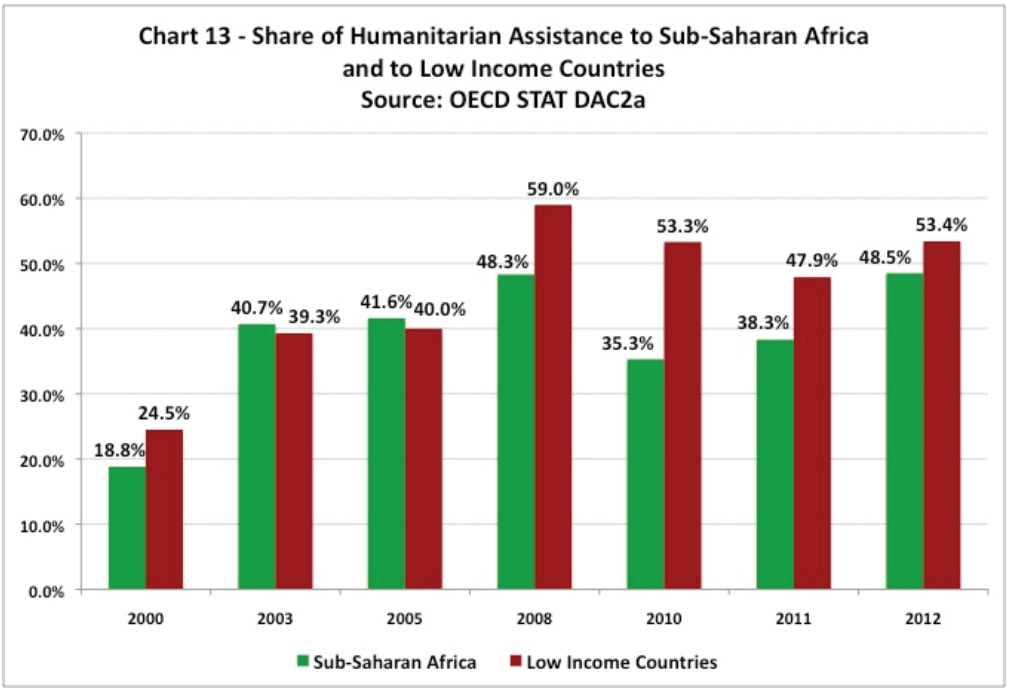
responsible for US$1.6 billion, primarily for Syrian refugees along its border region. Private voluntary contributions in 2013 for humanitarian assistance rose significantly to US$5.6 billion from US$4.1 billion in 2012. Private humanitarian contributions made up 25% of total humanitarian aid in 2013. A previous *Humanitarian Assistance Report* makes the interesting observation that domestic governments continue to take a strong role in responding to crises: China and India were home to 78% of all people affected by disasters between 2002 and 2010, but received very little international humanitarian assistance. For example national budgets in India indicate that up to US$7 billion was set aside for disaster relief and risk reduction between 2009 and 2012 (compared to US$137 million in humanitarian assistance during that period). [72]

As indicated in **Chart 13**, low-income countries and Sub-Saharan Africa in particular receive a high proportion of humanitarian assistance at 53.4% and 48.5% respectively in 2012. Among the top recipients of humanitarian assistance through DAC ODA in 2012 were Afghanistan (US$480 million), Syria (US$452 million), Ethiopia (US$435 million), DRC (US$413 million) and Sudan (US$404 million). Humanitarian assistance for Haiti was US$253 million in 2012, down by more than half from US$514 million in 2011.

Humanitarian assistance will always be a significant component of both ODA and other aid providers' assistance programs. In the absence of robust initiatives to adapt to climate change, it is expected that major weather events will become more common, with rising impacts on those most vulnerable in the low-income countries. The United Nations in 2014 is launching a consultation process towards the first World Humanitarian Summit to be held in Istanbul in 2016.[73] This Summit is intended to address current issues facing humanitarian action and set "a new agenda for humanitarian action." Among the issues being discussed is the "political squeeze" on non-partisan humanitarian action, where donor priorities are often linked to their foreign policy and military concerns.[74]

The *2012 Global Reality of Aid Report* noted the alarming increase in humanitarian assistance delivered through





defence agencies, predominantly by the United States.[75] Humanitarian space has become dangerous space, with 152 aid workers killed in 2013.

The 2013 *Global Humanitarian Assistance Report* documented a number of areas where humanitarian actors are working to strengthen their response to people in crisis.[76] Among these initiatives are improvements in access to information, transparency and accountability, principles and standards as a benchmark to measure progress, and a focus on resilience as a longer-term foundation to improve humanitarian outcomes. These and other initiatives will contribute towards a new humanitarian agenda. Improvements in humanitarianism will form an important dimension of the post-2015 agenda, as those most affected by crisis and conflict are often people living in extreme and vulnerable poverty.

Climate Finance and Aid

While developed countries honoured their 2009 Copenhagen commitment to invest US$30 billion in Fast-Start Finance for climate change mitigation and adaptation, donor reporting made it impossible to determine if this financing was additional to ODA commitments. Donors have reported more than 80% of climate financing to the DAC as part of their ODA. Only 30% of this financing was for adaptation, affecting the impacts of climate change on poor and vulnerable populations.

Climate change is resulting in a noticeable increase in extreme weather, which in poor countries can be devastating for vulnerable and poor people for years after the climate event. Super Typhoon Haiyan in the Philippines in November 2013 brought unimaginable destruction in a 100 mile-wide path, killing more than 6,000 people. Public financing for climate change adaptation and mitigation is urgent.

To 'kick-start' these investments, developed countries in 2009 agreed to a global commitment of US$30 billion in Fast-Start Financing at the conclusion of

the Conference of the Parties to the UN Framework Convention on Climate Change (COP 15) in Copenhagen. Fast-Start Finance (FSF) is intended to lay the foundation for a significant ramping up of finance from developed countries by 2020, which will lead to sustained and longer-term support for adaptation and mitigation action in developing countries.

In Copenhagen, developed countries also committed to mobilizing US$100 billion in climate financing annually by 2020 for these purposes, with the funding to come from both public and private sources. This 'long term' finance goal was reiterated at COP-16 in Cancun in 2010 and again in 2011 at COP-17 in Durban. While the 2012 Doha COP encouraged the same level of financing for 2013 and 2014 as FSF, there is no comprehensive information about donor post-FSF commitments.

The political commitment for both FSF and longer-term climate financing is that it was to be both new money and public funding *additional* to existing ODA commitments. According to a comprehensive study of FSF, developed countries reported to the UNFCCC that together they contributed US$35 billion in FSF between 2010 and 2012, thus exceeding the target. However, the study warns that, "contributing countries have taken different approaches to defining what qualifies as FSF and have included a wide range of instruments and sources of finance in their FSF reporting. For the most part, they have not used strict thresholds for assessing what is additional."[77]

The Copenhagen Agreement did not specify an appropriate proportion in its call for a "balanced allocation" between adaptation (dealing with the immediate impacts of climate change on poor and vulnerable populations) and mitigation (preventing future increases in greenhouse gases). It has been assumed by developing countries and many CSOs to mean roughly a 50/50 split, acknowledging that there is sometimes an overlap, as some activities have both adaptation and mitigation characteristics. In fact there has been a wide variation in levels of support for adaptation, ranging from close to 70% for Australia and Sweden, around 50% for France, Denmark and Switzerland, about 40% for the United Kingdom, Norway and Germany, 25% for the United States and less than 20% for Canada. As a result, it is estimated that about 30% of FSF was directed to adaptation activities.[78]

Some countries (e.g. Australia, Denmark, the Netherlands, Norway, Sweden, and Switzerland) provided FSF exclusively as grants. However, several others (Japan, France, Spain and Canada) provided FSF substantially through loans. The study referenced above found that repayable loans from all donors made up the largest share of FSF, at 48%, with 40% provided through grants. This is primarily the consequence of a very large loan portfolio in Japan's FSF, which is the largest overall donor to FSF.[79]

All donors have reported FSF as part of their ODA commitments and disbursements to the OECD DAC, making it impossible to determine whether FSF was indeed additional to existing ODA commitments. It is estimated that at least 80% of FSF has been reported as ODA.[80]

The OECD DAC has published a series of backgrounders on donor financing for climate adaptation and mitigation. Donor reporting to the DAC is based on a marker system in which donors identify climate finance activities where adaptation/mitigation is either the principal objective or where it is a significant objective among others (in this latter case the full value of the activity is included, thus distorting the total). DAC statistics for 2012 records a total of US$15.6 billion for mitigation and US$10.1 billion for adaptation from sector-allocated donor bilateral aid. Of these amounts, US$10.5 billion was spent on activities where mitigation was the principal objective and US$2.7 billion spent on activities where adaptation was the principal objective.[81]

Chart 14 highlights the relative share of climate finance for mitigation and adaptation in donor bilateral

aid (where it is the principal objective), with adaptation making up only 2.3%. A large proportion of adaptation finance is recorded as a significant, but not the main, objective of activities valued in total at US$7.4 billion. According to the DAC, just three donors – Japan, Germany and the EU institutions – provided half of the recorded adaptation finance between 2010 and 2012. Donor finance for adaptation is concentrated in a few sectors – environment related capacity building, water, agriculture, forestry, and disaster risk reduction and response. Only 25% of this financing is directed to least developed and low-income countries.[82]

Almost 70% of mitigation aid finance, by contrast, targets mitigation activities as a principal objective. The energy, transport and water sectors account for more than half of mitigation aid. About 65% of mitigation aid goes to middle-income countries, with a large proportion of activities in Asia. Five donors – Japan, Germany, France, EU Institutions and Norway – account for 80% of mitigation aid activities. Also, concessional loans make up 58% of mitigation financing, compared to an ODA average of 18%.[83]

There remains only five years to fully mobilize the US$100 billion UNFCCC commitment for climate finance. In 2013 the operational terms were finally agreed to initiate the Green Development Fund (GDF) as mandated by the UNFCCC process. There is a call by the Executive Secretary of the UNFCCC to capitalize between US$10 billion and US$15 billion by November 2014. Working through the GDF will ensure that 50% of the resources are directed to adaptation activities. A quick start for this Fund will help rebuild trust in the process launched in Copenhagen and enable leadership on the part of developing countries.[84]

Sector Allocation of DAC ODA

Since 2010 there have been noticeable declines in the value of aid to several social sectors critical to addressing conditions of poverty – basic education, basic health and government and civil society. On the other hand financial services, productive services, including agriculture have shown marked increases.

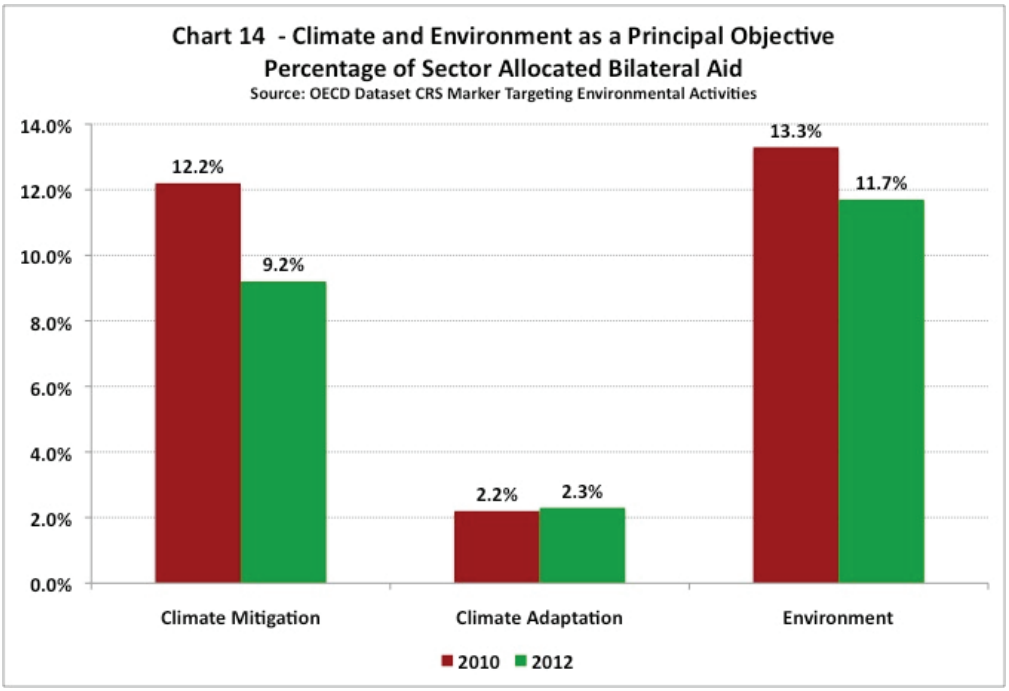


Chart 15 demonstrates changes in the allocation of both bilateral and multilateral aid to the various sectors recorded by the DAC in its Creditor Reporting System. While still almost half of ODA in 2012 (48.3%), allocations to social infrastructure and services have dropped since 2000. Within these services, commitments to basic education fell from 3.6% of ODA commitments in 2000 to 2.7% in 2012. Basic health and reproductive services' share of sector allocable ODA almost doubled from 6.6% to 12.5% in the same period. Support for economic infrastructure and services increased slightly over the 12 years, while the productive sectors and agriculture, forestry and fisheries remained at the same level.

The share of sector allocable ODA masks some important recent changes in donor priorities between 2010 and 2012. **Table Six** demonstrates the percentage change in the value (in 2012 dollars) of aid commitments devoted to key sectors.

It is notable that since 2010 the value of ODA to social and infrastructural services in general has declined slightly. But more significant declines are noted for basic education and government/civil society, with a smaller decline for basic health and reproductive services. These are key sectoral areas that address social conditions for poor and vulnerable people and will be strongly represented in the post-2015 development agenda.

On the other hand, the value of support for economic services and production, production sectors and agriculture has increased by more than 18%, 33% and 19% respectively. Agriculture is a key sector for people living in poverty, with an important increase in the value of allocations.[85] But also within the production sectors, allocations to industry and mining production was $4.4 billion in 2012, up more than 50% from 2010.

ODA directed to Gender Equality

As a share of screened ODA, gender equality as a principal objective of development activities remains at 2.4% in 2012.

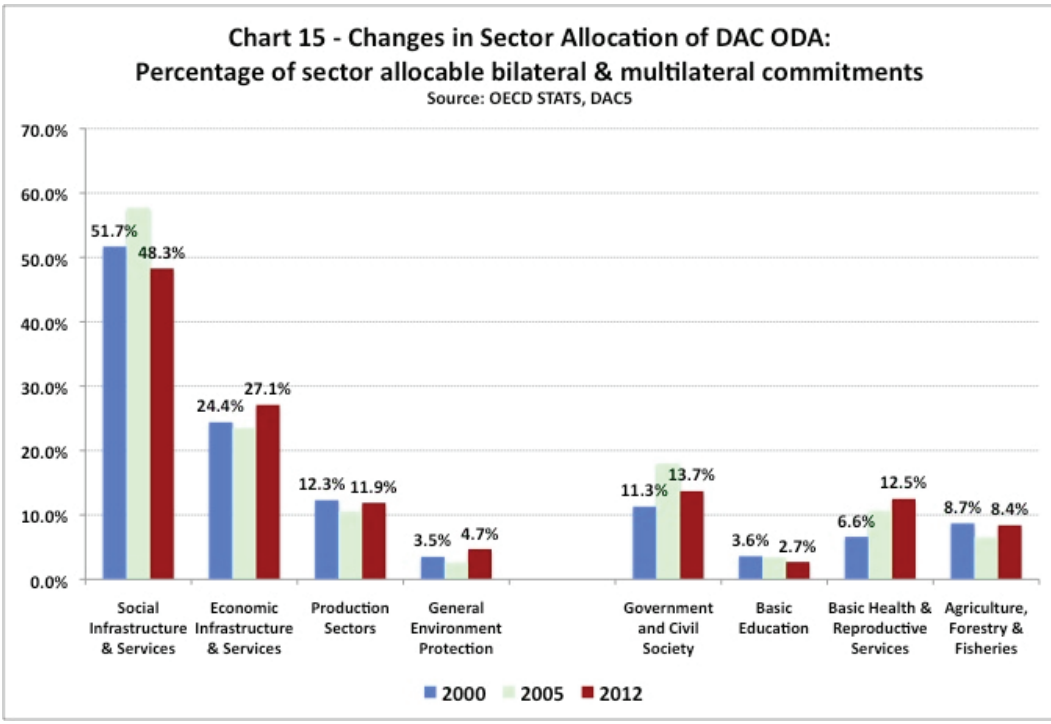


Table 6 Changes in Value of ODA to Key Sectors

Sector (Millions of 2012 dollars)	Value of ODA in 2010	Value of ODA in 2012	Change in Value of Allocation
Social Infrastructure & Services	$66.1	$65.7	-0.5%
Basic Education	$4.0	$3.6	-9.9%
Basic Health & Reproductive Services	$17.2	$17.1	-0.9%
Government & Civil Society Sector	$19.4	$18.6	-4.1%
Economic Services and Production (less Agriculture)	$31.1	$36.8	18.3%
Production Sectors	$3.6	$4.8	33.3%
Agriculture, Fisheries and Forestry	$9.5	$11.4	19.7%
Environmental Services	$6.9	$6.4	-8.2%

Source: OECD STATS, DAC5

Official donor support for women's rights organizations has shrunk in value since 2008.

The OECD/UNDP monitoring report on progress on the Busan commitment to gender equality comments,

"[G]ender equality and women's rights have long been recognized as essential components of sustainable development and are likely to be central to the post-2015 development agenda. Advancing gender equality and women's empowerment requires not only political leadership, policies and funding but also institutions, systems and data."[86]

Women's empowerment is about realizing gender equality rights as well as approaches to achieving development outcomes that are fully inclusive of women. The DAC tracks gender-oriented programming through a gender marker that identifies activities where gender is either a principal objective (gender equality is a primary goal of the activity) or a significant objective (gender equality is one among several goals of the activity). As with the climate finance marker, the DAC marker system has major weaknesses in that it records the full value of the activity for those where gender is deemed a significant objective, even where it may be one among several objectives. In addition, the significant objective indicator is subject to differing interpretations among donors and is less reliable in comparing donor commitments to gender equality.

The DAC tracking marker for "gender as a significant objective" is intended to demonstrate a commitment to mainstreaming gender equality. However, its unreliability compels Reality of Aid to look more closely at trends for activities where gender equality is the principal objective. It is reasonable to assume that such activities are essential as a catalyst for broader inclusion and mainstreaming women's rights in project activities. Similarly, donor support for women's rights organizations is an important marker for the priority given to strengthening women's voices in advocating for their rights in developing countries.

Table Seven demonstrates the very low level of DAC project activities in which gender equality is the principal objective, increasing in value by only US$600 million between 2008 and 2012. Interestingly, even programs that designate gender as a significant objective (i.e. where gender equality objectives are "mainstreamed") have declined in value by US$1.4 billion over these same years.[87]

Donors reported to the DAC that they invested on average in 2009/10 a mere US$477 million (2012 dollars) to support women's equality organizations and institutions. This represents less than 2% of all activities with a gender marker in that year. The amount in 2012 is actually $100 million less in value than donor resources invested for these purposes in 2008 (calculated in 2012 dollars).[88]

Table 7 DAC Gender Marker*
Percentage of Total Screened and Unscreened ODA

Gender Marker (Value in 2011 $)	2008	2009	2012
Principal Objective	1.8% (US$2.4 billion)	2.5% (US$3.2 billion)	2.4% (US$3.0 billion)
Significant Objective	17.5% (US$23.2 b)	20.9% (US$26.2 b)	17.4% (US$21.8 b)

Source: OECD STATS DAC Aid projects targeting gender equality and women's empowerment
** Total does not include Canada due to methodology used for gender as principal objective. 2010 and 2011 are not included due to incomplete data from the United States.*

Commenting on this decrease in official donor support for women's rights organizations, the Association for Women's Rights in Development (AWID) notes a concomitant shift to funding by private sector donors for programs focusing on the needs of individual women and girls, rather than women's rights organizations. In their words, the focus is on the "leaves" – women and girls – rather than on sustained collective action by women's rights activists and organizations – the "roots."[89]

Other Aid providers: Trends and Opportunities for the Post-2015 Agenda

Civil Society as Aid Providers in Development Cooperation

When combined with donor resources channelled through CSOs, CSOs mainly from DAC countries are managing approximately US$65 billion in development assistance annually. This is an amount equal to about 60% of DAC Real ODA in 2012 (net of the amount transferred through CSOs).

The call for inclusive partnerships to implement the post-2015 agenda requires not only the inclusion of CSO resources for development, but also the inclusion of CSOs themselves as independent development actors in their own right. This means addressing the deteriorating enabling environment for CSOs as development actors in many developing, and some developed, countries.

Civil society organizations (CSOs) are major and growing actors in development cooperation in their own right. As aid providers, CSOs channel donor resources to partners, through institutional funding of CSOs and through various donor-sponsored calls-for-proposals for CSOs to implement donor-initiated programs or projects. A considerable literature has grown around the roles of CSOs in development cooperation and the implications of various funding modalities from donors for the growth of an independent civil society in developing countries.[90]

DAC donors channelled US$15.4 billion in ODA through CSOs in 2012, down from a peak of US$18.5 billion in 2010. ODA through CSOs in 2012 was 13% of total Real ODA for that year (**Chart 16**). DAC bilateral donors are responsible for most of the ODA channelled through CSOs. Aid channelled to CSOs through bilateral ODA amounted to more than 17% of bilateral aid in 2012. These are significant amounts of funds where CSOs are delivering development outcomes for donors (and for several donors such as Ireland, Sweden, Switzerland, and the Netherlands, aid delivery through CSOs is more than 30% of their bilateral aid).

The DAC also provides an estimate of private grants made by CSOs in the donor country. In 2012 this estimate was US$29.8 billion, almost double the amount that donors channel through CSOs. There are few reliable statistics on total flows through CSOs to developing countries, including private fundraising by CSOs. This is particularly true of aid-providing countries outside the United States. In the US, the Center for Global Prosperity estimates US privately

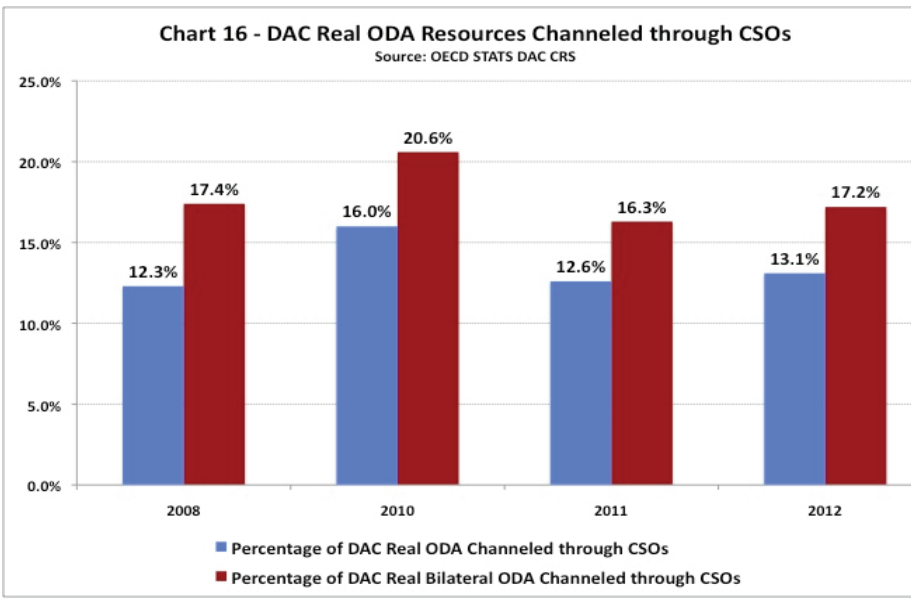
raised funds for international assistance in 2011 at US$28 billion in the US alone, almost equal to the DAC estimate of US$29.8 billion for all donors.

Globally, the Center for Global Prosperity's estimate for total privately-raised CSO flows is US$48 billion, including US$366 million from philanthropists in Brazil, China, India and South Africa.[91] A report from TIKA, the Turkish aid agency, showed US$200 million in aid provided through Turkish CSOs, mainly to Africa.[92] When combined with donor resources channelled through CSOs by donors, CSOs mainly from DAC countries are managing approximately US$65 billion in development assistance annually. This is an amount equal to about 60% of DAC Real ODA in 2012 (net of the amount transferred through CSOs).

Financial flows from the largest International NGO families (INGOs) make up a significant and growing amount of aid from CSOs. Eight global INGOs had combined global revenue from all their affiliates of over US$11.7 billion in 2011, up more than 40% since 2005. These eight INGO families would make up almost a fifth (18%) of the estimated total CSO development assistance noted above.[93] Beyond these INGO families raising money predominantly in developed countries, is a growing body of Southern NGOs raising funds domestically and regionally. For example, 20 of the largest Muslim NGOs, many of them based in the South, collectively have revenue of $560 million.

Private sources of finance are also a growing source of funding for humanitarian assistance. The NGO, Development Initiatives, estimates private funding through CSOs for these purposes at US$5.6billion in 2013 (up from US$4.1 billion in 2012), with over a quarter of humanitarian assistance between 2008 and 2012 from private donors.[94] Private funding for humanitarian emergencies are more volatile than government sources, with private funds in 2012 dropping 26% since 2010, compared to 7% for institutional funding.[95] According to the Global Humanitarian Report 2014, among private donors, NGOs raise the majority of the funds – US$3.8 billion in 2012. The NGO Médecins Sans Frontières (MSF) raises about 26% of all private funds raised by the NGOs monitored by this Report.[96]

Clearly CSOs are evolving quickly as sophisticated aid providers involved in all sectors of development



cooperation. At the same time, there is growing documentation in many countries of significant deterioration in enabling conditions for CSOs to operate as full development actors (legal restraints on registration, changing funding modalities, restrictions on receipt of foreign funds, attacks on human rights defenders, limited access to policy dialogue at the country level, etc.).[97] CSOs are critical actors involved in coalescing the voices of those most affected by poverty and exclusion and these voices often confront the priorities of ruling elites.

The UN Secretary General has called for an inclusive partnership involving all stakeholders in implementation of the SDGs.[98] But inclusive partnerships, involving CSOs, will not only require allocation of substantial CSO financial resources in partnership with other stakeholders. Such allocations will have limited impact in the absence of deliberate action by governments to improve the enabling conditions for CSOs to realize their full potential as development actors, which has been a commitment of governments since the Accra and Busan High Level Forums.

Aid and the Private Sector

> Donors are now pro-actively engaging the corporate private sector, not only as economic actors, but also as development partners in their own right. However, to date there is little assessment of the private sector as a development actor contributing positively to development impacts and outcomes.
>
> Donors are primarily preoccupied in establishing an open enabling environment for business, with the implication that increased dialogue with this sector to establish this enabling environment brings with it development roles and outcomes from private sector activities. The evidence to date suggests that the benefits still accrue to large companies, while the risks to populations living in these countries
>
> This bias towards the private sector as development actors will likely become more pronounced post-2015. Inclusive dialogue on the normative foundation of the private sector's contributions to development must inform, and be explicit, for any private sector role in the post-2015 agenda and SDGs.

The private sector in all its different manifestations is an essential contributor to sustainable livelihoods, with the potential to mobilize domestic resources and investment for development. As such, donors have long promoted private sector development in different country contexts. However, in recent years, donors have been pro-actively engaging the corporate private sector, not only as influential economic actors, but also as development partners in their own right. This engagement includes collaboration on approaches that focus on strengthening economic growth, as well as the design and implementation of private sector oriented projects to address development challenges across many sectors. The 2011 Busan Partnership recognized the central role of the private sector in contributing to poverty reduction. Following the Busan HLF, the OECD/UNDP monitoring team committed to the development an indicator on private sector engagement in monitoring the Busan commitments.

The 2012 Reality of Aid Report brought thematic attention to the different dimension of private sector partnerships and their implications for donor efforts to tackle poverty reduction and marginalization on the ground in developing countries. This earlier Report described civil society critiques and recommendations on aid policies and modalities for engaging and strengthening the private sector – looking more closely at the roles of Development Finance Institutions (DFIs), Public Private Partnerships, Aid for Trade, etc. This 2012 analysis is still very relevant and should be considered background for understanding the role of the private sector in strategies to finance the post-2015 SDGs.[99]

Despite recent preoccupations with the private sector as a development actor on the part of donors, multilateral organizations and think tanks around the world, the OECD/UNDP monitoring of the Busan commitment to engage the private sector does not try to assess the private sector as an effective development actor. Rather, the indicator measures the quality of public-private sector dialogue in developing an enabling environment for business, with the untested assumption that this enabling environment will lead to development outcomes on the part of the private sector.[100]

Measurement of the extent of private sector contributions to development cooperation is also not captured in DAC databases, with the exception of public private partnerships (PPPs). According to DAC statistics, allocations to PPPs peaked in 2010 at US$886 million, but since then PPPs have declined sharply to US$361 million in 2012 (DAC CRS Database). No explanation for this decline is given.

At the donor level, despite rhetoric, the extent of direct engagement with the private sector as an implementer for ODA projects is also largely unknown, but is likely relatively modest.[101] For example, in Canada — a donor country that has emphasized the private sector as a partner in development for the past five years — only a small amount of ODA is implemented directly by the private sector. In 2012/13 the private sector implemented less than 4% of Cdn$3.6 billion in ODA managed by the Department of Foreign Affairs, Trade and Development, including disbursements through the World Bank's International Finance Corporation.[102] At the same time, the Canadian mining sector has been involved in high profile partnerships with government, universities and CSOs, which implement mining projects in countries where Canadian mining companies have a large presence.

This bias towards the private sector as development actors will likely become more pronounced post-2015. Major donors such as the UK and the United States are committed to expanding partnerships with the private sector.[103] Under the US initiated New Alliance for Food Security, a number of large "mega-PPPs" are being encouraged to attract technology and investment in African agriculture. A recent review of several of these PPPs in terms of reducing poverty demonstrate that the benefits are most likely to accrue to the powerful companies and the risks to the rural livelihoods of the poorest and most vulnerable.[104]

Without similar comprehensive data, particularly on partnerships with the private sector at the country level, the reality and nature of private sector partnerships remain elusive. Much of the growing roles of the private sector in development cooperation are indirect, via support for these roles by multilateral development banks and other development finance institutions (DFIs). The latter enable the private sector to collaborate and invest in development through public financed subsidies, investment guarantees and innovative risk mitigation products.[105]

Enhancing the private sector's contribution to development through aid-for-trade

Ever since the failure of the WTO Doha "development round" of comprehensive trade negotiations, donors have increased their investment in "aid for trade" to improve trade-related development outcomes in which the private sector is a main actor. The 2012 Reality of Aid Report noted that many donors have enhanced their aid-for-trade strategies as a result of placing greater emphasis on the private sector and economic growth in their aid policies. However, an accurate assessment of "aid-for-trade" is difficult, both in terms of the amounts of ODA invested, but also in relation to the impact of trade on development outcomes for poor and marginalized populations.[106]

There is a need to disaggregate DAC reporting on aid-for-trade to have a more accurate picture of these investments. In reporting aid-for-trade, the DAC

includes total support to economic infrastructure (including banking and services for micro-finance) and to production (including all agriculture investments). There is no attempt to distinguish actual trade related support. The DAC figure of US$41.8 billion in 2011 is consequently a gross exaggeration.[107] While not inclusive of all aspects of aid for trade, a more accurate indicator in the DAC Creditor Reporting System is aid to "trade policy and regulation." The value of these commitments to trade policy and regulation (in 2012 dollars) peaked at US$904 million in 2010, but was only $628 million in 2012.

Strengthening private sector accountability and the post-2015 agenda

At the High Level Meeting of the Global Partnership in Mexico in April 2014, there was an important commitment by the Partnership, including representatives of the private sector, to "recognize the importance of private sector accountability." The final Communiqué welcomed "hubs for inclusive multi-stakeholder dialogue on a broad range of public-private partnerships, including trade unions and civil society organizations, with the aim of improving the alignment of business and development core objectives through the enhancement of … corporate social and environmental responsibility."[108] Inclusive dialogue on the normative foundation of the private sector's contributions to development must also inform the UN's post-2015 agenda.

Discussions within the UN post-2015 process all point to a greater role for the private sector as a partner in realizing the SDGs. UN Secretary General Ban Ki-moon recently proposed a new UN partnership facility to capture the full potential of partnerships, most particularly with the private sector, to "help us deliver at scale — globally and at country level — across the range of UN mandates, goals and values."[109] Civil society activists at the UN are deeply concerned about the potential "privatization" of the post-2015 agenda, often with privileged access for large corporate players to influence this agenda outside established regular intergovernmental and accessible consultative processes.[110]

The corporate private sector may have important roles to play in implementing the post-2015 agenda, but only if they are substantially guided by the normative framework of the UN. A commitment to accountability also requires the private sector to acknowledge and address the corporate sector's responsibilities, collectively and individually, for exacerbating some of the development challenges that the post-2015 agenda is intended to address. The Member States of the UN could establish system-wide guidelines for inclusion of private actors that explicitly prevent partnerships with such actors that have violated internationally agreed environmental, social and human rights conventions and UN principles on corruption, sanctions, tax evasion, etc.[111]

South-South Aid Providers

South-South aid providers will be playing a crucial role in financing and knowledge exchange for the post-2015 SDGs. The 2014 Global Partnership's HLM in Mexico noted that SSC was not a substitute for, but a complement to, North-South co-operation.

Middle-income aid providers for SSC are estimated to contribute $23.6 billion to development cooperation, an amount that has been growing significantly in the past five years, during a period when many North-South donors have flat-lined or reduced their aid. These flows are now about one-third of DAC donors' Country Programmable Aid.

UN Secretary-General Ban Ki-moon underscored the importance of South-South Co-operation (SSC) in advancing the MDGs and playing a crucial role in financing and knowledge exchange for the post-2015 SDGs.[112] As the 2011 Busan Partnership for Effective Development Co-operation highlighted, "South-South and Triangular co-operation have the potential to transform developing countries' policies and

approaches to service delivery by bringing effective, locally owned solutions that are appropriate to country contexts." [§30] The April 2014 High Level Meeting (HLM) of the Global Partnership in Mexico focused major attention on South-South and Triangular co-operation, welcoming "the initiatives undertaken by Southern partners to deepen the understanding of the nature and modalities of South-South co-operation and the ways and means to enhance its developmental impact as well as its potential synergies with the efforts of other development cooperation partners and modalities." [§27]

While an essential and growing part of the financial architecture for development, the 2014 HLM noted that SSC was not a substitute for, but a complement to North-South co-operation [§27]. Middle-income aid providers for SSC are estimated to contribute US$23.6 billion to development cooperation (**Table Eight**), an amount that has been growing significantly in the past five years, during a period when many North-South donors have largely flat-lined or reduced their aid.

Several major South-South aid providers do not publish statistics on concessional aid flows comparable to DAC's ODA. It is consequently difficult to measure recent trends in South-South assistance. The seven donors in **Table Eight** reporting their aid flows to the OECD DAC could serve as a proxy indicator. Flows from these seven donors more than doubled between 2010 and 2013, increasing by 170%, mainly due to very large growth in assistance by Turkey and the UAE. A recent study put the growth in Chinese assistance at 58% between 2011 and 2013.[114] More than half of Chinese aid between 2010 and 2012 is reported by the Chinese government to be directed to Africa, with 30%

Table 8: Current Estimates of South-South Assistance for Development Cooperation (ODA-equivalent aid)

Aid provider	Concessional Assistance	Data Year
SSC Aid providers reporting to the DAC		
Saudi Arabia	$5,683	2013
United Arab Emirates (UAE)	$5,091	2013
Turkey	$3,276	2013
Taiwan, China	$273	2013
Kuwait	$149	2013
Cypress	$25	2013
Thailand	$17	2013
SSC Aid providers, not reporting to the DAC (estimates)113		
China	$7,100	2013
India	$850	2012
Brazil	$900	2010
South Africa	$217	2012
Indonesia	$10	2011
Mexico	N/A	
Venezuela	N/A	
Total South-South Providers (estimate)	$23,591	
Percentage of DAC Real ODA (2013)	19%	
Percentage of Programmable ODA (2012) (Including humanitarian assistance)	36%	

Millions of US$

to Asian countries and 8% to Latin America. Almost two-thirds (63.8%) of this assistance was provided in the form of concessional or interest-free loans, and 36.2% in grants.[115]

At US$23.6 billion, South-South aid flows are now more than one-third of the DAC donors' country programmable aid (see §5, Chart 8 above), including humanitarian assistance with programmable aid. However, South-South assistance is also highly concentrated, with four SSC aid providers (Turkey, Saudi Arabia, the UAE, and China) accounting for 90% of these flows.

Large knowledge gaps continue to affect understanding of SSC, not only in terms of volumes of flows and their concessionality, but also in terms of the details on the management of these flows, their impact on development outcomes, and the quality of the aid relationships. Several middle-income developing countries have been engaging in SSC for many decades. It has taken many forms – bundling investment opportunities, technical assistance, provision of appropriate technology, training and education exchange – and used different modalities, through grants, concessional and non-concessional loan finance. Loan finance supports financial investments and trade relations on the part of China or Brazil around the world. Some 43% of outward foreign direct investment by the BRICS is in the respective neighbouring countries in Latin America, East Asia, South Asia and the transition countries.[116] The US$23.6 billion identified above focuses on a smaller set of SSC development assistance activities that are supported through grants and concessional loans on terms approximately comparable to the DAC requisites for ODA.

SSC aid providers are also having an impact on development co-operation discourse in both the Global Partnership and the post-2015 development finance debates. SSC aid providers stress a number of principles and characteristics that they insist distinguish their co-operation from traditional DAC aid. Among these factors are approaches based on 1) solidarity and sensitivity to country contexts resulting from a shared experience of colonial domination, 2) respect for sovereignty and national independence, with non-interference in what are considered domestic matters, 3) sharing appropriate expertise based on common development challenges, and 4) greater flexibility, simplicity and speed of execution.[117] At the same time countries involved in South-South co-operation are often explicit about their strategic objectives, linking SSC directly with political and commercial "enlightened self-interest".[118]

SSC has grown in scale in line with rapid growth in several SSC aid-providing countries. But what should be the framework for understanding the relevance of SSC to the post-2015 agenda? While seen to be a more equitable form of cooperation based on a shared experience in development, there is in fact little analysis of evidence regarding SSC effectiveness on development outcomes for addressing poverty and inequality. And yet reducing poverty and inequality are crucial goals for the post-2015 agenda.

Challenges in SSC

At a more political level, should SSC be assessed just as another channel for financing the MDGs or SDGs, either directly or through triangular co-operation with DAC donors? Or should SSC be considered less an aid relationship, and more a part of a deepening of South-South political and diplomatic relations? Is SSC primarily a way of advancing the interests of key middle-income countries in global debates, where the latter stress the importance of differential responsibilities for sustainable development? These questions are beyond the scope of this chapter, but will ultimately shape the contribution of SSC in advancing SDGs.

As a modality for advancing the SDGs, SSC may face a number of challenges. There is some evidence that current practices in SSC, resulting from diplomatic

engagements, are leading to scattered and fragmented initiatives.[119] A lack of transparency for SSC limits the scope for partner countries, civil society, and the international community to understand the current dynamics in SSC. Improved transparency and accountability in SSC will be essential for peer learning and building on SSC contributions among all stakeholders at the country level. At the April HLM in Mexico, SSC aid providers committed to share more information about their activities in other developing countries, but unfortunately did not commit to sharing this information in a format consistent with the International Aid Transparency Initiative (IATI) common standard.[120]

SSC aid providers do not wish to be subject to peer reviews and traditional donor standards that they have had no role in devising. The GPEDC has initiated a global discussion on norms in development co-operation and some SSC aid providers have been active within this forum to advance their perspectives. Following the HLM in Mexico, the Government of Mexico has agreed to be a co-chair of the GPEDC. Nevertheless, at the same meeting, China, Brazil and India were notable in their absence. Clearly, an effective and inclusive forum for discussing the changing architecture in development finance, both outside but also within the United Nations, will be critical to advancing a truly inclusive development cooperation reform agenda alongside the SDGs.

Accountability to populations affected by development projects is a crucial element of post-2015 partnerships involving SSC. Inclusive processes for accountability have not been evident in SSC (and they are also largely absent in DAC aid relationships). A number of SSC aid providers, such as Turkey, have been working to include CSOs in their aid relationships, while others such as India and South Africa have already or are initiating dialogue.[121]

In Brazil, however, to date there has been limited dialogue between CSOs and the government on its policies and programs for SSC. Nevertheless, strong direct linkages between Brazilian and partner country CSOs have been developing parallel to Brazilian SSC. In the case of Mozambique, Brazilian and Mozambican CSOs have coordinated the sharing of information and reactions to a major Brazil / Japan / Mozambique program for Triangular Co-operation for the agricultural development of the Tropical Savannah in Mozambique. Mozambican small farmers' organizations are deeply concerned that this project is reproducing issues that have plagued Brazilian agriculture, such as agribusiness, monoculture and land grabbing, leading to the concentration of land ownership. This is a model that has been challenged by CSOs in Brazil over the past 15 years. A recent letter signed by 23 Mozambican CSOs, and supported by 43 international organizations, has called for a suspension of the program, in order to launch an inclusive social dialogue in Mozambique for the prioritization of family farming, agro-ecology and a policy based on food sovereignty.[122]

Conclusion

The UNDP 's 2013 *Human Development Report* focuses global attention on "the rise of the South." While the South is developing at "unprecedented speed and scale," it will also be expected to contribute effectively to the post-2015 SDGs, acknowledging and respecting its differential responsibilities.[123] In order to do so, the global community will need to overcome current blocks to reach a consensus not only on the SDGs, but also on the underlying values and approaches to development co-operation that will shape the engagement of all development actors in realizing these goals. The July 2015 UN Conference on Financing for Development will be an important venue for bringing the norms and commitments of the GPEDC, the experience of SSC, and the contribution of non-state development actors, into an inclusive and legitimate UN process.

Annex One

Government Spending Per Capita, Conditions of Poverty, and Developing Country Income Groups

Table One: Extreme Poverty (Living on $1.25 per day or less)

Government Spending Per Capita Percentage of Total Population (Number of Countries)	Least Developed & Low-Income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Less than $200	53.7% (6)	--	--
$200 to $500	42.7% (24)	19.8% (4)	--
$500 to $1,000	16.3% (7)	30.0% (12)	--
$1,000 to $1,500	--	8.6% (5)	2.2% (1)
$1,500 to $2,000	3.8% (2)	3.1% (6)	10.9% (6)
$1,500 to $2000 (No China)	--	--	1.7% (5)
More than $2,000	--	0.0% (1)	4.1% (24)

Source: Development Initiatives, Investments to End Poverty & World Bank Database

Table Three: Poor and Near Poor (Living on $4.00 per day or less)

Government Spending Per Capita Percentage of Total Population (Number of Countries)	Least Developed & Low-Income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Less than $200	91.4% (6)	--	--
$200 to $500	88.5% (24)	83.5% (4)	--
$500 to $1,000	74.3% (7)	87.5% (12)	--
$1,000 to $1,500	--	53.0% (5)	35.0% (1)
$1,500 to $2,000	86.3% (2)	60.7% (6)	55.3% (6)
$1,500 to $2000 (No China)	--	--	31.6% (5)
More than $2,000	--	1.9% (1)	26.8% (24)

Source: Development Initiatives, Investments to End Poverty & World Bank Database

Table Two: Vulnerable Poor (Living on $2.00 per day or less)

Government Spending Per Capita Percentage of Total Population (Number of Countries)	Least Developed & Low-Income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Less than $200	75.2% (6)	--	--
$200 to $500	68.5% (24)	52.2% (4)	--
$500 to $1,000	39.6% (7)	61.4% (12)	--
$1,000 to $1,500	--	20.0% (5)	9.8% (1)
$1,500 to $2,000	63.3% (2)	15.9% (6)	25.2% (6)
$1,500 to $2000 (No China)	--	--	6.4% (5)
More than $2,000	--	0.1% (1)	9.1% (24)

Source: Development Initiatives, Investments to End Poverty & World Bank Database

Annex Two

Future Trends in Donor ODA

Donor	Expect Trends	2012 to 2013 Performance
Australia	Decrease: ODA pegged at AUS$5 billion, which CSOs estimate cuts AUS$7.6 billion from ODA over five years (based on previous commitments). More than 20% of savings in recent budget came from foreign aid.	Decreased
Canada	Decrease: CSOs expect cuts initiated in 2011 to continue in 2014, with no indication when the government will commit to sustained increases in ODA.	Decreased
Finland	Decrease: CSOs expect cuts of €50 million to €100 million between 2015 and 2017	Increased
France	Decrease: CSOs expect cuts experienced in 2013 to continue in 2014 and 2015, plus France will increase the level of loans in its ODA. "We have information indicating that development aid will be cut disproportionately in the next three-year budget, 2015-2017. Cuts could amount to 10%, when the global budget will only be cut by 4%," said Friederike Röder (ONE France).	Decreased
Germany	Increase: Small increase expected in 2015 over 2014 for BMZ: Funds will only increase by a sum of €1.6 million compared to 2014 (EurActiv, 28/03/14).	Increased
Ireland	Decrease: Budget for 2014 cut the aid budget by €19.4 million. ODA has been cut six years in a row, falling by 34.6% since 2008.	Decreased
Japan	Increase: ODA for 2014 up 5% to US$16.5 billion, mainly due to US$880 million in new loans	Increased
Korea	Increase: Korean ODA is expected to increase by 11% in 2014 to US$1.2 billion	Increased
Netherlands	Decrease: Under the coalition agreement, €1 billion in cuts to the Netherlands' development cooperation program will be effective as of 2017. Dutch aid is expected to drop from 0.71 percent in 2012 to 0.60 percent of its gross national income by 2015.	Decreased
Norway	Increase: The Government proposes an allocation of NOK 31 522 million for international development cooperation in 2014. This is NOK 1 314 million more than the final budget for 2013. The proposed allocation brings the aid budget to 1 % of the estimated gross national income for 2014. (Norway Ministry of Foreign Affairs, Program Area 03 for 2014)	Increased
Spain	Decrease: Secretary of state for International Cooperation and Ibero-America: "Spanish foreign aid will now be based more on the exchange of knowledge, know-how and experience than on providing funds."	Increased
Sweden	Increase	Increased
United Kingdom	Increase: Modest increases in line with increases in UK GNI to maintain 0.7% performance.	Increased
United States	Decrease: Overall proposed foreign aid budget for 2015 comes to US$30.3 billion, a 6% decrease.	Increased

Endnotes

1 For an update on the development of planning for the third UN conference on financing for development see http://www.un.org/esa/ffd/index.htm.

2 Office of the Secretary General, 2014. "Trends and progress in international development cooperation," Report of the Secretary-General, United Nations Economic and Social Council, E2014/77, May 15, 2014, accessed June 2014 at http://www.un.org/en/ecosoc/docs/adv2014/2014_dcf_sg_report_adv.pdf.

3 Ban Ki-moon, UN Secretary General, 2014. "Remarks at the opening ceremony of the first High-level meeting of the Global Partnership for effective development cooperation," Mexico City, April 15, 2014, accessed June 2014 at http://effectivecooperation.org/wordpress/wp-content/uploads/2014/04/GPHLM-UNMoonSpeech.pdf.

4 Fuentes-Nieva, R and Galasso, Nick, 2014. "Working for the Few: Political capture and economic inequality," Oxfam Briefing Paper 178, January 2014, accessed at http://www.oxfam.org/sites/www.oxfam.org/files/bp-working-for-few-political-capture-economic-inequality-200114-en.pdf.

5 World Bank, 2014. "Prosperity for All: Ending Extreme Poverty," World Bank News, April 10, 2014, accessed May 2014 at http://www.worldbank.org/en/news/feature/2014/04/10/prosperity-for-all-ending-extreme-poverty.

6 MDG One on reducing poverty is solely linked to changes in the proportion of people living on US$1.25 per day. But the World Bank's Voices of the Poor in 2000 demonstrated that people experience poverty in many dimensions. There are also major issues in measuring per capita income in many developing countries and comparing levels in different countries. The Oxford Poverty and Human Development Initiative (http://www.ophi.org.uk/) takes a different approach – examining ten indicators of poverty, and if a person/household scores on more than a third, this person is considered poor. On this measure 1.6 billion people are living in multi-dimensional poverty, of which 85% live in rural areas and most (71%) live in middle-income countries.

7 Development Initiatives, 2013. Investments to End Poverty: Real money, real choices, real lives. Bristol, United Kingdom, page 21-22, accessed May 2014 at http://devinit.org/wp-content/uploads/2013/09/Investments_to_End_Poverty_full_report.pdf. Chapter One has an excellent overview of issues in measuring extreme poverty.

8 Lant Prichett, 2014. "Strange Bedfellows: The Politics of Penurious Poverty Lines (Part II)," Center for Global Development, Views from the Center, September 11, 2014, accessible at http://www.cgdev.org/blog/strange-bedfellows-politics-penurious-poverty-lines-part-ii.

9 Chronic Poverty Advisory Network, 2014. The Chronic Poverty Report, 2014-2015: The road to zero extreme poverty. Overseas Development Institute, accessed May 2014 at http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8834.pdf.

10 Duncan Green, 2014. "Is getting to zero really feasible? The new Chronic Poverty Report", From Poverty to Power Blog, March 20, 1014, accessed May 2014 at http://oxfamblogs.org/fp2p/is-getting-to-zero-really-feasible-the-new-chronic-poverty-report/#prettyPhoto.

11 This paragraph and the ones that follow are derived from Development Initiatives, op. cit., chapter one.

12 New research paper from World Bank notes that countries that graduate from IDA to LMIC status are usually de-prioritized by donors, which impacts their future progress, creating an LMIC debt trap: http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2014/05/13/000158349_20140513161349/Rendered/PDF/WPS6865.pdf

13 For a rich discussion of these issues see Chronic Poverty Advisory Network, 2014, op. cit. and Prichett 2014 op. cit.

14 Shawn Donnan, Ben Bland and John Burn-Murdoch, 2014. "A slippery ladder: 2.8 billion people on the brink," Financial Times, April 13, 2014.

15 See Ferreira, Francisco H. G., Julian Messina, Jamele Rigolini, Luis-Felipe López-Calva, Maria Ana Lugo, and Renos Vakis. 2013. Economic Mobility and the Rise of the Latin American Middle Class. Washington, DC: World Bank, accessed May 2014 at http://siteresources.worldbank.org/LACEXT/Resources/English_Report_midclass.pdf.

16 In Latin America this level of income represents a 10% chance of falling back into poverty in a five-year period.

17 World Bank, Poverty and Inequality Database, accessed May 2014 at http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=poverty-and-inequality-database#c_b.

18 The author owes a debt of gratitude to the researchers at Development Initiatives (DI) (UK) who kindly shared a comprehensive database on government spending per

capita. This section is based on original and excellent research by DI, particularly chapter 2, "Mapping resources to end poverty," in Investments to End Poverty, 2013. The DI publication focuses on extreme poverty. This chapter for Reality of Aid extends the analysis to poverty defined as $2.00 a day and $4.00 a day, for which the author is solely responsible.

19 See Global Partnership for Effective Development Cooperation, 2014. "Plenary Session Two: Partnering for effective taxation and domestic resource mobilization for development," Issue Paper, Mexico High Level Meeting, April 15, 2014.

20 Development Initiatives, 2013. op. cit., p. 34.

21 Quoted in Development Initiatives, 2013. op. cit., p. 36.

22 Greenhill, Romilly and Ali, Ahmed, 2013. "Paying for Progress: how will emerging post-2015 goals be financed in the new aid landscape?," Overseas Development Institute, Working Paper 366, April 2013, page 9, accessed June 2014 at http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8319.pdf.

23 Alonso, J., Glennie, J., and Summer, Andy, 2014. "Recipients and Contributors: Middle income countries and the future of development cooperation," April 2014, page 14 accessed June 2014 at http://effectivecooperation.org/wordpress/wp-content/uploads/2014/04/Recipients-and-Contributors-MICs-and-the-future-of-development-cooperat.._.pdf.

24 Development Initiatives, 2013, op. cit., p. 35.

25 The following paragraphs are based on an excellent overview of the evidence in Greenhill and Ali, 2013, pages 12 – 16. All specific references are quoted from this study.

26 Ibid., pp 12-13.

27 Ibid., p15.

28 Ibid.,p.14.

29 Ibid., p. 14. Alonso, Glennie and Summer, 2014, op.cit., page 21 point out other factors that affect tax collection, including the extent of the informal economy, large number of very small companies, weakness of institutions and tax administrations, a shortage of tax statistics and illicit capital flows in middle income countries.

30 Office of the Secretary General, 2014, op. cit., paragraph 13.

31 Development Assistance Committee (DAC), 2014. "Aid to developing countries rebounds in 2013 to reach an all-time high," April 8, 2014. Accessed May 2014 at http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm.

32 DAC, 2014. Forward spending information relates to Country Programmable Aid, which is discussed in more detail in section 5.

33 ODA share of government revenue is the author's calculation. Military spending as a share of total government revenue is based on figures for military expenditures accessed June 2014 at http://www.globalissues.org/article/75/world-military-spending#WorldMilitarySpending.

34 Development Assistance Committee (DAC), 2014. Op. cit.

35 Bretton Wood Project, 2014. "IDA 17 record size, but down in real terms," Bretton Wood Observer, January 23, 2014, accessed June 2014 at http://www.brettonwoodsproject.org/2014/01/ida-17-record-size-real-terms/.

36 Development Cooperation Directorate (DCD), 2013. "'The Where' of Development Finance: Towards better targeting of concessional finance," October 2013, paragraph 37, accessed May 2014 at http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/ERG%20S2%20Jan%202014%20-%20The%20Where%20of%20Development%20Finance%20-%20Towards%20Better%20Targetting%20DCD-DAC-2013-29-ENG.pdf

37 Lowrey, A., 2014. "World Bank to Lift Lending to Developing Countries," New York Times, April 1, 2014.

38 See the excellent study, Stéphanie Colin, 2014. A matter of high interest: Assessing how loans are reported as development aid. EURODAD, January 2014, accessed May 2014. See also Tew, Rob, 2013. "ODA loans – Discussion Paper," Development Initiatives, http://www.devinit.org/archivedsite/wp-content/uploads/ODA_loans_discussion_paper.pdf.

39 Manning, Richard. 2013. "OECD is ignoring its definition of overseas aid," Financial Times of London, April 9, 2013. Donors consider that a risk premium must also be considered in such loans, which offsets any "profit".

40 OECD, 2013. "The 'Where' of Development Finance: Better targeting of concessional finance," DCD/DAC(2013)29, page 17, accessed June 2014 at http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/Where%20paper.pdf.

41 David Roodman, 2014. "Undue Credit: Are France, Germany, and Japan subverting the definition of aid?," The Guardian, February 6, 2014, accessed May 2014 at http://www.theguardian.com/global-development/poverty-matters/2014/feb/13/undue-credit-donors-exploiting-outdated-rule-inflate-aid

42 Manning, 2013. Op. cit.

43 It is worth noting that 75% DDR has been proposed on several occasions by DAC Chairs, first by Richard Manning in 2004 and then by Brian Atwood in 2008. For a good history see http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/ERG%20S1%20Jan%202014%20-%20The%20Evolution%20of%20ODA-%20Achievements,%20Criticisms%20and%20a%20Way%20Forward%202013%2012.pdf

44 Communication from Jeroen Kwakkenbos of EURODAD, June 24, 2014.

45 Tew, Rob. 2013. Op cit., page 7.

46 The figures on interest payments and non-concessional loans are not disaggregated in terms of bilateral aid to make an accurate estimate.

47 High Level Forums include the Rome HLF1 in 2002 on donor harmonization, Paris HLF2 that produced the Paris Declaration on Aid Effectiveness, Accra HLF3 that produced the Accra Agenda for Action, and Busan HLF4 that created the Global Partnership for Effective Development Cooperation and commitments in the Busan Partnership for Effective Development Cooperation. See the Busan Partnership document at http://www.oecd.org/dac/effectiveness/busanpartnership.htm and the Paris Declaration and the Accra Agenda for Action at http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm.

48 OECD/UNDP, 2014. Making Development Cooperation More Effective: 2014 Progress Report, OECD Publishing, page 16, accessed June 2014 at http://www.keepeek.com/Digital-Asset-Management/oecd/development/making-development-co-operation-more-effective_9789264209305-en#page1.

49 See commentaries found on CPDE's web site, accessed June 2014 at http://www.csopartnership.org/.

50 Ibid., pp 24-25.

51 OECD/UNDP, 2014, op. cit., p. 25 and 49.

52 Edward Clay, Matthew Geddes and Luisa Natali, 2009. Aid Untying: Is it Working Synthesis Report, An Evaluation of the Implementation of the Paris Declaration and of the 2001 DAC Recommendation of Untying ODA to the LDCs, Copenhagen, December 2009, p. 6-7 accessed September 2014 at http://www.oecd.org/development/evaluation/dcdndep/44375975.pdf

53 Ibid., pp 59 – 61. See also the evidence produced by CPDE, Silencing Voices, Closing Space: Assessing the Enabling Environment for Civil Society as Development Actors and by the Task Team on CSO Development Effectiveness and Enabling Environment, The Review of Evidence of Progress on Civil Society-related Commitments of the Busan High Level Forum.

54 Ibid., pp 67-68. See also Nerea Craviotto (AWID), "Global Partnership For Effective Development Cooperation: A Feminist Perspective Following The First High Level Ministerial Meeting," Friday File, April 25, 2014, accessed June 2014 at http://www.awid.org/News-Analysis/Friday-Files/Global-Partnership-for-Effective-Development-Cooperation-A-feminist-perspective-following-the-First-High-Level-Ministerial-Meeting.

55 Ibid., pp 75-85 and pp 89-90. See also the assessment by Publish What You Fund at http://www.publishwhatyoufund.org/updates/news/statement-response-global-partnership-communique/.

56 Simonds, M., 2014. "The Global Partnership for Effective Development Cooperation - Where next?", ITUC, May 28, 2014, accessed June 2014 at http://www.ituc-csi.org/the-global-partnership-for?lang=en.

57 Glennie, J, 2014. "Will competing UN and OECD partnerships stymie aid effectiveness?" The Guardian Poverty Matters Blog, April 11, 2014, accessed June 2014 at http://www.theguardian.com/global-development/poverty-matters/2014/apr/11/un-oecd-partnerships-aid-effectiveness. See also the discussion of these issues in the Shankland and Constantine contribution to this Report.

58 It should be acknowledged that the rules governing ODA are relevant to donors in comparing effort linked to concession resources for poverty reduction and development. From a partner country perspective ODA is less relevant and they are more interested in a third measure of "recipient benefit," which includes all flows to recipient countries (ODA, Foreign Direct Investment etc.) that could be used for development purposes in gross terms. See http://www.oecd.org/dac/stats/documentupload/2014_06_26_ERG%20Session%202%20presentation_Suz.pdf

59 For a discussion of the mandate of this work, see DCD/DAC, 2013. "A New Measure of Total Development

Support for Development: Issues and Options," Prepared for the High Level Meeting, December 3, 2013, November 2013, accessed May 2014 at http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/DAC%282013%2936.pdf.

60 In a recent paper, Glennie and Hurley discuss a similar measure for "International public Finance for Sustainable Development." See Glennie, J., and Hurley, G., 2014. "Where Next for Aid? The Post -2015 Opportunity," ODI and UNDP Discussion Paper, June 2014, accessed June 2014 at http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/UNDP%20ODI%20Where%20Next%20for%20Aid%206%20June%202014%20FINAL.pdf/.

61 For an elaboration of the three proposals see DCD/DAC, 2014. "Development Finance – Modernising Official Development Assistance (ODA): Options for Modernising the ODA Measure," January 14, 2014, accessed May 2014 at http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/ERG%20S1%20Jan%202014%20-%20Options%20for%20Modernising%20the%20ODA%20Measure%20DCD-DAC-2014-3-ENG.pdf.

62 Ibid., paragraphs 18 and 19. Jeroen Kwakkenbos has been following the elaboration of the options for modernizing ODA for EURODAD's members. His commentaries for a EURODAD e-list have been very useful in understanding the implications of the various proposals.

63 Jeroen Kwakkenbos has been following the elaboration of the options for modernizing ODA for EURODAD's members. His commentaries for a EURODAD e-list have been very useful in understanding the implications of the various proposals. See also CONCORD, 2014. "CONCORD AidWatch input to OECD's Development Assistance Committee (DAC) senior level meeting on 3-4 March," accessed May 2014 at http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/CONCORD%20AidWatch%20input%20to%20OECD%20DAC%20SLM%20-%203-4March%20FINAL.PDF.

64 CONCORD, 2014. Op.cit.

65 DCD/DAC, 2014. "The Future of the DAC List of ODA Recipients," January 4, 2014, accessed May 2014 at http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/ERG%20S2%20Jan%202014%20-%20The%20Future%20of%20the%20DAC%20List%20of%20ODA%20Recipients%20DCD-DAC-2014-4-ENG.pdf.

66 Donors have agreed to the following current targets for LDCs: The UN target for ODA to LDCs commits donors to provide 0.15-0.20% of their GNI as aid to LDCs. The commitment states that all donor countries that have committed themselves to the 0.15 % target should achieve this target by 2015 or ensure their best efforts are put to achieving this goal. All donor countries which have met the 0.15% target should undertake to reach 0.20% and donor countries already providing more than 0.20 % of their GNI as ODA to LDCs should continue to do so and maximize their efforts to further increase ODA to LDCs. See OECD DAC, 2014. "Targeting ODA Towards Countries in Greatest Need," May 2014. DCD/DAC (2014)20, accessed June 2014 at http://www.oecd.org/dac/stats/documentupload/DAC%282014%2920.pdf.

67 Development Initiatives, 2013, op. cit., and World Bank poverty databank.

68 See for example CONCORD 2014 op cit. and Development Initiatives 2013. Op. cit.

69 For the share of ODA in development finance for each income group of countries, see OECD DAC, 2013. "The 'Where' of Development Finance," p. 15, accessed at http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/ERG%20S2%20Jan%202014%20-%20The%20Where%20of%20Development%20Finance%20-%20Towards%20Better%20Targetting%20DCD-DAC-2013-29-ENG.pdf

70 Smith, K., and Switherin, Sophia, 2013. "The 2014 UN Appeal: Different process, greater need," Global Humanitarian Assistance, December 2013, accessed June 2014, http://www.globalhumanitarianassistance.org/wp-content/uploads/2013/12/UN-response-crisis-2014-final2.pdf.

71 Swithern, S., 2014. Global Humanitarian Assistance Report, 2014, Global Humanitarian Assistance (Development Initiatives), accessed September 2014 at http://www.globalhumanitarianassistance.org/wp-content/uploads/2014/09/GHA-Report-2014-interactive.pdf

72 Swthern, S. op. cit., p. 7.

73 Hammerstad, A., 2014. "Humanitarians' funding rises, but credibility, autonomy undermined," Thomson Reuters Foundation, June 4, 2014, accessible at http://www.trust.org/item/20140604130309-klhby/?source=hpblogs.

74 Ibid.

75 See also Poole, L., 2013. Counting the cost of humanitarian aid delivered through the military," Development

Initiatives Briefing, September 2013, accessed June 2014 at http://www.globalhumanitarianassistance.org/wp-content/uploads/2013/04/gha-2013-briefing-military-involvement-humanitarian-aid.pdf.

76 Buston, O., & Smith, Kerry, 2013. Global Humanitarian Assistance Report, 2013, Global Humanitarian Assistance (Development Initiatives), Chapter 7, accessed June 2014 at http://www.globalhumanitarianassistance.org/wp-content/uploads/2013/07/GHA-Report-20131.pdf.

77 Nakhooda, S., Fransen,T., Kuramochi, T., Caravani, A., Prizzon, A., Shimizu, N., Tilley, H., Halimanjaya, A., and Welham, Bryn. 2013. "Mobilizing International Climate Finance: Lessons from the Fast Start Finance Period," A report prepared for ODI, World Resources Institute, and IGES, November 2013, Executive Summary, accessed June 2014 at http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8691.pdf.

78 See Tomlinson, B., 2014. "An Assessment of Canada's Fast Start Finance, 2010 to 2012: How does Canada rank in relation to other donors?" A study prepared for the Canadian CSO Coalition, C4D, January 2014, accessible at www.c4d.ca/wp-content/uploads/2012/07/Canada-vs-otherdonorsfinal.pdf. Figures are based on Nakhooda et al, op. cit. The OECD DAC puts an estimate for adaptation finance at 43% of total climate aid finance, including activities that are recorded as both mitigation and adaptation. See OECD DAC Statistics, 2014. "Aid to Climate Change Adaptation," April 2014, accessed June 2014 at http://www.oecd.org/dac/environment-development/Adaptation-related%20Aid%20Flyer%20-%20May%202014.pdf.

79 Nakhooda et al, op. cit..

80 Ibid.

81 Author calculation from OECD DAC CRS Aid Activities Targeting Global Environmental Objectives, accessed at http://stats.oecd.org/Index.aspx?ThemeTreeId=3.

82 OECD DAC Statistics, 2014. "Aid to Climate Change Adaptation," op. cit.

83 OECD DAC Statistics, 2014. "Aid to Climate Change Mitigation," April 2014, accessed June 2014 at http://www.oecd.org/dac/environment-development/Mitigation-related%20Aid%20Flyer%20-%20March%202014%20-%20v2%20final.pdf.

84 See Mogae, F. and Lagos, Richardo. 2014. "A Time for Action: 3 reasons to urgently capitalize the Green Climate Fund," World Resources Institute, June 2014, accessed June 2014 at http://www.wri.org/blog/2014/06/time-action-3-reasons-urgently-capitalize-green-climate-fund.

85 See OECD DAC, 2013. "Aid to agriculture and rural development," October 2013, accessed June 2014 at http://www.oecd.org/dac/stats/documentupload/Aid%20to%20Ag%202011%20data.pdf.

86 OECD/UNDP, 2014. Op. cit., p. 70.

87 See DAC Network on Gender Equality, 2014. "Financing the unfinished business of gender equality and women's rights: Priorities for the post-2015 framework," Technical Briefing, March 2014, accessed June 2014 at http://www.oecd.org/dac/gender-development/Long%20version%20-%20Financing%20the%20unfinished%20business%20of%20gender%20equality.pdf.

88 Based on data reported in the DAC Creditor Reporting System, accessed June 2014.

89 Arutyunova, A., 2013. "Women's Human Rights: Watering the leaves, starving the roots," Open Democracy, November 1, 2013, accessed June 2014 at http://www.opendemocracy.net/5050/angelika-arutyunova/womens-human-rights-watering-leaves-starving-roots.

90 See DAC, 2012. "Partnering with Civil Society: 12 lessons from DAC peer reviews," OECD, accessed June 2014 at http://www.oecd.org/dac/peer-reviews/12%20Lessons%20Partnering%20with%20Civil%20Society.pdf. See also Tomlinson, Brian, 2013. Working with Civil Society in Foreign Aid: Possibilities for South-South Cooperation?, UNDP-China e-book, accessed June 2014 at http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/working-with-civil-society-in-foreign-aid/.

91 Center for Prosperity, 2013. The Index of Global Philanthropy and Remittances, with a Special Report on Emerging Economies, 2013. Hudson Institute, p. 12, accessed June 2014 at http://www.hudson.org/content/researchattachments/attachment/1229/2013_indexof_global_philanthropyand_remittances.pdf.

92 Mutlu, G., 2013. "Turkey's Development Aid and the Question of its Sustainability," Turkish Weekly, April 30, 2014, accessed June 2014 at http://www.turkishweekly.net/columnist/3877/turkey-s-development-aid-and-the-question-of-its-sustainability.html.

93 Author's calculation in Tomlinson, 2013. Op. cit., p. 35. Petersen, M., 2011. For Humanity or for the Umma? Ideologies of aid in four Muslim NGOs. University of Copenhagen, page 106, Accessed June 2014 at http://www.academia.edu/4368446/For_Humanity_or_for_the_Umma_Ideologies_of_Aid_in_Transnational_

Muslim_NGOs. See also Henon, S., 2014. "Private development assistance is an increasingly important funding source for NGOs (based on known funding for a group of 31 NGOs where data was available)," Development Initiatives Blog, June 10, 2014, accessed June 2014 at http://devinit.org/private-development-assistance-increasingly-important-funding-source-ngos/.

94 Swithern, S., 2014. Op. cit. p. 4.

95 Stoianova, V, 2013. "Private funding for humanitarian assistance: Filling the Gap?." Global Humanitarian Assistance, Development Initiatives, September 2013, accessed June 2014 at http://devinit.org/wp-content/uploads/2013/08/GHA_private-funding-2013-online.pdf.

96 Swithern, S., 2014. Op. cit., p. 38.

97 See CPDE, 2014. "An enabling environment for civil society organizations: A synthesis of evidence of progress since Busan," April 2014, accessed June 2014 at http://www.csopartnership.org/an-enabling-environment-for-civil-society-organizations-a-synthesis-of-evidence-of-progress-since-busan/. See also Task Team on CSO Development Effectiveness and Enabling Environment, 2014. "The Review of Evidence of Progress of Civil Society Related Commitments of the Busan High Level Forum," April 2014, accessed June 2014 at http://taskteamcso.files.wordpress.com/2014/03/review-of-evidence-1-0.pdf.

98 See for example, Office of the UN Secretary General, 2014. op. cit., paragraphs 58 to 67.

99 See CPDE, 2013. "CPDE Background Paper on Private Sector Engagement in Development," September 2013, accessed June 2014 at http://www.csopartnership.org/wp-content/uploads/2014/03/CPDEBackgroundPaperPrivateSectorEngagementinDevelopment-final.pdf. See also OECD/UNDP, 2014., op. cit., pp 63 -66 and Reality of Aid, 2012. Reality of Aid 2012 Report: Aid and the Private Sector – Catalyzing Poverty Reduction and Development?, IBON Foundation International, accessed June 2014 at http://www.realityofaid.org/?roa_report=aid-and-the-private-sector-catalysing-poverty-reduction-and-development.

100 OECD/UNDP, 2014, op. cit., p. 63-64.

101 Direct private sector involvement in ODA remains quite small across the board due to current restrictions in the ODA definition. Part of the ODA reform discussion includes whether activities carried out by Development Finance Institutions as well as amounts mobilized by the private sector through public guarantees should be included in ODA figures. See OECD proposals for non grant instruments at http://www.oecd.org/dac/stats/documentupload/2014_06_26_ERG%20Session%203%20presentation.pdf

102 Foreign Affairs, Trade and Development Canada, "Historical Project Dataset, 2012-2013," accessed June 2014 at http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/CAR-1128144934-R9J.

103 See UK Minister, Justine Greening's speech at the London Stock Exchange on the role of business in economic growth at the London Stock Exchange.: "Smart Aid: Why it is all about jobs," January 27, 2014, accessed June 2014 at https://www.gov.uk/government/speeches/smart-aid-why-its-all-about-jobs.

104 Oxfam International, 2014. "Moral Hazard? 'Mega' public-private partnerships in African agriculture," Oxfam Briefing Paper 188, September 2014, accessed September 2014 at http://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/oxfam_moral_hazard_ppp-agriculture-africa-010914-embargo-en.pdf

105 See the work of EURODAD, a partner in the Reality of Aid network, for detailed analysis and critique of development finance institutions at http://www.eurodad.org/sites/privatef.

106 Reality of Aid, 2012. Op. cit., p.132.

107 World Trade Organization and OECD, 2013. Aid for Trade at a Glance: Connecting to value chains, accessed June 2014 at http://www.oecd.org/dac/aft/Aid4trade_at%20a%20glance_connecting%20to%20value%20chains.pdf.

108 Global Partnership for Effective Development Cooperation, 2014. "Mexico High Level Meeting Communiqué," April 14, 2014, paragraphs 31 and 32, accessed June 2014 at http://effectivecooperation.org/2014/03/30/draft-communique-for-the-first-high-level-meeting-of-the-global-partnership/.

109 United Nations Department of Information, 2013. "Secretary-General Proposes Creation of New UN Partnership Facility to 'Capture' Full Potential for Partnership, Yielding More Results at Fraction of Costs," April 24, 2013, accessed June 2014 at http://www.un.org/News/Press/docs/2013/sgsm14977.doc.htm.

110 See Pingeot, L. 2014. "Corporate influence in the post-2015 process," Misreor, Bread for the World, and Global Policy Forum, Research Paper, January 2014, accessed June 2014 at http://www.globalpolicy.org/images/pdfs/GPFEurope/Corporate_influence_in_the_Post-2015_process_web.pdf.

111 See the excellent set of recommendations in Pingeot, op.cit., pp. 29-31. See also CIVICUS, 2014. 2014 State of Civil Society Report: Reimagining Global Governance, accessed June 2014 at http://civicus.org/index.php/en/socs2014.

112 "Enhancing South-South Cooperation can boost the achievement of development goals – UNSG," UN Wire Service, September 18, 2013, post at http://post2015.org/2013/09/18/enhanced-south-south-cooperation-can-boost-achievement-of-development-goals-unsg/

114 Kitano et al, op. cit., page 20.

115 "Over half of China's Foreign Aid Earmarked for Africa: Gov't Report," Yonhap News Service, July 10, 2014, accessed at http://english.yonhapnews.

116 The BRICS are Brazil, Russia, India, China and South Africa. Source: UNTAD, Global Investment Trends Monitor, Special Edition, "The Rise of BRICS FDI and Africa," March 25, 2013.

117 See Arvindd, A. (editor), 2013. India's Global Footprints, VANI and Heinrich Boll Stiftung India, November 2013, page 64, accessed June 2014 at http://in.boell.org/2014/02/05/indias-global-footprints.

118 Besharati, N.E., 2013. "Common Goals and Different Commitments: The role of emerging economies in global development," German Development Institute, Discussion Paper #26, pages 19-20, accessed June 2014 at http://www.die-gdi.de/en/discussion-paper/article/common-goals-and-differential-commitments-the-role-of-emerging-economies-in-global-development/.

119 Besharati, 2013, op. cit., p. 21.

120 See "Statement in Response: Global Partnership Communiqué," Publish What You Fund, April 17, 2014, accessed June 2014 at http://www.publishwhatyoufund.org/updates/news/statement-response-global-partnership-communique/.

121 See the SSC aid provider case studies in Tomlinson, 2013. Op. cit.

122 See Zacarias, A. 2014. "Brazilian Innovation for Under-financed Mozambican Agriculture," Inter-Press Services, March 12, 2014, accessed June 2014 at http://www.ipsnews.net/2014/03/brazilian-innovation-financed-mozambican-agriculture/ and Zacarias, A. 2014. "Mozambican small farmers fear Brazilian-style agriculture," Guardian (UK), January 1, 2014, accessed June 2014 at http://www.theguardian.com/global-development/2014/jan/01/mozambique-small-farmers- fear-brazilian-style-agriculture.

123 UNDP, 2013. Human Development Report 2013: The rise of the South: Human Progress in a diverse world. UNDP, New York, accessed June 2014 at http://hdr.undp.org/en/reports/global/hdr2013/.

BRICS Reports

Brazil
India

Picking and Choosing:

Contributions of Brazilian cooperation to more horizontal post-2015 partnerships

Bianca Suyama and Melissa Pomeroy
South-South Cooperation Research and Policy Centre (Articulação SUL)[1]

National and international interest in Brazilian development cooperation has grown in recent times. Many have hoped that Brazil, along with other providers of South-South Cooperation (SSC), could contribute to new paths for international cooperation. Brazil, due to its progress in achieving the MDGs, has increasingly been seen as a "bank of experiences," with policies and practices to be shared regarding its trajectory of economic growth with social inclusion.

Although Brazil has been a cooperation provider since the 1970s, its engagement was significantly boosted during Lula's government (2002-2010), with the internationalization of social policies as well as an increase in disbursements. The experience accumulated during the last twelve years, although not systematized, may provide insights for renewed international cooperation in the post-2015 period.

Like other providers of SSC, the Brazilian government's narrative emphasizes the principles of horizontality, non-conditionality, and responsiveness to the demands of partners. The discourse of solidarity, which gained centrality during Lula's government through the concept of non-indifference, also permeates and justifies the government's relationships with other countries of the South.[1] However, economic and political interests are also highlighted in the government's narrative. Brazil's development cooperation is seen as both altruistic and beneficial, without these two elements being perceived as contradictory.[2]

Since the 2012 Reality of Aid Report, there has been little progress in closing the gap in evidence concerning the disbursements, approaches and results of Brazilian cooperation. The latest official data published by the government is from 2010 (Chart 1). However, it is probable that this

Chart 1: Disbursements by modality (2010)

Modality	Total (Million US$)	Percentage
Technical Cooperation	57.8	6.3%
Scientific and Technological Cooperation	24.0	2.6%
Educational Cooperation	35.5	3.8%
Humanitarian Cooperation	161.5	17.5%
Protection and Support for refugees	590.5	0.1%
Peace maintenance operations	332.4	36%
Expenses with International organizations	311.6	33.7%

Source: IPEA e ABC (2013)

1 The authors would like to thank Peter Labriola for his support in the preparation of this chapter.

Chart 2: State General Budget –Budget line 212, International Cooperation

Year	Total Budget (Million R$)	Percentage Change since 2010
2010	R$1,411.1	
2011	R$1.504.1	+6.6%
2012	R$964.9	-31.6%
2013	R$942.4	-33.2%
2014	R$384.9	-72.7%

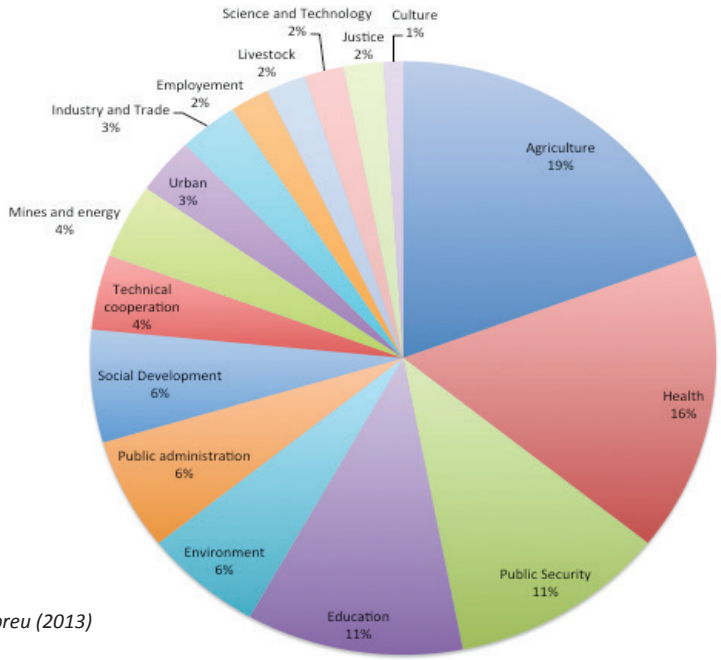
Source: Beghin (in press)

data is not representative of the current reality of Brazilian cooperation, due to the freezing and reduction of available resources for SSC since 2011 (Chart 2).

Data published by the current Director of the Brazilian Cooperation Agency (ABC) sets out the sector division of technical cooperation in 2013 (Figure 1). Agriculture, health and education have traditionally been the major sectors of the Brazilian technical cooperation. But it is noteworthy that 2013 is the first year in which public security is at the same level as education.[3]

There were some significant changes in the transition from Lula (2002-2010) to Dilma's government (2010-present). First, the current president does not share the enthusiasm of her predecessor regarding SSC. There is also a closer relationship between Brazilian interests in cooperation, trade and investment. Moreover,

Figure 1: Technical cooperation, proportion of expenditure per sector



Source: Abreu (2013)

the Ministry of Defence and the Ministry of Science, Technology and Innovation (MDIC) have intensified efforts to engage in SSC.[4]

Plurality of actors, diversity of approaches

Brazilian cooperation for development has several modalities and involves a multiplicity of actors, including government agencies, the private sector and civil society. This highly fragmented structure often leads to a lack of coordination and coherence in Brazil's engagement with the Global South. However, the fact that it involves several institutions should also be seen as one of the main advantages of the Brazilian SSC. This advantage results from the fact that initiatives are led by institutions and people that have had direct experience in the development and implementation of the programs and policies being shared (and not by an "aid bureaucracy "). Hence, it allows for more horizontal exchanges and the addressing of issues raised by partners.

What is clear is that there is no single model of Brazilian cooperation, but instead, a variety of policies and a multiplicity of practices, deeply influenced by the implementing agencies and involved partners. Therefore, there is no single partnership model, but rather a plurality of practices and approaches. However, some common features are being identified in publications and debates as unique aspects of Brazilian cooperation. This chapter focuses on three features: the so-called structural cooperation; the role of civil society; and the overlap of different modalities of Brazilian cooperation in its engagement with other countries of the South.

It is important to note that it is difficult to analyse what is actually occurring on the ground, due to a lack of publicly available research that explores and evaluates the impact of Brazilian cooperation. Moreover, there is no literature that compares, based on evidence, the practices of Brazilian cooperation with different Northern donors. Nevertheless, we hope that the three aspects raised below can point to ways to think, or rethink, partnerships for the post-2015 development agenda.

Structural Cooperation

Different Brazilian institutions that implement SSC use the concept/approach of structuring projects, or structuring cooperation. Although they do not share the same definition, these are guided by a common goal: to strengthen local capacities and institutions in order to increase autonomy in relation to the development of the country. These projects seek to have structural impacts in a medium to long-term perspective.[5] In most cases, they involve establishing or strengthening governmental institutions, universities and research agencies - or capacity/supply chains that increase the autonomy of the partner country (see Box One).

The approach in these projects/programs also attempts to mobilize Brazilian institutions for the implementation of different components and seeks to create space for mobilization of triangular partnerships.[6] The importance of dialogue between actors and the role of the partner government as a protagonist are other critical aspects raised.[7] This role by the partner government is possible due to the interest and involvement of senior government officials from the moment of conception and negotiation of the project.

The health sector SSC agencies are the ones that have analysed this modality in more detail and conceptualized the approach. The literature notes that structuring cooperation seeks to break with

Box One: Examples of projects focusing on structural impact

Cotton-4: The Cotton-4 program, implemented by Embrapa and ABC, supports the development of the cotton industry in Mali, Burkina Faso, Benin and Chad through testing and adaptation of productive cotton varieties in order to organize a profitable regional supply chain. Cotton-4 includes training in techniques of cotton cultivation and the establishment of a research unit.

ProSavana: The ProSavana, trilateral project in partnership with Japan, has focused on agricultural development in the tropical savannah of Mozambique. The initiative is accompanied by the Nacala Fund whose objective is to attract private investment to promote the development of agribusiness and food production in the region. The actors involved in ProSavana have been challenged by Brazilian and Mozambican civil society actors, as the project promotes a model of development that conflicts with predominant family farming in the region.

Food Acquisition Program - Africa (PAA-Africa): PAA-Africa is inspired by the Brazilian counterpart program that constitutes one of the pillars of Brazil's Zero Hunger strategy. Launched in 2012, PAA-Africa aims to strengthen family agriculture through the creation of local food supply chains. The program also supports local food shopping projects related to the Purchase for Progress and Home and School Feeding, two initiatives of the World Food Program and Food and Agriculture Organisation (FAO) respectively.

Medical drugs factory in Mozambique: The project, run by the Oswaldo Cruz Foundation, promotes technology transfer and the training of Mozambican technicians for the production and marketing of medicines, especially anti-retrovirals. The project hopes to support the distribution of medicines to other African countries as well.

Strategic Plan for Cooperation in Health in Portuguese-speaking Countries - PECS-CPLP: PECS, which began in 2009, is formulated by a board of health ministries of member countries and other "focal points." Interests and needs are identified through dialogue with authorities and other local and national actors, with reference to the targets for the Millennium Development Goals in each country.

the traditional passive transfer of knowledge and technologies, and instead emphasizes endogenous capacities and capabilities. Some of the aspects highlighted as "best practices" are:

- Partners as protagonists in the stage of project design;
- Planning based on the specific realities of the partner countries and their populations, and not from blueprints;
- Definition of clear co-responsibilities;
- Support for a comprehensive development of health systems; and
- Strengthening of key institutions and knowledge generation.[8]

One might question, however, the extent to which projects and programs truly reflect a structuring modality in the current context of Brazilian cooperation. Brazil's SSC does not have an institutional framework for the effective design, planning, monitoring and reporting of the various forms of cooperation. Therefore, projects following this modality of cooperation can be impacted by changes in the priorities or in executive leadership in implementing agencies.

To support the processes of debate and implementation of the SDGs, it will be important to carry out studies that contribute to further exploration of the approaches and differential impacts of these projects.

The role of civil society

Over the past 20 years, Brazil experienced an unprecedented and significant level of institutional innovation with the institutionalization of large-scale spaces for participatory processes.

Increasingly, social accountability mechanisms and processes are being recognized as important constituent elements of the Brazilian development model, based on economic growth with social inclusion.

With regard to Brazilian development cooperation, a number of results from this process can be highlighted: (i) Brazilian cooperation shares policies that were developed with close ties with social movements, which defended their rights while proposing concrete solutions in public policies; (ii) these policies relied on civil society's reach for its implementation and participatory management and, finally, (iii) they are policies that provide institutionalized social accountability spaces, which contribute to their legitimacy and sustainability.

Considering the national context for participatory engagement, this section highlights some dynamics that exemplify the possible consequences of the participation of civil society in setting up partnerships within Brazilian international cooperation. First, organized sectors of civil society are contributing to the formulation of narratives and recommendations to influence the agenda of cooperation. This engagement seeks not only to ensure that their perspectives are taken into account on certain agendas, but also to include and strengthen the participatory component of cooperation initiatives and the ties between civil societies. The following examples stand out: the role of the National Council for Food Security (CONSEAs),[9] the initiative for the Specialized Meeting on Family Agriculture in the Mercosul (REAF), and the Food Security Network (REDSAN), which became recognized for mobilizing the participation of civil society and the creation of the CPLP's Council for Food and Nutrition security.[10]

Another dynamic relates to cooperation projects by civil society organizations (CSOs) from the South, which bring innovation both in terms of principles and methodologies, as well as in expected results. One example is the cooperation project between Brazil-Mozambique-South Africa for the creation of a native seed bank, led by CSOs and social movements of the three countries. Based on principles such as intercultural dialogue and appreciation of traditional knowledge, the project designed and structured actions for food sovereignty and social and political mobilization of participants.[11]

From a perspective of cooperation driven by the Brazilian government, we stress the importance of recognizing the role of society as inherent to the processes of policy making and local development projects. PAA Africa, for example, helps to promote this participatory perspective with governments and partners in multilateral organisations and involved countries. The program seeks a role for civil society, farmers, school and community workers, which is not limited to the notion of the project beneficiaries, with participation restricted to implementation. But rather these civic actors are conceived as active agents, with spaces to influence governments to ensure the implementation of the agenda for Food and Nutrition Security.[12]

This more dynamic role for civic actors should not only rely on the discretion and sensitivity of government institutions and individuals that are promoting cooperation initiatives. The participation of Brazilian civil society in the debate on the priorities and approaches of governmental cooperation is crucial. There is a growing consensus among academic and political circles in Brazil that foreign policy, alongside public policy in other areas, is subject to being influenced by interests that are present in society.[13]To ensure that only particular groups have influence in the decision-making, there is a historical demand by civil society to create a Participatory Foreign Policy Council, which would also include discussions on development cooperation.[14]

A tangle of modalities

Abreu, the current director of the ABC, has suggested that Brazilian SSC is "guided primarily by the mission of contributing to the strengthening of its relations with developing countries," reaffirming the horizontal character and principle of mutual benefit.[15] In this perspective, it is natural that the boundaries between technical, humanitarian and financial cooperation and commercial incentives such as debt relief, concessional credits or export credit are blurred.

Cooperation in agriculture is the sector that most exemplifies these dynamics. PAA Africa combines actions of emergency humanitarian assistance with technical cooperation; ProSavana combines technical cooperation with Brazilian financial support and commercial interests; and More Food Africa combines technical cooperation with concessional credits.[16]Additionally, some projects are based not only on the successful sharing of national development experiences, but directly relate to disputes in multilateral spaces in which particular notions of development are being promoted. The latter include development initiatives where international trade plays a key role, such as the case of the Cotton 4 Project and Drug Factory in Mozambique, both of which symbolize battles at the WTO.

These areas of convergence between modalities could promote better coordination between different aspects of cooperation and support more comprehensive development strategies with partners. They can also, in some cases, determine the existence of funding lines for CSO initiatives. On the other hand, considering the lack of a policy that requires clear guidelines for Brazilian cooperation, this entanglement also indicates the multiple interests present in the domestic sphere that are competing for the cooperation agenda. The risk is that projects are influenced by certain powerful sectors of Brazilian society, which is compounded by the lack of spaces for participation and accountability.

Box Two: International Public Financing for Sustainable Development

In addition to cooperation, Brazilian engagement in the field of international development also includes funding initiatives that symbolize change and innovation, yet also involve risks and challenges.

The IBSA Fund for Alleviation of Hunger and Poverty is an example. Recognized by awards from the international community, the IBSA Fund finances "demand-driven" projects, which include in their design both capacity strengthening and conditions for sustainability. Hence, they are implemented through triangular partnerships with international organizations and federal or decentralized national institutions. On the other hand, the Fund has disbursements of only US$3 million annually and has been criticized by civil society for its lack of transparency and access to information.

To take concrete steps to strengthen a multi-polar international order, the BRICS New Development Bank (NBD) emerges as an important supplement to the efforts of the International Financial Institutions (IFIs) to finance infrastructure. The NBD, with initial authorized capital of US$100 billion, has the objective to pursue sustainable development. However, agreement between the BRICS about the type of infrastructure to be financed and about their understanding of sustainable development will be key to defining the character of the funded projects and how far they truly ensure sustainability.

Finally, the Bank of the South — set up in 2009 by Argentina, Brazil, Paraguay, Uruguay, Ecuador, Bolivia and Venezuela — aims to finance projects that accelerate the integration of Latin America, reducing regional inequalities as well as dependency on external IFI finance and its related conditionalities. However, the Bank that was announced in 2007 and had committed funds of up to US$20 billion has not become operational as yet.

The case of ProSavana is an example of the tensions that can be generated by this dynamic. Disputes over the project revolve around the important question of the extent to which gains for certain economic sectors create significant losses to local communities.[17]The challenges reflect conflicting models of agricultural production, such as agribusiness and family farming, indicating the need to reflect on whether Brazilian cooperation, for the various reasons above, is contributing to the export of internal conflicts.[18]

Possible Brazilian contributions to post-2015 partnerships

The intensification of Brazilian cooperation with other countries in the South led to the expansion and redesign of its partnerships. Despite the lack of a single approach and possible contradictions that these multifaceted commitments bring, we believe that Brazilian cooperation can contribute to procedural and structural changes necessary for emancipatory post-2015 partnerships.

First, the trajectory of Brazilian development challenges the notion of a unique development path. These policies and practices shared by the country through its development cooperation contribute to the pluralisation of voices that influence the debate and global practice. In this sense, greater influence on the part of countries involved in SSC can facilitate the emergence of new paradigms of development.

Moreover, the defense of economic and commercial interests and concerted actions in international forums such as the WTO, the G20 and other areas of global governance points to the importance of recognizing that structural changes, including international trade, are necessary for autonomous and sustainable development of the countries of the South.

Some principles are fundamental to the establishment and guidance of horizontal partnerships. It is common to hear the importance of the so-called "inspiration factor" in SSC. For example, Brazil does not impose the Brazilian experience in its cooperation, but rather, holds the view that cooperation is the result of demands by countries that admire its experience, hence enabling a more equitable relationship. This principle applies not only to government, but also to the cooperation experience of civil society, even if it is still largely unrealized. We look forward to future analysis of Brazilian development cooperation that can bring more evidence on the actual preconditions for horizontal partnerships.

Brazilian cooperation (and SSC in general) due to its specificities and diversity, has not yet clearly articulated a theoretical framework that helps to define the limits of SSC. There are no criteria and indicators that help organize evidence and establish the impacts arising from the various modalities in which it works. Also absent is a reflection on SSC's responsibility to promote human rights and social justice. Advancing a theoretical and practical conceptualization and evaluation of SSC results, based on reflections of SSC practitioners, should inform future practices and debates. The elaboration of this framework will contribute effectively to the consolidation of new concepts and practices in international development cooperation.

References

Abdenur, A. E., & Neto, D. M. (2013, Dezembro). Cooperação Brasileira para o Desenvolvimento: qual o papel da democracia e dos direitos humanos? Sur, 10 (19).

Abdenur, A. E., & Neto, D. M. (2014). O Brasil e a cooperação em defesa: a construção de uma identidade regional no Atlântico Sul. Revista Brasileira de Política Internacional, 57 (1), 5-21.

Abreu, F.J.M. (2013). A evolução da cooperação técnica internacional no Brasil. Mural Internacional, 4 (2), 3-16

Beghin, N. (no prelo). A Cooperação Brasileira para o Desenvolvimento Internacional na Área de Segunrança Alimentar e Nutricional: Avanços e Desafios. Brasília: INESC e Oxfam.

CPLP. (2012, july 13). Canal de Segurança Alimentar e Nutricional CPLP. Retrieved September 1, 2014, from www.cplp.org: http://www.cplp.org/id-2451.aspx?PID=6926&Action=1&NewsId=2185

de Lima, M., & Milani, C. (2014, April 02). Privatização ou democratização da Política Externa Brasileira? . Retrieved September 01, 2014, from http://blogbrasilnomundo.wordpress.com/: http://blogbrasilnomundo.wordpress.com/2014/04/02/privatizacao-ou-democratizacao-da-politica-externa-brasileira/

Farani, M. (s/d). Brasil-Haiti Programa de Cooperação Sul-Sul: Definição e Implementação de Projetos Estruturantes para o Fortalecimento Institucional Haitiano. Retrieved Agosto 21, 2014, from http://repiica.iica.int/docs/B2173p/B2173p.pdf

Kastrup, É., & Pessôa, L. R. (2012). Desafios da Cooperação Internacional Sul-Sul: Brasil e Venezuela, um processo horizontal, sustentável e estruturante. Tempus Actas de Saúde Coletiva , 41-50.

Leite, I. C., Suyama, B., Waisbich, L. T., & Pomeroy, M. (2014). Brazil's Engagement in International Development Cooperation: the State of the Debate. Brighton: IDS.

Masagão, V., Suyama, B., & Lopes, L. (2012). Emerging Brazilian cooperation: Reflection on its parameters and public-private bounderies. In Aid and the Private Sector: Catalysing Poverty Reduction and Development? Quezon City: IBON.

Mello, F. (2013, March 21). O que quer o Brasil com o ProSavana? Retrieved September 1, 2014, from http://www.fase.org.br/: http://www.fase.org.br/v2/pagina.php?id=3837

Ministério das Relações Exterioires (MRE). (n.d.). Balanço de Política Externa 2003-2010. Retrieved from http://www.itamaraty.gov.br/temas/balanco-de-politica-externa-2003-2010

PAA África. (2013). Wrokshop de Trocas de Experiência do PAA África, Dacar. Retrieved September 1, 2014, from https://docs.google.com/file/d/0B07OJy2AgCEwaS1ORkg3dmN1eGM/edit

Pinheiro, L., & Milani, C. (2011). Política externa brasileira a política das práticas e as práticas da política. Rio de Janeiro: FGV Editoria.

Quadir, F. (2013). Rising Donors and the New Narrative of 'South-South' Cooperation: what prospects for changing the landscape of development assistance programmes? Third World Quarterly, 34 (2).

Stunkel, O. (2013). Institutionalizing South-South Cooperation: Towards a New Paradigm? Background Research paper. High Level Panel on the Post-2015 Development Agenda.

Suyama, B., & Pomeroy, M. (2014). Supporting "Autonomy and Resistance": the Brazil-Mozambique-South Africa native seed bank project. Brighton: IDS.

União Nacional de Camponeses. (2014, August). Carta Aberta das Organizações e Movimentos Sociais Moçambicanas dirigida aos Presidentes de Moçambique, Brasil e Primeiro-Ministro do Japão/Maio de 2013. Retrieved September 1, 2014, from http://www.unac.org.mz/: http://www.unac.org.mz/index.php/artigos/nacional/94-campanha-nao-ao-prosavana-mocambicanos-pedem-solidariedade-regional

Endnotes

1 Abdenur and Neto, 2014. The concept of "non-indifference," used by Lula for the first time in 2004, stresses that, although the country is oriented by the principle of "non-intervention," its actions are also guided by an attitude of non-indifference to the problems that affect partners.

2 MRE 2010.

3 IPEA and ABC, 2013; IPEA and ABC, 2013.

4 Leite et al, 2014.

5 Farani, s/d.

6 Abreu, 2013: 6.

7 Almeida et al, 2010, 28, CG-Hunger, s/d.

8 Kastrup and Person, 2012; Almeida et al, 2010; AISA, 2009.

9 Beghin, in press.

10 CPLP, 2012.

11 Suyama and Pomeroy, 2014.

12 PAA Africa, 2013.

13 Pinheiro & Milani, 2011; Leite, et al 2014.

14 Lima & Milani, 2014.

15 Abreu, 2013, 6pp.

16 Masagão et al, 2013.

17 National Farmers Union, 2014.

18 Mello, 2013.

Understanding the South–South Cooperation Dynamic in Relation to India's aid Policy[1]

Harsh Jaitli and Jyotsna Mohan
Voluntary Action Network India (VANI)

Introduction

In recent years, India made the leap from aid recipient to aid donor, a move that got noticed on the global stage when the British government announced the pullout of its official assistance after 2015. However, prior to that announcement in 2012, India has already been providing assistance to various countries in South Asia, as well as increasing its presence in Africa and Latin America.

Being part of South–South Cooperation (SSC), India's ability to maintain and sustain its assistance program, which revolves around the principle of aid partnerships and not the traditional donor-recipient relationship, is being recognized. The impact of the progress in India's economic development is displayed in its commitment to SSC by way of expanding development cooperation associations with partner countries. India's program-based assistance has had a key mandate of fostering techno-economic and intellectual cooperation (also called the Indian Development Initiative), which has also been intended to promote India's interest in overseas markets.[1]

India and SSC

India understands SSC as a supplement to the North-South cooperation, not as a substitute to it. It is engaging multilaterally with South Africa through the IBSA Summit and the BRICS Summit.[2] Both platforms have emerged as vital for inter-regional dialogue and to consolidate cooperation. India is mindful of the fact that the BRIC-IBSA initiatives will be an effective instrument for promoting closer cooperation and coordination on global issues between the major countries from the major continents. As a very significant representation of the most powerful countries in the South, it is also seen by the government to be voicing the concerns of the developing country's people in the global fora.[3]

Trade and investment agreements have been an integral part of India's SSC. This aspect is exemplified in the initiation and early conclusion of negotiations for trade and investment-related bilateral and multilateral agreements — especially the BIPPA (Bilateral Investment Promotion and Protection Agreements), the FTAs (Free Trade Agreements)/Comprehensive Economic Cooperation Agreements, and Double Taxation Avoidance Agreements, among others. India is also reinforcing its efforts to promote Foreign Direct Investment (FDI), the development of small and medium enterprises (SMEs), greater market access, and investment facilitation. By moving to cleaner and greener technologies, sharing of technology in development, and utilizing green and renewable sources of energy, India has displayed its will and intent for a cleaner and sustainable world.

1 This chapter is an abridged version of VANI's publication, India's Global Footprints, November 2013, published with the support of Heinrich Boll Stiftung Foundation, India, accessible at http://in.boell.org/2014/02/05/indias-global-footprints.

Changing Dynamics of SSC: Threat or Opportunity for Progress

This new dynamism of the South is not a cause for concern. It is important, first of all, to note that the North has been much more of a partner than a competitor in the success of the South. It has shared in the dividends of that success and will continue to do so. Second, a stronger South will generate demand for exports from other countries and boost investment opportunities with higher returns. Third, consumers worldwide are already benefiting, and will do so increasingly, from the low-cost, high-quality products and services now on offer from the South. Fourth, the fact that more and more developing countries are becoming competitive participants in global production chains and labour markets is likely to have a net job creating impact in the South and the North alike. Fifth, the more successful developing countries set good examples for others to follow, enabling them to avoid repeating past mistakes and embark on development models that have already been proven to work. And finally, emerging countries in the South can join the ranks of other nations in confronting such global challenges as migration, environmental threats such as climate change, HIV/AIDS and other pandemics.

India's ODA Policy

Aid has been used to foster friendly trade and economic relations with other nations. India, like other countries, provides aid for various reasons: political, economic, diplomatic, and security concerns, among others. Taking into account India's development experience as well as its increasing economic significance, the country launched in 2003 the Small Development Project (SDP) initiative to support successful small-scale programs to ensure economic advancements, especially in the education, health and infrastructure sectors.

The SDP is designed to meet local needs, which are managed by local communities and institutions with a view of saving costs on project implementation. The SDP, which aims to instill local ownership of the program, was first launched in Nepal and since then has been replicated in Sri Lanka and Afghanistan.[4]

Based on a 2010 report by C.R. Bijoy,[5] India's development assistance is a mix of project assistance, purchase subsidies, lines of credit, travel costs, and technical training costs incurred by the Indian government. The scope of India's development assistance stretches far and wide from Central Asia to the Pacific islands to Southeast Asia. The countries receiving substantial amounts of aid include Senegal, Tajikistan, Ethiopia, Vietnam, and Kampuchea. India — along with China, Saudi Arabia, the United Arab Emirates, Venezuela, Kuwait and Brazil, as aid providers — do not belong to the Organisation for Economic Co-Operation and Development (OECD) or its donor-coordinating Development Assistance Committee (DAC).

In 2007 the OECD developed its Key Partners Program aimed at enhancing the OECD's relationship with five "Key Partners:" Brazil, China, India, Indonesia and South Africa. These partners are encouraged by the OECD to have a direct, active and sustained participation in various OECD bodies, including the Development Assistance Committee. For other non-OECD states, the relationship takes place on a subject-by-subject basis.

According to the OECD, the actual mix and sequencing of the elements in SSC is determined by mutual interest.[6] While India has been promoting SSC since the 1950s, with an initial

focus of granting aid and technological expertise to its neighbours and Africa in the 1960s, it has been operating with guiding principles outside existing structures and frameworks of the traditional donor-recipient relationship including the norms of OECD. India's development co-operation policy is based on a holistic approach (including trade and investments) and comprised of two main pillars:

1. Economic co-operation, focusing on trade and technology flows among developing countries, including the removal of discrimination in institutional and regulatory frameworks; and
2. Technical co-operation, focusing on technical capacity building through training, exchanges of experts and sharing of experience and know-how.[7]

In his report, Bijoy set out some key observations regarding the trend of India's aid:

- India's aid is conceived as an important foreign policy instrument largely for self-interest.
- India's development assistance lacks strict, well-defined and clear objectives and approaches, with limited public accounting and monitoring.
- There has been a shift from the rather simple import-export exchange to a more organized, diverse set of interactions consisting of government support, joint ventures, official lines of credit, and export guarantees. There is an increased emphasis on providing budget support to partner governments, especially in the form of debt relief. Grants are increasingly being advocated because of growing concern with the debt problems of poor countries and the recognition that many types of aid (particularly in the social sectors) yield returns only in the long term.
- While much of Indian aid is tied (see below), India attaches far less policy conditionality on its grants and also gives beneficiaries a greater voice in the process. India's assistance is focused on promoting goodwill, long-term economic development and promoting influence rather than exporting skilled manpower and repatriating profits. It focused mostly on promoting local capacity. However, there are indications that India is moving from exerting soft to hard power. The goodwill generated could very well get diluted with India emerging as a major donor.
- Assistance given for political or economic purposes can be a highly effective means to improve relations. However, it can become counter-productive if the assistance is seen to be a failure.
- Debt cancellation helps many African governments to be able to borrow money on international financial markets.
- A large part of India's development assistance to Africa is an export subsidy scheme for its surplus goods. The trend is towards catalysing trade, access to extractive resources and political influence, rather than facilitating economic and social development. A large share of the loans provided is not on concessional terms, and is tied to the procurement of goods and services in India. While India refuses to accept tied bilateral aid from others, ironically, a large proportion of its own loan programs are tied. This can accumulate some negative feeling towards the aid provider.
- Development assistance linked to trade and investment is often criticized as new mercantilism. The recipient countries however can consider this as positive, as it offers considerable freedom for economic and commercial partnership. The emerging aid providers at the same time are also becoming 'development partners.'

- The country priorities for India's Africa assistance seem to correlate with those African countries with significant Indian diaspora, such as Tanzania and Kenya.
- The share of technical cooperation has risen in India's assistance. Technical cooperation per se does not achieve greater self-reliance in the partner countries. It is a form of assistance largely controlled by donors. It tends to generate considerable economic benefits for the consulting industry in the aid-providing country. Most technical cooperation is provided in-kind. It often takes the form of personnel or administrative costs accruing to participating officials from the aid-providing countries. The personnel in the partner countries benefiting from improved and highly technical skills, however, form a small elite group, often receiving better pay and work conditions, which demoralize others in the local services.

Top 20 recipients of Exim Bank's operative lines of credit (as of 6 June 2012), USB million

Country/region	USD m
1. Sri Lanka (6)	1,216
2. Bangladesh (1)	1,000
3. Ethiopia (6)	705
4. Africa, multiple countries (12)	630
5. Sudan (6)	567
6. Nepal (2)	350
7. D.R. Congo (4)	269
8. Mali (7)	267
9. Myanmar (7)	247
10. Iran (1)	200
11. Mozambique (8)	173
12. Ghana (5)	149
15. Senegal (8)	137
13. Russia (2)	125
14. Syria (2)	125
16. Lao PDR (3)	123
17. Zambia (4)	115
18. Cote d'Ivoire (4)	112
19. Angola (5)	108
20. Chad (2)	90

Source: OECD, Trade-Related South-South Co-Operation: India,http://www.oecd.org/dac/aidfortrade/South-South_India.pdf.

One of the main challenges in documenting India's aid programs is the lack of sufficient information. Researchers resort to estimation and gathering of information from different sources. Foreign aid given to developing countries is "delivered through a myriad of aid channels" such that it is difficult to quantify the total figures.[8] To date, India has not published data on the financial terms of its foreign aid, using the DAC methodology. Nor does it provide systematic statistics such as annual amounts disbursed or a detailed breakdown in terms of partner countries and sectoral distribution.

However, in January 2012 the Ministry of External Affairs established the Development Partnership Administration (DPA) as a structural framework for disbursing aid. This structural framework covers the effective handling of India's aid projects through the stages of concept, launch, execution and completion.

India has identified that development partnership should be centred on the needs identified by the partner country. The DPA's role would be to accommodate as many requests received that are both technically and financially possible. Currently, the DPA has three divisions: 1) DPA I deals with project appraisal and lines of credit; 2) DPA II deals with capacity building schemes, disaster relief and the Indian Technical and Economic Cooperation Program; and 3) DPA III deals with project implementation. With close cooperation between the DPA and its development partner countries, the Indian government expects effective and efficient handling of all aid projects from conception to completion.

Prior to the creation of the DPA, India didn't have a single agency responsible for the administration of its aid. The main government bodies involved then were the Ministry of External Affairs (MEA), the Ministry of Finance and the Export-Import Bank of India (Exim Bank). The Lines of Credit

(LOCs), which forms 30% of India's overall aid-related expenditure, continue to be channelled through the Exim Bank. The Exim Bank makes LOC offers to the partner government or their designated agencies, where such offers need to be accepted and the LOC Agreements signed.[9]

The top 20 country recipients of LOCs from the Exim Bank in 2012 are a combination of countries from South Asia and Africa. The concessional lending and technical assistance provided through the LOC is mostly focused on infrastructure development. In the first half of 2012, the Exim Bank reports a total of 157 operative LOCs worth $8.2 billion, a spike from the 2010 new LOCs extended worth $3 billion. Among the 2012 LOCs, 53% were directed to Africa, 28% for South Asia, 2% for Latin America and 4% for other countries. LOCs mostly finance specific infrastructure projects in developing countries that are delivered by Indian companies in sectors such as electricity, energy, irrigation and transport.[10]

The type of technical assistance being provided by India is through triangular co-operation, where Indian institutions give training to nominees from partner countries by way of funding from donor countries or multilateral institutions. India sees this tripartite collaboration as an effective method of promoting development by leveraging the best attributes of each partner. It complements India's efforts on a bilateral basis.[11]

The LOC Pipeline Table indicates the offers made by the Exim Bank to the various governments as of January 2013. These agreements at the time

EXIM BANK'S PIPELINE LOCs
(Updated as of January 14, 2013)

S. No.	Borrower	Purpose	Credit Amount (USD mn)
1	Government of Nigeria	Various projects in Nigeria	100.00
2	Government of Vietnam	Hydro power project	19.50
3	Government of Cape Verde	Technology Park Project	5.00
4	Government of Comoros	Installation of an 18 MW power project in Moroni, the capital city of Comoros	41.60
5	Government of Gabon	Rehabilitation and up gradation of the broadcasting facilities	67.19
6	Government of Tanzania	Bio diesel project	35.00
7	Government of Burkina Faso	Low cost housing and economical buildings project in Burkina Faso	22.50
8	Myanma Foreign Trade Bank, Myanmar	17 ongoing irrigation schemes and 9 rehabilitation schemes in the irrigation project in Myanmar	247.20
9	Government of Angola	Supply of Tractors	23.00
10	Government of Mozambique	Rural drinking water project extension	19.72
11	Government of Zimbabwe	Up-gradation of Deka Pumping Station and River Water Intake System in Zimbabwe	28.60
12	Government of Afghanistan	Export of goods and services and project exports	50.00

Source: Reserve Bank of India, Annual Financial Survey Report: 2012-13

were yet to be signed. While Myanmar has the highest amount in a potential LOC, it appears that a majority of the credit was being offered to African nations, directed at the development of different industrial purposes.

Roadmap for Future:

India's participation in South-South Cooperation is supplemented in bilateral relationships and complemented by its regional cooperation efforts and increasingly proactive engagements in various multilateral forums. India has coined itself to be a development partner not only to its neighbours, but also to the farther reaches of the South. SSC has historically been a development partnership that included trade, investment and technology transfer. In most recent years there have been an enhanced flow of trade and investment within and between the nations of the South, which translates to 20% of global trade and almost 50% of developing country trade.[12]

With the creation of the DPA, India should now be able to articulate its development cooperation agenda in a well-defined manner. India's unique model of a 'development compact' depicts diversity in engagement though trade and investment, technology transfer, finance through credit lines, and capacity building by means of its flagship program. India's aid assistance program is mostly dedicated to creating technical capacities and the provision of production support. As a new aid provider, India is facing some shortcomings such as institutional problems, inadequate system for monitoring and evaluation, and a more transparent decision-making process with regard to aid size and agreements with partners. As part of SSC, India's profile builds on its history of being a developing nation with domestic socio-economic challenges, with a willingness to share its experiences with other countries.[13]

Apart from a more structured approach to aid provision, including monitoring and evaluation of the projects, India would be able to leverage its bilateral relations with other groups such as the DAC. India would benefit from the expertise on project impact analysis and other practices to improve the quality of delivery and better assessment of mechanisms utilized in projects such as the Small Development Projects. India sees the importance of participating in Aid-for-Trade, which it believes is an effective instrument for addressing the insufficiency of trade-related capacity in many developing countries to allow them to benefit from the opportunities offered by the multilateral trading system. Accordingly, India should go beyond its primary focus of economic infrastructure and productive sectors to develop a more detailed and robust database to help identify areas of concern such as aid-for-trade.[14]

Conclusion and Recommendations

As a result of its outward orientation in the last two decades, the Indian economy has become one of the fastest growing economies in the world. Despite many serious challenges like internal security, poverty, energy security, infrastructural bottlenecks, policy paralysis, and global slowdown, it is expected that the economy will continue to grow at reasonably high rates in the medium to long run. The strategic consequences of its high growth rates are clearly evident as India has been able to increase its global profile. It has also been able to forge close economic and political linkages with all major powers and concluded many trade and investment agreements in Asia and beyond. It has also been taken seriously on issues concerning global economic governance.

Although India has been active in aid programmes with other developing countries for quite some time, the increased scale of its aid, linked to the abovementioned economic growth, has now

made India an important player in the area of development cooperation. This is clearly evident in its development activities in South and Southeast Asia (particularly Afghanistan) as well as in Africa.

India's aid architecture is still evolving. Indian civil society, including the voluntary sector, is not fully aware of India's development cooperation programmes. Although Indian NGOs have tremendous experience in different kinds of development work, they have not been involved significantly in any of the development cooperation programmes by the government. The evolving Indian architecture for development cooperation should focus on: a) detailed information of its activities, b) a clear strategy, c) a specific institutional structure (the DPA), and d) a plan to involve the Indian CSO sector in designing and implementation its overseas programmes.

Overall, some key recommendations follow:

- With increasing global engagements, the Indian policy-making institutional structure needs to be expanded, with a more prominent role for civil society.
- Citizens needs to be better informed about Indian government's engagements/commitments/negotiations in various international and bilateral forums.
- A proper mechanism for timely information about Indian development activities abroad should be evolved.
- Indian CSOs have a long history of working at the grassroots level with successful innovative methods in various development sectors. Their development experience needs to be taken into account by the government while finalizing development projects for other developing countries.
- A proper mechanism for the involvement of CSOs in the development cooperation sector needs to be evolved.
- Various legal and institutional barriers restricting the inclusion of small and medium Indian CSOs in global development activities should be removed.

Endnotes

1 Chaturvedi, S., 'India's development partnership: key policy shifts and institutional evolution', Cambridge Review of International Affairs, 2012, Vol. 25, No. 4, December 2012.

2 IBSA includes India, Brazil and South Africa and BRICS includes Brazil, Russia, India, China and South Africa.

3 Press Bureau of Ministry of Finance, Govt. of India on "India's involvement and pioneering role regarding South-South Cooperation."

4 Aid from India, coming to a country near you, The Hindu Article by Sachin Chaturvedi , 5 September 2012, http://www.thehindu.com/opinion/op-ed/aid-from-india-coming-to-a-country-near-you/article3859607.ece.

5 CR Bijoy, India: Transiting to a Global Donor, accessible at http://www.realityofaid.org/wp-content/uploads/2013/02/ROA-SSDC-Special-Report6.pdf

6 OECD Members and Partners, http://www.oecd.org/about/membersandpartners/

7 OECD, Trade-Related South-South Co-Operation: India, http://www.oecd.org/dac/aidfortrade/South-South_India.pdf.

8 Walz and Ramachandran, 2012. Brave New World: A Literature Review of Emerging Donors and the Changing Nature of Foreign Assistance. Center for Global Development, Working Paper #273, November 2012, page 19, accessible at http://www.cgdev.org/files/1425691_file_Walz_Ramachandran_Brave_New_World_FINAL.pdf.

9 Exim Bank of India Website, www.eximbankindia.com

10 Based on the 6 June 2012 operative lines of credit data from the Exim Bank website http://www.eximbankindia.com/loc.asp.

11 GOI (Government of India) (2009), India's response to the OECD/WTO Questionnaire for South-South Co-operation, Paris: OECD www.oecd.org/dataoecd/43/39/43149339.pdf.

12 Chaturvedi, op. cit. Data is from United Nations Conference on Trade and Development 2011

13 Chaturvedi, op. cit.

14 Chaturvedi, op. cit.

OECD Reports

Australia
Belgium
Canada
Denmark
Finland
France
Italy
Japan
The Netherlands
New Zealand
United Kingdom

Australia

Economic growth as the panacea for poverty

Thulsi Narayanasamy and Claire Parfitt
AID/WATCH Australia

Overview

- Total ODA for 2014/15 is AU$5 billion (US$4.5 billion)
- AusAID has been amalgamated with the Department of Foreign Affairs and Trade
- Delayed commitment to ODA performance to 0.5% of gross national income (GNI), with aid only rising with the rate of inflation over the next 4 years
- New aid paradigm policy that changes the objective of the aid program to operate solely in Australia's interest
- Explicit focus on aid for trade, the increased role for the private sector and economic growth central to the new policy
- Geographic focus on the Indo-Pacific region largely continues with PNG and Indonesia retaining the highest portion of the aid budget

The Road to 2014: Real change under the new conservative government

The trajectory of Australia's aid program recently underwent a significant shift, in most part as the result of the conservative Coalition Government that was elected in November 2013. In earlier federal elections, which saw a change in the ruling party, aid was a significant election issue, with the target for ODA, at 0.5% of GNI, a focus of significant advocacy efforts in 2007. A groundswell of young people coordinated under the Make Poverty History banner came together in this campaign and paved the way for the Labor Party's sustained awareness of aid as a political issue over their six years in power.

As a result, the previous Labor government was viewed by the sector as an ally and supporter of improving aid delivery and quality, as well as committed to raising the aid budget to 0.5% of GNI. The government therefore drew significant attention when in 2013 it announced a diversion of AU$375 million (US$340 million) of the aid budget towards onshore asylum seeker processing. This is classified under DAC guidelines for ODA as "donor refugee costs." However, this allocation of aid attracted attention due to the punitive nature of Australia's refugee processing policy, which indefinitely detains asylum seekers in difficult conditions as a deterrence mechanism.

The aid community in Australia responded by condemning the diversion of aid from critical overseas programs. But this budget move again sparked public interest in the aid program. It opened public space for the aid budget to be more closely examined in light of the allocation of aid to other aspects of the 'border protection' policies, including offshore detention of asylum seekers, which has been condemned by the United Nations. Aid spending has also been used for:

- Funding for the Sri Lankan government, which has been accused of genocide and war crimes against the minority Tamil population, to stop the flow of refugees to Australia;
- Advertisements in the region aimed to deter

people from seeking refuge in Australia; and

- Additional funding for Papua New Guinea (PNG) to co-operate with the previous government's plans to process asylum seekers on Manus Island and resettle refugees in the country.

Another key part of the aid budget has been the Mining for Development Initiative, where Australia's commercial interests played a considerable role. AID/WATCH explored this initiative in the 2012 *Reality of Aid Report*. This program presents mining as a sustainable development option and links Australian mining companies with government officials of resource-rich countries through study tours. AID/WATCH campaigned significantly on this issue. The mining program has since received an increased budget allocation, and renamed "Extractives Sector Development Assistance."

Despite such programs clearly designed to support Australia's business interests abroad, strong health and education initiatives continued to be important for the aid program, with considerable multilateral support to the GAVI Alliance and various UN agencies. In addition to making steps towards increasing transparency and effectiveness of the aid program, the previous Labor Government was committed to the 0.5% target. It increased aid incrementally each year, with the goal to reach the target in 2017-18. The 2013-14 aid budget under Labor was projected to hit AU$5.7 billion (US$5.2 billion), which would have been the highest level for Australia in 25 years. But with their electoral loss in 2013, this eventuality did not happen.

In the lead up to the 2013 federal election, the Labor Government announced the appointment of the first Minister for International Development. This move was applauded as a positive step towards greater coherence and oversight of the aid program, with the potential to reduce the tension between the dual objectives of national interest and poverty reduction. In contrast, the new Coalition announced significant cuts to the foreign aid budget just 48 hours prior to the election.

Current state of Australia's aid budget and department

Since the election of the new government, there has been a qualitative and quantitative shift in Australia's aid program. This has been in line with sweeping budgetary and social changes across the country, with Australia's position on climate change, social justice and foreign policy taking a more aligned approach.

Australian aid spending has been frozen at AU$5billion (US$4.5 billion) annually for the next two years, after which spending will increase only at the rate of inflation. As already noted, the government has sidelined the goal of 0.5%, with the possibility to revisit this decision only in 2025. This is a cut of approximately AU$7.6 billion (US$6.9 billion) over three years, based on the forward estimates, and means that Australian ODA will settle at around 0.32% of GNI.

One of the first changes after the election shows Australia following in the footsteps of both Canada and New Zealand, with the abolition of the independent Australian Agency for International Development (AusAID). The aid program has been reintegrated into the Department of Foreign Affairs and Trade (DFAT) after almost four decades of separation. This has resulted in a significant downsizing in the number of staff in the Department, and greater leadership on ODA decisions being made directly by High Commissions. This change has resulted in a closer alignment of the aid program with other elements of foreign policy, and greater emphasis on Australia's national interest rather than poverty reduction. AusAID's integration

into DFAT has brought about a marked increase in aid being used to facilitate the expansion of Australian business in Asia and the Pacific, and a decrease in accountability and transparency for foreign aid. This move has paved the way for what the Australian Government is referring to as a 'new aid paradigm.'

A new paradigm for development – Australia's current aid policy

In June 2014, the Foreign Minister, Julie Bishop, launched a new development policy[1] and performance management framework[2] for aid. Bishop characterised the changes as radical and dramatic. The fundamentals of the new Australian aid strategies largely follow a political and philosophical trajectory that aligns with the most cynical interpretation of aid, as purely a tool to further Australia's commercial interests. However, many programs merely build upon or expand existing policies, such as the aid-for-trade policy, a long-standing policy set to receive a considerable boost to 20% of the overall budget. This continuity has led to commentators dubbing the policy the 'not so new aid paradigm.'

The overall objective of Australia's ODA has been changed to further prioritise Australia's national interests ahead of poverty reduction. Economic growth in partnership with the private sector is more explicitly the favoured vehicle for achieving development outcomes, at the expense of other possibilities grounded in local contexts. But much of the details of the aid program and its intended delivery continue to remain vague.

The new aid paradigm focuses on aid-for-trade, economic growth as a panacea for poverty, and a significantly increased role for the private sector. Support for the involvement of the private sector is strong to the point of discounting more cautious views, including evidence demonstrating involvement of Australian companies in human rights abuses, land grabs, corruption and environmental degradation overseas. This alignment with Australia's corporations is relatively unprecedented.

Cuts were also made to the global programmes budget. During the 2014-15 financial year, Australia will not contribute to a range of multilateral programs and organisations that it has previously supported. There is no allocation for global environment programs, for example, and regional environment programs will only receive AU$500,000 (US$455,000). These cuts are part of an overall trend in Australia, shifting away from policies that take action on climate change. Other major changes include reduced funding to multilaterals, particularly the UN agencies and the International Labour Organisation.

There will be an increased focus on the Indian Ocean and Pacific region, reversing the previous trend of expanding the aid program in Africa, South America and the Caribbean. This is an attempt to streamline and consolidate work in existing regions, rather than what is considered a piecemeal approach. What this focus will mean in practice is a relatively small increase in the Indo-Pacific budget accompanied by cuts to programs in the Middle East and North Africa, sub-Saharan Africa and Latin America. Overall, 92% of the country program budget will go to the Indo-Pacific in 2014-15, up from 86% last year. Within the target region, the Philippines and Timor-Leste will both lose around 15% of their aid funding, while the Pacific, Burma and PNG in particular, will see funds increase.

The most significant change resulting from folding AusAID into DFAT is related to the alignment of aid policy with DFAT objectives and the subordination of poverty reduction aims to Australia's self-interested trade and diplomatic priorities. In June 2014 an economic diplomacy

policy was unveiled as a way to lend coherence to the activities that fall under DFAT. Bishop has said that this will mean that all international efforts are aligned so that they are 'pulling in the same direction.' Using development as a foreign policy tool makes room for the pursuit of Australia's national interest, possibly to the detriment of those that the aid program seeks to assist. Similarly, presuming an end to traditional donor-grantee relationships in a move towards economic partnerships denies the inherently unequal nature of aid relationships where power is ultimately stacked against the recipient country.

The language of 'economic partnership' and 'mutual obligation,' along with a much stronger focus on Australia's national interest, also signals a return to tied aid. AID/WATCH and other organisations around the world have long argued against tied aid, and have achieved success in compelling countries like Australia to untie aid funding. Despite a formal untying of aid budgets, the incidence of 'boomerang aid' — where Australian aid funds return to benefit Australian companies and contractors — continues to exist unchecked.

The policy changes were received mostly with surprise from the international development community, both in Australia and the region. However, commentary focused in large part on the budget cuts, with little analysis of the likely ramifications of the ideology underlying policy changes, which arguably will have a more significant impact. AID/WATCH has understood this reaction as perhaps an indication of gagging of critique amongst the larger NGOs, which was a stalwart of the Coalition government when they were last in power. With most organisations in Australia receiving around 50% of funding through the aid budget, there is significant nervousness in the sector about speaking openly. In the absence of critical public dialogue, further policy and program decisions are made with ease and impunity. AID/WATCH has raised concerns about the lack of critique from the broader development community — the frequent endorsement of their policies has resulted in an enabling effect for the Government to continue making decisions based on a neoliberal framework. Similarly, in a show of consultation, the government has conducted a number of Senate Inquiries related to foreign aid within a short period, thus offering a semblance of legitimacy for having listened to the NGO sector, while in effect sidelining the voices of those ultimately affected by the change in policy.

Uncritical involvement of private sector in aid delivery

The aid program has long been a vehicle for Australia's national interest. But the latest policy moves significantly tips the balance away from poverty reduction and towards more firm support for Australian foreign policy objectives and Australian companies. In 2014-15 the Government will focus on achieving two development outcomes: strengthening private sector development and enabling human development. Bishop argues for embracing partnerships with business, presenting their role as natural in poverty reduction. Such an uncritical approach to business suggests a failure to properly acknowledge the role that many corporations have played in human rights abuses, breaches of labour standards, and contributions to environmental degradation.

In May 2014, the Government held an Inquiry into the Role of the Private Sector in Economic Growth and Poverty Reduction, inviting submissions from across the sector. In an unprecedented stance by the Government on public submissions, they have requested references to instances of Australian companies being implicated in human and environmental abuses to be redacted from evidence. Foreign Minister Bishop has said that the 'private sector is a force for good,' which sums up the approach of

the Government to private sector involvement. Little attention has been given to nuance within the spectrum of different private sector actors. However, it has been made clear that Government references to the private sector refer primarily to big business — for instance, foreign direct investments, large-scale development projects such as mining, and the involvement of Australian companies in aid delivery abroad.

What has been given as the example of a positive private sector partnership is the memorandum of understanding which the Government signed with cruise ship giant Carnival Cruises. This partnership has been said to be beneficial to local people, despite criticism both of the relationship between the Government and Carnival Cruises, as well as little evidence that cruise tourism in Vanuatu is having a demonstrably beneficial impact. The deal with Carnival Cruises was made in the absence of a transparent competitive process with little oversight on the impacts of the company's claims. There has been a similar treatment for the nine mining companies funded through the aid program in 2012, when concerns raised about the lack of transparency were brushed aside.

In December 2013, allegations surfaced that Australian government agencies, including AusAID, were involved in spying on the East Timorese cabinet room during sensitive meetings about oil and gas negotiations for the benefit of Woodside Petroleum. The allegation that what allowed the bugging to happen was related to an AusAID program which was overseeing the renovation and construction of the cabinet offices in East Timor is an example of the possibilities of the role aid can play in serving Australian and commercial interests to the detriment of others. Similarly, Australian aid support in Bougainville, PNG has fuelled tensions on the island – locals oppose the push to re-open a contentious mine that has already been the fulcrum of a previous civil war in the region. Actions such as recruiting advisors with links to the mining company Rio Tinto, who owned the mine, have muddied the name of AusAID and raised concerns about the role that aid is playing in PNG.

Economic Growth as Poverty Reduction

The 'aid-for-trade' policy demonstrates this government's faith in the neoliberal notion that growth will reduce poverty, a cornerstone of its development philosophy. Economic growth is conflated with poverty reduction despite a lack of evidence for a correlation between the two. Although the Foreign Minister acknowledges that a majority of the world's extreme poor now live in middle-income countries, there is little reference to the problem of unequal wealth distribution. Various critics have stated clearly that people living in poverty do not necessarily benefit from rapid economic growth.

Julie Bishop has said, "Economic growth, driven by the private sector and supported by trade liberalisation, has been the key to reducing poverty on a large scale.[3]" Yet the United Nations Development Program (UNDP) has recently cited huge income disparities between the rich and poor, particularly in those countries that have experienced rapid economic growth, such as China and India.[4] Rapid growth is often achieved through blanket exploitation of workers and the natural environment in developing countries. Many of the countries that are beneficiaries of the Australian aid program have experienced rapid economic growth with very limited human development outcomes.

One of the substantive changes is the previously noted increase of aid-for-trade funding to 20% of the total aid budget by 2020. Trade-oriented aid funding is not new and focuses heavily on economic growth at the expense of other human development indicators.

The Pacific Agreement on Closer Economic Relations – Plus (PACER Plus), a free trade agreement being pursued between Australia, New Zealand and the Pacific Island countries, has been characterised as aid-for-trade. It is not clear how the Pacific will benefit from the agreement and many Pacific nations have been clear that it is not in their best interests.[5] Fiji is no longer a part of the agreement, and PNG has made serious statements about withdrawing from the negotiations. Development assistance is currently being negotiated for inclusion within the agreement, raising concerns about aid being used as a bargaining chip to achieve Australia's trade goals.

The focus on the private sector is linked to the government's vague aspirations for a 'nimble' and 'catalytic' aid program that delivers 'better value for money.' There is a blind faith in the notion that market mechanisms and the private sector generate an agility that eludes the public and not-for-profit sectors. The lack of specificity as to what is meant by these terms gives a great deal of latitude for government preference for certain political and economic interests. One vehicle for this is a new AU$140 million (US$127 million) innovation fund to finance successful new approaches to development. Bishop's examples of initiatives that the Development Innovation Hub might finance constitute a long list of stopgap measures, including oral rehydration therapy, vaccines for children, and disease-resistant crops. Apart from demonstrating little actual innovation, the approach suggests a flimsy strategic basis for the Innovation Hub that responds to symptoms of poverty, rather than addressing structural and systemic causes.

Conclusions

The current state of Australian aid presents a grim picture of the hegemony of the private sector over aid delivery and policy. Both the alignment of Australia's aid and the uncritical acceptance of companies as legitimate development actors, in the total absence of a push for corporate accountability, appear to be in line with global trends.

There is a considerable need to bring together the voices of those who have experienced the negative impact of policies that prioritise the private sector at the expense of other possible development pathways, and to use these examples as a way to renew calls for ODA to be focused on poverty reduction rather than the economic interests of Australia's private sector.

With such an open ideological favouring of a neoliberal economic model as the only viable vehicle for poverty reduction, there is a significant opportunity to utilise existing research and evidence to share a more complex story of the impacts of these policies. This evidence also demonstrates the ramifications that economic growth alone can have on inequality within societies and between countries, the impacts increased trade liberalisation can have on smaller economies and their public sectors, and the consequences of large-scale development projects on sustainable livelihoods and the environment.

Endnotes

1 AusAid. 2014. Australian aid: promoting prosperity, reducing poverty, enhancing stability. http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx [accessed 20 June 2014]

2 AusAid. 2014. Making Performance Count: enhancing the accountability and effectiveness of Australian aid. http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx [accessed 20 June 2014]

3 http://www.foreignminister.gov.au/speeches/Pages/2014/jb_mr_140429.aspx

4 http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/humanity-divided--confronting-inequality-in-developing-countries.html

5 http://aftinet.org.au/cms/sites/default/files/FINAL_Joint_Statement_2009_FTMM.pdf

Belgium

Qualitative reforms, despite declining aid expenses

Bart Tierens, Wiske Jult, Thijs Van Laer, Jan van de Poel
11.11.11 – The Coalition of Flemish North South Movement

Overview

- In 2013, Belgian ODA was €1,731 million (US$2,275 million) or 0.45 % of gross national income (GNI). This represents a 3.9 % decline compared to 2011, when ODA amounted to €1,800 million (US$2,365 million).
- Belgium's aid disbursements have been in continuous decline since 2010.
- Austerity measures have resulted in €787 million (US$1,020 million) cuts in aid from 2012 and 2014.
- Belgium's genuine or "real" aid rose between 2012 and 2013, from €1,410 million (US$1,850 million) to €1,520 million (US$2,000 million).
- The amount of ODA spent by the Development Co-operation Department was 67% in 2013, higher than in 2012 (57%), but the same level as in 2011.
- 68% of the aid provided by the Development Cooperation Department (DGD) goes to 10 low-income partner countries in Africa, while 56 % of its aid goes to fragile states.

From frozen to evaporated aid budget

Belgium's official development assistance has been in steady decline since 2010, when it peaked at 0.64% of GNI. In 2011, ODA decreased to 0.53% of GNI. The new Belgian government, which came into power after a long political crisis in December 2011, declared that it wanted to freeze the aid budget, referring to the economic crisis and budgetary constraints. However, it said that it was still committed to the UN target of 0.7% of GNI.

In reality, the budget freezing was turned into a succession of budget cuts. In 2012 and 2013, the

Table 1: Belgian aid levels, 2004-2013

Year	Total ODA in € million	Spent by development cooperation department (% of total ODA)	Total aid (ODA/ GNI ratio)	Real aid (ODA/GNI ratio)
2004	1,178	58%	0.41%	0.36%
2005	1,571	54%	0.53%	0.40%
2006	1,573	53%	0.50%	0.38%
2007	1,425	59%	0.43%	0.37%
2008	1,654	66%	0.48%	0.43%
2009	1,863	67%	0.55%	0.50%
2010 2011	2,268 2,011	58% 67%	0.64% 0.53%	0.48% 0.48%
2012	1,801	57%	0.47%	0.37%
2013	1,731	67%	0.45%	0.39%

total development aid budget cuts amounted to €687 million (US$905 million), or almost 20% on a total two-year budget of €3,531.82 million (US$4,640 million). For 2014, €100 million has already been cut. ODA disbursement in 2012 and 2013 were respectively 0.47% and 0.45% of GNI. Belgium is well off the aid target of 0.7% of GNI, which is integrated in the new 2013 development cooperation law.

The decision of the federal Belgian government in October 2012 and September 2013 to cut all "non-necessary spending" – spending not necessary for the functioning of the state – strongly affected development cooperation and is responsible for €240 million (US$315 million) of the aid budget cuts.

One glimmer of hope is the fact that genuine or "real" aid increased between 2012 and 2013. This is largely due to a €200 million (US$265 million) decrease of commercial debt relief. Genuine aid amounted to €1,520 million in 2013 (US$2,000 million), compared to €1,410 million in 2012 (US$1,850 million).

The Belgium development cooperation is very active in low-income countries. Sixty-eight percentage (68%) of the aid provided by the DGD goes to 10 low-income partner countries, which are all in Africa. Moreover, 56% of DGD aid goes to fragile states.

A year of reforms

With the formation of a new government in December 2011, Belgium's 541-day political crisis — during which the country was in state of "current affaires," meaning that no new policies and initiatives could be elaborated — came to an end. The conclusion of the crisis meant that some long-expected reforms could be put in place, such as a new law on the Belgian Investment Company for Developing Countries (BIO) and new institutional framework on policy coherence for development (PCD).

A new law on development cooperation

Belgium is one of the few donor countries with a law on international cooperation. In December 2007, the Minister of Development Cooperation announced that the law on international cooperation had to be revised to adapt it to the Paris Declaration aid effectiveness framework. Finally, in April 2013, the new law was adopted by Parliament.

Rather than a substantial reform, the new law is an adaption to new international priorities in development cooperation. The law refers to the five principles of the Paris Declaration, and explicit attention is given to fragile states. The level of fragility has become one of the selection criteria for partner countries. Human rights, state-building and decent work are put forward as priority themes.

Interestingly, the 0.7% ODA target is mentioned in the law. Therefore, efforts to reach this target does not only stem from an international commitment, but also from a juridical obligation. Nevertheless, no deadline is mentioned.

Policy coherence for Development

For many years, NGOs have asked that policies in fields such as agriculture, trade, foreign policy, defence and taxes be aligned with development objectives. Such coherence is necessary in order not only to contribute to these objectives, but also to avoid policies that thwart efforts in the field of development cooperation. The 2010 OECD Peer Review called upon the Belgian government to "develop an explicit policy statement on policy coherence" and to "identify the institutional framework and tools Belgium will use to implement

and monitor the coherent use of all policy levers for development, and to report on it."[1]

The new Belgian government was willing to step up its efforts in favour of policy coherence for development (PCD). The 2013 development cooperation law advanced the principle of PCD. At the end of 2013, an institutional framework was created to ensure a coherent policy for development. The framework consists of several instruments that should help to ensure PCD, such as an impact analysis, an inter-departmental commission, and an Advisory Council related to the Minister of Development Cooperation.

Through the Dutch and French-speaking coalitions of development NGOs, civil society is involved in the process through their representation on the Advisory Council. The coalitions will also take the lead in setting up a platform of indirect actors to furnish the Advisory Council with expert and technical information and analyses. In May 2014, on the eve of new elections, the Prime Minister, as well as the Minister-Presidents of the regional governments, signed a declaration in which they called for an inter-ministerial conference that would ensure that development objectives would be taken into account in each policy field, as well as better coordination between the federal and regional levels of government.

Although the creation of this new institutional arrangement is a clear sign that PCD has been accepted on a policy level, time will show whether it is effective or not. It will be a challenge for the new Minister of Development Cooperation to make sure these instruments show their relevance for the whole of government. The political will of the entire government is needed to use this framework to pursue its aim for more coherent policies for development. Moreover, in order to resolve policy incoherencies, politicians must put development objectives at the forefront, even though it could mean competition with other Belgian interests.

Reform of the Belgian Investment Company for Developing Countries (BIO)

In February 2012, the Flemish coalition of development NGO's 11.11.11 launched an evaluation of the Belgian Investment Company for Developing Countries (BIO). The Report questioned the development relevance of BIO's investments. It was very critical that a significant part of the investments went through tax havens, and pointed to the weak collaboration with other stakeholders in Belgian development cooperation. The Report was extensively discussed in the Belgian parliament and led to a reform of the investment company.[2]

By law, BIO is obliged to make profit. This is difficult to align with its objectives in the field of development cooperation, as it makes it unlikely that BIO will invest in businesses that do not have access to private capital. Despite these criticisms regarding its profit orientation in 11.11.11's Report, the profit requirement was maintained after the reform.

One positive change in the reform has been the curtailment of the use of tax havens by BIO. Since these reforms, BIO is only allowed to invest in countries that have a nominal tax rate of at least 10% and that respect international regulations on fiscal transparency. Moreover, measures are taken to avoid the transfer of profits to tax havens in order to avoid taxes, through so-called transfer pricing. With all these measures, BIO is ahead of other development banks such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and

the World Bank (WB). Belgium is profiling itself as an advocate against tax avoidance. However, some issues remain, as it is still possible to invest through tax havens with tax rates above 10% such as Mauritius, Luxembourg or the American state of Delaware.

An important observation of the 11.11.11 Report was that BIO stood outside the framework of development cooperation, rather than being a part of it. With the reform, BIO assumed new management, which had knowledge of and experience in development cooperation. BIO also strengthened its internal knowledge of development. Moreover, collaboration with other actors in Belgian development cooperation, such as the Belgian Development Agency (BTC) has been strengthened. Time should tell whether these reforms enhance the development relevance of BIO's activities.

Although the reforms are definitely a step in the right direction, some issues remain. More effort is needed to reach out to local small businesses. Monitoring and evaluation mechanisms should be enhanced in order to better estimate the development impact of investments.

New strategic notes

Belgian development cooperation has developed strategic notes to guide its development policies on particular themes. Several new notes were published in 2012 and 2013. Although these notes are valuable instruments for strategy and execution, they are not always extensively applied in the field. A gap exists between theory and practice, and more effort is needed to operationalise these notes.

Three notes are described briefly below: on middle-income countries, on fragile states, and on the private sector.

Middle-income countries

During the last decades, several developing countries have "graduated" from low-income country status to middle-income countries (MICs). Although big differences exist between these countries on the political, economic and social level, they share a level of economic growth and social evolution, which often goes together with growing inequality and environmental problems. These specific problems require a particular approach for these countries.

The Belgian strategic note focuses on global public goods (particularly the environment), inclusive growth and redistribution. The latter, with a special emphasis on social protection, is an essential lever to ensure that growth benefits the whole population.

The note deals with a number of important topics for MICs and discusses relevant arguments for a new partnership. According to the strategic note, the government wants to decrease aid to MICs in favour of low-income countries. It wants to spend 80% of governmental aid in this latter category after 2015, which will result in a 50% reduction of the aid to MICs.[3] The note provides no arguments to rationalize this decision to cut aid to MICs, which continue to have profound issues of poverty and inequality.

Moreover, new Belgian cooperation programs in two middle-income partner countries — Algeria and Bolivia — have shown that the strategic note did not bring forth major changes in the field. The cooperation programs are largely a continuation of previous programs. The program for Algeria pays little attention to support for democracy and an independent civil society, which are important instruments to tackle inequality and to foster inclusive growth.

More problematic is the fact that many of the alternative instruments and proposals presented in the MIC strategy are still not in place (September 2014), while an evolution towards a new partnership is expected in Belgian cooperation with these countries. As long as the alternatives are not developed, it is hard to evolve a new relationship.

Fragile states

According to Peter Moors, director-general of the Development Cooperation Department, "For a donor with the DNA of Belgium, the poorest and the most fragile countries in Africa should be the focus. That's where our added value is."[4] Six of the eighteen Belgian partner countries are fragile states, and over 56% of Belgium's bilateral aid went to these states in 2013.

A strategic note on fragile states, aimed at strengthening the state, the population and their mutual relationships, was approved by the Belgian Minister of Development Cooperation in early 2013. It is largely based on international guidelines such as the ten fragile states principles from the OECD Development Cooperation Committee (DAC) and the five "peace-building and state-building goals" that were elaborated in the framework of the "New Deal for Engagement in Fragile States." It adds some specific Belgian elements such as the emphasis on capacity strengthening of the state aimed at economic regulation and social protection. Time will show whether the new note will make a difference on the field.

The Private sector

In May 2014, a new strategic note on support for the private sector in developing countries was published. It focuses on the financing and capacity building of local businesses, in particular, small and medium enterprises. As such, the Belgian approach deviates from the European one in that the latter is more focused on large enterprises. The strategic note also emphasizes policy coherence for development. The local private sector can only be strengthened if measures are taken in the field of equitable fiscal policy and trade.

A real evaluation of the note can only be made once it is implemented. The coalition of development NGOs expects an important role to be played by the "Platform for Entrepreneurship for Development," which is foreseen in the note and wherein NGOs will participate. Such a platform could be a valuable instrument to enforce policy coherence for development in Belgian policies.

Conclusion

Belgium's development assistance has been in decline for three years, moving further away from the UN target of spending 0.7% of GNI on aid. Austerity measures caused €687 million (US$905 million) aid cuts in 2012 and 2013, almost 20% on a total two-year budget. This year (2014), €100 million has already been cut.

Despite dropping aid levels, the end of the political crisis in December 2011 has allowed some important reforms to take place in Belgium. With a new law on development cooperation, a new institutional framework on policy coherence for development, the reform of the Belgian Investment Company for Developing Countries, and several new strategic notes, Belgium is clearly willing to improve the quality of its development assistance.

However, to sustain a focus on global challenges such as poverty, inequality and climate change, Belgium will have to step up its financial efforts, while continuing to improve the quality of its interventions.

Endnotes

1 OECD Peer Review, 2010, http://www.oecd.org/dac/peer-reviews/belgium2010dacpeerreview-mainfindingsandrecommendations.htm

2 See Jan Van de Poel, "What's in it for development? Assessing the Belgian Investment Company for Developing Countries' (BIO) Development Outcomes," 11.11.11 – Coalition of Flemish North South Movement, in 2012 Reality of Aid Report: Aid and the Private Sector: Catalysing Poverty Reduction and Development? Accessible at http://www.realityofaid.org/?roa_report=aid-and-the-private-sector-catalysing-poverty-reduction-and-development.

3 http://diplomatie.belgium.be/fr/binaries/MIC_note_strategie_tcm313-243803.pdf, p. 13

4 Peter Moors at ODI-conference 'What future for 'traditional' development agencies in a changing world?', May 2013. http://www.odi.org.uk/events/3163-future-traditional-development-agencies-changing-world.

Canada

Big changes and challenges, with new partnerships

Fraser Reilly-King
Canadian Council for International Co-operation

Overview

- Canadian official development assistance (ODA) for fiscal year (FY) 2014/15 is estimated by the Canadian Council for International Co-operation (CCIC) to be Cdn$5.0 billion (US$4.5 billion) or 0.26% of Gross National Income (GNI), assuming no supplementary estimates and that GNI growth remains consistent with current levels.
- Canada's performance ranked 15th in 2013 among the 28 member countries of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC), with respect to percentage of GNI for ODA — falling from 0.32% in 2012 to 0.27% in 2013. With a drop of 11.4% for 2013, Canada posted the biggest decrease in ODA funding after Portugal.
- After Canadian aid peaked at Cdn$5.57 billion (US$5.1 billion) in FY 2011/12, in Budget 2012 the government announced three years of major aid cuts. In its first year of cuts, the government in fact far surpassed the planned cuts, and returned Cdn$286 million (US$260 million) in unspent allocated money to the Treasury. If Canadian ODA had continued to grow by the same pre-2010 rate of 8%, more than Cdn$2.4 billion (US$2.2 billion) additional resources would have been spent on aid priorities by 2014 than is currently expected.
- Aid to Sub-Saharan Africa (SSA) has remained above 2008 levels (when Canada met its 2005 Group of Seven commitment), with a slight increase in FY 2012/13, while Asia saw its aid remain steady and the Americas experienced a sharp decline after years of increases.
- In 2012, the government made reductions and cuts to 13 country programs, including eight in Africa, but then shifted its countries of focus in 2014 from 20 countries to 25, including three more in SSA. It cut Bolivia and Pakistan in the process, but added Burkina Faso, Benin, the Democratic Republic of the Congo (and substituted Sudan for South Sudan) in Africa; added Burma, Mongolia and the Philippines in Asia; and included Jordan in the Middle East.
- Support to multilateral organizations saw a slight decline in FY 2012/13 following years of successive increases. Support to partner governments continues to decline, but for the first time in several years, support to civil society actually saw a slight increase.

Major changes for Canadian aid and development

It has been a turbulent couple of years for Canadian aid and development. After freezing the aid budget in 2011, the government announced major cuts in 2012 over the next three years, a period which saw the plummeting of aid levels. It then

introduced new legislation to merge the Canadian International Development Agency (CIDA) into a mega Department of Foreign Affairs, Trade and Development (DFATD), under the premise of promoting greater policy coherence. But this came against a backdrop of Canada increasingly aligning its development policy with its own commercial interests, aggressively pushing a strong role for the (Canadian) private sector in development, in particular Canadian mining companies, and increasingly minimizing the importance of aid relative to other financial flows.

Meanwhile, the government distanced itself from civil society, with opportunities for engagement few and far between, and no new major funding initiative for civil society being announced between 2011 and 2014. Spring 2014 did see a thaw in relations with civil society and the announcement of a draft CSO policy, on which CSOs were consulted, which could suggest a potential new partnership with the government looking forward. What all of these changes mean for Canada and the post-2015 agenda, only time will tell.

Aid budget collapses, under cuts and lapses

Following an announced freeze at Cdn$5 billion (US$4.5 billion) in 2011 to the International Assistance Envelope (IAE) — which constitutes a large part of Canadian ODA — in FY 2012/13 the Conservative government announced reductions that would bring the IAE to Cdn$4.66 billion (US$4.2 billion), or 7.6% by FY 2014/15.

Not only did the government implement cuts, it also allowed Cdn$286 million (US$260 million) to lapse in authorized spending in FY 2012/13 (essentially unspent money), which the former CIDA was required to return to Treasury.[1] If Canadian ODA had been sustained at its peak 2010 level (Cdn$5.57 billion or US$5.1 billion), by 2014 there would have been Cdn$870 million (US$790 million) in additional aid dollars. Indeed, if the government had continued its pre-2010 policy of increasing ODA by 8% each year, rather than cut aid, more than Cdn$2.4 billion (US$2.2 billion) additional resources would have been spent on aid priorities by 2014.

In April 2014, the OECD confirmed the sharp fall, noting that Canadian aid allocations had dropped by 11.4% in 2013 relative to 2012, or from US$5.65 billion to US$4.91 billion. The government points out that there was an extraordinary increase in 2012 due to Fast Start Finance for climate change adaptation and mitigation. While this may be the case, it cannot excuse the sharp decline in 2013, when the need for climate finance remained urgent. Canada has not followed up its initial Fast Start climate finance with new resources for climate change.

This decline in Canadian ODA came in a context wherein overall ODA from OECD countries had a small rebound from declines in 2011 and 2012 to post an increase of 6.1% in real terms in 2013. Canada's aid-to-GNI ratio also tumbled from 0.32% to 0.27% as a result, and Canada moved to the bottom half of the ranking at 15th out of 28 OECD-DAC donor countries.[2]

First among equals: The merger of aid, trade and diplomacy

While cutting Canada's aid budget, in March 2013 the government also announced plans to merge its development agency, CIDA, into a new Department of Foreign Affairs, Trade and Development (DFATD). The announcement received mixed reviews. Foreign affairs pundits generally heralded the government line[3] of greater coherence and impact through the merger. Trade and investment advocates pointed

to the failures of aid, and how growth and the private sector were the real game changers for development. Development experts, on the other hand, feared a shift away from poverty reduction, with its programmatic focus on the poorest and most marginalized, towards the promotion of Canadian commercial interests.[4]

The legislation did enshrine the position of the Minister of International Development in law by formally recognizing this minister's role and mandate, separate from the Minister of Foreign Affairs. The legislation also technically put "development on equal footing with trade and diplomacy,"[5] albeit with Foreign Affairs – and with it Canadian foreign policy – still clearly first among equals.

Concerned about the directions for aid with the merger, the CCIC produced a set of benchmarks just prior to the release of the legislation to ensure development would remain a top priority in DFATD.[6] The benchmarks recommended that the legislation acknowledge the ODA Accountability Act to guide decisions about ODA (which it did). The CCIC called for a strengthened role and mandate for the Minister (which it also did), and the benchmarks also called for an explicit reference to key principles like the Paris Declaration and Accra Agenda for Action, as well as Humanitarian Principles, as the basis for assessing the effectiveness of Canadian aid and development (which it didn't do).

While it still remains to be seen how the merger will affect Canadian development policy and practice, there are signs of hope: various officials within the former CIDA have been posted to key positions of authority within DFATD in areas of both policy and programming.[7] In February, the government released a set of internal and external guidance notes[8] — the first public initiative since 2008 — to inform how DFATD programming should comply with the three criteria of the ODA Accountability Act.[a] These guidance notes likely emerged as a result of the strong critique by the Auditor General of how the government had been using the criteria — to report on aid spending, rather than to determine how aid should be spent.[9]

But there are also signals that give cause for concern, namely in the government's preoccupation with partnerships with the private sector, in the increasing promotion of economic growth as a key measure for development and poverty reduction, and in the overall deterioration — until recently — in partnerships with civil society organizations.

Growth and the private sector – a partnership without evidence (or a strategy)

In the past several years, Canada has made sustainable economic growth and the private sector (in particular extractives) the central tenets of Canadian development cooperation. In October 2010, CIDA released its Sustainable Economic Growth Strategy (SEG).[10] The Strategy takes three paths: building economic foundations by strengthening the necessary legal environment for business; growing businesses by enhancing micro, small and medium-sized enterprises; and investing in the employment potential of people in the formal and informal sector.

In early 2013 a new International Institute for Extractive Industries and Development was formed to support and build natural resource

a "Official development Assistance may be provided only if the competent minister is of the opinion that it (a) contributes to poverty reduction; (b) takes into account the perspectives of the poor; and (c) is consistent with international human rights standards." Official Development Assistance Accountability Act (S.C. 2008, c. 17), clause 4.

management capacity in developing countries.[11] Then in October 2013, the DFATD adopted an approach that further entrenches the key role of the Canadian multinational and international private sector "as partners in development," in order to leverage "capital and expertise to grow businesses," to develop public private partnerships that will "improve the lives of people living in poverty," and to promote private sector innovation to "improve the delivery of essential public services."[12]

Then in November of that year the government launched its Global Markets Action Plan. The Plan envisages developing "an extractive sector strategy to further the interests of Canadian companies abroad."[13] "Under the plan, all diplomatic assets of the Government of Canada will be marshalled on behalf of the private sector."[14]It is clear that these assets also include the allocation of ODA resources to these ends.

The Strategy and Action Plan equate increased growth with poverty reduction, without giving due consideration to the role that government must play (through policies, practice and programs) to ensure a redistribution of the benefits of growth to the poorest and most marginalized.[15]Both initiatives sit in direct contrast to an earlier detailed CIDA Private Sector Development policy, which sought to promote "pro-poor equitable economic growth" through "more, better, and decent jobs and sustainable livelihoods and… stimulating the growth of the local private sector in developing countries and countries in transition."[16]

While explicitly promoting Canada's economic interests and domestic private sector, it remains unclear how exactly this strategy will be implemented in practice beyond supporting ad hoc initiatives. In this vein, DFATD runs the risk of making the same mistake for which the UK Department for International Development has just been chastised. The British Independent Commission for Aid Impact noted the DFID's inability to match its vision for the role of the private sector "into clear guidance for the development of coherent, realistic, well-balanced and joined-up country-level portfolios… In none of the countries we visited did we see a plan for – or assessment of – the cumulative impact of programmes, so it was unclear how well DFID's work overall is transforming the private sector as a tool for economic growth and poverty reduction."[17]

Will partnering with the private sector leverage positive development impacts and change for the poor? Certainly not, unless the partnerships and approaches are well thought out. As Canada's 2012 Peer review by the OECD DAC concluded, any private sector strategy should provide a clear rationale for Canada's engagement, including "well-defined aims, strategic objectives and transparent procedures for partnerships with private sector enterprises."[18]

A rapprochement with civil society?

In July 2010, CIDA launched its "Partnership Modernization and Effectiveness Framework", introducing new policy guidance on civil society funding and programming. The call-for-proposal mechanism became the sole modality for CSOs to access funding from the former Partnerships with Canadians Branch of CIDA. Despite the promise that the new call-for-proposal mechanism would "streamline the application process,"[19] it has instead been characterized by a lack of transparency, few funding opportunities, unacceptable delays, and inadequate resources to manage the process efficiently.

In June 2014, more than three years after the last set of major calls-for-proposals for CSOs, the CCIC

and the Inter-Council Network of Provincial and Regional Councils launched a report that assessed the impacts arising from the changing funding modalities, as well as new and emerging issues.[20] The absence of timely and predictable new funding opportunities for organizations has had a profound and detrimental impact on Canadian CSOs' capacity to deliver their programs on the ground. This in turn has had a negative knock-on effect on the counterparts and people with whom these organizations are working.

Among the headline findings of the study, revenue for a very significant number of organizations (44% of the 138 sample) has declined, affecting their capacity to sustain their development programs. This has led to actual or planned cuts in longstanding partnerships for 46% of the organizations surveyed; major reductions in the diversity of Canadian CSO activities on the ground, for 53% of the organizations surveyed; and significant reduction in staffing, reported by 43% of the organizations. CSOs confirmed that dialogue with the government has been ad hoc and selective. The resulting conclusions and recommendations of the report pointed to the urgent need for a new strategic partnership between the Canadian government and the Canadian development community.

Following a very tense period in the relationship between Canadian development and humanitarian CSOs and the government under the previous two Ministers, there are signs of a thaw under new ministerial leadership. In the words of the current International Development Minister, Christian Paradis, "Mobilizing the private sector does not mean we should ignore civil society."[21] Since early 2014, the Department has been taking definite steps towards re-establishing a more positive relationship with civil society.

In April, the Minister committed the Department to "protecting and promoting an enabling environment for civil society—in law, in policy and in practice."[22] He also indicated the Department would, "provide predictable, equitable and transparent funding opportunities through different modalities that support the diverse roles of civil society; and… promote a multi-stakeholder dialogue to inform and facilitate a diversity of perspectives and approaches."[23] New funding announcement have followed, albeit none of them major, as have a series of roundtables on a range of issues. And in June, the DFATD launched consultations on a draft Civil Society Partnership Policy. The coming months will be critical in determining the space for CSOs in Canada's aid programs –whether as a mere instrument to further government priorities, or as independent development actors in their own right, with decades of development experience to bring to the table.

Conclusion

How will these trends in Canadian ODA converge with global efforts to establish the post-2015 sustainable development agenda and a new set of Sustainable Development Goals (SDGs)? Cooperation for effective development impacts will not be achieved without engaging the full array of development actors: governments at all levels, parliamentarians, civil society organizations, citizens, and the private sector, in particular the local private sector.

But partnerships do not occur simply by bringing these different entities together. They require development strategies with clear objectives and modalities for implementing them, and ways to assess the outcomes, both short-term and long-term. They require policies and legislation in place to facilitate the roles of these different actors, while promoting and protecting the

environment and the basic rights of citizens and CSOs. They benefit from dialogue, drawing on the evidence and experience of these different actors. And they need to be resourced through flexible, diverse and predictable mechanisms.

The Canadian environment for moving forward on the SDGs is one that is witnessing a massive decline in aid resources, while decisions about their use become increasingly aligned with Canadian commercial and foreign policy interests. How will the DFATD reconcile these policy orientations with the urgent need for countries like Canada to live up to the UN goal of 0.7% of GNI for its ODA, with the commitment to respond to developing country ownership of their development priorities, inclusive partnerships with all development actors, and sustainable outcomes that reduce poverty and tackle inequality, leaving no one behind? Evidence to date suggests that it may only be possible by doing things very differently.

Endnotes

1 Berthiaume, L. (2013, April 29). Canadian aid experts raise concerns about 'lapsed' funding for world's poorest. PostMedia News. Retrieved from http://o.canada.com/news/canadian-aid-experts-raise-concerns-about-lapsed-funding-for-worlds-poorest

2 Organisation for Economic Co-operation and Development (2014, April 8). Aid to developing countries rebounds in 2013 to reach an all-time high. Retrieved from http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm

3 Finance Canada (2013, March 21). "Jobs, Growth and Long-Term Prosperity - Economic Action Plan 2013," pp. 240-241. Retrieved from http://www.budget.gc.ca/2013/doc/plan/budget2013-eng.pdf

4 For more views on this, see Reilly-King, F. (2013, April 2). "Commitment, not coherence, is what is needed – the end of CIDA." Retrieved from http://www.ccic.ca/blog/commitment-not-coherence-is-what-is-needed-the-end-of-cida/

5 Foreign Affairs, Trade and Development Canada (2013, March 21). "Today, the Honourable Julian Fantino, Minister of International Cooperation issued a statement following the release of Economic Action Plan 2013." Retrieved from http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/ANN-321154018-R3R?OpenDocument

6 For more details, see Canadian Council for International Co-operation (2013, April 29) Creating the Department of Foreign Affairs, Trade and Development: Benchmarks for more effective and coherent international development and humanitarian assistance. Retrieved from http://www.ccic.ca/_files/en/what_we_do/2013-04-29_Benchmarks_for_development_and_HA.pdf

7 CAIDP (2013). "Report on the New DFATD Organization Chart," Canadian Association of International Development Professionals, Quarterly Bulletin, Number 3, 2013.

8 Foreign Affairs, Trade and Development Canada (2014, February 25). The Official Development Assistance Accountability Act. Retrieved from http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/FRA-121185349-JB8

9 Office of the Auditor General of Canada (Spring 2013). "Chapter 4: Official Development Assistance through Multilateral Organizations" in 2013 Spring Report of the Auditor General of Canada. Retrieved from http://www.oag-bvg.gc.ca/internet/docs/parl_oag_201304_04_e.pdf

10 CIDA (October 2011). "Stimulating Sustainable Economic Growth – CIDA's Sustainable Economic Growth Strategy." Retrieved from http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUImages/EconomicGrowth/$file/Sustainable-Economic-Growth-e.pdf.

11 Government of Canada (2014, June 19). Project profile: Creating the Canadian International Institute for Extractive Industries and Development, Retrieved from http://www.acdi-cida.gc.ca/cidaweb%5Ccpo.nsf/projEn/S065811001

12 Department of Foreign Affairs, Trade and Development (2013, October 21). "Private sector and development – Working with the private sector as a partner in development." Retrieved from http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/En/JUD-1118141247-QJJ

13 Government of Canada (2013). Global Markets Action Plan – The Blueprint for Creating Jobs and Opportunities for Canadians Through Trade, p. 15. Retrieved from http://international.gc.ca/global-markets-marches-mondiaux/assets/pdfs/plan-eng.pdf

14 Ibid, p. 11.

15 See for example Commission on Growth and Development (2008). The Growth Report: Strategies for Sustained Growth and Inclusive Development. Retrieved from http://go.worldbank.org/FC797ZNZP0.

Developed by 22 leading economists who examined the policies and strategies of countries that had achieved rapid and sustained economic growth and poverty reduction over the past 25 years, the Report notes that while each country context is different, in all cases the state was the primary engine of growth, an analogy that sees the private sector as fuel.

16 CIDA (2003). CIDA's policy on private sector development. Retrieved from http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/REN-218124828-P9B, page 1. Furthermore, the policy recognizes the importance of the principles of local ownership, participation and capacity building, alignment with national development priorities, and harmonization with other donors.

17 Independent Commission for Aid Impact (May 2014). DFID's Private Sector Development Work, Report 35, p. 1. Retrieved from http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf

18 Organisation for Economic Co-operation and Development (OECD) (2012). Canada - Development Assistance Committee (DAC) PEER REVIEW, p. 11. Retrieved from http://www.oecd.org/development/peerreviewsofdacmembers/canadapeerreview2012.pdf

19 CIDA (2010, July 22). Minister Oda announces next step to CIDA's aid effectiveness, Press Release, Retrieved from http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/cec-722111726-kxg

20 CCIC and the ICN (June 2014). Establishing an enabling environment for civil society organizations in Canada. Key issues affecting Canadian international development and humanitarian organizations. Retrieved fromhttp://www.ccic.ca/_files/en/what_we_do/june_2014_final_draft-full_report-establishing_an_ee_for_csos_in_canada.pdf

21 Foreign Affairs, Trade and Development Canada (2014, May 14). "Address by Minister Paradis: CCIC & CAIDP Conference on 'Redefining Development Partnerships: A New Role for Canadians in Global Equality and Cooperation.'" Retrieved from http://www.international.gc.ca/media/dev/speeches-discours/2014/05/14a.aspx?lang=eng

22 Foreign Affairs, Trade and Development Canada (2014, April 17). "Statement by Minister Paradis on Canada's Commitment to Protect and Promote an Enabling Environment for Civil Society." Retrieved from http://www.international.gc.ca/media/dev/news-communiques/2014/04/17c.aspx?lang=eng.

23 Ibid.

New Legal Framework in Denmark

Focus on fighting tax evasion

Hannah Brejnholt Tranberg; Lars Koch; Mathias Ljørring and Kira Boe
Action Aid Denmark, Ibis, & Global Focus — Danish CSOs for Development Cooperation

Overview

- In 2013, Denmark remained well above the UN 0.7% ODA target by delivering a total of €2.24 billion (US$2.9 billion) or 0.85% of gross national income (GNI). The government plans to stabilise ODA at 0.83% from 2014.
- Despite promising to bring Denmark's ODA back to 1% of GNI, the current government shows little progress.
- In 2012 Denmark enacted a new law on development cooperation, which explicitly focuses on cooperation and partnerships.
- The 2012 Strategy on Development Cooperation sets out four priority areas: human rights and democracy, green growth, social progress, and stability and protection.
- In October 2013, the Danish government launched a new strategic framework for Denmark's participation in EU development cooperation, which focuses on three priority areas: human rights; fragile states and stability; and green growth and employment.
- In June 2013, the Danish Ministry of Foreign Affairs published an implementation plan for Danish engagement in taxation and development in June 2013, with the aim of pushing issues of taxation and development, as well as illicit capital flows, higher on international agendas, as well as to strengthen the capacity of the world's poorest countries to collect taxes, ensuring fair taxation and closing tax loopholes.
- In June 2014, Denmark presented its Action Plan on Policy Coherence for Development (PCD), which concentrates Denmark's PCD efforts on EU policies, focusing on three strategic priority areas: trade and finance; food security and climate change; and peace and security.

Danish ODA Performance

By delivering 0.83% of GNI in ODA in 2014, Denmark remains well above the UN 0.7% target. There is broad political consensus that Denmark should stay above this target, but the current Danish government's promise to return to 1% of GNI in ODA is still far off.

The current government is led by the Social Democrats and came into power in late 2011. In its election platform it promised to increase development assistance to 1%. However, it has since refused to provide a timeframe for how and when to reach this goal. The 2014 aid level of 0.83% represented a decrease from 0.85% in 2013, putting Denmark further from the government's 1% target. Recent statements from the Minister for Trade and Development Cooperation show little commitment to reach this target.

Though continuously showing small nominal increases, Danish aid has stagnated in relation to the overall economy. In 2013, Denmark spent about €2.24 billion (US$2.9 billion) on aid, of which almost three-quarters was bilateral aid and one-quarter multilateral.

Slightly less than 20% of the total aid in 2013 (about €400 million or US$520 million), under OECD DAC rules, was allocated through funds other than the actual aid budget (such as the budgets for refugees and climate change, etc.). ODA disbursements include aid given through the EU budget (excluding the European Development Fund or EDF); deposits in investment funds with development objectives; and administration and first-year expenditures for housing and receiving asylum seekers from developing countries.

Notably, expenditures related to receiving asylum seekers have increased rapidly over the past years, rising from about 1.7% of ODA in 2008 to almost 5.5% in 2013. This rise is very problematic as aid is almost the same today as it was in 2008, as a proportion of GNI. Thus the share of GNI that is genuinely directed towards poverty eradication has been scaled down when the amount spent on refugees in Denmark is taken into account.

In order to enhance transparency, the government has for the last few years reported its ODA spending under two budget frameworks – one focusing on poverty reduction, and a second "global frame" focusing on efforts that are not directly linked to alleviating poverty, but include other forms of international assistance. The latter cover issues such as the fight against climate change, refugee costs in Denmark (see above), debt relief, initiatives through the Danish private sector, including aid tied to business, and spending in certain non-Least Developed Countries (LDCs). This reporting makes it easier for civil society to monitor changes in the policy focus and objectives of Danish ODA.

During recent years, spending under the poverty framework has increased slightly, to about 82% of total spending (excluding administration). But according to the most recent budget figures proposed for 2015, these expenditures will decline to below 78% — the lowest level since the introduction of the two budget frameworks in 2012. There is a risk that this shift in the Danish aid budget will undermine the poverty reduction focus and legitimacy of Danish aid.

A significant amount of aid targeting the private sector remains tied to Danish business interests. While these budget lines remain fairly stable, there is growing political interest in engaging the Danish private sector in development cooperation. Also, security interests continue to play a major role in bilateral aid spending. Denmark has been including its climate finance in ODA, despite having committed in international climate negotiations to provide new and additional funds. When excluding funding for climate and environment, the remainder of ODA constitutes 0.80 % of GNI.

Public perception of aid

In late 2013, Danish development aid spending and administration found itself unwittingly at the centre of national and international media attention. Danish support to the Global Green Growth Institute (GGGI) in South Korea was heavily questioned by the media, CSOs and politicians alike. The GGGI was criticised for its lack of focus on poverty reduction and for overspending on administration costs (such as travels, offices, etc.). The case not only spurred a public debate about the use and administration of development funds, but it also resulted in a more professional discussion about what are appropriate initiatives for support by Danish ODA.

The case and media attention reached its climax when the Minister of Development Cooperation, Christian Friis Bach, chose to step down as a result of his role on the GGGI board. A subsequent

opinion poll has showed a significant decrease in public trust in the management of aid funds.

New legal framework

A New law

In 2012 Denmark enacted a new law on development cooperation, replacing a law from 1971.[1] The new law is explicitly focused on development cooperation, while the old law it replaced simply referred to 'aid to developing countries'. This change in wording is important as it underlines the fact that Danish development aid is not just charity, but rather a partnership between Denmark and developing countries.

In the new law, the objective of Danish development cooperation is to fight poverty and promote human rights, democracy, sustainable development, peace, and stability. It is also recognized that conditions in developing countries are not only affected by donor development policies. Other policy areas play an important role as well.

The new law reflects an important new shift, in that a human rights based approach (HRBA) is to be mainstreamed into all Danish foreign policy and Denmark aims to advance HRBA in all international forums, including the EU. Danish civil society was particularly pleased to see this approach reflected in the law, although some scholars have debated the effectiveness of HRBA in terms of promoting economic development.

A New development strategy

In working towards the objectives of fighting poverty and ensuring human rights, Denmark's 2012 development strategy, 'The Right to a Better Life,'[2] sets out four priority areas: human rights and democracy, green growth, social progress, and stability and protection. These priority areas are interlinked, and a starting point for working on them will be human rights principles of participation, non-discrimination, accountability, and transparency.

Under the heading of human rights and democracy, Denmark will seek to promote good governance, civil society, democratic institutions, equality, and international cooperation on human rights, democracy and good governance. At the same time Denmark will combat tax avoidance and tax evasion (see below) and promote fair taxation of natural resources.

As for green growth, the strategy sets out objectives for ensuring the sustainable management of natural resources, resource efficient food production, and the access of developing countries to sustainable energy sources.

Social progress means supporting civil society and the social sectors through budget allocation, multilateral efforts, and in political dialogue with developing countries.

As part of the fourth priority area, stability and protection, Denmark will work on conflict prevention, dialogue and mediation as well as state building and peace building in fragile states.

A Human rights based approach in the new law and development strategy

Both the new law on development cooperation and the new development strategy reflect a major new commitment to a human rights based approach. Obtaining full human rights requires a state with the will and ability to respect and protect the rights of its citizens, but also demands an informed and active citizenry and civil society. Denmark will thus support the development of a strong and independent civil society empowering

the weakest and most marginalized in society. This may involve changing power relations within countries, and between countries, and thus might not be a process free of conflict.

Partnerships in the new development strategy

Denmark's international cooperation is based on partnerships, which must be flexible and context specific. As part of the new development strategy, Denmark is aiming to focus its partnerships with a limited number of priority developing countries. In each of these countries, Denmark will use different instruments and competencies.

At the same time, Denmark will look to new partners, particularly the private sector, in working for development and poverty reduction.

A New Strategic framework for Denmark's participation in EU development cooperation

In October 2013, the Danish government launched a new strategic framework for Denmark's participation in EU development cooperation: 'Together for a better world'.[3] The strategy focuses on three areas of priority for Denmark's engagement: human rights; fragile states and stability; and green growth and employment, through which Denmark will focus its engagement and take the lead in relevant processes in EU development cooperation. Under each priority area, various tracks of action are laid out in line with the new overall strategy of Danish development cooperation. Shared results through coherent policies, joint analysis and programming, and budget support, ownership and accountability are the main approaches within each priority area.

Part of rolling out the first of the above-mentioned approaches, i.e. working towards coherent policies, involves the development of a Danish action plan for policy coherence for development (PCD).

An Action plan on Policy Coherence for Development

In June 2014, Denmark presented its Action Plan on Policy Coherence for Development (PCD) 'A Shared Agenda'.[4]

PCD is an approach and a policy tool for integrating the multiple dimensions of development at all stages of policy making. It is a legal obligation in the EU, as stipulated in Article 208 of the Lisbon treaty: *"The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries"*.

The Danish Action Plan concentrates Denmark's PCD efforts on EU policies, focusing on three strategic priority areas: trade and finance; food security and climate change; and, peace and security. Within each strategic priority area, a limited number of political objectives have been established for the next few years. The Action Plan not only clarifies the objectives, but also sets out clear policy tracks to reach those objectives. All relevant ministries are involved, as is civil society. The process is to be monitored by the Committee on European Affairs in the Danish Parliament.

The Action Plan is the first of its kind in Europe, and if implemented well and fully, it could be an example of good practice on how to work on PCD. The actual implementation is yet to begin and it will be monitored closely by civil society.

Private sector involvement

Alongside other donors, Denmark is also showing a growing interest in engaging the private sector in development cooperation. This priority has recently been highlighted by the appointment of Mogens Jensen as Minister for both Development Cooperation and Trade.

The development of private-public partnerships holds interesting potential both in terms of the operational impact and the broader support for aid spending. However, there is also reason to be cautious in the design and implementation of new and existing aid modalities — especially the risk of a shift of objectives away from poverty reduction towards an approach driven more by Danish commercial and economic interests.

A Case Study: Taxation and development

Domestic revenue mobilization is key to development. However, every year developing countries lose millions in tax revenue foregone. In fact, each year developing countries are estimated to lose up to US$160 billion in revenue due to money hidden in tax havens[5] – more money than they receive in aid.[6] Moreover, it is estimated that developing countries also lose up to US$138 billion in tax revenue foregone, as a result of favourable corporate tax incentives.[7] Consequently, public sectors in developing countries find it even harder to meet their obligations and deliver the required public services.

It follows from this context that fighting tax dodging and investing in fair taxation, improving the capacity of tax authorities to collect taxes, and other similar measures could provide a big opportunity as a means to increase public revenues. Moreover, fairer taxation would also help minimize growing inequalities, particularly in middle-income countries. But if positive development impacts are to be attained, progressive taxes must be coupled with progressive spending. Mobilisation of domestic revenues will not be able to cover public expenditures anytime soon in developing countries, hence it must be supported with development aid. This agenda has caught the attention of many countries, including Denmark, and has led to an increase in the interest in the relationship between taxation and development.

As mentioned above, in Denmark development and trade have been linked in the 2012 Danish strategy for development cooperation: "*Development cooperation is increasingly serving as a catalyst for trade, investments, higher tax revenues and new sources of financing.*"

This orientation has naturally led to an increased interest in fighting tax avoidance. And the Danish strategy for development cooperation includes strong commitment to working on this agenda and goes on to promise that Denmark will "*strengthen efforts in the fight against tax loopholes, address illicit financial flows and promote a fair taxation of natural resources in the world's poorest countries.*"

Proving itself sincere about this commitment to work on taxation and development, the Danish Ministry of Foreign Affairs published an implementation plan for Danish engagement in taxation and development in June 2013, known as: "Udmøntningsplan: Styrket dansk engagement inden for skat og udvikling."[8] The aim of the implementation plan is to push issues of taxation and development, as well as illicit capital flows, higher on international agendas. It also aims to strengthen the capacity of the world's poorest countries to collect taxes, ensuring fair taxation and closing tax loopholes.

More specifically, the implementation plan concentrates on four areas; namely,

1. Increased efforts to strengthen tax systems and close tax loopholes in Danish priority countries;
2. Fighting illicit financial flows and increasing financial transparency;
3. Encouraging more efficient and fair taxation of extractives and natural resources, including in fragile states; and
4. Coherent policies that work toward development.

The funding for Danish engagement in taxation and development is an integral part of development cooperation, which will facilitate longer-term planning and follow-up and ensure greater sustainability of initiatives. An additional 10 million DKK (US$1.7 million) was allocated in 2013 in support of new initiatives with international organizations working to increase transparency and anti-corruption and fighting illicit financial flows. A fundamental aspect of the plan is the fact that Danish embassies will strive to ensure issues of taxation, development and financial transparency are reflected in country programming.

The initiatives in the implementation plan are good and sound. However, it will be essential for Denmark to follow-up with a coherent approach, one in which Denmark plays a more active role in the EU and other international forums to support progressive taxation and activities that are advantageous to the poorest countries. Therefore, our recommendations would be the following:

- The implementation plan stresses the importance of policy coherence, which means that it is critical that ministries that deal with the subjects of development, tax and trade engage properly with each other and commit to ensuring policy coherence.
- Denmark should push for comprehensive Country-by-Country reporting to become a requirement for all sectors, not only the bank sector as the currently the case. This means all companies should disclose information regarding budgets, turnover, staff costs and numbers as well as assets etc. for each of the countries in which they have a presence and do business, and not only at a cumulative/global level – which is the case at the moment.
- Denmark should push for public lists of beneficial ownership, which means that information about who actually owns businesses should be collected and made publicly available.
- In general, Denmark should promote greater transparency, thus making the use of tax havens and tax dodging unacceptable behaviour, ultimately leading to an increase in tax revenues and thus to better provision of public services.
- Therefore, it would obviously be preferable for the African Guarantee Fund to be moved out of the tax haven in which it has been established.

Conclusion

The new Danish legal framework sets out impressive, progressive and participatory targets and objectives. The Danish civil society will closely monitor implementation, as there are little or no guarantees in the political sphere.

The new legal framework makes it clear that Denmark only gives aid in partnership with developing countries. While the old law from 1971 simply referred to 'aid to developing countries,' the new law is focused on cooperation and partnerships.

The Danish government is increasingly focused on structural causes of poverty, human rights, private sector development, and the improvement of EU legislation for the betterment of developing countries.

Endnotes

1 https://www.retsinformation.dk/forms/R0710.aspx?id=142451

2 http://um.dk/da/~/media/UM/Danish-site/Documents/Danida/Det-vil-vi/right_to_a_better_life_pixi.pdf

3 http://amg.um.dk/en/~/media/amg/Documents/Policies%20and%20Strategies/Horisontal%20strategic%20frameworks/EU-samarbejde_UK_web.pdf

4 http://fnnewyork.um.dk/da/~/media/UM/Danish-site/Documents/Danida/Nyheder_Danida/2013/2%20Handlingsplan%20PCD.PDF

5 http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf

6 ibid; http://www.oecd.org/dac/stats/

7 Give us a break: How big companies are getting tax-free deals (ActionAid 2013)

8 http://um.dk/da/~/media/UM/Danish-site/Documents/Politik-og-diplomati/Nyheder_udenrigspolitik/2013/Udmoentningsplan%20skat%20og%20udvikling_juni%202013.pdf

Finland

Development policy towards 2015: downhill ODA

Pauliina Saares
Kepa

Overview

- Finland's development cooperation is guided by a Development Policy Program (2012), which emphasizes a human rights-based approach to development.
- Finland will not achieve the UN goal of 0.7% by 2015. Instead, annual ODA cuts between €50 million and €100 million (US$65 million to US$130 million) are budgeted for 2015-2018. Estimated performance for 2015 is 0.48 % of gross national income (GNI).
- Most of bilateral cooperation is implemented through country programs in long-term partner countries – Ethiopia, Kenya, Mozambique, Nepal, Zambia and Tanzania. Finland is withdrawing from Nicaragua, shifting into new modalities with Vietnam, and increasing cooperation with Myanmar.
- There is an increased emphasis on fragile states, notable allocations to Afghanistan, Somalia and South Sudan.
- There is also more emphasis on private sector cooperation. Issues relating to tax evasion and corporate responsibility are topical, but more policy coherence for development is needed in practice.

Current policy and discussion

Finland pursues a human rights-based approach to development through the guidelines established by its Development Policy Programme, adopted in 2012. There are four priority areas in development cooperation and policy: 1) A democratic and accountable society that promotes human rights; 2) An inclusive green economy that promotes employment; 3) Sustainable natural resources management and environmental protection; and 4) Human development. Gender equality, climate sustainability and reducing inequality are seen as crosscutting objectives, which should be part of all activities. Principles of effectiveness, coherence, openness, transparency, ownership and accountability guide development cooperation. Alongside the Millennium Development Goals (MDGs), the programme builds on aid effectiveness commitments made in the 2005 Paris Declaration, the 2008 Accra Agenda for Action and the 2011 Busan Partnership.[1]

The emphasis on human rights is not new to Finnish development policy, but is still a significant step away from the previous government's export-driven thinking. Overall, this new policy alignment was well received in 2012. Minister Heidi Hautala (the Green League) and her staff were given positive feedback, especially for the participatory manner in which the programme was prepared. CSOs were particularly happy to see a Human Rights-Based Approach (HRBA) as the guiding star, and many other key CSO asks, such as democratic ownership and policy coherence, included as principles. After the disappointment for CSOs in the modest advances on development effectiveness globally in Busan, it seemed as if at least Finland among other Nordic countries was doing the right thing.

Development policy and cooperation are not given a lot of public attention in Finland. Usually, only cases with corruption and misuse of funds reach the news, and coverage has been marginal. Even the large ODA budget cuts of recent years have not made headlines in major media channels. No loud protests have been organized; even the CSOs have somewhat accepted the harsh reality.

For several years, approximately four out of five Finns have expressed their support for development cooperation. In 2014, 82 % thought development cooperation to be important.[2] Despite this wide public support, it seems that for politicians ODA is an acceptable and easy budget to cut. The economic crisis gives an excuse for decreasing budgets for programmes to "others than Finns." The populist Finns Party recently proposed ODA funds to be covered by a voluntary tax with only some stimulus support from the government budget.

As a measure of transparency and a response to persistent perceptions of misuse of ODA in development projects, the Ministry for Foreign Affairs recently introduced a "corruption button" on its website. This button is a tool for anyone to report possible corruption. Instead of a focus on effectiveness and results, the development professional-public dialogue still tends to concentrate on tracing whether every euro given is received and used by whom it was intended. Governments and professionals alike have not successfully communicated the important initiatives and outcomes from the international development effectiveness process.

If development cooperation as such is not gaining attention, public discussion on some wider global governance-related issues, such as tax evasion and tax havens, has intensified recently. The importance of assisting developing countries to improve their tax systems is acknowledged in the Development Policy Programme. The Programme calls for global action to prevent tax evasion and curb illicit capital flight and lists actions to be taken in order to close tax havens. These include the improvement of the exchange of tax information between states, the development of international standards pertaining to the maintenance of accounting records, and increasing and making more stringent the reporting obligation of companies and the exchange of information between jurisdictions. International financial transaction taxes are suggested as an example of policies to stabilize the global market as well as provide further finance for development and climate efforts.

Despite these commitments, policy and practice do not fully coincide when tackling tax-related capital flight. According to Kepa, improved policy coherence is needed, as the Ministry of Employment and Economy and the Ministry of Finance do not take developing country interests into account systematically enough when drafting Finland's positions for global fora. Some steps forward have been taken, including: preparation of a joint action plan of ministries on tackling international tax evasion; ensuring that CSOs are heard more often in policy processes, establishment of a policy banning tax haven investments for the Finnish Development Finance Institute (Finnfund), and financial support for the Tax Justice Network's work on transfer pricing between Finland and Tanzania.[3]

Cooperation with the private sector has also gained a lot of attention in Finland's recent development policy dialogue. The role of Finnish companies in development cooperation has been increasingly important for both the current and previous government, and the economic crisis has clearly underlined these approaches. The 2011 government program states that Finland will support projects for the enhancement of international norms and

rules concerning corporate responsibility, and will promote better observance of corporate responsibility in government economic policy and public procurement. The program also sets a goal to place Finnish companies as forerunners in corporate responsibility matters.[4] However, recurring cases of Finnish companies operating in an irresponsible manner in the global South clearly demonstrate the problem of the voluntary nature of corporate responsibility measures and the lack of policy coherence for development.

Even though some progress has been made on issues such as corporate responsibility or sustainable development impacts, public discussion still revolves mainly around the interests and needs of the Finnish companies. The latest embodiment of this theme is the Team Finland network, consisting of the Ministry of Employment and the Economy, the Ministry for Foreign Affairs and the Ministry of Education and Culture, publicly funded bodies and Finnish offices abroad. As the network's main objective is to promote Finland and its interests abroad, it has been criticized for being yet another initiative focused solely on export promotion.

Policy in practice: Centralization and human rights

Finland implements its development policy through bilateral, multilateral and regional cooperation, humanitarian assistance, the EU, and through CSOs and the private sector. Multilateral and bilateral cooperation receive the largest share, with CSO funding coming in third, and humanitarian aid fourth. In 2012, 33% of ODA was disbursed for multilateral cooperation, and 31 % for bilateral assistance. CSOs received 12 % and humanitarian aid 11 % of ODA.[5]

In order to decrease fragmentation, a new results-based approach has been introduced in the Ministry for Foreign Affairs, and the number of partners has been reduced. Finland's long-term partnerships give a good indication of policy in practice. Geographically, Finland's development cooperation focuses on the Least Developed Countries (LDCs) in Africa and Asia. The long-term partner countries — Ethiopia, Kenya, Mozambique, Nepal, Zambia and Tanzania — receive most of Finland's development cooperation. Each of these countries has a country strategy, which has been elaborated together with Finland, defining areas of joint cooperation and indicators to monitor the effectiveness of the efforts.

Vietnam had been one of the long-term partners, but since the country rose from an LDC to lower-middle income status, Finnish development cooperation will gradually shift into new modalities. A new partner from Asia has emerged, as Finland's cooperation with Myanmar will grow. According to the Ministry of Foreign Affairs, Finland plans to raise its funds to Myanmar from the current €3 million (US$4 million) to €16 million (US$20 million) by 2016 in order to support the country's evolution towards democracy.

Finland's withdrawal from Nicaragua is perhaps one of the most concrete examples of the HRBA policy being implemented in practice. Along with the new programme in 2012, Finland announced that it would stop bilateral cooperation with Nicaragua. Budget support had already been suspended. The decision to withdraw was partly based on the move to concentrate on LDCs in Africa and Asia, but also due to the growing concern over the human rights situation in Nicaragua.[6] The decision was praised for being a bold sign that Finland would not tolerate human rights offenses and act according to its principles. On the other hand, similar questions were asked about other partner countries, such as Ethiopia where human rights violations clearly occur and civil society is not fully free to operate. Criticism was also voiced for the possible negative effects the withdrawal might have on CSOs' work in the country. The government of Nicaragua was obviously not happy. Now, cooperation continues through initiatives at the regional level and through CSO cooperation.

One of the most recent shifts in Finland's development policy and cooperation has been the growing focus on fragile states. The specific

needs of fragile states were identified and given emphasis in the Development Policy Programme, as well as by the current Minister for International Development, Pekka Haavisto (the Green League). Mr. Haavisto has a long background in conflict resolution and peace mediation, having worked for example as the special representative of the European Union in Sudan where he participated in the Darfur peace talks. Finland has established a long-term commitment to Afghanistan, and allocations to Palestinian territories, Somalia and South Sudan have been substantial compared to previous years. During the last few years, Finland's ODA to Somalia and Afghanistan has doubled. In 2014 Afghanistan is the fourth largest bilateral recipient of Finnish ODA and in 2015 it will be third, right after Tanzania and Mozambique.[7]

The 0.7% goal by 2015: Promises not kept

Finland has not fully kept its promises in its commitment to contribute to eradicating poverty. Despite commitments made in the United Nations and the European Union, Finland will not achieve the goal of directing 0.7% of its GNI to ODA. The current government program states, "The Government's goal is to ensure stable development of appropriations, leading to the target level 0.7% share of GNI and meeting Finland's international commitments."[8]

Reaching 0.7% has also been confirmed as Finland's goal in the annual budget frame proposals of the Ministry for Finance, but since 2011 the target year of 2015 has been ignored.[9] The recent Government Report on Development Policy also states clearly that Finland still pursues a steady growth towards 0.7%. A hint of guilt might be found in the next sentence, where an aspiration to maintain a reputation as a responsible long-term partner is expressed.[10]

The failure to achieve 0.7% has not been a surprise. First, in 2012 the government decided to freeze ODA funds for 2013-2015 at its 2012-euro level. In 2013, cuts were budgeted for the 2015-2017 period: €59 million (US$76 million) for 2015, €30.5 million (US$39.5 million) for 2016, and €32 million (US$41 million) for 2017. In addition to the 2013 cuts, additional cuts were budgeted in 2014. This year, the government decided to decrease ODA by €50 million to €100 million annually during 2015-2018 period.[11] This means that Finland's ODA share of GNI will most likely be approximately 0.48% in 2015.[12]

In 2014 Finland's funds for actual development cooperation are €879.4 million (US$1,140 million) (with overall appropriations €1,102.6 million (US$1,428 million)), equalling a GNI share of 0.55%.[13] For 2015, the proposed budget is €788.2 million (US$1,020 million). In practice, even less is left for non-climate development cooperation, since instead of providing "new and additional" climate finance, Finland counts climate finance as part of its ODA. The budget proposal for 2015 estimates that €87.7 million (US$114 million) of ODA will be counted as climate finance.[14] An important key financing demand of Finnish development CSOs is to stop counting climate finance as part of ODA.

Interestingly, CSO funding is a sector that was not touched by the budget cuts, which will stay at the 2014-euro level for 2015. CSOs will increase their share of ODA to 14.5%, as overall funds are cut. In 2014, the share is approximately 13%. The decision to safeguard CSO funding has received understandable appreciation from Finnish development organizations, which through the umbrella organization Kepa have campaigned for a share of 15% for years.[15] On the other hand, the goal has been achieved through overall budget cuts.

In 2013, a decision was made to direct all income from the European emission-trading scheme to ODA. This allocation was explained as a compensatory measure for the ODA budget cuts, even though it was quite evident from the start that not enough would be acquired. In 2013 the income was €54.8 million (US$70 million).

Using the emission-trading income to patch the hole in ODA has been critiqued as an unpredictable tool, whereas development financing should be predictable and steady to ensure effectiveness. The emission prices vary and thus income, and political earmarking does not guarantee future use of the funds for development and climate efforts. The government has also been criticized for replacing cuts in its ODA, which is public responsibility, with a market-driven mechanism, and thus giving legitimacy for future cuts. Still, however insufficient and controversial, directing the emission-trading income to ODA has been one of the few efforts to initiate a new funding mechanism for development and climate finance.

Future challenges

In its 2013 annual review of Finland's development policy, the Development Policy Committee — a multi-stakeholder advisory body appointed by the Government — concludes that Finland is off to a good start in its implementation of HRBA. The review notes that the new approach is well written in all the policies and guidelines to inform general directions for the Programme. However, it suggests that more detailed discussion and practical guidelines are needed. The Committee also highlights the importance of developing monitoring and reporting tools to better measure the impact of Finland's HRBA policy in practice. Some of the recommended prerequisites for successful implementation at the country level include HRBA-grounded country analysis, better coordination and cooperation with like-minded donor countries, and more dialogue and cooperation with local civil society.[16]

Strategic influence in multilateral organizations and development banks is an effective way of implementing the development policy. Finland currently holds a board position in both the World Bank and African Development Bank. International policy processes are important as well. Within the UN post-2015 process to establish sustainable development goals, Finland has been co-chairing the Expert Committee on Sustainable Development Financing. The board positions and chairmanships provide valuable opportunities for Finland to implement its development policy and promote the human rights-based approach.

Nevertheless, one of the biggest obstacles for implementation of Finland's development policy lies in the lack of policy coherence. The issue is raised in the 2012 OECD-DAC peer review of Finland's development cooperation,[17] and in the 2013 and 2014 annual reviews of the Development Policy Committee.[18] It is also brought forward as an issue in Kepa's mid-term review of the government's development policy and in the government's own report on development policy.[19] In the recent report, the government renews its commitment to enhance policy coherence for development, for example, by increasing training and inter-ministerial dialogue.[20] Increasing policy coherence for development in issues relating to corporate responsibility, tax policies and other private sector cooperation will be a major challenge for the next government.

A new government will be formed after the spring 2015 parliamentary election, which most probably will bring changes to the Finnish development policy. The recent polls predict a centre-right or centre led government, but the populist party might also gain more support than expected, as has happened in previous elections.[21] Either way, it is unlikely that the next government will increase Finland's ODA. Finding other sources of development financing

and intensifying efforts on taxation and climate policies will become even more important. Whether the next government will continue to concentrate on human rights and make a greater effort to build on recommendations arising from the implementation of the current Development Policy Programme remains to be seen.

References

Development Policy Committee (2013): The State of Finland's Development Policy in 2013: No development without human rights, accessible at: http://www.kehityspoliittinentoimikunta.fi/public/default.aspx?contentid=283451

Development Policy Committee (2014): The State of Finland's Development Policy in 2014: Coherently towards equal opportunities, accessible at: http://www.kehityspoliittinentoimikunta.fi/public/default.aspx?contentid=307433&contentlan=2&culture=en-US

Eurodad (2013): Giving with one hand and taking with the other: Europe's role in tax-related capital flight from developing countries 2013, accessible at: http://www.eurodad.org/takingwithonehand2013

Kepa (2013): Kataisen hallituksen kehityspoliittinen kevättodistus

Kepa (2014): http://www.kepa.fi/jasensivut/jasenblogi/14900

Ministry for Foreign Affairs (2012): Finland's Development Policy Programme, accessible at http://www.formin.fi/public/default.aspx?contentid=251855&culture=en-US

Ministry for Foreign Affairs (2014): http://formin.fi/public/default.aspx?nodeid=15392&contentlan=2&culture=en-US

OECD Development Assistance Committee (2012): Peer Review 2012, Finland, accessible at http://www.oecd.org/dac/peer-reviews/finland.htm

Prime Minister's Office (2011): Programme of Prime Minister Jyrki Katainen's Government

Taloustutkimus, Rahkonen, Juha (2014): Kansalaisten mielipiteet kehitysyhteistyöstä

Taloustutkimus: http://www.taloustutkimus.fi/tuotteet_ja_palvelut/puolueiden_kannatusarviot/puolueiden-kannatusarviot-2014/

Ulkoasiainministeriö (2013): Kehityspolitiikkaa ja -yhteistyötä koskeva kertomus vuodelta 2012

Ulkoasiainministeriö (2014): Valtioneuvoston selonteko kehityspolitiikan vaikuttavuudesta ja johdonmukaisuudesta 2014

Valtiovarainministeriö: Talousarvioesitys (2011-2014)

Endnotes

1 Ministry for Foreign Affairs (2012): Finland's Development Policy Programme

2 Taloustutkimus, Rahkonen, Juha (2014): Kansalaisten mielipiteet kehitysyhteistyöstä

3 Eurodad (2013): Giving with one hand and taking with the other: Europe's role in tax-related capital flight from developing countries 2013

4 Prime Minister's Office (2011): Programme of Prime Minister Jyrki Katainen's Government

5 Ulkoasiainministeriö (2013): Kehityspolitiikkaa ja -yhteistyötä koskeva kertomus vuodelta 2012

6 Ulkoasiainministeriö (2014): Valtioneuvoston selonteko kehityspolitiikan vaikuttavuudesta ja johdonmukaisuudesta 2014

7 Valtiovarainministeriö (2013, 2014): Talousarvioesitys

8 Prime Minister's Office (2011): Programme of Prime Minister Jyrki Katainen's Government

9 Valtiovarainministeriö (2011-2014): Talousarvioesitys

10 Ulkoasiainministeriö (2014): Valtioneuvoston selonteko kehityspolitiikan vaikuttavuudesta ja johdonmukaisuudesta 2014

11 Valtiovarainministeriö (2012-2014): Talousarvioesitys

12 Ministry for Foreign Affairs (2014): http://formin.fi/public/default.aspx?nodeid=15392&contentlan=2&culture=en-US

13 Ministry for Foreign Affairs (2014): http://formin.fi/public/default.aspx?nodeid=15392&contentlan=2&culture=en-US

14 Valtiovarainministeriö (2014): Talousarvioesitys 2015

15 Kepa (2014): http://www.kepa.fi/jasensivut/jasenblogi/14900

16 Development Policy Committee (2013): The State of Finland's Development Policy in 2013: No development without human rights

17OECD Development Assistance Committee (2012): Peer Review 2012, Finland

18 Development Policy Committee (2014): The State of Finland's Development Policy in 2014: Coherently towards equal opportunities

19 Kepa (2013): Kataisen hallituksen kehityspoliittinen kevättodistus

20 Ulkoasiainministeriö (2014): Valtioneuvoston selonteko kehityspolitiikan vaikuttavuudesta ja johdonmukaisuudesta 2014

21 Taloustutkimus: http://www.taloustutkimus.fi/tuotteet_ja_palvelut/puolueiden_kannatusarviot/puolueiden-kannatusarviot-2014/

A Law, But Still No Changes in France's International Development and Solidarity Policy

Gautier Centlivre
Coordination SUD

Overview

The French government should:

- Respect France's commitments by devoting 0.7% of its gross national income (GNI) to aid;
- Rebalance the proportion of grants and loans;
- Double the amount of funds channelled through CSOs;
- Strengthen the transparency, accountability and efficiency of French aid; and
- For private actors who are supported by the French Development Agency, strengthen the requirements relating to social, environmental and fiscal responsibility, and human rights.

Introduction

In 2014, France made progress by adopting a law giving guidance for its international development and solidarity policy. Implementing the law, however, is challenging. Funds allocated to aid have continued to follow a downward trend since 2010, falling sharply in 2013, by 9.8%. This decline contradicts the official government rhetoric suggesting that aid amounts have stabilised. The decrease was accompanied by a significant reduction in various budget lines, which represent necessary support for the most vulnerable populations.

A law guiding France's international development and solidarity policy

The year 2014 was marked by the adoption of a law that provided guidance for France's international development and solidarity policy. For the first time in the Fifth Republic, Parliament and civil society contributed to determining the orientation of French development policy.

Throughout the legislative process, Coordination SUD stressed the importance of an ambitious approach to development based on support for reformed development practices, ensuring the consistency of all public policies, respect for human rights, and the regulation of economic and financial actors.

By engaging in this legislative process, France has expressed its willingness and ambition to develop a new dynamic for its development cooperation. However, this dynamic is constantly challenged by the budget plan. The Finance Act for 2015 provides a decrease of 2.78% in ODA allocations and a further decrease of 7.31% until 2017 — seven years of continuous decline of ODA and especially loans.

We know that the funding requirements for the achievement of the post-2015 sustainable development goals (SDGs) will be huge. ODA will represent only a small share of this funding.

However, in this context, the continuation of the decline in French public support appears simply stunning.

In addition, significant effort is still needed to improve transparency in the use of ODA funds in order to increase accountability. It is also essential to review the composition of French assistance in order to give priority to the fight against poverty and inequalities. As such, the importance given by the Government to "economic diplomacy" can only be a worrying trend that raises the risk of more tied aid.

Support for CSOs

Despite their multiple roles in international cooperation as humanitarian and development actors, technical experts, and advocates, French CSOs received only a very modest share (1%) of France's ODA. Non-governmental cooperation remains the "poor relation" of French cooperation. According to a recent survey published by the OECD, the OECD average for the share of ODA channelled through CSOs is 13%.

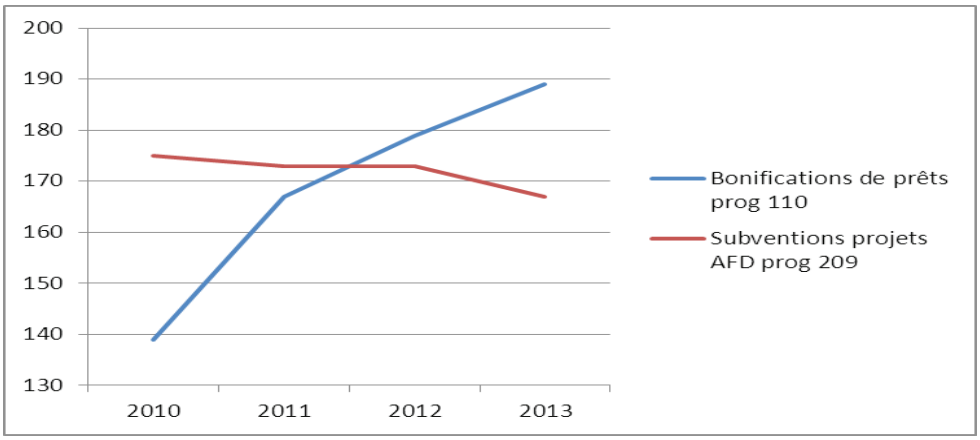
It is essential that France significantly improve its support for CSOs as development actors, creating conditions for cooperation based on true partnership. French CSOs have important programs in the field of international solidarity and development education, working closely with their partners.

Changing priorities in France's budget

France must adopt a more transparent and reformed ODA, refocused on development objectives and public interest, and stripped of its "old demons." Indeed, it is clear that ODA has too often been at the service of military, geopolitical, cultural and economic influence.

Moreover, French ODA is too often subject to budget cuts. The stated prioritisation of social sectors in poor countries is not reflected in the French budget effort. The significant increase of loans to middle-income emerging countries, with meagre concessions, has resulted in a diminution of grants funded by bilateral aid. The French Development Agency (AFD) seeks to minimise the cost of state commitments, and focuses on lending to creditworthy countries.

The following graph shows the evolution of grants and concessional loans in France's budget plans since 2010.



The poorest countries find themselves *de facto* excluded from this funding. Sub-Saharan Africa received only 35% of French bilateral aid in 2014. In contrast, France has devoted a growing part of its aid to middle-income countries, using the leveraging effect of subsidized loans with the intention of providing benefits to its own companies.

France's ODA should focus on local and national public policies that contribute to the fight against poverty and inequalities. Only the consistent deployment of grant financing in social sectors ensures the relevance of France's ODA instruments in the fight against inequality in least development countries (LDCs). France's ODA should target countries with the greatest need and with evidence of improving effectiveness.

"Economic diplomacy" and the role of private sector in development aid

A recent report by the European network Eurodad, titled, "A Private Affair" (July 2014), is concerned about the growing power and opacity of operation of development financial institutions (DFIs). This is the case in France, with respect to Proparco (branch of AFD), the European Investment Bank (EIB) at the regional level and at the international level, and the International Finance Corporation (IFC), a subsidiary of the World Bank.

These DFIs have raised capital steadily since the early 2000s. According to Eurodad, by 2015 these amounts should reach US$100 billion on a global scale, equivalent to two-thirds of ODA, with the purpose of funding support for businesses to invest in the South via loans, guarantees or direct and indirect holdings.

The investments in the private sector are not per se incompatible with development, but the fact that the orientation of DFIs essentially favours multinational firms is a problem. Between 2006 and 2010, 50% of this aid was distributed to companies of OECD countries and some even domiciled in tax havens. Forty percent of these grants are for very large companies. One must question the relevance of such investments to the actual satisfaction of social needs.

This orientation for the private sector in donor countries is easily explained if we consider the very low representation of developing countries in the decision-making committees of these institutions, not to mention the absence of consultations with civil society in investment choices. For Proparco, large French and international groups are even directly involved in the capital of the institution.

There are serious shortcomings in terms of transparency and the requirements of social, environmental and fiscal responsibility of DFI support for the private sector.

Moreover, the negative impacts that sometimes result from multinational firm activities on development and the environment cannot be ignored. It is necessary to supervise and regulate these private investments in order to ensure a fair tax contribution and the promotion of human rights.

In France, under the last government, the choice was made to link foreign trade with the Ministry of Foreign Affairs. The Foreign Office now puts economic issues at the forefront of its work. In its paper "The Foreign Ministry for Business,"[1] it is noted that diplomatic and political tools of influence will be mobilized to serve business and the attractiveness of investment in the French territory. This document also noted, "development policy will be better articulated with the French economic interests."

By putting the interests of national private actors at the heart of the French international strategy,

which involves a "reallocation of resources and means" to certain sectors or areas — primarily in the so-called emerging high-growth countries — France takes the risk that this priority will overshadow the financing requirements for managing the global commons, improved living conditions and human rights of people in the South.

How will the Government manage the tension between development policy and "economic diplomacy?" What are the consequences for LDCs and the most vulnerable populations?

For Coordination SUD, it is essential to disconnect aid from other purposes than those designed to meet the needs of poor and vulnerable people. The purpose of aid should not be to look for opportunities for French companies, but rather to encourage the development of businesses based in the recipient countries (local small and medium enterprises rather than local subsidiaries of Western multinationals).

Reference

http://www.diplomatie.gouv.fr/fr/squelettes/liseuse_pdf/78140/sources/indexPop.htm

Italy

Overhauling its development cooperation system in search for a fresh start

Luca De Fraia
ActionAid Italy

Overview

- At 0.16% of gross national income (GNI) in 2013, Italy's development cooperation ODA has been notoriously lagging behind the agreed targets in the international statistics released annually by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) for the past years.
- After many dry seasons, the prospects are for a change for the better with new political leadership responsive to the calls for improved Italian development cooperation from different quarters, including Partner countries, international institutions and NGOs.
- A new development cooperation program is now in place; Italian ODA may not go up dramatically in the next few years, but there is hope that it can be better in terms of coherence and effectiveness.
- CSO persistence and good political leadership can make a difference.

Recent Aid Performance

Italy's ODA performance in 2012 reached its lowest point in many years, when the DAC reported that its ODA was at 0.13% of GNI, along with Greece, and later adjusted the figure into a slightly less embarrassing 0.14%. In 2013, ODA increased slightly to 0.16% of GNI. In concrete terms, this means Italy's aid in 2013 was about US$3.3 billion, much less than other donors with smaller economies and possibly less than what some of the largest global foundations do in their best years.

Not surprisingly, Italy is one of the worst culprits when it comes to the EU's collective performance. In fact, the EU has committed to reaching "collectively" (EU institutions + all EU Members states) 0.7% by 2015; Italy's projected gap — according to the latest European Commission report — accounts for 21% of the total missing resources. Italian aid is estimated at around € 2.6 billion for 2014 (about US$ 3.3 billion), or 0.17% of GNI; in 2015, total ODA is expected to be about 3.1 billion euro (about US$ 3.9 billion) under present conditions, or 0.20% of GNI[1].

Why has Italy been doing so bad in fulfilling its aid commitments? Despite relentless CSO efforts to revamp the fate of the Italian development cooperation – backed by popular support according to the recurrent polls showing that Italians are not less generous than other nations – the country's leadership has been dominated by a cadre of politicians mostly intent on systematically squandering Italian credibility on international development cooperation.

There have been exceptions that only further prove the rule. Between 2007 and 2008, the centre left government brought the grant budget managed by the Ministry of Foreign Affairs to about €600 million (US$775 million) and €700

million (US$900 million) respectively. These were such considerable amounts that they raised concerns as regards the absorptive capacity of the machinery of the Ministry of Foreign affairs in charge of planning and processing funding proposals. In the end, the wise choice was to focus on multilateral voluntary contributions, including overdue fees to the Global Fund to Fight AIDS, Tuberculosis & Malaria and other international institutions. Italy's never-ending political instability since then ushered in a centre-right government that depleted those resources by 90%. By 2011, grants managed by the Ministry of Foreign Affairs were only about €90 million (US$115 million).

Reforming Italian ODA

Against all odds, the seeds of change were planted and about to yield results whenever the minimal conditions arose. The opportunity came in 2011, when the old political leadership was swept away by a rancorous economic crisis, fuelled by international finance targeting the huge Italian public external debt – above 120% of GDP. In November 2011 a government of technocrats was sworn in, bypassing general elections. The appointed Prime Minister, Mario Monti, was a well-known academic, and — most importantly to the international investors — the former EU Commissioner for Internal Markets, Customs and Taxation. Interestingly, he was adamant that he was responding to a call for change from civil society itself as he assumed the position of Prime Minister at such a difficult time for the country. Prophecies seemed to be fulfilled when it was announced that the cabinet would include a Minister for Cooperation and Integration. The picture turned out even brighter when the name was disclosed for this Minister: Andrea Riccardi, someone with a remarkable CSO pedigree.

Mr. Riccardi in fact is one the leading figures of the *Comunità di San Egidio*, a Catholic community which is known globally for its commitment to inter-religious dialogue and peace. The community played a pivotal role in the Rome General Peace Accords that brought about a peace agreement in civil-war-torn Mozambique. At about 12 months in office, Riccardi's government experience was short, following Prime Minster Monti's resignation in December 2012. Despite this limited time span, he managed to renew the debate on the future of the Italian development cooperation by convening a National Forum and securing a minimal increase in the ODA budget for 2013 to start reversing a steep downward trend.

The turning point for radical change materialised after the general elections of 2013. The ballots delivered an uncertain political verdict. After a first cabinet was sworn in on April 2013, the current Prime Minister Matteo Renzi assumed the government in February 2014. Deputy Minister Lapo Pistelli consequently finalised steps to table a bill to reform Italian development cooperation.

Highlights of the Reform

The good news is that the Italian Parliament gave its final approval to the new legislation at the beginning of August 2014. Domestically, this final approval was welcomed by many decision makers and interested observers even if the general political context could not be said to be favourable. The final vote on the reform legislation took place amidst fierce divisions around other legislation also being discussed by Parliament, including a substantive institutional reform.

Despite divisions across the political spectrum, approval of the aid bill was nearly unanimous with only two nays in the plenary voting sessions in the Senate and the Chamber of Deputies.

This is the final chapter in a story of attempted reforms that has spanned about twenty years. There is also an ironic side to this story: over the years, not many seemed to care about Italian cooperation, but, when it came to fixing it, all different sorts of interests coalesced to stop the reformers. The outcome is the product of the current political leadership in the Government and in the Parliament, which firmly pushed this reform through at last.

The legislation calls for a comprehensive reform, one that covers many aspects of development cooperation – from governance to stakeholder's participation, from transparency to the role of the private sector. It is worth noting a few of the signature changes as well as the issues that the implementing legislation, now in the making, will have to settle.

First, at the highest political level, development cooperation has become fully integrated into the Cabinet, as there is now a Ministry of Foreign Affairs and Development Cooperation. There will also be a deputy minister for development cooperation, who will take part in Cabinet meetings whenever issues of development concern are *directly* or *indirectly* on agenda. This wide latitude of action may bode well for an increased capacity to address issues of broader policy coherence with the objectives of development cooperation, which is explicitly mentioned in the legislation along with the Paris aid effectiveness principles.

In terms of planning and coordination, the Cabinet will endorse a rolling three-year plan to provide clear indications of priorities for Italian development cooperation. The three-year planning document will be subject to the scrutiny of the Parliament as well as an assessment by stakeholders gathered in the National Council for Development Cooperation, which brings together a variety of interested players – public and private – in a consultative forum. Other aid-providing ministries will take part in the planning process through an ad-hoc inter-ministerial committee.

The aid budget will be captured yearly in a specific section of the budget law, which will offer a comprehensive picture of the resources available to be allocated to ministries after agreement has been reached in the inter-ministerial committee.

Provisions in the law also include required reporting on an annual basis, which should mark a dramatic departure from the current practice, whereby members of parliament (MPs) get accounts with a two-year delay. These changes are not the only good news regards transparency, which should also benefit from a radical change of perspective, and more specifically, from the creation of a public online database to provide timely updates as aid activities are developed and carried out.

A key and essential reform in aid governance is the creation of a brand new Italian Agency for Development Cooperation. The Agency will operate under the Ministry of Foreign Affairs and International Cooperation's oversight in compliance with the Italian legislation. Creating the political space and will for an initiative for a stand-alone Agency has been the subject of arm-twisting for many years, with opposition fuelled by those from inside and outside the diplomatic community that fear a diminished role for the Ministry itself. But the Agency might provide a greater degree of permanent knowledge and responsibility compared to the current system, which is affected by the strengths and weaknesses of a diplomatic career based on regular job rotation.

One notable and important change is in the broadening of the community of the

development actors eligible for public funding through selection procedures. These actors are now expanded beyond national/local government entities and development NGOs to embrace a wide range of CSO players, which are only required to have development cooperation in their missions. These reforms go well beyond CSOs, as they acknowledge the for-profit sector as a development actor eligible for ODA funding. At this point, due to vigilant work on the part of CSOs, MPs amended the original draft legislation to state clearly that interested companies must abide by the commonly agreed Corporate Social Responsibility (CSR) standards. Companies involved in arms trading are definitely excluded.

Another outcome from the legislation is a provision for the creation of an Italian Development Financial Institution. This addition to the legislation was brought about in the second reading in the Chamber of Deputies, as the proposal was not included in the original draft tabled in the Senate. Technically speaking, the legislation is not creating a new body, but, rather, endows new development goals and capacities into the "Cassa depositi e prestiti," which is "a joint-stock company under public control, with the Italian government holding 80.1% and a broad group of bank foundations holding 18.4%, the remaining 1.5% in treasury shares.... [It] manages a major share of the savings of Italians – postal savings – which represent its main source of funding."[2]

Given its peculiar legal status, Cassa's accounts are not included in the national budget, which implies that any money that it disburses should not be reported as ODA. The intent is to utilise the leveraging capacity of these resources to mobilize other flows through appropriate blending mechanisms. Whether these ambitions will be fulfilled remains to be seen in the future.

The creation of the new policy and institutional context for Italian development cooperation is just beginning, as implementing legislation is needed to establish the actual working arrangements. In fact, within 180 days of publication of the law —the 29th of August 2014[3] — the statutes for the new Agency will have to be agreed upon, which in turn will pave the way for the appointment of the first Director. Within 90 days, the national council for development cooperation will have to come to life. The framework to operationalise the Italian financial institution still needs to be discussed. CSOs have put on the table a number of their concerns, including:

the right balance between the political leadership (the Minister/Deputy Minster, and the diplomats) and the operational arm (the Agency);

the Agency's capacity to seek funds from the public, which may erode CSOs' space;

fragmentation of resources – just partially addressed through the adhoc budget annex, which seems to be a feeble interpretation of the single trust fund called for by CSOs; and

the actual rules that will apply to the for profit sector.

Conclusion

A legitimate question remains: Will the current realities for Italian development cooperation change? As noted earlier, Italy is one of the worst performers when it comes to implementing global commitments. Unfortunately, Italy's poor ODA performance – 0.16% of GNI in 2013 – is an indisputable failure. So, will Italy's performance improve? On the plus side, efficiency, effectiveness and coherence may be better, given the substantive changes in governance,

transparency and planning. But the hopes for a better quantitative performance may rely on the new financial initiatives for Italian development cooperation, as grants and concessional loans cannot likely be expected to grow.

So the clock for implementing the reforms has definitely started ticking, but it is easy to predict that it may take at least 12 to 18 months for all the pieces to fall into place. A lot of work needs to be done. It is more important than ever that all stakeholders be given the opportunity to be part of the process. A major risk needs to be avoided – complexity: new arrangements need to be kept as simple as possible to bring on board public opinion, or else the much needed popular support for development cooperation will not materialise.

Last but not least, praise is in order for Italian CSOs. For many years, CSOs have been through many struggles for reform in the midst of on/off political interest on the part of political elites. Despite this difficult environment, CSOs sustained their efforts for the legislation and now some of their flagship demands are well planted in the reform. But active CSO engagement will continue to be necessary, to ensure that the final combination of structures and norms are up to the challenges of creating a new Italian development cooperation system ready for the post-2015 agenda.

Endnotes

1 Council conclusions on Annual Report 2014 to the European Council on EU Development Aid Targets FOREIGN_ AFFAIRS (Development) Council meeting Brussels, 19 May 2014

2 For more information please see http://www.cassaddpp.it/en/company-profile/mission-and-role/mission-and-role.html .

3 Law 125, 11 August 2014 - http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:legge:2014;125- Published on 29th August

Japan's Ongoing Revision of the "ODA Charter"

CSOs Opposing Securitization of ODA

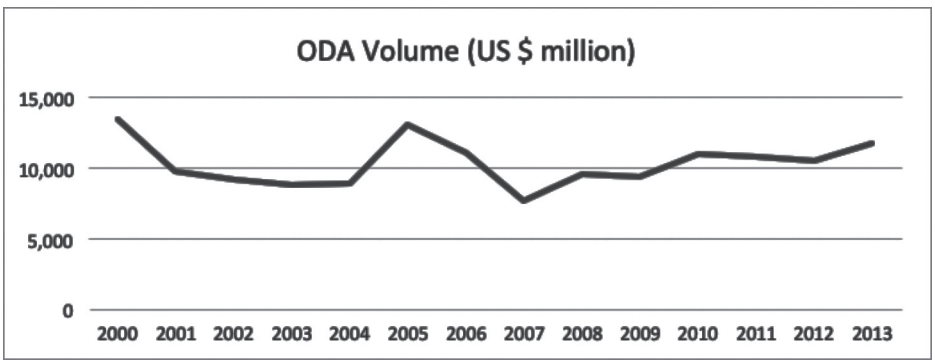
Akio Takayanagi
Japan NGO Center for International Cooperation

Overview

- According to the OECD Development Assistance Committee (DAC), Japan's Official Development Assistance (ODA) was US$11.8 billion (net disbursement) in 2013, an 11.1% increase (or 36.6% increase at 2012 prices and exchange rates) from US $10.6 billion in 2012. Japan is the fourth largest donor among the DAC. ODA accounts for 0.23% of Japan's GNI (Gross National Income), up from 0.17% in 2012.[1] The increase was due to a large debt-relief measure for Myanmar, and increased bilateral lending. It is unlikely that the increase in 2013 is a sign of sustainable increase of Japan's ODA.
- An important ongoing development (at the time of writing this chapter in August 2014) is that Shinzo Abe's Government is working on a revision of the "ODA Charter," which is the framework for Japan's aid policy. It is likely that the objective for this revision is the alignment of Japan's aid policy more closely with its national security policy and its own commercial interests.
- The report and the recommendations of the DAC Peer Review for Japan's ODA was released in July 2013. While the Peer Review's recommendations expect that Japan, in the revision of the ODA Charter, should emphasise and establish a prioritised agenda for meeting international development goals and poverty reduction, the Abe Government's ideas for aid seem to be going in the opposite direction.

Aid Volume and Allocation

The government's ODA budget, as reflected in the General Account Budget (the main budget), was cut by 0.7% for Fiscal Year (FY) 2013.[2] Despite this fact, net ODA for 2013 largely increased. While there was an increase in bilateral lending, the major reason for this unexpected upswing was a large debt-relief program for Myanmar, agreed to in May 2013, cancelling a total of 188.6 billion Yen (approximately US $1.9 billion) in debt.[3] Considering that ODA in the General Account Budget for FY 2014 was further cut by 1.3%, it is unlikely that the increase



(Source) DAC Annual Reports and Press Release

in 2013 is the first step forward for sustainable increase of Japan's ODA.

The geographic and especially the sectoral allocation of Japan's ODA has always been "unique," and Japan has often been criticised by DAC peers for this uniqueness. There have been little significant changes in these allocations of Japan's ODA.

In 2012, geographically, 70% of ODA went to Asia (37% to Southeast and East Asia and 32% to Southern and Central Asia; the DAC average for Asia is 34%). Only 14% was for Sub-Saharan Africa (DAC average: 37%). The top five recipients in 2011-12 were Vietnam, India, Indonesia, Afghanistan and China. Sectorally, 41% was allocated to economic infrastructure (DAC average: 16%), while only 25% to social infrastructure (DAC average: 41%).[4]

Revision of the ODA Charter

In March 2014, the Abe Government launched a process for a major revision of the ODA Charter, for the first time in 11 years. The ODA Charter is a government document that describes the objectives, principles and priorities of Japan's aid policy. Similar to the process for the last revision, an Experts Panel was organised, composed not only of international development experts and a CSO representative (JANIC's Chairperson, Masaaki Ohashi), but also security experts close to Abe and a private sector representative from Keidanren (the Japan Business Federation).

However, in the last revision there were only two CSO representatives out of twelve. This time, there was only one out of eight, which means a further decrease in the representation of CSOs in the Experts Panel. The Panel submitted its Report in late June 2014, but a revised Charter has not been finalized at the time of writing this chapter.

The "ODA Charter" was first approved by the Cabinet in 1992. The current Charter (revised in 2003) emphasizes humanitarian principles and the importance of working on global issues in an interdependent world as the objective of Japan's aid policy. The Charter (both 1992 and 2003 versions) also includes the following four principles.

1. Environmental conservation and development should be pursued in tandem.

2. Any use of ODA for military purposes or for aggravation of international conflicts should be avoided.

3. Full attention should be paid to trends in recipient countries' military expenditures, their development and production of weapons of mass destruction and missiles, their export and import of arms, etc., so as to maintain and strengthen international peace and stability, and developing countries should place appropriate priorities in the allocation of their resources on their own economic and social development.

4. Full attention should be paid to efforts for promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights and freedoms in the recipient country.

While the four principles remained the same, "assuring Japan's security and prosperity" was added as an aid objective when the Charter was revised in 2003.

The current revision of the Charter is in line with Abe's review of national security policy, which includes allowing the exercise of collective defence[5] and a loosening of restrictions on arms exports. The government's National Security

Strategy, approved by the Cabinet in December 2013, stipulates the "strategic utilization of ODA."[6] Vice Foreign Minister Seiji Kihara said at the first meeting of the Experts Panel, "in order to promote such universal values as freedom, democracy and human rights, ODA will play a role in security-related fields."[7] According to the Ministry of Foreign Affairs (MoFA), one reason behind the revision is the "diversifying roles of ODA." MoFA named the National Security Strategy and the "Japan Revitalization Strategy" (Abe's domestic economy strategy approved by the Cabinet in June 2013) as key related documents.[8] A policy paper by the Japan Business Federation, Keidanren, said that aid should be used to expand Japanese presence in the South. It would do so through public-private collaborations. This paper also recommended that Japan proactively propose projects to developing countries' governments and suggests a greater use of Japanese knowledge and experience through technical cooperation.[9]

After four meetings, the Experts Panel submitted its final Report to Foreign Minister Fumio Kishida at the end of June 2014.[10]

CSOs welcomed several aspects of the Report. For example, the Report regrets the recent decline of Japan's aid volume. It describes the importance of working on global issues and the Post-2015 sustainable development agenda. It considers it necessary the strengthening of human resource development in the aid agencies' field offices (Japanese embassies' aid teams and JICA field offices).

Diverse partnerships are emphasized with different stakeholders, including non-ODA governmental agencies, CSOs, the private sector, local governments, academia, international organisations, emerging donors (with triangular cooperation in mind), and other local actors in the field.

However, CSOs are also concerned about the direction of many of the Report's recommendations, including the following:

- The name of the Charter should be changed from "ODA Charter" to "Development Cooperation Charter," taking account an emphasis on increased private flows.
- While the principle of avoidance of ODA for military purposes should overall be maintained, on some occasions, non-combat military activities such as those related to peoples' lives and disaster relief should be supported.
- In order to simultaneously pursue economic development in the South and growth in Japan, there should be enhanced collaboration with Japanese private sector actors and a greater sharing of Japanese knowledge and experience in developing countries through development cooperation. In some cases, aid should support projects that are proposed by the Japanese private sector.
- Although there is reference to human security, human rights and "people-centred approach," a growth-centred view of development is dominant in the Report. Growth is emphasised as the primary basis for tackling poverty, while it also says that growth must be inclusive.
- Not only ODA, but also, more broadly, development cooperation for upper middle-income countries that have graduated from the DAC's list of eligible developing countries for ODA, should be enhanced.

The recommendation on support for non-combat military activities brought media attention, as it was a dramatic shift away from the Principle Two in the current Charter. This Principle — based on the peace principles in our Constitution — clearly prohibits the use of ODA for any military purposes.[11]

JANIC issued a statement on the Experts Panel Report immediately on its release.[12] JANIC's criticisms and concerns for the Report's recommendations can be summarized as follows:

- The primary objective of aid should be to support development and poverty reduction. Self-interest – political and commercial objectives – is given too much emphasis in the Report.
- The Report's views on the approach to making progress in development or sustainability are too growth-centred.
- The change of the name to the "Development Cooperation Charter" is problematic. While the private sector's impact on international development and poverty reduction is both positive and negative, the Report pays little attention to the negative side of an increased role of the Japanese private sector.
- From the experience of CSOs' humanitarian work, collaboration between aid actors and the military in emergency relief in areas under conflict has often exacerbated the existing conflicts. Therefore, CSOs believe that no activities by the military should be supported by aid.

In addition to the JANIC criticisms and concerns, it is also the case that aid effectiveness principles agreed in Paris, Accra, Busan and Mexico City are mostly neglected. For example, the idea of greater utilisation of Japanese knowledge in technical assistance and the notion that the private sector may proactively propose projects – probably included based on Keidanren's proposal – will likely lead to supply-driven aid, which will undermine the principle of developing country ownership.

At the time of writing this chapter, the government will be asking for public comments online, and consultations on the new ODA Charter will be held in November and early December. The government hopes the Cabinet will approve the new Charter before the end of this year (2014).

DAC Peer Review

The DAC meeting on Japan's Peer Review was held mid-June 2014 – interestingly just before the public submission of the Experts Panel's final Report – and the Peer Review was released in July 2014. The peer reviewers were Australia and France. Some of the most important of the Peer Review's 20 recommendations for Japan are highlighted below:[13]

1) Towards a comprehensive Japanese development effort

1.1) Japan should establish a prioritised agenda to ensuring that domestic and foreign policy choices are informed by an assessment of development goals, along with other goals. The planned revision of the ODA Charter could provide an opportunity to set out this approach clearly.

2) Japan's vision and policies for development co-operation

2.1) Japan should use the updating of its ODA Charter to emphasize its focus on meeting international development effectiveness commitments.

2.2) Japan should clarify the rationale for allocating aid across countries, channels and instruments.

2.3) Japan should further develop guidance on how to meet poverty reduction objectives across its entire portfolio, including for its co-operation in middle-income countries.

2.4.) Japan should ensure it has updated guidance and increased capacity to deliver on its policy objectives for gender equality and women's empowerment.

3) Allocating Japan's official development assistance

3.1) Japan should develop a roadmap to increase ODA to make progress towards meeting the 0.7% ODA/GNI target.

3.2.) Japan should continue to increase the share of ODA allocated to countries where assistance is most needed, including LDCs, bearing in mind international commitments.

4. Japan's development co-operation delivery and partnerships

4.1) Japan should reverse the decline in the share of its aid that is untied.

4.2) Japan should further engage with civil society in the countries where it works, based on a strategy and clear guidelines.

From what has been described in the previous section on the proposed revisions to the ODA Charter, it is apparent that the Peer Review's expectations for this revision are already being ignored or betrayed. The call by Abe's Government and the Experts Panel's Report's inclination, for a strengthened linkage between aid and Japan's self-interests — national security and commercial interests — is contrary to the Peer Review's recommendations calling for a prioritised agenda and a comprehensive framework for meeting internationally-agreed development goals, particularly the goal of poverty reduction.

The Experts Panel's Report regrets the recent downward trend of Japan's aid volume, but does not make any concrete recommendations for making progress towards meeting the 0.7% ODA/GNI target, which is recommended in the Peer Review. A growth-centric focus, dominant in the ODA Charter revision discussions, is also contrary to the Peer Review's recommendation to "further develop guidance on how to meet poverty reduction objectives across its entire portfolio." Moreover, this recommendation from the DAC can be interpreted as a request for Japan to change its emphasis on economic infrastructure to social infrastructure. The idea of enhancing aid to "graduated" countries is against the Peer Review's recommendation "to increase the share of ODA allocated to countries where assistance is most needed, including LDCs, bearing international commitments in mind."

Conclusion

Narrow-minded nationalism has characterized the Japanese Government since Shinzo Abe came back into office in December 2012, five years after his resignation in fall 2007. Abe has taken a hawkish approach to foreign and security policy, as evident in the emergence of the collective defence issue,[14] and his Government is planning to revise the pacifist Constitution. His hawkish and nationalist view on history has become a global concern.

The proposed revision of the ODA Charter, which emphasises political/strategic/security and commercial priorities, rather than developmental and humanitarian objectives, is part of this nationalist and hawkish agenda. It goes without saying that in this policy context, CSOs must urgently respond by engaging in the following:

- Advocate that the primary objective of aid must be to support human rights-based and people-centred development;
- From a global civil society perspective, question and oppose Abe's narrow-minded nationalist and hawkish agenda;
- Raise awareness among the Japanese public on these issues (and on its implications for the post-2015 agenda); and

- Bring the voices of Southern CSOs into the debate on revisions to Japan's ODA Charter.

Apparently, Abe Government's plan for the ODA Charter revision is going against many of the DAC Peer Review's recommendations; namely, to create a comprehensive framework, visions and policies for achieving international development goals and poverty reduction, poverty-focused policies and aid allocation, and to develop a roadmap for meeting the 0.7% ODA/GNI target.

In this light, the DAC Peer Review recommendations and the aid effectiveness principles can be important references for CSOs in their advocacy work towards human rights-based and people-centred international development cooperation policy, and in the promotion of public understanding on issues concerning aid.

Endnotes

1 DAC Press Release, 8 April 2014.

2 Japan's ODA has financial sources other than the General Account Budget, such as the Fiscal Investment and Loan Program (FILP). According to the Ministry of Finance, "FILP are long term low interest loans and investments by the government to achieve policies: financial support for small and medium enterprises, construction of hospitals and welfare facilities, scholarship loans, and securing of overseas resource rights. Procuring the capital through issuing FILP bonds, (a kind of Japanese Government Bond), FILP enables the execution of providing long-term and low-interest funds and large-scale and long-term public projects, which have strong policy needs, profitability and expected returns but are difficult for the private sector to deal with. Considering the harsh fiscal conditions, FILP are becoming increasingly important as fiscal measures which do not rely on tax funding." Ministry of Finance, FILP Report 2013. (http://www.mof.go.jp/english/filp/filp_report/zaito2013/index.html)

3 http://www.mofa.go.jp/press/release/press6e_000096.html

4 These figures are from OECD Development Co-operation Peer Reviews: Japan 2014.

5 There has been a long consensus in Japan that collective security is against Article 9 of our Constitution, but Abe's Cabinet announced that this interpretation of the Article should be changed.

6 Cabinet Secretariat, National Security Strategy, 2013, p.30: (http://www.cas.go.jp/jp/siryou/131217anzenhoshou/nss-e.pdf)

7 Asahi Shimbun (English Version), April 1, 2014. (http://ajw.asahi.com/article/behind_news/politics/AJ201404010044)

8 http://www.mofa.go.jp/mofaj/gaiko/oda/about/kaikaku/taikou_minaoshi/files/minaoshi_1403.pdf (in Japanese language. At the time of writing chapter, all resources regarding the Experts Panel is available only in Japanese)

9 Keidanren, "Keidanren Asks for Promotion of International Cooperation under a New Philosophy: Business Community's View on the Revision of the ODA Charter," June 2014: (http://www.keidanren.or.jp/policy/2014/046.html: in Japanese language only). Since late-1990's, Keidanren, in their various policy papers on ODA, has asked for increased tied aid, but there was no explicit ask for increased tied aid in this paper.

10 Final Report of the Experts Panel on Revision of the ODA Charter, June 2014. http://www.mofa.go.jp/mofaj/gaiko/oda/about/kaikaku/taikou_minaoshi/files/yusikisya_report.pdf (in Japanese language only)

11 Around the time the Experts Panel started its work, it was reported that the Abe Government wanted to lift the ban on the use of ODA for military purposes in order to support, for example, Philippines and Vietnam (both having territorial disputes with China) construct military-civilian ports (Asahi Shimbun, op.cit.), although MoFA, on occasions like the NGO-MoFA Regular Meeting, has denied this report.

12 http://www.janic.org/mt/pdf/pressrelease_odataiko1.pdf (in Japanese language only)

13 Quoting directly from OECD Development Co-operations Peer Reviews: Japan 2014.

14 On 28 July 2014, JANIC issued a statement to express concerns on the Cabinet's decision on collective defence See http://www.janic.org/mt/pdf/pressrelease_syudantekijieiken.pdf (in Japanese language only).

The Netherlands

Development aid and new partnerships

Youssef Rahman
Oxfam Novib

Overview

- A trend of cutting aid that began in 2010 continued in 2013, and is expected to continue until 2017.
- In 2013, the Dutch government spent €4.1 billion (net) (US$5.4 billion) on official development assistance (ODA) or 0.67% of Dutch GNI.[1] At this level of spending, 2013 marked the year that Dutch ODA dropped below 0.7% GNI for the first time since 1974.
- In 2014, Dutch government spending on ODA is projected to be €3.7 billion (US$4.9 billion). This is expected to lower ODA performance to 0.6% of GNI.
- 2014 is the year the Dutch Good Growth Fund took off. By 2017 a total of €700 million (US$930 million) in ODA will be allocated to this Fund, which is intended to support Dutch and local small and medium enterprises in developing countries and emerging markets
- In 2015 the current CSO-government co-financing mechanism will end. It will be replaced by a new framework of strategic partnerships with a singular focus on lobby and advocacy, leaving no room for service delivery. With an earmarked amount of €185 million (US$246 million) per year, a sharp downward trend compared to the current €385 million (US$512 million), the budget for CSO partnership is cut by more than half.

Political analysis: A new government, a new agenda

Over the past decade the Dutch political landscape has become increasingly unstable. Since the start of the new millennium, five national elections were held, with the last two held in 2010 and 2012. The Dutch chapter in the 2012 Reality of Aid Report described political developments and policy implications of the then-incumbent government. That year, the Dutch government spent €4.37 billion (US$5.8 billion) on ODA, corresponding to 0.71% of GNI.

Later in 2012, new elections were held and a new government was formed, which continues to govern as of 2014. A new government meant a new political agenda with major implications for the aid budget.

The current Dutch government, envisaged to rule until 2017, is a two-party government led by Prime Minister Rutte. The Prime Minister's Conservative Liberal party (VVD) and the Labour Party (PvdA) were the big winners of the elections. Although they have strongly opposing positions on a number of issues like development cooperation, the two parties now hold joint control of the government. Both parties have an equal number of ministers in office, but not an equal number of seats. The government has a majority in the parliament (Second Chamber), but not in the senate (First Chamber). This lack

of majority is a problem because in order to get laws passed and initiatives adopted, the senate must also adopt these laws. As a result, the ruling parties form ad hoc coalitions with other parties to secure a majority in both chambers. The three parties that are most cooperative are the Liberal party (D66) and two smaller Christian parties (ChristenUnie and SGP), and together they are called the "Constructive 3."

What does this mean for the ODA budget?

Under the influence of the PVV (a right-wing populist party that wants to abolish all development aid), the Conservative Liberals pledged in their election campaign to cut back on development aid by €3 billion (US$4 billion). The Labour party on the other hand wanted to increase spending from 0.7% back to the previous level of 0.8% GNI.

The outcome of the 2012 government negotiations between the two parties resulted in further cuts on the AID budget. Taking the level of ODA at 0.7% of GNI as the point of departure, starting in 2014, there is to be a cut each year of €750 million (US$997 million) to be taken off this 0.7% level. In 2017 and onwards, this amount will increase to €1 billion (US$1.3 billion).[2] Civil society organizations (CSOs) will be hit hard by these cuts.

An additional €200 million (US$266 million) per year allocated to climate spending will be included in the ODA, contrary to international agreements to keep climate and development assistance funds separate by *not* financing climate costs out of the ODA budget.

As a result of all these cuts, in 2013 The Netherlands dropped below the UN performance target of 0.7% of GNI for ODA for the first time since 1974. This unfortunate development is expected to continue in the coming years. The Netherlands may unfortunately lose its international leadership role as a champion for the UN target. In addition, this performance is also contrary to trends in like-minded Western European countries that are gradually increasing their ODA spending. In 2013, spending on ODA rose in countries like the United Kingdom, Germany, Denmark and Sweden by 27.8%, 3%, 3.8% and 6.3%, respectively, compared to 2012 rates.[3]

The Netherlands, however, has not completely put aside the UN target. In 2013, an interdepartmental policy study was conducted focusing on a new definition of development cooperation and its implications for ODA.[4] Additionally, the Advisory Council on International Affairs (AIV)[5] published a report titled "Development cooperation, more than a definition."[6] One of the recommendations in the AIV report was "*to stick to the internationally agreed norm of 0.7% GNI to ODA as a basis for a broader framework of international cooperation. In this framework verifiable agreements should be made on financing the broader spectrum of international public goods, such as environment, climate change and security*." In reaction to these two studies, the minister of foreign trade and development cooperation declared that "*with regard to the post-2015 agenda and the transition to a broader system of international cooperation, The Netherlands sticks to the international standard of 0.7%, even though we do not meet this standard ourselves today*."

In international forums, such as the recently concluded Intergovernmental Committee of Experts on Sustainable Development Finance, the government still defends this target. Although its credibility has been given a blow, CSOs and a majority of the political parties remain committed to the 0.7% norm. For as long as there is no new international standard (currently being discussed

in the Organisation for Economic Co-operation and Development, or the OECD), they will not cease calling on the government to return to this level as soon as possible. A slightly positive sign emerged during the budget negotiations for the 2015 national budget. All parties agreed to adhere to the link between economic growth and ODA spending, resulting in an increase with approximately €375 million (US$498 million) in 2015 due to economic growth.

The Netherlands is playing a leading role in the debate at the OECD Development Assistance Committee (DAC) on modernising the ODA definition. The minister wants policy coherence and impact assessment to become part of a new ODA definition. She wants to introduce a more aligned and transparent way of reporting, and proposes that a fixed percentage of 0.25% GNI should be allocated to the world's least developed countries (LDCs). Before determining the final strategy (for instance, should debt relief or expenditures for the sustenance of refugees in donor countries during the first year be part of ODA or not?), she awaits an international comparative study on the position of other countries. The debate on modernizing ODA should be concluded no later than 2016.

The process for a post-2015 agenda is running partly parallel to this debate on ODA. The Netherlands also contributes actively to this agenda. Together with the United Kingdom and Australia, the Netherlands occupied one seat in the negotiations process of the Open Working Group (OWG). These negotiations have recently been concluded with 17 proposed sustainable development goals.

The Netherlands was a pioneer in the post-2015 debate and focused on issues like water, sustainability, women's rights and sexual and reproductive health and rights and peace and stability. The Netherlands wants more attention to be given to inequality within and amongst countries, as well as to gender inequality, and stresses the link between human rights and development.

The final document of the OWG is a major step but not the last one. A number of countries will want to continue to negotiate the OWG outcomes, including a possible reduction of the number of goals. The Netherlands would like to hold on to the 17 proposed goals by the OWG. Hopefully the Netherlands will contribute to an ambitious and realistic financial framework that will be able to fully fund the post-2015 agenda.

A new development agenda

Apart from significant budget cuts, the priorities for development aid changed with the election of a new set of government officials in 2012. Trade (previously under the responsibility of the Minister of Economic Affairs) was to be combined with Aid under the responsibility of a new "Minister for foreign trade and development cooperation." In 2013 Minister Ploumen presented her new agenda under the title, "A world to gain: a new agenda for aid, trade and investments." In this policy document, the minister describes three ambitions: (1) Getting to zero on extreme poverty within one generation, (2) Sustainable and inclusive growth all over the world, and (3) Success for Dutch companies abroad.

Already reduced from 33 to 15 under previous ministers, the number of countries with which the Netherlands maintains an aid relationship remains unchanged. Within these 15 countries, the minister distinguishes two types of relationships:

Relationships of aid with those countries incapable of resolving poverty by themselves: Afghanistan, Burundi, Mali, Yemen, Rwanda, South Sudan and

the Occupied Palestinian Territories.
Relationships of transition with middle income countries and lower income countries that show a substantial economic growth. In these countries there will be a combination of aid and trade, benefiting the countries concerned as well as the economy of The Netherlands. These countries are Bangladesh, Benin, Ethiopia, Ghana, Indonesia, Kenya, Mozambique and Uganda.

In addition to investments in the post-2015 agenda, The Netherlands has four policy priorities: women's rights and sexual and reproductive health and rights (SRHR), security and the rule of law, water management, and food security.

Changing donor/partner relationships

The Netherlands has had a long tradition where the government channels a substantial part of ODA through CSOs. This unique cooperation has been widely acclaimed as a success. Various parties in the parliament characterize Dutch CSOs as one of the top sectors in the Netherlands. In 2016 the current co-financing framework for CSO-government relationships, called MFS-2, will end. A much heard criticism of MFS-2 was the enormous bureaucracy that came with reporting on outputs and outcomes. The new framework is referred to as a "strategic partnership" and focuses mainly on the lobby and advocacy roles of CSOs. It is shaped around the methodology of theories of change. This framework is expected to be much more efficient in terms of reporting.

The minister states that she strongly believes in the role of CSOs in realizing her agenda of aid, trade and investment. CSOs are an invaluable partner in the policy implementation of the above-mentioned themes. However, by examining the means allocated to the different policy areas, it is apparent where the real priorities of the government lie. Around €385 million (US$510 million) is now being spent each year on CSOs under MFS 2. From 2016 onwards, with the new strategic partnerships, this amount will be more than halved to a mere €185 million (US$246 million) yearly. By comparison, the Dutch Good Growth Fund (DGGF) will receive €100 million (US$133 million) in 2014, €150 million (US$200 million) in 2015 and 2016 and €300 million (US$400 million) in 2017. So although the government acknowledges the important role of the CSOs, in practice, a large part of ODA parties are being reallocated to the private sector.

It seems that the minister for foreign trade and development cooperation is also justifying the enormous cuts for CSOs by mentioning the increased funds available for CSOs from large external actors, such as the Dutch Postcode Lottery and the Bill & Melinda Gates Foundation. Over the past ten years these funds have more than doubled. In an interview in August on Dutch television, Bill Gates countered this argument by saying: "*I hope they don't really think that way. My money is not intended to help the budget of rich countries. It's like I don't help poor people, but contribute to solving budgetary issues of rich countries. That is not my intention*."

The minister particularly wants to strengthen the role of CSOs in advocacy and influencing with regard to the post-2015 agenda. Her analysis is that this influencing role receives relatively little support from donors although it is necessary for inclusive and sustainable growth.

The minister intends to enter into a maximum of 25 strategic partnerships with Dutch CSOs covering a period of five years. These partnerships are intended to strengthen the lobbying and influencing role of CSOs in lower and middle-income countries for the purpose of 'sustainable inclusive development.'

The necessity of strengthening the advocacy and influencing component of southern CSOs is widely shared. But a major point of concern for many CSOs, however, is that the service delivery component of CSO programs can no longer be funded through these partnerships. CSOs will have to find separate funding for these components (which are often the basis for advocacy positions). This change in Dutch policy will bring an extra challenge for CSOs and may be at the expense of their effectiveness as development actors.

Apart from the strategic partnerships, there are two other channels through which CSOs may receive Dutch aid funding. The minister has allocated €15 million (US$20 million) per year for direct funding of southern NGOs out of a so-called 'accountability fund'. An evaluation carried out by the IOB (Inspection for Development Cooperation and Policy Evaluation)[7] demonstrates that southern organizations highly value this type of funding by Dutch embassies. It is perceived to be more flexible, and embassies are willing to support sometimes-sensitive themes that would otherwise be much harder to fund. There are also mutual benefits to this type of funding. The embassies develop relationships with local organizations. These contacts will provide them with additional information about local processes that may be beneficial for other stakeholders and may sharpen Dutch policy.

A point of concern for these funds is the available capacity of the embassies. As a result of the cuts at the Ministry of Foreign Affairs, the number of staff (particularly at embassies) was significantly reduced. There may now be little capacity to enter into these local relationships and monitor the projects funded. It remains to be seen how the minister will address this issue.

Finally, another €10 million (US$13 million) per year has been allocated for innovative ideas through the innovation facility. A yearly call-for-proposals will be organized. Organizations that are already strategic partners are excluded from this facility. The kind of ideas that will be funded is broadly defined. The minister points out that the information revolution links thinkers from various sectors that previously didn't interact with one another. Ideas evolving out of these kinds of collaborations deserve support. She also wants to fund ideas or projects that are already successfully tested elsewhere, but which may be interesting to implement in a different context or environment.

ODA and the private sector / Dutch Good Growth Fund

In recent years, private sector involvement in development has become an increasingly hot topic in Dutch development debates. Like in the past, a significant share of Dutch ODA is being channelled to and through the private sector.[8] In 2014, a special fund — the previously mentioned Dutch Good Growth Fund — has been established. This revolving loan fund is intended for Dutch and local small and medium enterprises (SMEs) in emerging markets and developing countries. Until 2017, the government will invest a total of €700 million (US$930 million) from ODA in this Fund. SMEs may receive loans, which must be paid back so that other companies can also make use of this facility. These loans must contribute to employment, increase the strength of local manufacturing and promote knowledge transfer in developing countries and emerging markets.

Notwithstanding the necessary and positive role the private sector can play in the area of poverty reduction, according to a major IOB evaluation,[9] in general the relevance of ODA allocated to private sector development for poverty reduction is questionable. Most evaluations examined by the IOB concentrated on the direct beneficiaries, but did not report on the impact upon the ultimate target groups. A very limited number of evaluations focused on improvement of income,

poverty reduction and economic growth. In the small number of evaluations that had this broader scope, the impacts appeared more limited than previously estimated.

The minister has adjusted the government's private sector policy in a number of areas, one of them being a reinforced commitment to development relevance and impact. But the question remains whether or not ODA resources allocated to and through the private sector for poverty alleviation are the most effective means to achieve results for poverty reduction and sustainable development. A policy shift towards increased ODA investments for private sector development in order to "get to zero on extreme poverty within one generation, and to sustainable and inclusive growth all over the world" seems to be based on rather weak assumptions. Civil society will play its watchdog role to monitor whether all of the investments from the DGGF will be relevant to development and poverty reduction.

As of 2016, the Dutch government will enter into strategic partnerships with Dutch CSOs in order to strengthen the advocacy role of their southern partners in achieving the sustainable development goals. The government acknowledges that the success of the post-2015 agenda stands or falls with funding for this agenda. Consequently it is a strong advocate for an active role of the private sector in the implementation of this agenda. It also seeks to stimulate other innovative forms of cooperation. In one of these initiatives, civil society and business will form cross-sector partnerships on their role in the Post-2015 Development Agenda. The actual agenda is still being developed, but at the end of September 2014 a Charter is expected to be signed by CSOs and business alike.

Apart from these partnerships, and apart from ODA, the government would like to strengthen developing countries' capacity to mobilize and spend domestic flows to fund the post-2015 agenda. (Countering tax avoidance and evasion should be part of this strategy.)

Endnotes

1 http://www.rijksoverheid.nl/documenten-en-publicaties/jaarverslagen/2014/05/21/hgis-jaarverslag-2013.html (Year report Dutch spending on International Cooperation, ODA & non-ODA)

2 In 2017 new elections will be held, so the current government has little to say about the budget from 2017 onwards.

3 OECD figures.

4 http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2013/06/03/naar-een-nieuwe-definitie-van-ontwikkelingssamenwerking-beschouwingen-over-oda.html

5 The Advisory Council on International Affairs (AIV) of the Netherlands is an independent body that advises government and parliament on foreign policy, particularly on issues relating to human rights, peace and security, development cooperation and European integration.

6 http://www.aiv-advies.nl/ContentSuite/upload/aiv/doc/webversie_AIV_BA25(1).pdf

7 The Policy and Operations Evaluation Department (IOB) is an independent organization within the Ministry of Foreign Affairs that aims to contribute to the knowledge on the implementation and effects of Dutch foreign policy.

8 Refer to Dutch chapter in the 2012 Reality of Aid report for more background.

9 Op zoek naar focus en effectiviteit: beleidsdoorlichting van het Nederlandse beleid voor Private Sector Ontwikkeling in ontwikkelingslanden 2005 – 2012 (In search of focus and effectiveness: policy review of the Dutch policy for Private Sector Development in developing countries 2005 – 2012)

Aotearoa New Zealand

Public-Private Partnerships and Aid

Stacey Hitchcock and Adele Broadbent
Council for International Development

Overview

- A National-led government was elected in 2009, bringing the reintegration of NZAID into MFAT and changing the overall aid strategy from poverty eradication to sustainable economic development
- New Zealand's ODA budgets during 2009-2012 were approximately NZ$500 million/annum (US$405 million); the equivalent of about 0.28% of GNI; budgeted to increase to $650 million (US$530 million) by 2017/18
- Little consultation with civil society and non-governmental organisations, leading to loss of trust and a deteriorating relationship between development organisations and MFAT
- Shift from specialised NGO funding scheme to Partnerships Fund, which is focused on promoting all aspects of sustainable economic development
- Opening of a funding scheme and active encouragement of private enterprise and public-private partnerships (PPPs)
- Expansion of New Zealand's reach and influence through sustainable economic development partnerships
- CSOs uncertain of their place in the future of New Zealand's development strategy if PPPs are strengthened.

Context

An important trend for New Zealand's aid policies over the past few years has been a move towards public-private partnerships. Under the National-led government, New Zealand's aid policies underwent a dramatic shift in 2009 when the new government moved away from the goal of poverty eradication to focus on sustainable economic development. As part of this process, the National-led government reintegrated the New Zealand Agency for International Development (NZAID) back into the Ministry of Foreign Affairs and Trade (MFAT), and rebranded it as the New Zealand Aid Programme. As a consequence of these changes, civil society organisations (CSOs) and non-governmental organisations (NGOs) involved in the development sector had to re-evaluate some of their programmes and approaches for funding to meet the new directives of the New Zealand Aid Programme strategy. This chapter will look at how the changes from 2009 have affected the way that aid and development organisations work, how new funding arrangements leading to the present Partnerships Fund have incorporated the private sector into New Zealand's development strategy and, finally, the CSO responses to the structure of New Zealand Aid Programme and its strategy.

New Zealand's ODA budget has been about 0.28% of GNI for 2012 and 2011.[1] The last OECD Development Assistance Committee (DAC) peer review report noted that ODA would need to be increased dramatically if New Zealand intended to reach the international goal of 0.7% of GNI.[2] The current government aims to reach

NZ$650 million (US$530 million) spending on ODA by 2017/18.[3] However, this has been criticised by CSOs for not being ambitious enough, and will still fall well short of reaching the 0.7% goal. A pre-election survey conducted by the Council for International Development (CID) revealed that seven out of fourteen parties running for the general election in September are committed to adopting a plan to reach the 0.7% goal, although their timetables for doing so vary widely.[4]

Following the election of the National-led government and the changes to the aid delivery mechanisms, the development community was disturbed by the lack of consultation and the rationale behind such a seismic shift in policy direction. As a result, the relationship between the government and development NGOs and CSOs changed. It was clear that the opinions of the broader development community were no longer as valued as they had been under previous governments. Trust had been severely tested between the state and civil society and the nature of communications and dialogue had shifted. Although the relationship has been strengthening in recent years, the development community and MFAT have had to work hard to re-harmonise their relationship.[5] A lot of work still remains. CSOs have had to re-evaluate the focus for a proportion of their programs in order to fit into the criteria of the New Zealand Aid Programme and continue to receive government funding.[6]

The change in focus from poverty reduction to sustainable economic development has had implications for both MFAT and CSOs. MFAT has further prioritised its geographic focus for its aid programs towards the Pacific at the cost of other regions such as Africa. The Ministry re-evaluated the projects it supports and has focused on the fisheries, agriculture, tourism, renewable energy, health, transport, and communication sectors. The framework is to work with the new drivers the government has put in place to promote sustainable economic development.[7] MFAT's priorities lie in economic partnerships; it encourages partnerships between private businesses (economic focus) and CSOs (development skills and local contacts). MFAT's aim is to facilitate sustainable development in developing countries, which it believes in turn, will achieve poverty reduction and a more secure, equitable and prosperous world.[8]

The Partnerships Fund – the new model

The New Zealand Partnerships for International Development Fund (PfiD) ('Partnership Fund') was created in 2012. Its purpose is to encourage and facilitate partnerships between public, state, and private entities to participate in New Zealand's aid strategy. The PfiD succeeded the Sustainable Development Fund (SDF), which was not widely accepted by development CSOs during its short life, because of uncertainty in obtaining funding and the demanding requirements that CSOs were required to adopt.[9] The proportion of CSOs expecting funding to decrease from 2012 to 2013 rose from 14%, to 26% of CID members.[10] The SDF was to focus "on sustainable economic growth, improving incomes, and reducing poverty."[11] But interestingly, the SDF did not include the private sector, which could play a significant role in achieving MFAT's goal of sustainable economic development.

As a result of these perceived limitations in the SDF, the PfiD was developed to "prioritise activities that have a sustainable economic development benefit."[12] PfiD's strategy emphasises the expansion of New Zealand businesses into the Pacific. MFAT notes the Pacific is not generally in the purview of NZ businesses because of the isolation and limited capacity of the region.[13]

This new funding model encourages competitive applications from the state, the private sector, and CSOs, with preference for businesses with a comparative advantage in a sector that will continue to grow within the host country. The geographical focus is on the Pacific first, then on Asia, as forecast in the changes during 2009. One example of a successful bid is the Wanni Dairy Regeneration Initiative, run as a partnership between TEAR Fund, Patton Ltd, QPOD, MILCO and the New Zealand Aid Programme. This initiative "supports post-conflict communities in northern Sri Lanka to re-establish and improve the small-scale dairy livelihoods they have had for generations."[14] This partnership, along with others sponsored by PfiD, has encouraged both public and private organisations in the host country and New Zealand to work towards developing sustainable economic initiatives.

The New Zealand Aid Programme uses partnerships and the promotion of New Zealand's comparative advantages in specific sectors as part of MFAT's larger business strategy, which aims to promote a New Zealand brand referred to as 'NZ Inc.' and expand New Zealand's economic reach. The emphasis of New Zealand's economic position in the international community and the growth of New Zealand's international influence are seen as the priority for New Zealand government. The development of communities is meant to be a positive consequence of these actions. However, CSOs have criticised this approach, as it does not prioritise development and often ignores the impact the projects have on the communities. Additionally, opposition political parties have been vocal in their condemnation of the present government's preoccupation with economic development, saying it undervalues the role of social development and access to health and education services. They argue that making the aid programme subservient to other foreign policy objectives has compromised the quality of development spending.

Oxfam NZ produced a report in 2013 on the role of the private sector in sustainable development in the Pacific that included four case studies. Of these, one failed, one was looking prosperous, and two were relatively successful businesses. The successful projects both relied on financial support from other parts of the company in New Zealand.[15] Therefore, the ability for these projects to be fully sustainable is limited, because of the reliance on their New Zealand offices.

CSOs are concerned that private companies in PPPs may expect to fall back on a government bail-out if they do not receive the expected return on investment promised to them at the start of the project.[16] Additionally, there is concern about the priorities of the companies involved in PPPs, and the "tug-of-war of interests between people and profit and ethical considerations in doing business, among others,"[17] as they are unlikely to be profitable in the early years of the project. While some New Zealand companies have long been involved with infrastructure projects under ODA funding, there is a limited understanding within the private sector of wider social development processes and the complexities of working within different cultural and social systems.

Uncertainty for development NGOs

CSOs have been concerned about the lack of engagement on policy matters following the policy changes to the aid programme. CSOs are less certain of their position in the future of New Zealand's development agenda, because of their new grouping with state and private sector players as funding competitors. Some describe it as a shift from the previous relationship as strategic partners with MFAT to a role as contractors for services.

CSOs in New Zealand range from small, volunteer-run organisations, to large international NGOs with considerable development expertise and extensive experience in planning and implementing development projects with in-country partners. The new competitive funding model has affected them all, but in different ways. Smaller organisations are now effectively excluded from funding via the PfID given its focus on big, multi-year projects that comes with the requirement of contributing large matching funds. Many NGOs have expressed concerns about the expense of investing time and resources to identify potential private sector partners for projects, to make bids that may not get approved. The introduction of PfiD, like the SDF before it, forced development NGOs to reassess the nature of those programmes where they traditionally looked for funding support from government. The changes in the priorities of government funding modalities have affected CSOs across the whole sector.[18]

One objective of the Partnerships Fund was to encourage development actors to work in tandem with private businesses who may lack knowledge of local communities and the appropriate ways of working in developing countries. However, interest in PfID has been low in the private sector, and there are indications that some businesses do not yet appreciate the fundamentals of development projects. If MFAT wants to improve this capacity and understanding, which could benefit private sector players, more needs to be done to support the two-way transfer of skills and experience between sectors.

MFAT is currently working on a feasibility study, due in early 2015, to explore "whether and how the New Zealand aid programme should be engaging in Public-Private Partnerships to reach development goals."[19] There is a willingness by CSOs to increase the dialogue between MFAT and the broader development sector to ensure that the New Zealand Aid Programme's impact on poverty is "inclusive of those most in need."[20] CSOs are hopeful that the emergence of the Post-2015 framework with Sustainable Development Goals will lead to a re-assessment of the focus of the New Zealand Aid Programme. This would provide an ideal opportunity for the government to work with all sectors with an interest in good development outcomes to collectively develop an innovative approach to New Zealand's aid policies, in line with the Post-2015 agenda. As a past leader in social policy, New Zealand has much to contribute. CSOs will be working towards that objective.

Endnotes

1 OECD, 2014, country Statistics profile: New Zealand, accessed at <http://www.oecd-ilibrary.org/economics/country-statistical-profile-new-zealand_20752288-table-nzl>

2 OECD, New Zealand – DAC Peer Review of Development cooperation, accessed at <http://www.oecd.org/dac/peer-reviews/newzealand.htm>

3 CID, 2014, Election 2014, accessed (accessed on 16/09/2014) at <http://www.cid.org.nz/key-issues/election-2/>

4 Ibid.

5 Openko, V., 2013, 'The Impact of Changes to the New Zealand Aid Policy on Non-Governmental Organisations', Masters Thesis, Victoria University, p.78.

6 Ibid., p.60.

7 MFAT, 2012, New Zealand Aid Programme Sector Priorities 2012-2015, accessed at <http://www.aid.govt.nz/webfm_send/509>

8 MFAT, 2013, Annual Report 30 June 2013: Vote ODA non-departmental appropriations, accessed at <http://www.mfat.govt.nz/Media-and-publications/Publications/Annual-report/0-Vote-Official-Development.php>

9 Openko, V., 2013, p.55.

10 CID, 2013, Survey of CID Members Report, accessed at <http://www.cid.org.nz/assets/Members/Member-Surveys/2013-Survey-of-CID-members-Report.pdf> p.9.

11 Bedgood, P., 2012, 'The role of New Zealand Official Development Assistance in the Building of Sustainable Peace', Masters Thesis, University of Otago, p.86.

12 Ibid., p.86.

13 Gilbert, M., Rickards-Rees, C., Spicer, N., Coates, B., 2013 Sustainable development in the Pacific and the role of the New Zealand private sector, accessed at <http://www.oxfam.org.nz/sites/default/files/reports/Sustainable%20Development%20Pacific%20report%20-%20no%20pictures%20-%20FINAL.pdf>, p.40.

14 New Zealand Aid Programme, Wanni Dairy Regeneration Initiative, accessed at <http://www.aid.govt.nz/media-and-publications/case-studies/partnerships-and-funds-case-studies>

15 Gilbert, M., Rickards-Rees, C., Spicer, N., Coates, B., 2013 Sustainable development in the Pacific and the role of the New Zealand private sector, accessed at <http://www.oxfam.org.nz/sites/default/files/reports/Sustainable%20Development%20Pacific%20report%20-%20no%20pictures%20-%20FINAL.pdf>, p.38-39.

16 IBON, PPP: More public debt, less gov't responsibility, accessed at <http://www.ibon.org/ibon_feThisatures.php?id=119>

17 Santos, L.A., 2014, PPPs future of Asia-Pacific infrastructure development – ADB, accessed at <https://www.devex.com/news/ppps-future-of-asia-pacific-infrastructure-development-adb-83426>

18 Openko, V., 2013, p.50.

19 MFAT, 2014, Public Private Partnerships (PPP) Research Project, accessed at <https://www.gets.govt.nz/NZAID/ExternalTenderDetails.htm?id=2580757>

20 Gilbert, M., Rickards-Rees, C., Spicer, N., Coates, B., 2013 Sustainable development in the Pacific and the role of the New Zealand private sector, p.40.

United Kingdom – a new vision for development?

Challenges for democratic ownership and development effectiveness

Amy Dodd
UK Aid Network

Overview

- In 2013, in line with the Government's promise, the UK met the historic target to spend 0.7% of gross national income (GNI) on aid, the only G7 economy to do so, which saw aid increase by £2,671 million (US$4,400 million), up from £8,766 million (US$14,450 million) in 2012 to £11,437 million (US$18,850 million) in 2013.[1]
- However, the political context for aid in the UK remains challenging, with continued attacks on aid in the media by some politicians, and low levels of public support.
- Bilateral aid fell as a proportion of total UK aid, down from 62.7% in 2012 to 59.9% in 2013. Multilateral aid saw a concurrent increase from 37.3% to 40.1%. Africa remained the largest recipient of DFID (Department for International Development) aid on a geographical basis at 38.4%. The DFID saw a small increase of just over 1% in the proportion of UK aid spent through the department, rising to 87.8% in 2013,[3] although this proportion is likely to fall in the coming years.
- The UK played a key role in the aid and development effectiveness agenda as co-chair of the post-Busan Global Partnership for Effective Development Cooperation until the first High-Level Meeting in Mexico in April 2014. This leadership role was reflected in the areas the UK chose to champion, not least of which was aid transparency, which has progressed substantially since 2011. However, a lack of monitoring and accountability mechanisms made progress in other areas harder to track and assess. Moreover, worrying trends in other commitment areas, as well as a lack of political or working level energy and a rejuvenated but unfocused agenda, suggest that the effectiveness of UK aid remains at risk as progress stalls and momentum is lost.
- The last few years, particularly since the 2010 General Election, have also seen continuing shifts, new trends, and emerging priorities in UK aid, most notably with a shift towards what the Prime Minister refers to as the 'Golden Thread' of prosperity, security and stability, human rights and transparent information.[4] UK Government aid and development policy has shifted increasingly to fragile and conflict-affected states, moving away from a traditional donor role in Middle-Income Countries (MICs) such as India and South Africa and towards a more 'aid for trade' approach. The Department's work has been reoriented, focusing more on women and girls, economic growth, and the private sector as the basis of development and the means to create further opportunities for British business.

Introduction

The past two years have been an interesting time for international development and aid in the UK. A Conservative-Liberal Democrat coalition government — itself just about a first in the UK — took power in May 2010 after 13 years of Labour government that had already been widely touted as relatively 'good years' for development. The context for aid in 2010

was substantially different from other countries and other elections, as there was already cross-party political consensus on reaching the 0.7% aid target and enshrining that promise through legislation. This promise was reflected in the new Coalition Agreement and delivered in 2013.[5]

At the same time, focus was shifting to new development debates, including agreement on a new post-2015 development framework and how to tackle the unfinished — or unmentioned — business from the Millennium Development Goals (MDGs). In July 2012, the Prime Minister was invited to co-chair the UN High Level Panel (HLP) by the UN Secretary General, to set out a 'bold and practical' vision for the post-2015 framework.[6]

40 years on — Finally reaching the 0.7% target

Over 40 years after the world agreed to mobilise sufficient public funding to meet global development needs, the UK finally met the UN target of devoting 0.7% of gross national income (GNI) to aid. UK becomes one of a small group of countries to do so, and the first of the G7 economies to achieve the target. UK aid increased by over 20% from 0.56% of GNI in 2012 to 0.72% in 2013 – a real terms increase of £2,671 million (US$4,400 million), up from £8,766 million (US$14,450 million) in 2012 to £11,437 million (US$18,850 million) in 2013.[7] Perhaps most interestingly, the UK was one of the only DAC donor countries to increase their aid at this time — a period of ongoing global economic downturn or slowdown, as well as serious issues within the European Union (EU), including the near economic collapse of several EU member states, a close call for the future of the Euro, and a domestic crisis in the UK, which has just seen the UK return to pre-crisis levels. Despite this difficult context, aid and the 0.7% target continued to enjoy the highest levels of political support in the UK, support that was not necessarily reflected in some UK media and on the 'backbenches' of the UK parliament.

Nevertheless, the public and political context for aid in the UK remains challenging in many ways, with decreasing public engagement and support for aid. This support has been further eroded by damaging debates and attacks from some sections of the political parties and the media in the build-up to and after meeting the 0.7% target. In stark contrast, in many other European countries, support for aid and meeting the 0.7% target remains strong despite substantial economic challenges — a 2012 survey found that 61% of Europeans supported increasing aid to help people out of poverty.[8]

The vast majority of UK aid remains 'genuine' or real aid[9] with little in the way of debt relief, student or refugee costs[10] and other donor costs being counted as UK aid.

The commitment to 0.7% was also due to be enshrined in legislation in this Parliament (2010-2015) — a commitment in the General Election Manifestos of all political parties and in the Coalition Agreement. However, the Government has yet to introduce legislation. There have been several attempts, most recently in September 2014, by backbench MPs to introduce such legislation through a Private Member Bill, but none of those attempts have made it past the initial stages yet.

In 2010, the then-incoming Government also conducted a 'root and branch' review of the DFID's work and engagement with multilateral institutions and undertook comprehensive Bilateral and Multilateral Aid Reviews in 2011.[11] The reviews focused on the need to provide and demonstrate 'value for money,' results and effectiveness. The Bilateral Aid Review saw the DFID substantially reduce the number of focus countries for the DFID from 43 to 27 (now 28 with the birth of South Sudan). The review also resulted in significant increases in aid commitments to several countries including Nigeria, Kenya, the DRC, Yemen and Ethiopia, while Pakistan became the biggest single recipient of UK aid. The Multilateral Aid Review assessed 43 organisations, of which 9 were rated as very good value for money, 16 as good, 9 adequate and 9 poor value for money. As a result, a number of multilateral organisations lost UK funding, including notably the ILO.

These reviews were also a window into other shifts happening in the UK and in DFID as the

UK increasingly shifted its priorities towards conflict and fragility, women and girls, economic development and an increasing role for the private sector.

Beyond 2015 — A new vision of development?

The UK Government has been shifting the focus of UK development efforts. While the trend towards addressing the economy and growth as a solution to development was already happening, there is little question that this trend has strengthened considerably in the last couple of years. Then Secretary of State, Rt Hon Andrew Mitchell MP, gave a clear indication of where he saw UK aid and development going in October 2010 when he talked about the role of business in development — "I want to explore how we might enrich DFID's own talent pool with a series of short-term secondments from the private sector in order to inject new, business-savvy DNA into the department"[12] — and established a new private sector department in the DFID. This approach has been strengthened by the current Secretary of State, including building up new skills sets within the DFID through new civil servants with very different backgrounds — and frankly, ideologies — from the traditional DFID civil servant.

In a more general sense, there has been a clear political push towards a different vision of development. This vision involves a move away from the so-called old-fashioned idea of aid and development (supporting basic services and helping to build systems and infrastructure), towards what UK Prime Minister David Cameron called "the golden thread." He argued that "you only get real long-term development through aid if there is also a golden thread of stable government, lack of corruption, human rights, the rule of law, [and] transparent information," and that these are the real enablers of development.

There has been substantial critique and debate around this golden thread ethos, including the interpretation and view it has of those enablers,[13] not least when it is linked to an increased focus on economic development and the private sector in a somewhat revamped form of discredited neo-liberal laissez-faire development economics. But it has continued to influence and shape UK aid policy as well as its international and global advocacy and positioning.

Recently, this influence has most clearly been seen in the increasing focus on economic development and the private sector. While civil society has always recognised the vital and unique role the private sector and economic growth have to play in long-term and sustainable development, this continued increase in focus and resources raises some questions and concerns.

Sustainable and inclusive growth is an important pillar of development. However, current DFID thinking on this issue — as outlined in the recent strategic framework "Economic development for shared prosperity and poverty reduction" — seems to rely rather heavily on the assumption that ensuring growth will necessarily lead to poverty reduction. Economic growth and an expanding private sector will provide a route out of poverty for many– in the form of decent jobs and fair, equal taxes. While such economic growth can create the resources to fund vital social services, this causal link is not necessary, nor will it happen without appropriate and clearly thought through interventions, as supported by evidence from China and India.[14] There is also a concerning focus in the new strategic framework focus on the role for British businesses, where a greater emphasis on local medium and small enterprises (MSMEs) could have a greater pay-off, both in terms of jobs and taxes, but also in supporting country and democratic ownership of development.

From aid to development effectiveness

In late 2011, the development community agreed on a reformed and, it was hoped, rejuvenated agenda for aid and development effectiveness at the Fourth High Level Forum in Busan. The post-Busan agenda was broad, looking to all development issues and not just aid. Formally

the process also included a broader range of stakeholders in what would become one of the only genuinely multi-stakeholder development forums. For the first time, civil society, emerging economies and business had an equal seat at the table, in theory at least, and the new, more politicised agenda brought high-level political actors into the conversation.

The UK continued to demonstrate its commitment and leadership to effectiveness by taking on a co-chair role alongside Indonesia and Nigeria. It also continued to lead the charge on some commitment areas, most notable on aid transparency. UK leadership has helped to keep transparency on the agenda and moving in a positive direction, through the International Aid Transparency Initiative (IATI). The DFID has remained in the top cohort in the annual Aid Transparency Index[15] and has piloted data access and usage initiatives such as a new online portal to use IATI data in the Development Tracker (devtracker.dfid.gov.uk). This energy and leadership were reflected in the 2014 post-Busan progress report where the UK topped the transparency indicator.[16]

The post-Busan ambition and hopefulness were, however, perhaps ill founded. The two years since Busan saw relatively little activity on the effectiveness agenda save for a series of fairly closed steering committee meetings. The UK has not produced an implementation schedule, although it asserts that effectiveness principles are part of DFID's 'DNA' and will continue to be mainstreamed into their work. While there are evidently 'pockets' of good work and progress — as aptly demonstrated with the aid transparency work — there is little evidence that this work sits within the strategic institutional framework, and instead seems more ad hoc.

Evaluation of progress or the current state of play on development effectiveness remains difficult. An incomplete monitoring framework, combined with little other publicly available information, provides no effective tools for assessing how aid and development effectiveness is being taken forward within the DFID and other UK government departments. While this change in many ways reflects the shifting and evolving nature of aid, the DFID's move away from a more structured aid effectiveness-target-indicator model, and the lack of a suitable new accountability structure, has made it hard to get an accurate picture of progress since Busan or on the unfinished business from Paris and Accra aid reform commitments.

As a co-chair of the new post-Busan Global Partnership for Effective Development Cooperation (GPEDC) steering committee, the UK contributed to, and in fact drove in some areas, a continued expansion of the effectiveness agenda and a push away from the more traditional aid effectiveness work. The UK also was an important actor in bringing the private sector into the new Global Partnership.

At the same time, this leadership was not being felt at home where little to no progress was made against most indicators as shown in the 2014 progress report,[17] a fact which was more clearly reflected in the post-Mexico coverage and analysis than in the report itself. There has also been a continued decline in inherently more effective aid modalities, such as budget support. A limited political commitment to deliver on the whole effectiveness agenda can be clearly seen in declines in getting aid on budget and support for developing country systems — more challenging and, at the domestic level, less politically palatable areas of the agenda. Important areas of the Busan and Paris agendas such as democratic ownership, accountability and results have therefore suffered. Moreover, despite the substantial focus and resources put into it, there has been little sign, or at least little way of measuring, any improvements in private sector engagement with development. The private sector, particularly the domestic private sector, has a vital role to play in development, but how this role should be reflected, monitored and evaluated in the Busan development effectiveness agenda has not been sufficiently clearly articulated.

Conclusion

Delivering on the long awaited commitment of reaching the 0.7% target is a substantial achievement and one the UK can be rightly proud of. It is a promise 40 years in the making and one the UK remains committed to meeting into the future. To protect and maintain that political commitment, an important job for the future will be ensuring that every pound of UK aid is used well to promote genuine and sustainable development, and that other international policy and interventions support instead of undermine UK aid efforts.

At the same time, meeting the 0.7% target has and should also enable a shift away from the focus on quantity of aid and an increased focus on the quality of UK aid — a shift that is sorely needed. Despite the UK's stated commitment to aid and development effectiveness, there are worrying signs that that commitment is more words than practice. Some areas of the effectiveness agenda such as aid transparency have seen real progress in the UK and globally. Nevertheless, reforms in most other areas have remained stagnant or in fact slipped backwards since the Accra High Level Forum in 2008. This government, and the next, must find renewed ambition and drive to redress these trends to ensure that UK aid is effective and lives up to the UK's reputation as a leader on aid and development effectiveness.

Endnotes

1 Department for International Development, Statistical Release – Provisional UK Official Development Assistance as a proportion of GNI, April 2014, available at https://www.gov.uk/government/publications/provisional-uk-official-development-assistance-as-a-proportion-of-gross-national-income-2013.

2 See for example, YouGov Poll for Sunday Times, February 2012, available at http://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/1or1j1cocr/YG-Archives-Pol-ST-results-03-050212.pdf.

3 Department for International Development, Statistical Release – Provisional UK Official Development Assistance as a proportion of GNI, April 2014, available at https://www.gov.uk/government/publications/provisional-uk-official-development-assistance-as-a-proportion-of-gross-national-income-2013.

4 David Cameron, Transcript of speech and Q&A at New York University, 15 March 2012, available at https://www.gov.uk/government/speeches/transcript-of-david-cameron-qa-at-new-york-university.

5 The Coalition: Our Programme for Government, May 2010, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf.

6 For more information see 'Beyond 2015 – UN High Level Panel' available at http://www.beyond2015.org/un-high-level-panel.

7 Department for International Development, Statistical Release – Provisional UK Official Development Assistance as a proportion of GNI, April 2014, available at https://www.gov.uk/government/publications/provisional-uk-official-development-assistance-as-a-proportion-of-gross-national-income-2013.

8 Solidarity spans the globe: Europeans and development aid, Special Eurobarometer, October 2012, available at http://ec.europa.eu/europeaid/how/public-consultations/eurobarometer_en.htm.

9 There are many different variations of genuine or real aid but, in general, it would include only aid that genuinely helps tackle poverty and reaches the intended recipient (so no tied aid, in donor country costs like refugees and students, etc).

10 Though it should be noted that refugee costs have crept up in recent years as a proportion of UK aid in both real and relative terms they remain relatively small in comparison to total UK aid.

11 More information, analysis, links to the reports and NGO reactions and submissions available at http://www.bond.org.uk/bilateral-and-multilateral-aid-reviews. The MAR was subsequently reviewed in 2012/13 and there are plans for another full MAR in 2015.

12 Andrew Mitchell, Speech on Wealth Creation, 13 October 2010, full transcript available at https://www.gov.uk/government/speeches/andrew-mitchells-speech-on-wealth-creation.

13 See for example Owen Barder, 'David Cameron's 'golden thread' theory of development is a little too convenient' The Guardian, 27 August 2012, available at http://www.theguardian.com/global-development/poverty-matters/2012/aug/27/david-cameron-development-theory-convenient.

14 See for example, Shubham Chaudhuri and Martin Ravallion, 'Partially Awakened Giants: Uneven Growth in China and India', World Bank Policy Research Working Paper 4069, 2006, available at http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-4069.

15 Publish What You Fund, Aid Transparency Index available at http://www.publishwhatyoufund.org/index/.

16 Global Partnership for Effective Development Cooperation, Making Development Co-operation More Effective – 2014 progress report, April 2014, available http://effectivecooperation.org/?attachment_id=2328.

17 Global Partnership for Effective Development Cooperation, Making Development Co-operation More Effective – 2014 progress report, April 2014, available http://effectivecooperation.org/?attachment_id=2328.