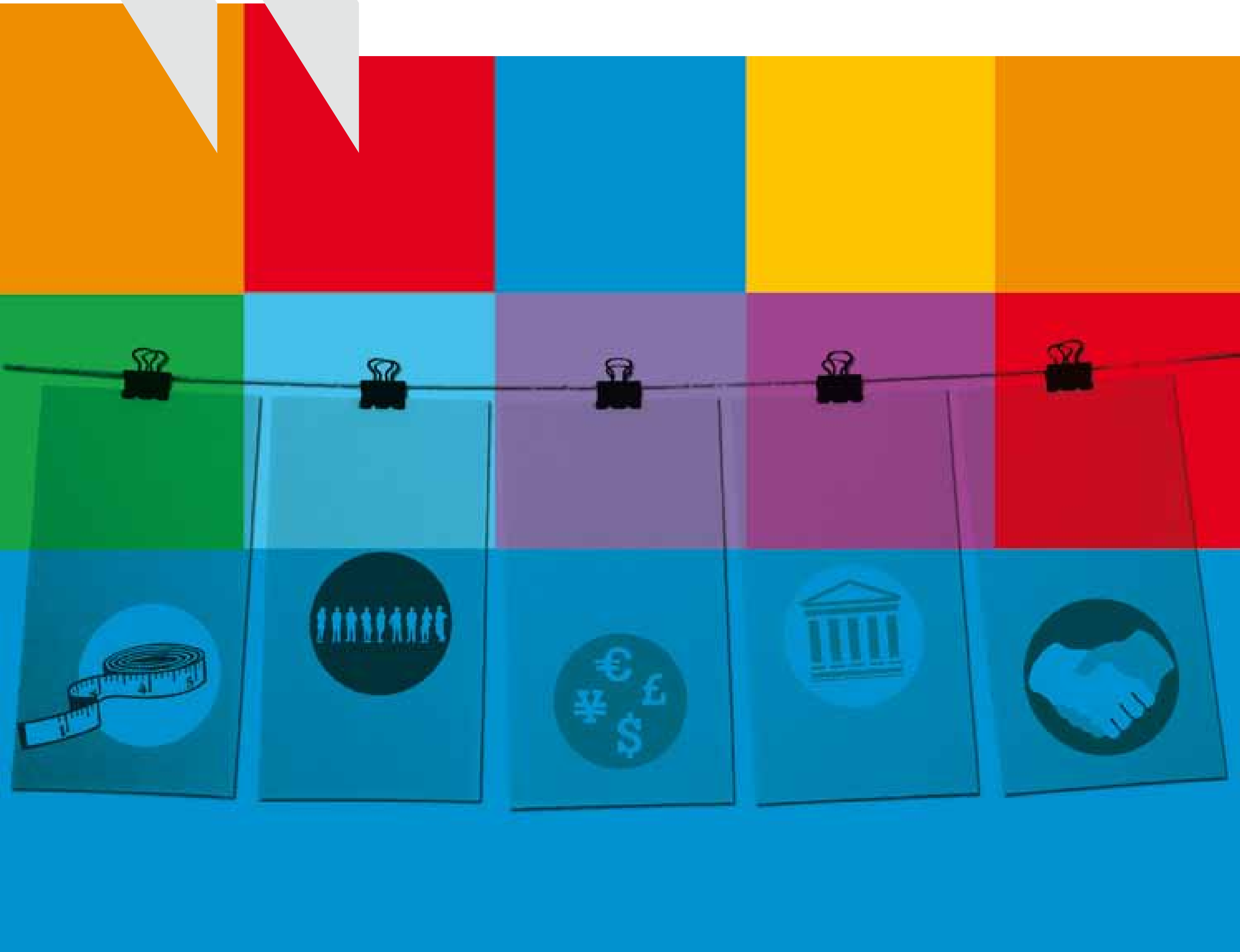
Better Aid

Managing Aid

PRACTICES OF DAC MEMBER COUNTRIES



OECD

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PRACTICES OF DAC MEMBER COUNTRIES

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Foreword

The world faces, in 2009, many global events that influence development assistance and to which development assistance must contribute solutions: the global financial and economic crisis, food insecurity, and climate change, to name a few.

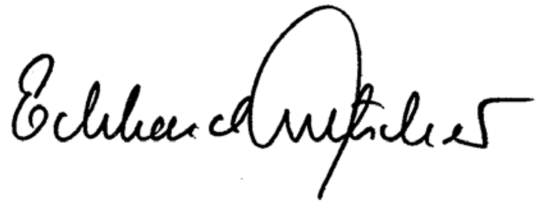
The donor community has experiences of both successes and failures on which to draw when considering how best to approach the current situation. Since the beginning of this century, the donor community has, indeed, devoted significant time and efforts to identifying the most pressing targets to achieve – the Millennium Development Goals – as well as ways of doing so more effectively – the Paris Declaration Principles and the Accra Agenda for Action.

The Development Assistance Committee (DAC) of the OECD remains a forum where we as donors can share lessons, work to improve our practices, change the way we work and make our aid more effective. Our MDG and Paris commitments have implications for our policies, how we organise our administrations and agencies, how we deliver aid, and not least, for our partnerships with each other and with recipient countries.

How each donor adapts depends on national circumstances: laws and policies, administrative and civil service structures, the size of the programme, experiences to date. There are many questions and even more answers.

This book discusses how donors deal with these major issues in different ways within the opportunities and constraints their systems offer. It should serve to inspire the aid manager and practitioner to look for ways to improve their operations. The book should be particularly helpful to donors who are looking to grow, strengthen or consolidate their programmes. And it should help our publics and our partners to understand how we work and to hold us accountable. Managing Aid draws on the practices of the 23 members of the Development Assistance Committee through the lens of their periodic peer reviews.

This compendium of donor practices should serve us well in our continuous efforts to reform and do better – achieving our goal of a more just and equitable world.



Eckhard Deutscher

Chair

Development Assistance Committee

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In 2007, the 23 members of the OECD's Development Assistance Committee (DAC) disbursed over USD 100 billion of public funds for development. This represented an estimated 90% of total official development assistance (ODA) spent worldwide. How they manage that aid is the subject of *Managing Aid: Practices of DAC Member Countries* (hereafter *Managing Aid*). The study builds on *Effective Aid Management: Twelve Lessons from DAC Peer Reviews*, a synthesis that draws lessons from five years of DAC peer reviews of aid management issues, ranging from policy to delivery, in DAC member countries (OECD, 2008a). It also borrows from other comparative analyses of peer reviews such as the OECD's "Synthesis Report on Policy Coherence for Development" (OECD, 2008b) and the *Evaluation of the Implementation of the Paris Declaration, Phase One, First Phase Synthesis Report* (Wood *et al.*, 2008).

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Acronyms

AECI*	Spanish Agency for International Co-operation
ALNAP	Active Learning Network for Accountability and Practice in Humanitarian Action
AMC	Advanced Market Commitment
APEC	Asia Pacific Economic Co-operation
AusAID	Australian Agency for International Development
BMZ*	Ministry for Economic Co-operation and Development (Germany)
CERF	Central Emergency Response Fund
CICID*	Inter Ministerial Committee for International Co-operation and Development (France)
CIDA	Canadian International Development Agency
DAC	Development Assistance Committee
DEReC	DAC Evaluation Resource Centre
DFID	Department for International Development (United Kingdom)
DRR	Disaster risk reduction
EC	European Commission
ECHO	European Commission Humanitarian Office
EDF	European Development Fund
GHD	Good Humanitarian Donorship
GTZ*	(German) Agency for Technical Co-operation
JICA	Japan International Co-operation Agency
MAPS	Multi-annual programme schemes (Ireland)
MCA	Millennium Challenge Account (United States)
MCC	Millennium Challenge Corporation (United States)
MDG	Millennium Development Goal
NGOs	Non-government organisations
NZAID	New Zealand Agency for International Development
ODA	Official development assistance
ODE	Office of Development Effectiveness (Australia)
OECC	Overseas Economic Co-operation Council
PCU	Policy Coherence Unit
PRISM	Performance Reporting Information System for Management
RBM	Results-based management
SADEV	Swedish Agency for Development Evaluation

* Denotes acronym in original language.

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Managing Aid
Practices of DAC Member Countries

Executive Summary

Managing Aid: Practices of DAC Member Countries describes and analyses the practices, and the sometimes complex structures, which donors use to manage their foreign assistance to developing countries. The report shows that each DAC member country is unique in the way it manages and implements development co-operation. The institutional support structure for delivering foreign assistance also differs in each country. Thus, the way donors tackle challenges in development co-operation varies significantly. The lessons and good practices derived from DAC members' experiences are valuable to aid practitioners concerned with delivering efficient country programmes in partner countries. Managers in development ministries and aid agencies as well as other policy makers concerned with implementing a coherent government policy will also find the lessons and good practices relevant. Finally, the study will be of interest to all those seeking a better understanding of how bilateral aid agencies work.

Managing Aid covers issues such as the legal frameworks for development co-operation; how DAC members promote coherent development policies; how they organise their operations at headquarters and in partner developing countries and manage their human resources; how they allocate aid between channels, countries, sectors and cross-cutting themes; what steps they have taken to make their aid more effective; how they gather evidence through monitoring and evaluation; and finally, how they manage humanitarian action. Annex A provides a detailed description of how financial programming systems work in each DAC member country.

The context

Understanding aid management systems is particularly important given donors' commitments to making aid more effective in reducing world poverty and achieving the Millennium Development Goals (MDGs) (Annex E). The *Monterrey Consensus on Financing for Development* (2002) identified the role of aid in the whole range of domestic and external resource flows needed to achieve these goals. The "rules of the game" for delivering aid are outlined in the *Paris Declaration on Aid Effectiveness* (2005)* and the *Accra Agenda for Action* (2008). They put the focus on: country ownership of development strategies and programmes; alignment of donors' efforts with these programmes; harmonisation of donors' interventions to reduce overall transaction costs; and managing for results and mutual accountability for well-functioning aid systems at country level. These rules require a fundamental shift in how donors manage aid. Taken together, the Monterrey

* For the full text of the Paris Declaration on Aid Effectiveness see: *www.oecd.org/dataoecd/11/41/34428351.pdf*.

Consensus, the Millennium Development Goals, the Paris Declaration and the Accra Agenda for Action provide the framework, timeframe and indicators for achieving development results.

While on current trends, many of the MDGs will not be reached by the target dates in many countries – notably in sub-Saharan Africa – progress is being made, even in some of the more challenging regions. A number of goals are expected to be achieved globally, including the overarching goal of reducing absolute poverty by half, thanks to the historically unprecedented reduction of poverty in India and China made possible by high growth rates linked to participation in the global economy. But beyond this, the multiple effects – over many years – of aid-supported policy reforms, and improvements in governance and investment, have made it possible to reduce poverty in many least developed countries. In these countries, development assistance has helped mobilise more foreign and domestic investment by lowering risks, developing economic infrastructure and financial markets, and by strengthening the capacities of local firms. As well as the successes, many goals and targets are, however, unlikely to be achieved unless additional, stronger or corrective action is taken urgently. Goals and targets that are most off track include child malnutrition and maternal mortality.

Development outcomes are affected by domestic forces but also by global development challenges linked to regional insecurity, environmental degradation, volatile food and energy prices, and the state of the world's economy. There are no easy solutions on how to handle these challenges. To address the prospect of higher food prices, for example, policy makers are reviewing global food policies and increasingly focusing on improving the poor performance of the agricultural sector in developing countries, while the impact of climate change worldwide compels them to integrate this challenge into development policy and planning. Such policy and strategic choices have implications for the way in which aid is delivered in partner countries.

The way forward

At the Gleneagles G8 and UN Millennium+5 Summits in 2005, DAC member countries committed to increasing aid from USD 80 billion in 2004 to USD 130 billion in 2010 in an effort to meet the MDGs. The present rate of growth in donor development programmes will have to more than double if the level of aid projected for 2010 is to be met. Across DAC members the debate on scaling up aid has stimulated new approaches, including more investment in multilateral aid and the use of budget or sector support mechanisms to implement development programmes. Scaling up aid also implies winning and sustaining political and public support by developing effective strategies for communicating development co-operation efforts and development results. Public backing for development co-operation is the best guarantee of political and legislative support for national development assistance programmes and for reforming these programmes.

The fight against poverty is not merely a matter of providing more aid: mutually supportive policies are necessary across a wide range of economic, social, and environmental issues. Thus aid managers are increasingly required to play a catalytic and leadership role in promoting a coherent vision of development across the whole of their governments which takes account of those dimensions. Making progress towards sustainable and broad-based development requires that countries better understand and manage the political economy of globalisation. Policy coherence for development is an important dimension of this process.

In and of itself, increased aid will not suffice in fighting poverty – aid must also be more effective. The pressure to make aid more effective is impacting on the way in which aid managers must work together and strengthen and use developing countries' systems. To reduce the fragmentation of aid, they must co-ordinate better and improve the division of labour among themselves – how they allocate aid resources within sectors, within countries and across countries. At the same time, they must adapt their internal structures and procedures to ensure that decisions are taken closer to the field where the realities lie. Decentralising aid to field offices implies that the roles and responsibilities between headquarters and field offices are clearly defined and systems adapted accordingly, financial resources are secured and well-qualified, highly-motivated local and expatriate staff are recruited and trained to deliver aid together with developing country partners.

The pace and depth of reform is influenced by the pressure to show development results. This is challenging aid managers to develop a stronger culture of performance by strengthening their own performance management frameworks and guidelines, training staff on results-based management and developing incentive schemes to reward them for achieving sustainable returns on investments, not just on their own contribution but on the collective effort as well. In addition to managing for results, aid managers must also strengthen country-based monitoring and evaluation, and statistical capacity, which are the building bricks of a performance culture.

Human rights, gender equality, environment and other cross-cutting themes add important qualitative dimensions that can make aid more effective as they strengthen empowerment, local capacity, participation, transparency, leadership and joint responsibility. While almost all DAC members have cross-sectoral policies, only a few have the staff, budgets and management practices needed to implement these policies. Aid managers must address these constraints if they want to achieve enduring impacts.

Finally, aid managers face the challenge of delivering humanitarian assistance, linked to broader development assistance efforts, including peace-building programmes. This has consequences for institutional structures, systems and procedures across their administrations. The evolving business environment for humanitarian action involves assessing relevance, risk and impact. Aid managers need to upgrade skills, knowledge and attributes of staff working on humanitarian and associated issues accordingly.

The report recognises that managing aid is a complicated business, whether you are the minister responsible for a country's overall aid programme, a partner government involved in designing, delivering and monitoring aid performance, or the aid practitioner managing aid on the ground. The aid systems are complex, involving many institutions inside and outside government, and managing them to address all the challenges is a difficult task. This compilation of donor practices will give the reader an idea of the many approaches donors are applying to deal with the complexity. The peer reviews, a hallmark of the Development Assistance Committee, give further insights into how the individual systems work. Other recent reports published under the auspices of the DAC on aid predictability and multilateral assistance, add in-depth understanding of critical aspects of managing aid.

Box 0.1. **Twelve Lessons from DAC Peer Reviews**

- **Lesson 1:** Have a clear, top-level statement of the purpose, whether in legislation or another form, that has wide ownership and can remain relevant for a sufficient period.
- **Lesson 2:** Avoid letting short-term pressures jeopardise the long-term common interest in effective development.
- **Lesson 3:** Set a clear mandate and establish mechanisms to ensure that policies are assessed for their impact on poor countries.
- **Lesson 4:** Invest in delivering, measuring and communicating results of aid-financed activity.
- **Lesson 5:** Task a sufficiently senior and publicly accountable figure with clear responsibility at the political level for delivery.
- **Lesson 6:** Rationalise bilateral aid structures to facilitate coherent action at country level.
- **Lesson 7:** Promote coherence between diverse aspects of multilateral aid.
- **Lesson 8:** The decentralisation of responsibility to the field can be beneficial, but it needs high quality, lean supporting systems.
- **Lesson 9:** Radical reforms in delivery are vital as donors must deliver more aid per head of agency staff, while increasing effectiveness.
- **Lesson 10:** Most donors should focus assistance on fewer countries, sectors and, in particular, activities.
- **Lesson 11:** Develop a stronger culture of managing for results and align incentives accordingly, but to promote, not weaken, local structures of accountability.
- **Lesson 12:** Securing and developing well-qualified, motivated local and expatriate staff is essential to effectiveness. Quality agencies attract quality staff.

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Chapter 1

The Legal and Political Foundations for Development Co-operation

What gives donors the political and legal legitimacy to develop aid policies and deliver aid in line with international best practices? How do donors secure this legitimacy and operational authority? The three essential ingredients are: i) *an appropriate legal and/or policy basis;* ii) *political support for translating commitments into action; and* iii) *public support for development. DAC members establish the legal and political foundations for development co-operation in many ways: through legislation, high-level policy statements and strategies, political champions such as cabinet ministers with responsibilities for development co-operation, active engagement of parliamentarians in development co-operation, and effective communication and education strategies to win public support. Newer donors need to verify that they address these fundamental issues of legitimacy as they shape their approaches to development co-operation.*

Legal and political issues

Legislation

"Have a clear, top-level statement of the purpose of development co-operation, whether in legislation or another form, that has wide ownership and can remain relevant for a sufficient period." (Lesson 1)

Good legislation is transparent, clearly establishes the responsibilities of government entities involved in development co-operation, and makes them accountable. Legislation is an effective framework for establishing priorities and objectives for assistance, and can also protect the aid programme from competing interests that work against development objectives. At the same time, exhaustive legislation on development assistance can hinder efficiency, especially if laws are not updated regularly. Moreover, legal safeguards can unintentionally pose problems and constrain moves towards the harmonisation, alignment and accountability called for in the Paris Declaration and the Accra Agenda for Action (Chapter 8).

Legislation for development co-operation programmes in DAC member countries largely reflects their legal traditions. Just over half the DAC member countries have passed legislation that establishes the priorities and main objectives of their aid. For example, Canada's Official Development Assistance Accountability Act, which came into force on 28 June, 2008, lays out a series of conditions that must be satisfied for international assistance to be considered official development assistance. In countries where there is no legislation governing development assistance, aid may be vulnerable to changing political priorities. But, countries without legislation, for example Australia, Ireland, Norway, and Sweden, may have more flexibility in adapting to rapidly evolving development co-operation issues.

The United Kingdom's International Development Act

The UK's International Development Act 2002 provides a clear legislative mandate around poverty reduction and gives national development co-operation its current strategic orientation on issues of development, not only aid. For the first time in the UK, it reflects in law the centrality of poverty elimination and forbids the use of development assistance for other purposes, including the tying of bilateral aid to procurement contracts for British companies. As it has been designated the lead ministry for carrying out this legal mandate, the Department for International Development (DFID) enjoys an unambiguous relationship with other ministries, which allows it to influence cross government thinking on development policy. This clarity of purpose also permits DFID's downstream operations to be more efficiently managed and evaluated. The Act has been a cornerstone in the substantial improvement of the UK's approach to international development since 1997.

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Political context

"Avoid letting short-term pressures jeopardise the long-term common interest in effective development." (Lesson 2)

Ultimately, striking an appropriate balance between development and other policy objectives pursued through foreign assistance programmes is a political choice made by each DAC member country. The DAC advises that although pursuing national interests is legitimate, if it results in ineffective aid, it will prove self-defeating. Of course, to justify this position, it is necessary to demonstrate that coherent policies and well-considered development co-operation can, and do, contribute to overarching long-term national interests. In 2001 DAC members agreed to untie most categories of ODA to least-developed countries. This reduces the pressure to promote member country commercial interests in development assistance programmes.[1]

Over half DAC members recognise that development co-operation is a fundamental part of foreign relations. For example, Finland, France, the Netherlands and Portugal clearly state that development is an integral part of foreign policy and the country's interest in global stability. The United States has traditionally justified development co-operation in terms of both recipient country needs and its own foreign policy objectives. In recent years, development has been elevated to one of three pillars of US foreign policy, along with diplomacy and defence.

Policy statements

Irrespective of legislation, an overarching policy statement that outlines the main purpose and objectives of foreign assistance is invaluable. These statements not only signify a government-wide commitment to development but also help manage competing national interests and secure a shared long-term interest in effective development. Such statements can be the basis for monitoring progress towards commitments to specific targets that do not lend themselves to being set in legislation (*e.g.* ambitions for future ODA levels as a share of gross national income), development objectives (*e.g.* the MDGs), and reforms (*e.g.* implementing the Paris Declaration and the Accra Agenda for Action). They are especially useful in setting out a common purpose in countries that have several agencies implementing foreign assistance, as is the case in Germany, Spain and the United States.[2] In addition, when development assistance policies are openly debated in civil society, the consultative process can be as important as the statement itself, as it helps to build public awareness and support.

Germany's Programme of Action 2015 for Poverty Reduction

In 2001, Germany defined the profile and vision for its development co-operation in a Programme of Action 2015 for Poverty Reduction. *This Programme sets out concrete steps that German ministries and agencies will take to achieve the MDGs. One of the overarching objectives, and an important dimension of German policy, is poverty reduction. The Programme calls for a coherent approach that integrates development assistance for the environment, agriculture, trade, economy, finance, science and technology for the benefit of the poor, at the global level, in partner countries, and in Germany itself. Since 2001 the Programme has served as the framework for German development assistance and is adapted as needed to reflect new global challenges (e.g. climate change, food crisis).*[3]

Policy statements take different forms, for example, white papers, ministerial statements to parliament and multi-year master plans. In some cases, policy statements relate specifically to development assistance while, in other cases, development assistance is part of broader government statements on international development, foreign relations or national security. Slightly over two-thirds of DAC member countries have a high-level policy statement, which, in a number of cases, complements legislation. All DAC members but one (France) have legislation and/or a high-level policy statement. Poverty reduction and the MDGs feature significantly in the overall objective in 17 member countries. Most often the policy also presents a strategic vision for the geographic scope, sectoral areas and themes of a country's development co-operation programme. More and more donors are including the principles for effective aid in their policy statements. For example, the European Community's *Consensus on Development* (2005) sets out the common vision of the Commission and Member States on aid effectiveness.

Ministerial arrangements

"***Task a sufficiently senior and publicly accountable figure with clear responsibility at the political level for the delivery of effective development co-operation.***" ***(Lesson 5)***

Assigning clear responsibility for the delivery of effective development co-operation to a senior political and publicly accountable figure strengthens an aid ministry or agency's operational authority. Such a champion within the government helps secure and advance political commitment to development co-operation. Countries that make international development a political priority tend to be led by a minister or deputy minister in a strong position in the government (OECD, 2008a).

In countries where several ministers influence the aid programme it is important that there is a mechanism, for example a committee, to co-ordinate their activities and promote synergies. The membership, agendas and mandates of such committees vary but the key factors that affect their impact are the degree of authority that they have, their mandate and membership, the frequency of formal and secretariat meetings, and the range of issues they address.

Inter-ministerial co-ordination in France

The French Inter-Ministerial Committee for International Co-operation and Development (CICID) was established in 1998 to promote co-ordination across ministries. The Prime Minister presides and members include the Minister for Foreign Affairs, the Minister for Economic Affairs and Finance, the Secretary of State for Co-operation, the Minister for Immigration, Integration, National Identity and Co-Development, as well as other ministers who have responsibilities related to the development co-operation programme – 12 ministers in all. The aims of CICID are to: i) specify the countries that can be considered as belonging to France's Priority Zone for Partnerships; ii) set guidelines for the objectives and instruments of international co-operation and development assistance policy; iii) ensure geographic and sectoral coherence among the different components and institutions of French co-operation; and iv) monitor and evaluate aid according to the targets that are set, including aid effectiveness targets. CICID meets at least once a year and may meet at official or senior official levels in between. The Ministry of Foreign Affairs and the Ministry of the Economy, Finance and Industry are the co-secretariat for the committee.

Parliamentary engagement and oversight

Parliamentarians vote on aid budgets as decision makers and the elected representatives of the taxpayers who fund development co-operation programmes. Parliament plays an important role in monitoring the management and implementation of foreign assistance programmes. The Accra Agenda for Action recommends that this role of parliamentarians should be reinforced. Parliament can hold the government to account on development commitments in special sessions and hearings on development co-operation, and through parliamentary questions. Furthermore, given their links to the electorate, parliamentarians can help build public awareness and support for development co-operation.

The role of parliaments in development co-operation in DAC member countries ranges from modest to very active. Specific parliamentary committees that deal with development issues and foreign assistance budgets are two important factors influencing the level of parliamentary involvement in development co-operation. The absence of parliamentary committees does not, however, preclude the engagement of parliamentarians in development issues. Denmark and Ireland, for example, engage parliamentarians in development issues by, among other things, arranging visits by parliamentary committees, especially the Foreign Affairs Committee and the Finance Committee, to programme countries. For their part, many parliamentarians from DAC member and other OECD countries belong to international parliamentary networks that monitor international development and build parliamentary capacity in developing countries.[4] The United Kingdom has an International Development Committee which has the power to summon the Minster for Development Co-operation to respond to questions. Although Norway does not have a committee dedicated to international development, the Foreign Affairs Committee actively discusses development issues and parliament engages in the decision-making process for new policies.

Public support

Public backing for development co-operation is the best guarantee of political and legislative support for national development assistance programmes and for reforming these programmes. Citizens are key stakeholders: they contribute through their taxes and by electing politicians who decide on and monitor aid policies. Citizens also stand to benefit as greater economic growth in developing countries leads to more prosperity and security. But experience shows that aid agencies must invest in delivering, measuring and communicating the results of development co-operation to win public support. This is particularly important for emerging donors (Box 1.1). However, surveys show that public understanding of development issues is fairly superficial and that there is scepticism about the effectiveness of aid. Support for development assistance may be high but the public often assumes that it will mostly be spent on humanitarian crises.[5]

Many development agencies monitor public opinion: France, Japan, the Netherlands, Sweden and the UK carry out annual surveys. Opinion polls and regular surveys are useful for monitoring trends in public opinion. They also help target campaigns to raise public awareness and help link public opinion and changes in government policy. Since opinion polls and surveys can be costly they are usually done every few years rather than annually. Systematic evaluation of activities to raise public awareness – what works and why – is also helpful (OECD Development Centre, 2008b). The Informal Network of DAC Development

Box 1.1. **Winning public support for development assistance in non-DAC member countries**

Public support for aid in Korea* and Poland stems from humanitarian and moral motives, just as in DAC member countries. But non-DAC donors must generate public interest for development assistance in the context of low incomes and the continuing need to address poverty at home. Boosting public understanding and acceptance of the country's new status as an international donor is, therefore, important. Governments and aid managers may find it easier to explain why the country should give aid in the context of foreign policy, regional solidarity and how aid promotes development at home. When taxpayers understand that their own well-being often depends on reducing poverty and developing other parts of the world, they are more likely to support aid assistance programmes.

* See *Strategies on Rising Public Awareness in South Korea: How to build public and political support for development assistance* (Chang, 2007).

Communicators, facilitated by the OECD Development Centre, helps DAC members learn from each other's experiences in raising public awareness.[6]

Building public support and awareness

"***Invest in delivering, measuring and communicating results of aid-financed activity.*** **"** ***(Lesson 4)***

Most DAC member countries have policies on informing and educating the public about their aid programme and development issues generally. In Switzerland, for example, the *Federal Law on International Development Co-operation and Humanitarian Aid* obliges the government to educate the public on development issues. But there is also a strong demand for information about development, especially about the results achieved with aid (OECD Development Centre, 2005 unpublished). Because of this, more aid agencies are making systematic efforts to communicate development results.[7] Canada, the Netherlands, Switzerland, the United Kingdom and the United States have made significant progress in responding to this demand for information on results.[8]

Poland's strategy on public awareness

Because resources were limited, the Polish Ministry of Foreign Affairs' strategy (2004) to raise awareness focused on two main areas: i) providing information and fostering public and media interest in Poland's official development co-operation; and ii) development education. The strategy targeted groups that disseminate information to Polish society (e.g. NGOs, schools, academia, the private sector and the media) and explicitly avoided sensational, emotional and simplistic mass communication. Surveys show that public support for development co-operation grew significantly between 2004 and 2008. For example, Polish parliamentarians show more interest in development, popular and NGO-driven initiatives on Africa are proliferating, the ministries of foreign affairs and of education co-operate to co-finance NGO development education projects (since 2008), and the number and the quality of development education project proposals is increasing.

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Raising awareness

Activities to raise awareness include public relations, campaigns and development education. In addition to traditional communications, such as annual reports and publications, more innovative and participatory communications, and campaigns tailored to specific target groups, are being used to demonstrate aid effectiveness and convey development results. In Belgium and Sweden, public campaigns about the MDGs have motivated and inspired people to support development co-operation.[9] In the United Kingdom and Ireland, citizens were consulted during the preparation of white papers, and reader-friendly summaries were disseminated to all households. Aid agency personnel in France, Luxembourg and New Zealand facilitate blogs on the agencies' official websites, and Ireland and Japan have opened public information centres which are becoming hubs for public debate and learning about development issues. The Netherlands has encouraged popular television series to integrate development issues into programmes.

Development education policy has also become more strategic in many DAC member countries. Several donors clearly distinguish between their communications and development education strategies and work with ministries of education to include global development issues in the school curriculum.[10] More informally, they co-finance civil society organisations to educate young people on development issues and to post educational resources on the Internet.[11] Not least, the United Kingdom, for example, is sponsoring scientific research to find out how people learn about development and to assess the impact of development education. Nevertheless, most DAC member countries struggle to secure funds to implement strategies for building public support and raising awareness. With a few exceptions, they typically spend less than 0.5% of ODA on communications and development education. However, some EU Member States, in collaboration with NGOs, have endorsed a target of 3% ODA for development education.[12]

Japan's strategy on public awareness

During the 1990s, public opinion polls in Japan showed a fall in public support for increasing ODA that was closely associated with slow economic growth. In response, the Ministry of Foreign Affairs and Japan's International Co-operation Agency (JICA) developed and resourced a comprehensive and technologically savvy public relations and development education strategy focusing on human security. The JICA Global Plaza was opened in 2006 as a public education centre for development co-operation. The priority target audiences are youth and members of the public who are somewhat interested in international development. The Global Plaza puts on public exhibitions featuring JICA co-operation programmes and provides meeting rooms for civil society organisations. The complementary and strategic efforts of the Ministry of Foreign Affairs and JICA have brought positive changes in youth awareness and interest in development co-operation: more university students are travelling to developing countries; students are setting up NGOs; and, in 2005, the first aid-focused advocacy campaign in Japan got underway.[13]

Notes

1. Available at: *www1.oecd.org/media/release/dac_recommendation.pdf*.
2. Spain's Master Plan (2005) sets out reform objectives for the main organisations in the system to secure "greater quality, dynamism, and flexibility in the design and management of public policy on international co-operation for development". The US National Security Strategy (2002, updated 2006), and the Foreign Assistance Framework promotes more co-ordinated, high-level decision-making across all the government's development institutions.
3. For more information, see Federal Ministry for Economic Cooperation and Development (2008), Development Policy White Paper, Berlin, Germany.
4. E.g., Parliamentary Network on the World Bank: *www.pnowb.org/*; European Parliamentarians for Africa: *www.awepa.org/*.
5. *Mobilising Public Opinion Against Global Poverty* (OECD, 2004) and "A Literature review of public perceptions of aid effectiveness in OECD and Developing Countries" (OECD Development Centre, 2005, unpublished).
6. *www.oecd.org/dev/devcom*.
7. The Informal Network of DAC Development Communicators (*www.oecd.org/dev/devcom*), Summary Report from the Informal Expert Meeting on Managing for and Communicating about Results in May 2008.
8. Netherlands: reports on Results in Development; UK's Aid Works campaign; USAID and the Swiss Development Co-operation have constructed web-based reporting systems that focus on what is being achieved in partner countries. However, a recent evaluation shows that much more needs to be done in this respect.
9. For an overview of lessons from DAC member MDG Campaigns see: *www.oecd.org/document/47/0,3343,en_2649_34101_39869615_1_1_1_1,00.html*.
10. They include Austria, Belgium, Canada, Finland, France, Ireland, Japan, Luxembourg, Norway, Portugal, Spain and the United Kingdom.
11. See, for example, AusAID's Global Education website: *www.ausaid.gov.au/globaled/default.cfm* and the site of the New Zealand Global Education Centre: *www.globaled.nz*, an NGO which receives financial support from NZAID.
12. *www.deeep.org/fileadmin/user_upload/downloads/Consensus_on_DE/Final_Euro_DEAR_statement_with_annexes_301007.pdf*.
13. See the "Make Poverty History Campaign" which was led by Japanese NGOs: *www.hottokenai.jp/pub*.

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Chapter 2

Policy Coherence for Development

Successful poverty reduction requires mutually supportive policies across a wide range of economic, social, and environmental issues. OECD ministers reaffirmed this in 2008 when they adopted the Declaration on Policy Coherence for Development. In the globalised economy, events in one country may have an impact far beyond its borders, and neglecting the development dimension can, in time, undermine the pursuit of other objectives. Making progress towards sustainable and broad-based development requires that countries better understand and manage the political economy of globalisation. Policy coherence is an important part of this process.

Promoting coherent development policies

Applied to development, policy coherence is defined as "working to ensure that the objectives and results of a government's development policy are not undermined by other policies of that same government which impact on developing countries, and that these other policies support development objectives where feasible" (OECD, 2005, p.4). MDG 8, Develop a Global Partnership for Development, demonstrates this point: OECD governments agreed to targets on trade, debt, and aid. Non-aid policies that take development issues into account enhance the impact of aid efforts, just as aid targeted at key economic sectors helps create an enabling environment for growth and private investment.

Coherence can be promoted at several levels: *a)* at the internal level within development co-operation policies; *b)* at the intra-country level, meaning consistency between aid and non-aid policies; *c)* at the inter-donor level, meaning consistency between aid and non-aid policies across OECD countries; and *d)* at the donor-recipient level, to achieve shared development objectives.[1]

Delivering coherent policies involves trade-offs between the interests of special groups and government agencies with development commitments. Experiences in DAC member countries suggest that coherence for development is not always feasible in all policy areas. Nevertheless, decision makers should take full account of the implications of their policies for developing countries. The European Council, for example, has agreed on 12 priority areas to help accelerate progress towards the MDGs. The European Commission assesses the policies of Member States in these 12 areas to enhance their coherence for development.[2]

Key elements in promoting policy coherence

"Set a clear mandate and establish mechanisms to ensure that policies are assessed for their impact on poor countries." (Lesson 3)

The diverse policy making and organisational cultures of DAC member countries mean that they approach policy coherence for development in different ways. Nevertheless, their progress towards policy coherence for development depends largely on: *i)* the degree of political commitment and policy statements supporting this; *ii)* their policy co-ordination mechanisms; and *iii)* their systems for monitoring, analysis and reporting. Drawing on peer reviews, each of these three areas is examined below. Box 2.1 lists the main lessons learned (OECD, 2008b).

Political commitment and policy statements

Political commitment is essential for setting and prioritising objectives. Policy statements translate political commitment into clear, prioritised and coherent policies. For example: the Netherlands and Sweden with their *Policy for Global Development*, have put policy coherence at the core of international development co-operation; and Norway

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Box 2.1. **Lessons from DAC peer reviews on policy coherence for development**

To strengthen political commitment and policies on policy coherence for development DAC members need to:

- Educate and engage the public, and work with civil society, research organisations and partner countries, to raise awareness and build support for policy coherence for development in the long term.
- Make public commitments to policy coherence for development, endorsed at the highest political level, with clear links to poverty reduction and internationally-agreed development goals.
- Publish clear priorities and time-bound action agendas for making progress on policy coherence for development.

To strengthen policy co-ordination for policy coherence for development DAC members need to:

- Ensure that informal working practices support effective communication between ministries.
- Establish formal mechanisms at high levels of government for inter-ministerial co-ordination and policy arbitration, ensuring that mandates and responsibilities are clear and fully involve ministries beyond development and foreign affairs.
- Encourage and mandate the development agency to play a pro-active role in discussions about policy co-ordination.

Good practice in strengthening systems for monitoring, analysis and reporting includes:

- Using field-level resources and international partnerships to monitor the real-world impacts of putting policy coherence for development in place.
- Devoting adequate resources to the analysis of policy coherence issues and progress towards policy coherence for development, drawing on the expertise of civil society and research institutes, domestically and internationally.
- Reporting transparently to parliament and the general public about progress on policy coherence for development as an integral part of reporting on development co-operation and progress towards the MDGs.

Source: OECD, (2008b), "Synthesis Report on Policy Coherence for Development".

makes policy coherence for development an explicit goal in achieving the MDGs. Finland defines development policy as all activities in international co-operation and national policy that have an impact on the status of developing countries. This is reflected in the Finnish Prime Minister's explicit commitment to policy coherence, and the level of awareness of policy coherence for development issues in the Ministry for Foreign Affairs and the country's broader development community. Germany, on the other hand, has decided not to legislate, but instead, has developed a rolling coherence agenda and holds regular inter-ministerial consultations to foster progress. Policy coherence for development is also one of the four goals of the German Federal Ministry for Economic Co-operation and Development (BMZ) (2005). The European Community too, made policy coherence for development a specific commitment in the 2005 *European Consensus on Development*, requiring that policies in all areas take account of development objectives. The DAC emphasises the value of translating political commitments into clear policy statements and agendas for action.

In some cases, policy commitments and statements are underpinned by a legal framework and adequate resources to make policy coherence for development possible. Austria and Spain, for example, include policy coherence for development in their legislation. In the United Kingdom, the *International Development Act* (2002) gives the government authority to deal coherently with development issues. At the same time, experience from DAC members shows that legislation does not always guarantee progress towards policy coherence for development.[3]

Policy co-ordination

Policy co-ordination mechanisms need to help the various components of government consult each other on policy, resolve conflicts and policy inconsistencies, and ensure that development interests are clearly and strongly voiced. Policy co-ordination in DAC member countries ranges from informal co-ordination to systematic screening of legislative proposals for development impacts. As noted by OECD ministers,[4] since 2000, organisational mechanisms to promote policy coherence for development have improved in OECD member countries. The Netherlands, for example, has established a dedicated policy coherence unit within the Ministry for Foreign Affairs, whereas in Denmark inter-ministerial discussions and policy co-ordination is on an issue-by-issue basis, rather than strategic. France, Greece, Luxembourg and the United States take similar approaches, letting different ministries find common ground and establish greater coherence on issues such as trade and development. In the United States, the Policy Co-ordination Committee, under the National Security Council, aligns the perspectives of different agencies and day-to-day inter-agency co-ordination on development policy. This Committee brings aid and trade under one umbrella but is not mandated to co-ordinate policy in other domains.

The Netherlands' policy coherence unit

In 2002, the Netherlands established a dedicated policy coherence unit (PCU) within the Ministry for Foreign Affairs (MFA). Reporting to the Director General for International Co-operation and the Minister for Development Co-operation, the PCU's mandate is to promote general awareness of policy coherence for development at national, EU and international levels, to monitor OECD countries' efforts and to stimulate research on impacts of policy coherence for development in developing countries. With a staff of six, the unit monitors national policies for inconsistencies, co-ordinates the positions of various departments on development-related issues, compiles coherence dossiers on specific issues, and mobilises political support through outreach activities with parliamentary committees and civil society. The PCU also screens EU legislative proposals for their impact on developing countries and ensures that Dutch positions in the EU take account of development impacts. A PCU representative attends the weekly meetings of the Inter-departmental Committee for European Affairs, the forum in which the Dutch position for EU councils and committees is determined.

The OECD recommends that member states establish and strengthen mechanisms for policy co-ordination and ensure that development interests are clearly represented. In order to be truly effective, co-ordination must be at a high level within the government and there must be a mandate and mechanisms to arbitrate on policy, as in the Netherlands and the United Kingdom.

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Inter-departmental and inter-ministerial committees play an important role in bringing together policy makers from different ministries to discuss policy overlaps. Development interests also need to be discussed and represented at cabinet level to ensure that development is not marginalised in policy discussions. Australia's Cabinet Policy Unit works alongside the Cabinet Implementation Unit on broad policy coherence (*i.e.* not just for development). Such mechanisms reinforce co-ordination and the implementation of government decisions. In the United Kingdom, joint Public Service Agreements and joint operational mechanisms specify the responsibilities of government departments, including on conflict prevention, trade and debt relief. Public Service Agreements also help to promote closer working relations across government departments. In the Netherlands, memoranda between the development agency and other ministries have clarified ministerial positions on agriculture, security and migration, all of which have an important bearing on development. Other countries, such as Finland, also have formal mechanisms.

In small countries, such as Ireland, New Zealand and Luxembourg where government lines of communication are short, formal co-ordination mechanisms may not be essential. However, informal working practices can always be strengthened. Regular secondments between ministries and good channels of communication across government are effective ways of keeping development on the policy agenda. Nevertheless, in the interests of transparency and accountability, formal, systematic mechanisms for policy co-ordination have often proved necessary.

Finland's co-ordination mechanisms

In Finland, the Unit for Sectoral Policy within the Department for Development Policy in the Ministry of Foreign Affairs (MFA) is the main focal point for tackling policy coherence for development. This Unit has an advisor whose role is to increase Finnish and EU coherence in development policy through analyses, awareness-raising and advocacy.

Across government, the main mechanisms for policy co-ordination for development are thematic working groups. These groups address, among other things, trade and development (MFA), security and development (MFA, Ministry of Defence, Ministry for the Interior), migration and development (MFA, Ministry for the Interior, Ministry of Labour), and climate change (MFA, Ministry of Environment, Ministry for Trade and Industry, Ministry for Agriculture and Forestry, Ministry of Finance, Ministry of Transport and Communications).

The term "whole-of-government approach for development" is sometimes used to explain how policy coherence is achieved, as is the case of Australia. However, donors often use "whole-of-government approach" when referring to operational mechanisms for co-ordinating a country's engagement in specific developing countries or regions. For example, in fragile situations, political diplomacy, humanitarian and development activities are often handled together with security measures to protect human life, promote and support a peaceful solution, stabilisation and development. In countries such as Afghanistan (Canada), Haiti (US and Canada) and Indonesia and the Solomon Islands (Australia), DAC members have developed "whole-of-government approaches". Belgium has put in place specific arrangements to ensure that its actions in the Great Lakes region of Africa are properly co-ordinated. But, experience shows that "whole-of-government approaches" with a geographical focus do not in themselves ensure that poverty reduction objectives take priority. However, when poverty reduction is a priority, this country-specific approach combined with thematic policy co-ordination at headquarters level may help to deliver policy coherence for development results on the ground.

Monitoring, analysis and reporting

Research and analysis of the impact of policies for development are essential for informed policy making. Reporting the impact of development policies to parliament and the public also creates awareness of the benefits of coherent policies and helps to build support and to enhance government accountability for policy coherence. But, although many DAC member countries lack the capacity to analyse issues related to policy coherence for development, some do have the capacity to assess broad policy issues in terms of their actual or potential effects on developing countries and poverty reduction. If the capacity exists, it may be in a dedicated policy coherence unit within the development agency, as in the Netherlands. But when internal capacity for analysis is limited, DAC member countries often partner with research institutes, universities and external advisers. Ireland, for example, funds university research programmes on policy coherence for development. In addition to research, analysis and reporting, peer reviews show that monitoring, including of field-level impacts, is also important.

Systems for monitoring, analysing and reporting development impacts are relatively weak, even in member countries that are widely regarded as being in the forefront of policy coherence for development. Sweden, the European Community, the Netherlands and Finland have made the most progress in reporting in an explicit and systematic manner. In Sweden, for example, reports must be designed so as to enable monitoring of progress over time. This requires establishing operational targets for specific policy areas. In Finland, the Development Policy Committee, a government-appointed advisory body, monitors development policy and produces an annual statement which comments on policy coherence issues. Since 2006, the government also reports on this annually to parliament.

Notes

1. OECD (2008), OECD Declaration on Policy Coherence for Development.
2. These are: trade, environment, climate change, security, agriculture, fisheries, social dimension of globalisation, employment and decent work, migration, research and innovation, information society, transport and energy.
3. OECD (2008b), "Synthesis Report on Policy Coherence for Development".
4. OECD (2008), OECD Declaration on Policy Coherence for Development.

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Chapter 3

Organisation and Management

DAC member countries face a range of organisational challenges. They ask, for example:

– To what extent should the ministry of foreign affairs be involved in managing aid?

– How do we involve a sufficiently senior and publicly accountable figure at the political level?

– How is the distribution of responsibilities among various institutions best managed?

– How do we manage representation in partner countries and decentralise responsibilities?

Organisational structures

Organisational structures for managing aid in each DAC member country are unique and dynamic. The Irish Constitution, for example, sets a limit on the number of ministers in government. This means that Ireland might not be able to appoint a minister and set up a department for development co-operation because there are insufficient ministerial "slots". In other countries, broad public sector agendas influence roles and responsibilities. In Sweden, ministries are small and highly focused, and policies are implemented by semi-autonomous agencies which receive annual letters of instruction from government. This explains why the Swedish International Development Co-operation Agency (Sida) is separate from the Ministry of Foreign Affairs.

Similarly, public sector management practices, such as results-based management, can have a profound impact on aid programmes. Canada's focus on public service outcomes, for example, affects not only the allocation of aid resources to countries and sectors; the Treasury Board also requires management performance reports on government policies, directives and standards. Understanding the development co-operation system in any particular country requires an awareness of these influences. The national context may constrain countries' flexibility to adapt and, thus, affect the pace and extent of implementation of the Paris Declaration and the Accra Agenda for Action. Systemic transformations are, nevertheless, taking place.

Development co-operation systems in DAC member countries

Development co-operation, as part of foreign policy, comes under ministries of foreign affairs to some degree in all DAC member countries. There are four main organisational models:

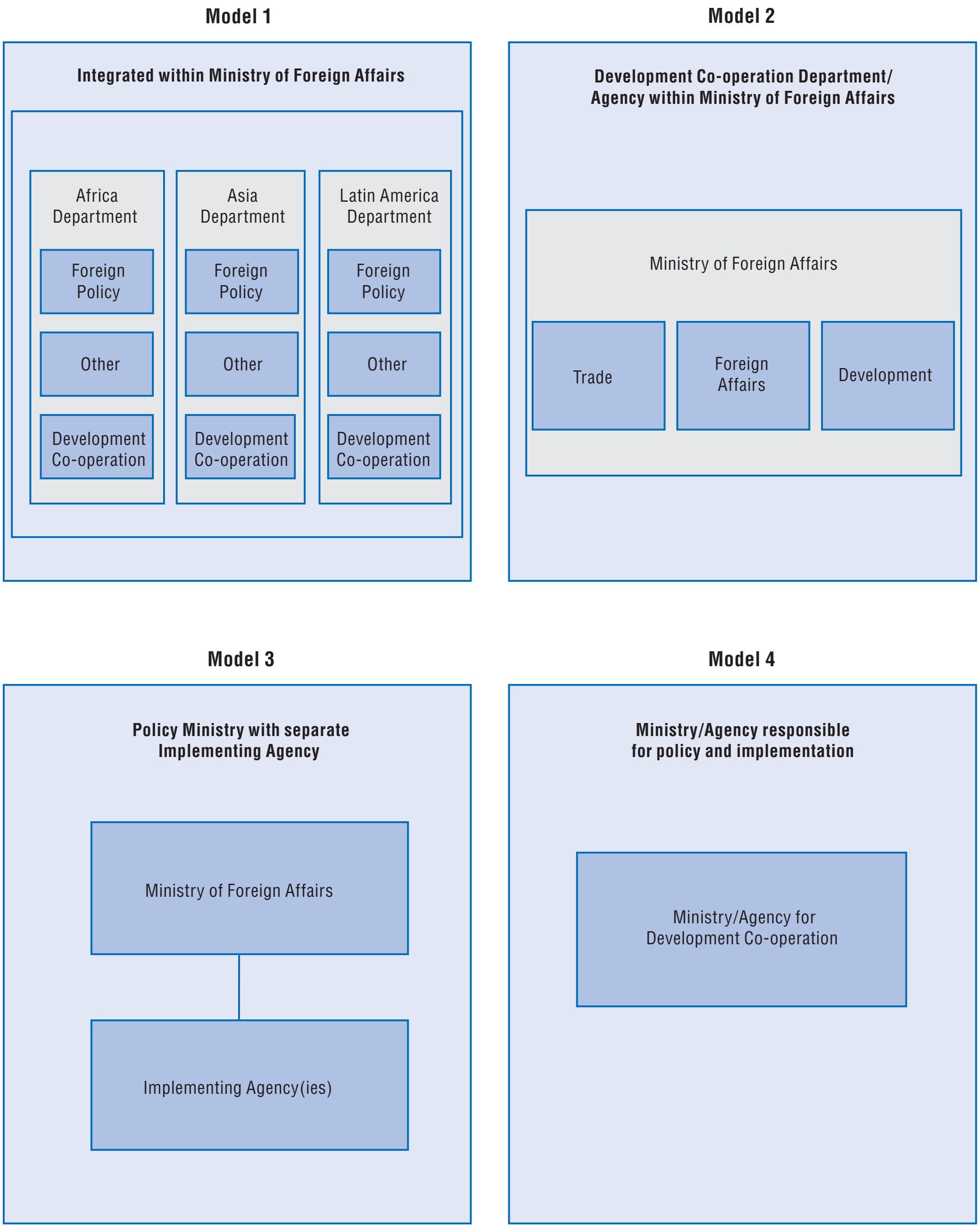
1. The ministry of foreign affairs takes the lead and is responsible for policy and implementation.
2. A development co-operation directorate or agency within the ministry of foreign affairs leads and is responsible for policy and implementation.
3. A ministry has overall responsibility for policy and a separate executing agency is responsible for implementation.
4. A ministry or agency, other than the ministry of foreign affairs, is responsible for both policy and implementation.

Figure 3.1 and Box 3.1 show the diversity of organisational structures for development co-operation in DAC member countries.[1] The profiles of DAC member countries in Annex A explain how each organises aid in more detail.

Representation in partner countries

The ambassador and other diplomats play an important role in linking development programmes and broader foreign relations in partner countries. The ambassador, or head

Figure 3.1. **Examples of organisational structures for managing aid**



Source: OECD, (1999), A Comparison of Management Systems for Development Co-operation in OECD/DAC Members, OECD, Paris.

of mission, represents the donor country at the highest level and can influence decisions important for achieving development goals, such as upholding democratic practices, and promoting good governance and respect for human rights. In many countries, ambassadors help formulate assistance strategies and may need to endorse them before implementation. Some ambassadors, or heads of mission, also have funds at their disposal to support small development projects. Therefore, diplomats posted to developing countries should have a good grounding in development issues.

Box 3.1. Development co-operation models in DAC member countries

Model 1: Development co-operation is an integral part of the ministry of foreign affairs which is responsible for policy and implementation.

Denmark: Danish foreign assistance is managed by the South Group in the Ministry of Foreign Affairs.

Norway: Development policy and foreign policy are now fully integrated within the Ministry of Foreign Affairs (MFA). Norad has been made a technical directorate responsible to the MFA.

Model 2: A Development Co-operation Directorate has the lead role within the ministry of foreign affairs and is responsible for policy and implementation.

Finland: Finnish foreign assistance is managed by the Department for Development Policy in the Ministry for Foreign Affairs.

Greece: The Hellenic International Development Co-operation Department (Hellenic Aid) within the Ministry of Foreign Affairs has a central and co-ordinating role in relation to Greece's bilateral foreign assistance, which is implemented through 12 other ministries and government agencies.

Ireland: Irish foreign assistance is mostly managed by the Development Co-operation Directorate (DCD), also called Irish Aid, in the Department of Foreign Affairs.

Italy: Among the various ministries and local government bodies providing foreign assistance, the Directorate-General for Development Co-operation in the Ministry of Foreign Affairs plays a leading role in the bilateral programme.

Netherlands: Dutch foreign assistance is managed by the Directorate-General for International Co-operation in the Ministry of Foreign Affairs.

New Zealand: The New Zealand Agency for International Development (NZAID) is a semi-autonomous body within the Ministry of Foreign Affairs and Trade.

Switzerland: Most Swiss foreign development and humanitarian aid is the responsibility of the Swiss Agency for Development and Co-operation (SDC) which is part of the Ministry of Foreign Affairs (MFA). Economic Aid and Aid for Trade is conducted by the State Secretariat for Economic Affairs while the Political Division IV of the MFA handles conflict prevention and resolution.

Model 3: A ministry has overall responsibility for policy and a separate executing agency is responsible for implementation.

Austria: The Department for Development Co-operation and Co-operation with Eastern Europe of the Foreign Ministry has overall responsibility for Austrian foreign assistance. Bilateral projects are implemented by the Austrian Development Agency.

Belgium: The Directorate-General for Development Co-operation of the Federal Department of Foreign Affairs, Foreign Trade and Development Co-operation has overall responsibility for Belgian federal foreign assistance. Activities are implemented by the Belgian Technical Co-operation organisation. A specific feature of Belgium's programme is the active but separate engagements by the Flemish and Walloon regional governments.

Box 3.1. **Development co-operation models in DAC member countries** *(cont.)*

France: The main actors in the French system of foreign assistance are the Directorate-General for International Co-operation and Development in the Ministry of Foreign Affairs and the Treasury in the Ministry of Economic Affairs, Finance and Industry. The French Development Agency (AFD) is the principal executing agency for France's bilateral activities.

Germany: The Ministry of Economic Co-operation and Development (BMZ) has overall responsibility for Germany's development cooperation. It is separate from the Federal Foreign Office and reports to Parliament through a cabinet minister, the Federal Minister for Economic Co-operation and Development. Development policy is implemented through different agencies including: the KfW Development Bank and its subsidiary, the German Investment and Development Corporation for financial co-operation; the Deutsche Gesellschaft für Technische Zusammenarbeit/German technical co-operation (GTZ) commissioned to implement German technical co-operation programmes, Internationale Weiterbildung und Entwicklung gemeinnützige (GmbH)/Capacity Building International (InWEnt)* for human resource development and training; and the German Development Service for volunteer' development workers. Among other things, the Federal Foreign Office is in charge of humanitarian assistance.

Japan: The International Co-operation Bureau in the Ministry of Foreign Affairs plays a central role but various government entities deliver Japanese foreign assistance, most notably the Japanese International Co-operation Agency (JICA).

Luxembourg: The Ministry of Foreign Affairs has overall responsibility for Luxembourg's foreign assistance, which is delivered through Lux-Development, a separate executing agency.

Portugal: Foreign assistance is implemented by nearly 20 government ministries and agencies, and over 300 municipalities. The Ministry of Foreign Affairs has overall responsibility for Portuguese foreign assistance, with its Institute for Portuguese Development Support playing a co-ordinating role.

Spain: The State Secretariat for International Co-operation and Latin America within the Ministry of Foreign Affairs, and its executing agency the Spanish Agency for International Co-operation (AECI), are key players in Spain's foreign assistance system, which also includes the Ministry of Economy and various autonomous regions and municipalities.

Sweden: The Global Development Department of the Ministry of Foreign Affairs has overall responsibility for Swedish foreign assistance, which is delivered through the Swedish International Development Co-operation Agency (Sida).

United States: In addition to USAID, United States' foreign assistance is delivered by a range of other federal institutions including the Department of State, the Department of the Treasury, the Department of Health and Human Services, the Millennium Challenge Corporation and the Peace Corps. The Secretary of State is responsible at the cabinet level for the activities of the Department of State and USAID and chairs the Millennium Challenge Corporation's Board of Directors.

Box 3.1. **Development co-operation models in DAC member countries** *(cont.)*

Model 4: A ministry or agency, which is not the ministry of foreign affairs, is responsible for both policy and implementation.

Australia: The Australian Agency for International Development (AusAID) is an administratively autonomous agency within the portfolio of the Ministry for Foreign Affairs and Trade.

Canada: The Canadian International Development Agency (CIDA) reports to Parliament through the Minister for International Co-operation.

United Kingdom: The Department for International Development (DFID) reports to Parliament through the Secretary of State for International Development.

* InWEnt was established in 2002 through the merger of the Carl Duisberg Society and the German Foundation for International Development.

Where development agencies cannot post staff in-country, programme management may be the responsibility of a diplomat or locally recruited representative already stationed at the embassy. Several donors have set up regional offices that oversee foreign assistance programmes in countries in the same region.

Leadership

"Task a sufficiently senior and publicly accountable figure with clear responsibility at the political level for the delivery of effective development co-operation." (Lesson 5)

Irrespective of organisational structure, leadership of development assistance tends to depend on the political priority given to development. In the United Kingdom, for example, the cabinet-level Secretary of State, assisted by three ministers, heads DFID and is responsible for government policy and delivery of aid. In several donor countries, such as in Denmark and the Netherlands, separate cabinet-level ministers for foreign affairs and development co-operation integrate functions within the ministry of foreign affairs and provide links to other cabinet ministers.

The national political environment explains the wide variety of ministerial arrangements for development co-operation in DAC member countries. In Finland, Norway, and Luxembourg, for example, ministers for development co-operation have responsibilities that also include foreign, trade, environment or defence. In addition, other ministers may be responsible for certain aspects of development co-operation. For example, ministers of economy or finance may be responsible for contributions to the World Bank and the International Monetary Fund. In countries that do not have a ministry for development the ministry for foreign affairs usually has high-level responsibility for development co-operation, often led by a minister or secretary of state, although the variations are significant.

Evolution of aid management structures

Structures to manage aid are dynamic and evolve over time. For example, countries amalgamate previously separate bodies, create new entities, or re-organise development agencies. These adjustments may be prompted by a change of government or leadership within the ministry of foreign affairs, by a decision to increase foreign assistance, to

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strengthen the coherence of bilateral aid at partner country level, or to centralise control to focus on results. New policies or decisions to comply with international agreements can also stimulate changes in national structures.

In Norway, for example, Norad's status has changed several times over the years. Originally established as a separate implementing agency, Norad became a technical directorate responsible to the ministry of foreign affairs. Ireland reinforced the existing structure, while New Zealand established a new development agency as a semi-autonomous body in the Ministry of Foreign Affairs and Trade. The United States established an independent government corporation in addition to USAID, the Millennium Challenge Corporation. This drew staff from other government agencies, the private sector, universities, international development agencies as well as non-government organisations.

The Paris Declaration on Aid Effectiveness has prompted several DAC member countries to shift decision-making in bilateral aid programmes to offices in partner countries. Translating the principles of the Paris Declaration into new procedures and directives, as well as providing appropriate guidance for local representation, is an ongoing process for all donors.

Decentralisation

"The decentralisation of responsibility to the field level can be beneficial, but it needs high-quality, lean supporting systems." (Lesson 8)

Although the policies of almost all DAC members commit them to decentralising authority, the degree of decentralisation varies considerably from country to country. Delegated authority for making financial commitments and disbursements ranges from none to unlimited. The distribution of staff between headquarters and the field also varies widely, as does the licence to formulate and approve strategies, programmes and projects (OECD, 2009a).

The variation in the degree of decentralisation is due to many factors: political will, the previous degree of centralisation, the complexity of management (the number of ministries and implementing agencies involved), the volume of aid and the number of main partner countries.

But, despite the variation, all members face three main challenges when decentralising:

1. clearly defining roles and responsibilities between headquarters and field offices;
2. adapting management systems; and
3. securing human and financial resources.

Although country offices do participate in monitoring, contracting and financial management, there is still a need to improve co-ordination and communication between headquarters and partners at all levels.[3] Other challenges are to adapt financial management systems and plan the development of human resources to meet the needs of the partner country, to define roles and responsibilities in a devolved environment and to find the right balance between a respect for local autonomy and the implementation of development policy. To uphold a certain degree of autonomy while ensuring that strategies and programmes are implemented in a consistent manner, Canada, Denmark, the Netherlands, the United Kingdom and the United States have strengthened, or are

Australia's decentralisation scheme

Decentralisation in Australia is supported by a clear strategic vision, a detailed transition plan, a new corporate framework and appropriate human resources. AusAID Director General's 2010 Blueprint[2] *gives impetus to the process.*

Devolution appears to be going well in Vanuatu and Indonesia. The roles and responsibilities of headquarters and country offices are well defined and the field offices enjoy some financial authority (up to AUD 3 million). The benefits are evident in the way in which aid is delivered and the Paris principles are implemented: more field staff have been empowered, partnerships with local populations have been strengthened and implementation of aid programmes is more flexible. AusAID plans to dedicate more financial and human resources, and experts to field activities, to both its country and regional programmes.

strengthening, quality assurance and focusing on results. Whatever their form, reporting systems should not overload partner countries or be conducted at the expense of other important tasks, such as monitoring and evaluation.

Co-ordination in aid systems

"***Rationalise bilateral aid structures to facilitate coherent action at country level.***" ***(Lesson 6)***

All bilateral institutions responsible for ODA are considered to be part of a national aid system. Defined in this way, large national aid systems may include as many as 30 different official development partners. This dispersion of responsibilities is an important challenge in managing aid.

In line with their commitments to aid effectiveness, several DAC members are either consolidating elements of their national system, or are studying the option of doing so. Current thinking in development suggests that integrating departments and agencies under one strategic umbrella is likely to foster complementary relationships and synergies. The DAC favours approaches which bring together all forms of assistance at country level, such as a single system for dealing with loans, grants and technical co-operation, and global funds. DAC members are also making greater efforts to link government, other development groups (think tanks, universities, foundations, NGOs) and sub-national authorities (regions, districts and municipalities). Closer ties will maximise the comparative advantages of different actors and avoid duplicating efforts.

Co-ordinating development issues among agencies may be complicated when some have aims other than promoting development, when the ministries being co-ordinated are large and politically powerful, and when co-ordinating across national, regional and local government. A number of large development agencies have established semi-permanent inter-departmental committees to co-ordinate activities, for example the United States. Importantly, ministries responsible for co-ordinating the activities of other ministries, need to have the authority to do so.

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Inter-agency co-ordination on aid effectiveness in the United States

The Policy Co-ordination Committees (PCC), established under the National Security Council[4] *are the day-to-day fora for inter-agency co-ordination. In 2007, PCC agendas included aid effectiveness for the first time, and led to the formation of an Inter-Agency Working Group on Aid Effectiveness, subsequently re-named the Sub-Policy Co-ordination Committee (Sub-PCC) on Aid Effectiveness. Committee members include representatives of major agencies managing US foreign assistance and trade.*

The Sub-PCC on Aid Effectiveness has two major purposes: to improve internal US Government co-ordination at headquarters and in partner countries, and to co-ordinate US whole-of-government policy positions in international aid effectiveness. The Sub-PCC has approved and put in place an Inter-Agency Aid Effectiveness Action Plan *and established US whole-of-government positions on aid effectiveness for the 2007 and 2008 G8 summits, the High Level Seminars of the Development Co-operation Forum, the Third High Level Forum on Aid Effectiveness and the Financing for Development +5 Review.*

An alternative approach to making managing aid more efficient is to bring together ODA instruments, as Japan has done.

Institutional consolidation in Japan

Japan's historically fragmented approach to ODA (loans, grants, technical co-operation administered by separate bodies) underwent a substantial change in 2006. The reform created a top-level, cross-ministerial body, the Overseas Economic Co-operation Council (OECC), chaired by the Prime Minister, to deliberate on important development matters. The bilateral and multilateral aid responsibilities of the Ministry of Foreign Affairs were merged into one bureau, while the ODA loan function of the Japan Bank for International Co-operation and a part of the grant aid function of the Ministry of Foreign Affairs were merged into the Japan International Co-operation Agency (JICA). The immediate result of this consolidation is a more strategic and integrated national approach which is likely to strengthen the effectiveness of the Japanese system in delivering the national policies determined by the OECC.

Inter-agency collaboration in the field is easier if the different agencies are linked, either formally or informally. Australia and Canada have adopted "whole-of-government approaches" in fragile and conflict situations, bringing defence, diplomacy, development and sometimes other departments together. Germany has introduced the concept of the country team and increasingly puts all its implementing agencies under one roof in a German House.

Forging links with non-government entities

In addition to strengthening inter-agency co-ordination, DAC member countries are boosting efforts to bring national government and other development groups together around national objectives. Canada, for example, solicits the views of academic institutions, civil society leaders, the private sector and international development experts from around the world during its International Co-operation Days, and academic institutions, NGOs and citizens across the country are consulted on a range of foreign policy issues through on-line discussions. In Spain, ministries, NGOs, experts, trade unions, business associations, emigrant associations, autonomous communities and local administrations worked together in 2006 to produce a *Consensus on Co-development*.

While civil society organisations bring considerable development knowledge and experience, they also add to the number of aid partners. Maximising their comparative advantages and, at the same time co-ordinating activities so as not to overload partner country systems, is a major challenge. The preparatory process leading to the September 2008 Third High Level Forum on Aid Effectiveness in Accra, Ghana, is a good example of engaging civil society organisations in international discussions on the international aid effectiveness agenda.

Facilitating informal communication

Informal communication complements co-ordination mechanisms. Most DAC member agencies now widely use e-mail, video-conferencing and intranets to communicate across government, and between staff in different donor agencies in the field and in headquarters. Training courses, workshops and regular meetings of ambassadors and/or agency heads improve communication too. In the Netherlands, country teams play a key role in ensuring smooth communications between headquarters and embassies. Every year, Belgium organises regional roundtables for development co-operation staff, diplomats and NGOs to exchange views and seek synergies.

Notes

1. No table can fully capture the subtleties of, for example, the role of government-wide co-ordination systems, or the extent to which agencies – whose main business is delivery – in fact also contribute significantly to policy.
2. Although the Blueprint contains no specific, measurable indicators and targets, the document has been instrumental in guiding the reform of AusAID's institutional structure and management processes.
3. In addition to the survey of DAC member countries and to DAC Peer Reviews, the following comments are based on a recent study conducted on behalf of the DAC on the processes of decentralisation underway to implement the aid effectiveness agenda.
4. The National Security Act of 1947, as amended, established the National Security Council to advise the President with respect to the integration of domestic, foreign, and military policies relating to national security. The National Security Council system is a process to co-ordinate executive departments and agencies in the effective development and implementation of national security policies.

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Chapter 4

Managing Human Resources

Effective development co-operation depends on skilled and experienced personnel. They must have a good understanding of development, especially at field level. Securing and developing well-qualified, highly-motivated local and expatriate staff is essential for any agency to function effectively.

Critical issues in managing human resources include: maintaining a critical mass of development co-operation expertise, creating a good working environment, encouraging staff mobility, finding an appropriate skills mix, providing appropriate staff incentives, and addressing the role and status of local staff. The emphasis on aid effectiveness means that there needs to be a better understanding of the personnel and skills needed in the field, and that human resources management needs to be given a higher priority than previously.

Approaches to human resource management

DAC members' approaches to staffing development agencies depend on the size and nature of their development programme and their employment policies. When ministries of foreign affairs are responsible for managing the development co-operation programme, as in Finland, Greece, Ireland, Italy and the Netherlands, development departments and overseas missions may be staffed by generalist career diplomats with various degrees of specialist knowledge in development co-operation. While diplomats serve in different capacities during their careers and are valued for their skills and adaptability, specialist technical staff are needed to manage aid. Danish embassies, for example, are staffed by South Group development specialists, often employed on short- or medium-term contracts. In autonomous development agencies, as in Australia, Canada and the United States, human resources may be managed independently and staffed by specialists in development co-operation, employed either as permanent civil servants or on short- or medium-term contracts.

Planning human resources

A detailed understanding of the number, skill mix and location of staff managing development assistance is essential for effective human resource planning. Table 4.1 shows the distribution of DAC member countries' staff in headquarters and field offices.

Table 4.1. **Distribution of DAC members' development staff between headquarters and field offices**

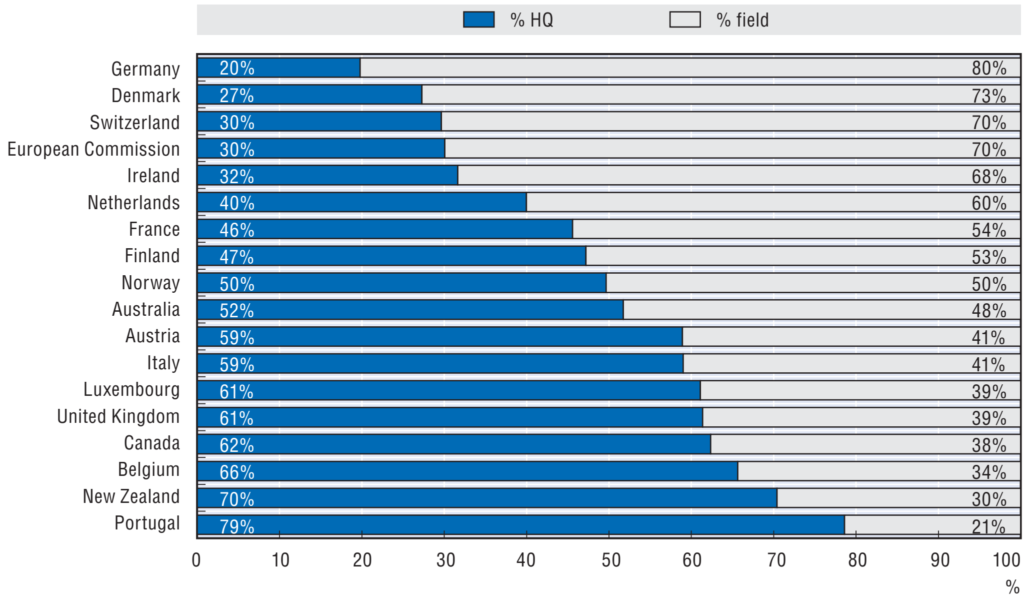
Member Country	HQ	Field Expatriate	Field Local	Total
Australia	594	153	401	1,148
Austria	112	22	56	190
Belgium	338	87	90	515
Canada	1 769	248	821	2 838
Denmark	300	240	560	1 100
European Commission	996	1 214	1 101	3 311
Finland	170	71	119	360
France	1 180	1 134	275	2 589
Germany	2 752	1 727	9 431	13 910[1]
Ireland	142	49	258	449
Italy	357	84	164	605
Luxembourg	55	10	25	90
Netherlands	600	300	600	1 500
New Zealand	138	17	41	196
Norway	584	232	360	1 176
Portugal	158	21	22	201
Switzerland	559	145	1 180	1 884
United Kingdom	1 394	434	443	2 271

1. Includes staff from BMZ, KfW, GTZ and InWEnt.

Source: OECD (2009a), Survey on the level of decentralisation to the field in DAC members' development co-operation systems.

The European Commission, France and Denmark have a significant proportion of field-based expatriate staff, while nine DAC members[1] locate 80% of their national staff or more at headquarters. The number of field offices does not seem to affect staff distribution. For example, Denmark has 25 local offices – far fewer than Canada or Germany – but 44% of their national staff are located in the field. When local employees (Figure 4.1) are included, Denmark, the European Commission, Germany, Ireland and Switzerland locate 68% or more of their personnel in the field.

Figure 4.1. **Percentage of staff located in headquarters and the field (expatriates and local staff)**



Source: OECD (2009a), "Survey on the Level of Decentralisation to the field in DAC Members' Development Co-operation Systems".

Some DAC member countries have analysed staffing and skills profiles but these analyses have rarely been government-wide or included contract staff and consultants. Downsizing of government, the retirement of significant numbers of senior officials, new skill requirements and rapid staff turnover call for good human resource planning. The following sections make some suggestions.

Maintaining a critical mass of expertise

"Securing and developing well-qualified, well-motivated local and expatriate staff is essential for any agency to function effectively. The good news is that quality agencies attract quality staff." (Lesson 12)

Creating and retaining a core staff who will make a career in development is crucial for development assistance organisations. Recruiting young staff as junior professionals and preparing them to take over from senior staff is one way of building a critical mass of expertise. University departments or specialist institutions focusing on development are sources of graduates who want to make a career in development. Another way of retaining high quality staff is to assign senior staff with a development background to senior policy positions. This ensures continuity and, at the same time, provides staff with the motivation to continue to work in international development.

Most DAC member countries require staff from headquarters to take overseas assignments and bring the knowledge and experience they gain back to headquarters, or take it to another developing country. For others, like Canada, overseas assignments are voluntary and not a condition of employment. Staffing policies and procedures need to ensure continuity as high staff turnover in field offices leads to a loss of institutional memory and weakens the understanding of local contexts. Longer posting cycles and appropriate handover and training is recommended in fragile and conflict situations to compensate for the higher rotation of staff.

In DAC member countries with fairly centralised management, development staff may have limited opportunities to rotate between headquarters and the field. In these cases, the development co-operation programme may be managed by diplomats stationed in the country which may lack the skills to handle development co-operation, or by locally recruited staff on fixed-term contracts.

Effective development co-operation requires a critical mass of development experts, as well technical specialists. Their expertise may be highly specific, for example in health, education, or public financial management, or more generic and cut across programmes, for example in capacity development, results-based management, the environment or gender equality. Challenges regarding development co-operation technical expertise include deciding whether technical staff should be field-based or based in headquarters, and recruiting and retaining up-to-date expertise in specialised areas. Donor practices vary significantly in this respect.

To address the need for in-house expertise some agencies have established specialised technical agencies or units. Germany created the Agency for Technical Co-operation (GTZ) to provide and manage technical co-operation. Other countries attach technical staff to specific country desks within regional departments, and these staff train field staff when the need arises. Larger development agencies may employ specialists both in headquarters and offices in main partner countries where there may be both home-based and locally-recruited experts. In smaller countries aid practitioners may cover a range of sectors or cover the same sector but across several partner countries in a specific region. Another approach is to negotiate multi-year contracts with research bodies or academic institutions so that staff in development agencies can call down specialist expertise as required. Yet another is to recruit consultants to overcome shortages of specialised skills in key areas. This expertise need not be limited to sectors or cross-sectoral themes but could cover areas such as programme support, research or evaluation.

Finding the appropriate skills mix

The Paris Declaration and the Accra Agenda for Action have accelerated the trend towards greater decentralisation of responsibility to field missions. More decentralisation means that the need for experienced and competent development staff in the field is growing. In response to this demand for a different mix of skills several donors are taking a fresh look at their recruitment policies. They are seeking fewer technicians and more people with generalist backgrounds and a keen sense of institutions, facilitation, negotiation, consensus building and co-ordination. However, recruitment needs to take account of the need for technical and country-specific knowledge, and language skills in order to develop stronger client relationships and deeper knowledge of the country contexts.

The deployment of technical skills at the country level depends on the nature of the donor's engagement in the country. For example, specific technical skills and more senior managers are more necessary when a country is the lead donor than when it participates in delegated co-operation. When a donor provides direct budget support, or participates in joint donor programmes, stronger results-monitoring and public financial management competencies may be required. As donors further decentralise co-operation they could also consider sharing skills at the country level and locating the technical specialists responsible for developing programmes and projects to the country or regional level.

In addition, some DAC members train staff at the field level in newly decentralised managerial functions (*e.g.* strategic planning, results-based management, financial management, contracting and procurement). Denmark, the European Commission and France train their staff in aid effectiveness (OECD, 2009a). Other countries, such as the Netherlands and the United Kingdom, are developing innovative training in public financial management and sector-wide approaches (Box 4.1). Communications technologies, especially video conferencing, can facilitate training. E-learning is cost effective, especially for staff in country offices who may not be able to attend training courses.

Box 4.1. **Innovative learning programmes: Example from the Netherlands**

The Netherlands has developed innovative learning programmes for its embassies to improve their ability to support and better engage in policy dialogue. The Public Finance Management Embassy Support Programme (PFM-POP) consists of 15 thematic modules, supplemented by coaching specific to the local context and the needs of the embassy. PFM-POP has invited other donors and local stakeholders to participate in the training programme. Over 25 Netherlands embassies have launched PFM-POP programmes since 2003.

Since 2006, the Netherlands has also rolled out a new support programme – the Support Programme for Institutional and Capacity Development. This enhances the capacities of embassy staff to address partner country institutional and capacity challenges. The support is demand-driven, flexible and, like PFM-POP, offers embassy-specific support. Embassies determine the key areas for training, for example, working with drivers of change, capacity challenges in specific sectors, public sector and civil service reform, accountability and transparency, decentralisation, inclusion and democratisation, and poverty analyses.

Creating appropriate working conditions

The working conditions of development co-operation personnel are usually determined by government policy. In countries that employ development specialists on short- or medium-term contracts, working conditions may not encourage staff to stay in the system. To strengthen institutional capacity and operational expertise working conditions should be appropriate for both short-term contract staff and permanent employees. To make employment conditions as attractive as possible, development agencies could, for example, develop career tracks for development specialists, review the contract conditions for specialist staff and make contracts longer. DFID's *Investors in People* approach offers flexi-time, teleworking and parental leave. DFID and other donor agencies also emphasise equality and have staffing policies on gender, as well as ethnic diversity and people with special needs.

Contracting out

Effective contracting out means identifying the kinds of activities that can be contracted out and ensuring that the agency has sufficient capacity to manage the work of contract staff and consultants. Short- or medium-term contract staff may provide invaluable specialist expertise both in headquarters and in the field.

Contract organisations, contract staff and consultants fill immediate technical and specialist needs but rarely contribute to the long-term development of corporate memory or organisational learning. Where technical experts are employed on short- or medium-term contracts, rather than as permanent staff, there is a danger that the lack of career paths and promotion prospects will lead to frustration and a high turnover, and lead to a lack of continuity. OECD Public Management Services has produced a set of guidelines that identify key success factors in contracting out. While the guidelines were not designed exclusively for development agencies, several criteria are particularly relevant to aid managers:

- Services should be spelled out as outcomes and outputs rather than inputs, and specify appropriate service quality measures. The organisation should regularly and formally monitor the performance of the contractor to ensure that the performance standards stated in the contract are fulfilled. When performance information originates from the contractor, it should be audited to ensure accuracy.
- Competitive supplier markets are key to achieving the benefits of contracting out. Governments should foster competitive markets by recognising that contracting-out practices can play a major role in developing markets for services.
- Organisations that contract out activities need to keep their knowledge of the market and their technical knowledge up-to-date in order to communicate with contractors on equal terms and to effectively tender and manage contracts.

Recruiting local staff

Most DAC member countries acknowledge that staff recruited locally (nationals of the partner country, nationals of the donor country and third country nationals) bring local knowledge and expertise and benefit field missions. Local staff are often the custodians of institutional memory and ensure continuity as expatriate staff come and go. They are vital partners in designing and implementing development activities. They also fill important administrative, technical and sometimes managerial positions. When recruiting local staff, donors need to be careful not to deprive the national labour market of quality professionals. Donors should reflect on what they can do collectively to strengthen local capacities and build national development capacity. Many donors are aware of the need to improve career and training opportunities for locally-recruited staff but as yet have no specific guidelines on how to do so.

Performance management: providing incentives

Monetary incentives and rewards linked to performance should help limit the loss of development staff to other, better-paid public or private sector positions. But non-

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monetary incentives, such as giving staff a choice of job assignments or overseas postings, giving staff greater visibility, opportunities for special training or sponsored research, and staff development programmes, can also be important. Incentives that encourage experienced staff to take field assignments include making promotion to senior management positions conditional on difficult postings and proactive schemes to assist returning staff find rewarding jobs when they return to headquarters (OECD, 2008c). When staff are posted overseas, donors have to consider career development for spouses as well as education for children. While monetary and non-monetary strategies may be difficult to implement due to budget constraints or government human resource policies, nevertheless, it is essential to explore ways of providing incentives and rewarding staff.

Providing incentives for staff to implement the Paris Declaration is critical. The Accra Agenda for Action committed donors to provide their staff with guidelines on using country systems (para 15d), to provide organisational and staff incentives to improve aid effectiveness and to promote behaviour in line with aid effectiveness principles (para 23d). However, reports from donors indicate that they have different views about incentives in human resource policies and how to bring incentives in line with the Paris Declaration.[2] Several members (both bilateral and multilateral) report, for instance, that formal incentives to implement the Paris Declaration are not a priority. Some reported that incentives based on the Paris Declaration are part and parcel of staff evaluations. For instance, one organisation requires staff seeking promotion to senior technical and managerial positions to have experience in harmonisation.

Building aid effectiveness criteria into performance assessments and promotion can be an effective incentive to apply the Paris Declaration in practice. Increasingly, donors give clear signals of what outcomes staff will be held accountable for and evaluated against, what success and failure should look like, how much risk staff should reasonably take and how overall performance evaluation ratings and staff career development will take these into account. By including targets related to the implementation of the Paris Declaration principles in performance assessment systems, donors can appropriately reward time and effort spent on implementing them, as well as delivering technical quality and respecting disbursement targets.

Increasingly, DAC member countries recognise the value of job sharing or secondments, either within the national system of co-operation or with other donors. The ability of development agencies to offer these incentives is likely to be determined by broader government policies regarding public sector employment. Nevertheless, discussing and exploring ways of meeting staff needs for development is critical to human resources planning.

Notes

1. Australia, Austria, Belgium, Canada, Germany, Italy, Luxembourg, New Zealand and Portugal.
2. *www.oecd.org/dataoecd/55/19/41183461.pdf*.

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Chapter 5

Aid Allocation

The allocation of aid is a constant challenge for aid managers. Managers need to keep a focus on the MDGs, respect strict criteria for allocations to countries and sectors, secure and manage increases in aid, improve predictability for partners, balance bilateral and multilateral allocations, respond to humanitarian crises and implement the Accra Agenda for Action.

Non-DAC donors contribute considerably to international development efforts. They are a heterogeneous group of countries with diverse historical ties, strategic interests and comparative advantages which can be brought to bear in developing countries. They contribute additional funding as well as valuable expertise. However, these donors face significant practical constraints in allocating effective aid.

Official development assistance (ODA)

Official development assistance (Box 5.1) consists of grants and concessional loans, mainly for socio-economic development, from the government of a donor country to a developing country or a multilateral agency. One critical issue in development co-operation is the allocation of ODA to bilateral and multilateral channels and the breakdown within each of these channels by region, country, sector or theme. Donors' allocations are guided by the legislation that underpins their aid programmes or by an over-arching policy statement. In most DAC member countries, radical changes in the allocation of ODA are rare. Established commitments tend to continue and changes generally occur through small adjustments.

Box 5.1. **Official development assistance, bilateral and multilateral assistance**

Official development assistance (ODA) is defined as assistance to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which is:

1. Provided by official agencies, including state and local governments, or by their executing agencies.
2. Each transaction of which:
   - is administered with the objective of promoting economic development and welfare of developing countries; and
   - is concessional and has a grant element of at least 25% (calculated at a discount rate of 10%).

Bilateral transactions are direct transactions between a donor country and a developing country. They also include transactions between national or international non-governmental organisations active in development, and other internal development-related transactions, such as interest subsidies, spending on promotion of development awareness, debt reorganisation and administrative costs.

Multilateral assistance takes the form of contributions to funds managed by multilateral agencies, especially those of the United Nations. Contributions may be membership subscriptions or discretionary contributions. Multilateral contributions are those made to a recipient institution which:

1. Conducts all or part of its activities in favour of development.
2. Is an international agency, institution or organisation whose members are governments, or a fund managed autonomously by such an agency.
3. Pools contributions so that they lose their identity and become an integral part of its financial assets. If, however, the donor specifies the recipient or other aspects of the disbursement (*e.g.* purpose, terms, total amount, reuse of any repayments), effectively controlling the disposal of the funds they contributed, then the contribution is considered to be bilateral.

Donors are becoming more strategic and focused in allocating bilateral and multilateral aid. For example, in recent years national security interests have changed allocations to some partner countries. Another factor affecting allocations is the focus on results and effectiveness. Donors are taking the performance of multilateral agencies into account and are reducing or discontinuing ODA to some multilateral agencies. In some cases, government-to-government programmes in countries with a poor record of respecting human rights and democracy have also been reduced or phased out. Donors also try to maximise the use of ODA for development by reducing the costs of administering projects and programmes but this is still a challenge (Box 5.2).

Box 5.2. **Administrative costs in ODA**

DAC statistics reflect the administrative costs of official development assistance (ODA) either in aid activities or as lump-sum administrative costs not included elsewhere. This approach takes account of the differences in aid management and accounting practices between donors and the types of aid programme. The disadvantage is that data on administrative costs not included elsewhere are not comparable between donors. Donors that manage most of their aid activities directly may report practically all their management costs under this category, whereas those that include large project overheads in project costs may report relatively small amounts.

Regardless of the category under which they are reported, the administrative costs of ODA comprise:

1. the administrative budget of the central aid agency or agencies, and of executing agencies wholly concerned with delivery of ODA;
2. that portion of the administrative costs of multi-purpose executing agencies represented by their aid disbursements as a proportion of their total gross disbursements; and
3. administrative costs related to the aid programme borne by overseas representatives and diplomatic missions.

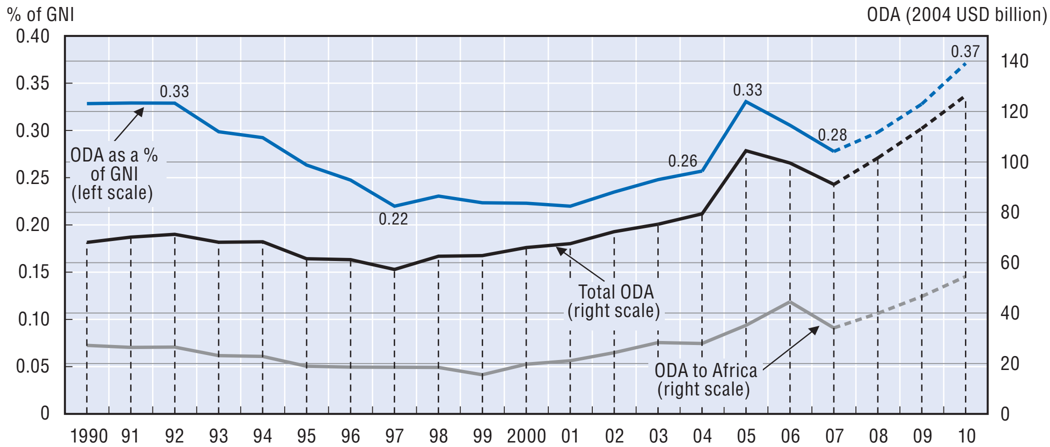
Statistical Reporting Directives give further guidance on the treatment of the costs of diplomatic staff, pensions, premises, computer equipment and motor vehicles.

Allocating increases in development aid

More than two-thirds of total ODA from DAC member countries is provided bilaterally, mostly as grants. At the Gleneagles G8 and UN Millennium+5 Summits in 2005, DAC member countries committed to increasing aid from USD 80 billion in 2004 to USD 130 billion in 2010. While a few countries have reduced their targets slightly since 2005, most of the commitments remain in force. In 2007, preliminary net aid disbursements were USD 103.5 billion, or 0.28% of developed countries' combined national incomes. In real terms this was a fall of 8.5% compared to 2006. However, this drop in ODA was expected. Net ODA had been exceptionally high in 2005 (USD 107.1 billion) and 2006 (USD 104.4 billion), due to large Paris Club debt relief grants to Iraq and Nigeria. Excluding debt relief grants, net aid rose by 2% in 2007. The present rate of increase in donor development programmes will have to more than double over the next three years if the level of aid projected for 2010 is to be met (Figure 5.1).

To allocate and manage aid scaled up at this rate, and to improve the medium-term predictability of aid as called for in the Paris Declaration, DAC members need to strengthen their organisational capacity. They may also need to radically reform aid delivery because their staff will have to deliver more aid and, at the same time, increase aid effectiveness. To assess the amount of aid that can be programmed at partner country level, the DAC calculates "country programmable aid".[1] In 2005 nearly half of the DAC members' gross bilateral ODA was estimated to be available for programming at country level.

Figure 5.1. **DAC members' net ODA 1990-2007 and DAC Secretariat simulations to 2010**



Source: OECD (2009b), *Development Co-operation Report 2009*, OECD.

Donors need well thought out plans to manage aid when it is scaled up. However, at present most DAC members do not appear to have developed such plans. In some cases (Box 5.3), although donors have committed to delivering more aid and meeting specific time frames, the operational challenges they face to meet these commitments are significant. At the global level, information on where agencies plan to spend their increased aid budgets is important for identifying resource gaps and opportunities for scaling up in individual countries. Across DAC members the debate on scaling up appears

Box 5.3. **The challenges of scaling up in Spain**

Spain is increasing its ODA significantly (+19.7% from 2006 to 2007, or +31.4 % excluding debt relief grants) and aspires to attain a 0.7% ODA/GNI ratio by 2012, fully three years before the European Union deadline. Spain consulted nationwide to set overall aid priorities and to garner public support. This consultation resulted in the *Master Plan for Spanish Co-operation 2005 – 2008*, which also specifies delivery reforms to attain the 0.7% target. The reforms include new aid instruments, further geographic and sectoral concentration, more use of multilateral channels, organisational reform in the Spanish Agency for International Development (AECI), improvements in aid management, and special attention to country strategic planning processes, including multi-annual funding envelopes. Spain's capacity to reach the scaled-up target, particularly in field operations, is constrained by legal and recruitment requirements. The current AECI reform proposal attempts to address these constraints in its human resources plan.

to have stimulated new approaches, including more investment in multilateral aid, more use of budget support mechanisms and more delegated partnerships to implement development programmes. These approaches are examined in subsequent chapters.

Contribution of non-DAC donors

Some non-DAC member countries, such as Mexico, Korea and Thailand, contribute relatively moderate amounts of aid, while others, such as China, India, Saudi Arabia and Venezuela make large aid contributions, some of them of long standing. While Indian and South African aid largely focuses on supporting neighbouring countries, China is increasing aid to Africa. Chinese aid includes grants, interest-free loans, preferential loans, co-operative and joint venture funds for aid projects, co-operation in science and technology, and medical assistance. Brazil focuses on South-South technical co-operation and Thailand primarily funds infrastructure projects.

Their promises to scale up aid in the coming years mean that non-DAC donors may make a significant contribution to achieving the MDGs. Korea, Mexico and Turkey have ambitious plans to scale up their aid by 2010. Since their accession to the European Union on 1 May 2004, the new Member States have committed themselves to contributing 0.17% of GNI by 2010 and 0.33% by 2015. These countries contribute to EU aid programmes and participate in their management. Besides significantly raising multilateral assistance, some, like the Czech Republic, are building up their institutional capacity to manage, co-ordinate and implement bilateral programmes more efficiently. The experiences of the new EU Member States as former recipients of aid give them a unique comparative advantage in establishing strong partnerships based on regional and cultural ties and in mutual learning between different partners in development. South-South co-operation and triangular development co-operation (Box 5.4), for example, can facilitate this. The Accra Agenda for Action recognises the importance and particularities of South-South co-operation and encourages further development of triangular co-operation.

From the perspective of partner countries, non-DAC donors are additional sources of funding and expertise, but the tied nature of some of their aid can reduce its cost-effectiveness. South-South co-operation is attractive because it is flexible, responsive and can fill important gaps, for example, Mexico's technical co-operation. This form of co-operation is also largely demand-driven, promotes ownership and makes use of technologies that are sustainable and technical assistance that adapts to local systems. Similar socio-economic conditions, culture and language that facilitate lesson sharing and good practice are other valuable advantages of South-South co-operation.

Many non-DAC donors are still developing ways to account appropriately for their ODA and putting in place monitoring and evaluation systems. The lack of a long-term vision for development assistance underpinned by a clear policy and legal or regulatory framework setting out roles and responsibilities can be another limiting factor. Where they are active or present in the field, non-DAC donors have an opportunity to learn from the successes and failures of traditional donors and adopt good aid management practices early on. For example, they can join existing donor co-ordination mechanisms, share analytical work and contribute collectively to development aligned with national priorities. They can complement the efforts of other donors by supporting countries that may be under-funded or neglected by current channels. By making full use of their strengths, they can also contribute to the division of labour among donors.

Box 5.4. **Triangular development co-operation**

Triangular (or trilateral) development co-operation is development assistance funded by DAC and other donors and executed by Southern partners (often in the form of technical assistance) in developing partner countries. It is increasingly valued for its effectiveness and, often, lower cost during implementation (costs may be high at the planning stage due to complex administrative processes). Southern contributors, who are themselves still developing, are well placed to respond to the needs of countries receiving aid. Though presently small scale, triangular co-operation is significant for a number of donors, including Argentina, Brazil, Chile, China, Egypt, India, Malaysia, Mexico, Republic of Korea, Singapore, South Africa, Thailand, Tunisia and Turkey. The main Triangular co-operation partners from the OECD are Canada, Finland, France, Germany, Japan, Norway, Spain and Sweden. The UN also participates in triangular co-operation. Japan's 2003 ODA Charter specifically identified triangulation as an effective aid modality.

Triangular development co-operation covers a range of development programmes and projects. With financial support from partners, Brazil has engaged in vaccination, school feeding, reforestation and malaria eradication projects. Similarly, Tunisia has provided expertise in areas ranging from public administration to reproductive health services.

In addition to North-South-South co-operation, triangular co-operation between developing countries is also advancing. One of the best examples is the India-Brazil-South Africa trilateral initiative to promote exchanges and strengthen capacity in agriculture, education, and science and technology.

Source: United Nations Capital Development Fund report on South-South and Triangular Co-operation (forthcoming).

Other sources of funding

Debt relief grants, for example, have been an important component of ODA in recent years, accounting for 21% of ODA in 2005 and 18% in 2006 because of the exceptional Paris Club debt relief operations provided for Iraq and Nigeria. The proportion fell to 9% in 2007.

The many different sources of funds for foreign assistance activities may make it difficult for parliamentarians to monitor and influence foreign assistance programmes. A variety of appropriations may need to be examined, including some that are not obviously related to development. It also means that governments do not have direct control over all expenditures which may be reported as ODA. This may add to uncertainty as to whether and when countries reach quantitative objectives set for ODA, such as ODA/GNI targets.

Realising that achieving the MDGs will require substantial extra funds for aid – estimates indicate that at least USD 50 billion extra is likely to be needed – DAC members have explored avenues other than traditional ODA to finance development. The main options being considered or implemented are:

- Global taxes on currency transactions and energy use.
- Voluntary private sector contributions through donations, global lotteries (see example below), premium bonds or global funds.
- The International Finance Facility, which set up a pilot programme on immunisation in January 2006 with the support of France, Italy, Norway, Spain, Sweden and the United Kingdom.[2]

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- Solidarity taxes on air tickets. Currently nine countries have adopted this tax,[3] and the proceeds are mainly used to fund accelerated access to HIV/AIDS, tuberculosis and malaria drugs through the UNITAID.[4]
- Advanced Market Commitments (AMC) to provide incentives for the development of vaccines important to developing countries.[5]
- Sovereign wealth funds, established either from export receipts earned from a non-renewable resource or from very high corporate or household saving rates and surpluses. These funds could become major sources of development finance.

Belgium's Survival Fund

Through the Belgian Survival Fund, created in 1999 on the initiative of parliament, net profits from the Belgian National Lottery are used to finance development activities in some of the poorest countries of the world, in particular in food and nutritional security. The Fund amounts to EUR 300 million, to be disbursed within a period of 10 to 12 years in annual tranches, and favours an integrated approach to development. Projects are implemented jointly with Belgian NGOs and some United Nations agencies. A public corporation, Belgium Technical Co-operation, is also involved. Between 1999 and 2007, the Fund committed EUR 237 million, including EUR 49 million left over from a first grant in 1983. The Fund represents 6% of Belgium's ODA for Africa.

Each option for raising additional finance for aid has advantages as well as economic and political drawbacks. Given political will, public support and changes in domestic attitudes, some options may generate additional aid. DAC member countries could implement variations of these options unilaterally. Increasingly, the donor community will be looking at the added value and effectiveness of these innovative financing schemes as significant components of the aid financing architecture.

Selecting partner countries

Development aid targets the poorest countries. The least developed countries receive about a third of all aid. In these countries, ODA is an important source of public sector funds because domestic revenues are insufficient, and private finance is limited or absent. To a large extent, poor countries will continue to depend on ODA while they build up their capacity to create and mobilise domestic resources and promote private investment.

Historical and cultural ties, relations with partner countries, public support for development relationships and/or national security concerns ultimately influence the selection of partner countries and the allocation of ODA. In line with the Paris Declaration and the Accra Agenda for Action, DAC member countries are working to:

- reduce the fragmentation of aid programmes by improving the allocation of resources within sectors, within countries, and across countries;
- publicly disclose regular, detailed and timely information on the volume, allocation and, when available, results of development expenditure to enable more accurate budgeting, accounting and auditing by developing countries; and

- provide developing countries with regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations, so that developing countries can use this information in medium-term planning and macroeconomic frameworks.

Clear selection criteria for choosing partner countries helps guide aid managers' decisions – whether to enter, stay or exit. The criteria set by the Netherlands, for example, are the level of GNP per capita, a positive trend in democratisation and governance, the number of donors already represented, the volume of aid per capita and, finally, the added value of Dutch development co-operation based on historical relations and experience. Luxembourg selects its partner countries from among those ranking lowest on the UN's Human Development Index. The results-based approach of the United States' Millennium Challenge Corporation (Box 5.5) highlights performance both in choosing eligible countries initially, and in designing and following-up activities. It should be remembered that aid to large countries can have an important catalytic effect through the transfer of ideas and good practice, even if this aid is modest in relation to the size of their economies.

Box 5.5. **The United States' Millennium Challenge Corporation**

The Millennium Challenge Corporation (MCC) is an independent US Government corporation established in 2004 to administer the Millennium Challenge Account (MCA), a foreign assistance programme designed to "reduce poverty through sustainable economic growth" in some of the poorest countries in the world. MCC provides additional resources to countries that "rule justly, invest in people, and encourage economic freedom". These resources complement other bilateral US development programmes.

Each year, MCC's Board of Directors meets to select countries eligible for MCA assistance. The Board looks at how the poorest countries of the world have performed on sixteen independent and transparent policy "indicators". It then selects countries that are above the median on at least half of the indicators in each of the three categories, and above the median on the corruption indicator. The Board may also consider additional information, such as data gaps or lags, when selecting countries that will be eligible for MCA assistance.

Eligible countries develop proposals in broad consultation with their own society. MCC teams then work in partnership to help them develop an MCA programme which will reduce poverty and advance sustainable economic growth. A Compact defines responsibilities and includes measurable objectives and targets to assess progress. The Compact also describes how the country will manage and implement its MCA programme, including how it will ensure financial accountability, transparency and fair and open procurement.

Some lessons for exiting from partner countries

Phasing-out and terminating ODA-funded government-to-government and other aid relationships require careful management. Planning exit strategies and transforming aid must be sensitive to context. Nevertheless a number of lessons have emerged on how donors can make these tasks easier (Slob and Jerve, 2008):

1. The way the donor conveys the exit decision to the partner country influences the handling and the outcome of the exit process. The level (political or administrative) at

which the message is delivered matters. When politicians communicate exit decisions partner countries welcome this approach.

2. The degree of participation of stakeholders in planning and implementing exit processes is a good indicator of their success.
3. Greater attention can be paid to sustainability and mitigating adverse consequences when the time frame for exit is realistic.
4. The fulfilment of ongoing commitments is important, especially in aid-dependent countries.
5. Donor flexibility in adapting the budget for supported activities, and taking steps to assist the recipient in securing alternative funding, are important factors in good exit management.
6. The institutional capacity of the recipient also determines success. Donors may need to carry out institutional assessments to identify needs for building capacities that will enable partner country institutions to cope with exit.
7. Donor capacity can also be weak. There tends to be little institutional learning on how to manage aid exit, which is often perceived as negative, and there are seldom rewards for managing exit well. Exit decisions are often accompanied by immediate downsizing of embassies, or, in some instances, closure.

Concentrating aid in Luxembourg

Luxembourg is concentrating aid on a limited number of countries, progressively slowing the rate of increase, or even decreasing, funding, and closing down programmes in El Salvador and Namibia. Disengagement from Tunisia, Morocco and Ecuador has also been agreed and, in Ecuador, Luxembourg is scaling down its operations and has signed a co-operation agreement delegating management of a health project to the Belgian Technical Co-operation Agency. In Vietnam, co-operation is evolving towards support for economic infrastructure, including financial services and banking – a sector where Luxembourg can add value.

Aid in fragile and conflict situations

One billion people, and one – third of all people surviving on less than US one dollar per day, live in fragile or conflict situations. The regional and international spill-over effects from these situations – armed violence, instability, organised crime, migration, human trafficking – have a wide impact. Although DAC member countries responded to these situations with more aid between 2000 and 2005, most ODA benefited just a few countries, for example Afghanistan, the Democratic Republic of Congo and Sudan (OECD, 2008d), and most was in the form of emergency relief.

DAC members engage in fragile and conflict situations in a variety of ways, including through "whole-of-government approaches" (Box 5.6). Australia, Canada and the United States co-ordinate the activities of different ministries in this way, although not necessarily with clear results. The main challenge is to develop incentives and rewards that encourage officials to work across government agencies and to develop mechanisms that will help ensure officials work together. Working with many different policy communities means heavy transaction costs and significant compromises.

Box 5.6. **Whole-of-government approaches in fragile states and situations**

"Whole-of-government approaches" to aid for fragile states and situations involve co-ordinating the activities of departments responsible for security, and political and economic affairs, as well as those responsible for development aid and humanitarian assistance. Coherence between security and development policies is the key to establishing an effective "whole-of-government approach" in fragile and conflict situations because of the interdependence between the two. As a result, security actors and objectives are increasingly included in the development debate, as are economic actors, justice departments and others.

A clear benefit of a "whole-of-government approach" is that the fiscal costs of contributing to the overall objective of long-term development and stability in situations of fragility and conflict are lower. The risk of compromising, or not meeting, these objectives is reduced. Coherent policies and activities may have greater legitimacy in the eyes of the recipient country and will, therefore, be more likely to receive a positive response.

Source: (OECD, 2007), Whole-of-Government Approaches to Fragile States.

Allocation by sector or theme

Selecting sectors and themes for activities in partner countries is a critical aspect of aid management. Division of labour (Chapter 8) between donors has become a key concern in sector allocation. DAC member countries are increasingly limiting the number of sectors in which they operate in main partner countries and/or delegating the delivery of bilateral development assistance to another donor. The Netherlands, for example, focuses on two or three priority sectors per country. Donor co-ordination, led by partner governments, can prevent duplication and, where many development agencies are operating, ensure that all important sectors are adequately covered.

Humanitarian aid

In 2006, DAC member countries provided over USD 6.7 billion as humanitarian aid. This represents 6.5% of total ODA, although proportions vary significantly between individual members. Actual humanitarian expenditure may be a little higher as several donors report development-related humanitarian action (*e.g.* preventive, mitigation and preparedness activities) against development sector codes. Changes in DAC sector coding should help more accurate reporting of expenditures across the full spectrum of eligible humanitarian activities.

Meanwhile, the overall trend in global humanitarian aid is somewhat uncertain. While recent emergencies have provoked funding spikes, much of this funding has come from supplementary budget allocations. These appropriations suggest a willingness on the part of donor governments to avoid diverting resources from existing crises in the event of large-scale disasters, but they mask the underlying trends.

Regional programmes

Regional programming can be useful for addressing development issues that span national borders. Development of the Southern Africa region, for example, is critically influenced by the economic situation in South Africa, the regional transport infrastructure and immigration policies. In the Pacific, the over-exploitation of renewable natural

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resources, especially fish, has implications for the livelihoods of many small island communities. More generally, the rise in travel, migration and trade in food and animals across borders has made regions more vulnerable to the spread of communicable diseases.

The regional dimensions of such development issues must be addressed primarily by national governments working closely together to develop joint regional policies and responses. However, development agencies can foster collective action and strengthen the partner governments' capacities to address regional issues. A second approach development agencies can take to address regional issues is to fund and support capacity building in regional organisations and groups. Collectively, DAC member countries support many regional groups, including the South African Development Community, the Asia Pacific Economic Co-operation and the South Asia Association for Regional Co-operation.[6] More recently, the OECD Africa Partnership Forum was established in the wake of the meeting of the G8 in *Evian*, France,[7] to include Africa's major bilateral and multilateral development partners in the high-level dialogue between the G8 and the New Partnership for Africa's Development.

New Zealand's regional approach in Asia and the Pacific

New Zealand is an active member of regional organisations and groups in the Asia-Pacific region and is engaged in a range of activities to assist developing countries integrate into the global economy. For example, New Zealand has provided significant leadership within the Asia Pacific Economic Co-operation (APEC) to address the causes of the Asian financial crisis, strengthen financial and corporate governance and support capacity building through APEC's Economic and Technical Co-operation programme. New Zealand has also funded the participation of officials from countries in the Mekong region in courses on trade policy at the Mekong Institute.

DAC members also design and implement regional foreign assistance programmes, particularly in agriculture, conflict situations, the environment, health and HIV/AIDS. In some cases, the need to address the regional dimensions of issues, such as HIV/AIDS and conflict, has become a priority in order to improve the effectiveness and sustainability of bilateral programmes in partner countries in the region.

Notes

1. Country programmable aid is defined through exclusion, by subtracting from total gross ODA aid what is: *i)* unpredictable by nature (humanitarian aid and debt relief); *ii)* entails no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in donor countries); *iii)* does not form part of co-operation agreements between governments (food aid and aid from local governments); or *iv)* is not country programmable by the donor (core funding of NGOs).
2. The International Finance Facility proposes to provide up to an additional USD 50 billion a year in aid between now and 2015 by transforming current pledges for additional ODA into legally-binding long-term commitments and using these to issue Accra Agenda for Action-rated bonds that donor governments would repay after 2015. This mechanism would increase the amount of aid in the short term, but donor governments could not include these extra amounts in their ODA until they started to repay the bonds, *i.e.* after 2015.

3. The nine countries are: Chile, Congo, Côte d'Ivoire, France, South Korea, Madagascar, Mali, Mauritius and Niger. Seventeen additional countries have committed to implement the tax.
4. UNITAID is also funded through other taxes (*e.g.* Part of Norway's tax on CO2) and multi-year budgetary commitments (*e.g.* Spain, United Kingdom).
5. A USD 1.5 billion AMC pilot for malaria vaccine is currently being developed.
6. DAC member countries also support regional development banks and regional multilateral organisations, such as the South Pacific Forum. These contributions are classified as multilateral assistance.
7. The Evian Summit (2003) addressed the challenges of promoting growth, enhancing sustainable development and improving security.

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Chapter 6

Managing Bilateral ODA

DAC member countries finance development co-operation programmes in several ways, through budget appropriations, funds provided through sub-national authorities, civil society organisations and debt relief grants. This means that it is important for those responsible for the different kinds of bilateral aid to work closely with those who report development-related expenditures so that all bilateral ODA is included. Another concern with bilateral aid is that much of it is allocated annually, which is hard to reconcile with the long-term nature of development co-operation. DAC member countries need to consolidate aid budgets and plan development aid over the medium term. If aid flows to partner countries are predictable they can plan to make the investments required to achieve the MDGs.

Financing development co-operation

Budget appropriations

DAC member countries primarily fund foreign assistance programmes through annual budget appropriations passed by parliament, in general one to three months before the beginning of the financial year. Once parliament has approved the budget, resources are allocated to the spending authorities (government departments, aid agencies or embassies). These budgets have the force of law and are sometimes used to define the main features of the programme. Normally they are broad enough to allow governments, the minister responsible and senior officials some flexibility in adjusting allocations to changing circumstances or unforeseen events, such as emergencies and humanitarian crises. However, in some countries, parliaments are more precise in specifying geographic allocations, levels of aid for particular countries or regions, or particular uses. This more prescriptive approach may reduce the efficiency and effectiveness of foreign assistance programmes as it forces aid managers to adjust existing programmes and allocate resources to comply with the requirements set by parliament.

Some aid, such as the forgiveness of non-performing loans, does not require a transfer of funds and so does not need to be appropriated. Other expenditures classified as ODA that may not be made or managed by the development agency/ministry of foreign affairs include sustenance costs for refugees during their first year in a donor country or costs incurred by armed forces when carrying out development-related activities. Other financing, such as from sub-national authorities (*e.g.* regions, districts, provinces and municipalities), may also supplement appropriated funds, as discussed below.

Canada's International Assistance Envelope

Canada's international assistance resources, both ODA and other official assistance, are co-managed within the International Assistance Envelope by the Department of Foreign Affairs and International Trade, the Canadian International Development Agency (CIDA) and the Department of Finance. As well as a financial structure, the International Assistance Envelope is a policy tool to enable ministers to work together to determine international assistance priorities, make broad funding decisions, and "review how various programmes and expenditures combine to create a Canadian response to global challenges". The Envelope decentralises management to federal departments via five funding and programming pools, with relevant ministers acting as pool managers. CIDA manages most of the Envelope and was allocated the largest share of planned aid resources in 2007-08 (68%). Other allocations went to the Department of Foreign Affairs and International Trade (11.2%), the Department of Finance (8.6%), the International Development Research Centre (3.3%) and other government departments (1.2%), with 7.7% reserved for contingencies and sudden emergencies such as natural or man-made disasters.

Even when a single ministry or development agency in a DAC member country is responsible for managing most of the foreign assistance programme, as in Canada (see above), appropriations for foreign assistance expenditures may be managed by other ministries. In DAC member countries where several ministries implement foreign assistance activities, there may be no integrated aid budget as each ministry funds aid-related activities from its own regular budget allocation. This practice undermines the coherence of the aid system, complicates monitoring and reporting of development-related expenditures and increases transaction costs for both the donor and the partner country concerned.

Sub-national authorities

The contribution of sub-national authorities to DAC member countries' foreign assistance can be important. This form of assistance, referred to as decentralised co-operation or twinning, is most developed in Austria, Belgium, Canada, France, Germany, Italy, Portugal and Spain. In France, Italy and Spain, sub-national authorities are guided by national legislation, or a policy established by the national development agency. Rarely is decentralised co-operation guided by a strategic framework at sub-national level, except in Belgium where the Francophone and Flemish regions have each developed such a framework. An integrated strategic approach in the donor country, consistent with partner countries' priorities for development co-operation, facilitates the implementation of the principles of the Paris Declaration and should be encouraged.

The involvement of sub-national authorities in foreign assistance activities raises the overall level of a country's aid, makes it easier for citizens to engage in development-related activities, and promotes greater public awareness and understanding of development issues. The twinning of similar institutions, for example municipalities, can favour exchange, as part of long-term relationships, of specialisations, competencies and skills. However, some sub-national authorities may not have sufficient staff or professional

Box 6.1. **Attitudes to co-ordination in Andalucia**

In 2003, the government of Andalucia passed a *Law of International Co-operation for Development* to clarify the policy objectives, planning, instruments, organisational competencies, resources and participation of Andalucian society in co-operation. The Andalucian Agency for International Co-operation implements the co-operation policy and collaborates in formulating Spain's Master Plan. The Andalucian Fund of Municipalities for International Solidarity (FAMSI) co-ordinates local administrations and collaborating organisations in the region.

Although the Andalucian Agency for International Co-operation recognises the need to collaborate with the Spanish Agency for International Development, Andalucia still maintains separate offices in priority countries. To ensure that all Spanish aid is consistent with aid effectiveness principles, the DAC Peer Review recommended that these offices should be located in the Spanish Agency for International Development's country office. While FAMSI is willing to co-ordinate more with state actors, participating organisations are resisting. They want to preserve the Spanish experience of decentralisation and strong participation of citizens in development. Thus the challenge for Spain is to improve coherence and co-ordination in the overall aid system without undermining the independence of local actors and their relationships with developing countries.

expertise and, if there is no strategic framework, activities may be scattered or duplicate each other. Where they exist, monitoring and evaluation mechanisms can be comparatively weak and reporting on activities can be poorly organised.

Governments are working on reforms to improve the performance of sub-national authorities as donors. The reforms include establishing databases to collect information on sub-national development activities, identifying good practice in development co-operation for sub-national authorities, and developing common tools for monitoring and evaluation. Sub-national authorities may resist implementing the principles of aid effectiveness, as in Spain (Box 6.1), but developing appropriate tools for them to use and sensitising them to the importance of the Paris commitments can help overcome this resistance.

Aid predictability and disbursement

One persistent issue in managing foreign assistance funds is how to reconcile the long-term nature of development co-operation, which calls for multi-year planning, with the normal practice of approving aid appropriations year by year. Meeting the ambitious aid targets which DAC member countries have set for themselves in order to achieve the MDGs implies medium-term planning. This means that the predictability of aid flows in the medium term must improve to enable finance ministers in partner countries to plan and make the investments required to achieve the MDGs.

In at least half of the DAC member countries, ODA budget proposals for parliamentary approval generally include a forward looking, three- to four-year indicative spending plan or expenditure scenario. In some cases (*e.g.* Switzerland) parliament endorses a multi-year budget, although such endorsement does not guarantee funds in subsequent years and payments can be authorised only from approved annual budgets. The same applies to members who have set a target for their ODA/GNI ratio. The budget proposal links ODA to GNI forecasts, but funding is subject to parliamentary approval year by year. As a result, aid managers in some countries are under considerable pressure to commit and disburse funds within the budget period, which, unfortunately, puts the emphasis on the financial inputs to development rather than the actual outcomes and results.

However, DAC members are working to remove impediments to providing plans for future spending, so that additional aid can be used to the best effect and in line with the principles of the Paris Declaration. This will go a long way towards repairing what might be called an information failure in the aid system, which inhibits medium-term planning for scaling up development in poor countries of the world.

Another issue, related to the predictability and appropriation of funds, is the disbursement of funds. Problems with disbursement can delay development activities significantly or make them impossible to implement. For example, managers may find it difficult to recruit staff, legal and administrative approval may be slow in coming through, technical problems may arise or complex procurement systems may lengthen the disbursement process. Donors may also make political decisions in response to major changes in partner countries, for example delaying or cancelling general budget support payments or contributions to sector programmes, or cancelling all government-to-government activities. Another problem, which the European Commission (EC) has encountered, is that pipelines of committed but unspent funds can accumulate. Pipeline analysis can help agencies identify generic issues that are contributing to the

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accumulation of unspent funds and to find ways to carry funds forward or redirect them to other activities.

Managing aid in partner countries

DAC members involve headquarters, embassies and development agencies in planning assistance programmes for partner countries. Most donors also involve the partner country government in bilateral consultations when preparing country strategies and some involve other local actors as well. Donors may also provide one to four year financial forecasts. The United Kingdom, for example, usually has three-year financing timeframes but has signed ten-year partnership agreements with Afghanistan, Rwanda and Sierra Leone. Donors are also considering adjusting disbursement plans to schedules and formats better suited to partner countries' needs, and disbursing general budget support in the first six months of their financial year.

Donors' strategic frameworks for engaging in priority partner countries usually set out the need and rationale for interventions and outline the operations (sectors and modalities). Annual country plans set out projects and programmes to be implemented during the year. The extent to which donors share information with partner countries varies. Some sign co-operation agreements that indicate future funding levels, while others only share such information on an informal, non-binding basis. Yet other donors do not share such information at all, or only share it with selected recipients, or in relation to budget support. Luxembourg, for example, provides five-year financial envelopes for indicative co-operation programmes. Similarly, EC country strategy papers cover a medium-term timeframe of five or six years, even though multiple financing instruments, complex and lengthy approval processes in Brussels and disbursement delays are likely to cause unpredictable aid flows to partner countries.

Aid delivery

DAC member countries commonly mix a variety of modalities and instruments to deliver aid to partner countries. The mix depends on, among other things: *i)* the size of the development co-operation programme in the partner country; *ii)* the history and type of actors involved (*e.g.* public, private or civil society organisation); and *iii)* the local context, including the extent to which the partner country is able to co-ordinate and manage aid in a transparent and efficient way. Most members allocate aid to partner countries through a variety of funding mechanisms, including NGO co-financing schemes, humanitarian assistance and funding for specific purposes, such as gender, HIV/AIDS, governance, the environment, or fragile and conflict situations.

The DAC Working Party on Statistics has agreed a new classification of aid modalities and instruments which will take effect in 2011. This classification applies to both bilateral ODA (grants, equities, loans) and multilateral ODA and will make reporting aid and making comparisons across DAC members easier. The classification covers:

1. general budget support and sector budget support;
2. core contributions and pooled programmes and funds;
3. project-type interventions;
4. experts and other technical assistance;
5. scholarships and student costs in donor countries;

6. debt relief;
7. administrative costs not included elsewhere; and
8. other in-donor expenditures.

Civil society organisations

All DAC member countries provide development assistance funds to CSOs, either to support their development-related activities or to implement activities on behalf of development agencies.[1] Most of the funds go to national non-government organisations (NGOs), but some DAC member countries also fund other types of CSOs.[2] Between 2005 and 2006, 5.2% of total bilateral ODA from all DAC member countries went to or through NGOs, ranging from 0.4% to 19.5% for individual donors (OECD, 2007, p.181).

DAC member countries recognise that NGOs often have a high profile both at home and abroad. Sometimes the public is much more aware of NGO activities than those of government development agencies. The work that NGOs do in development education is particularly important for raising public awareness of development issues. Partnerships with local NGOs and community-based organisations enable donors to reach out to otherwise inaccessible regions and excluded communities, and to deliver humanitarian assistance. This is because NGOs tend to work effectively with highly vulnerable groups and because their staff in partner countries is largely local. In situations where donors are obliged to suspend their own development assistance operations, working through NGOs is often the only option.

While CSOs in developed countries can be strong development partners, they are also an important source of aid funds. The OECD-DAC estimates that CSOs channelled USD 20-25 billion to developing country partners in 2006, compared to official flows of about USD 104 billion. CSOs also channel about 10% of official flows. In partner countries, CSOs from the South are significant recipients of aid. This means that aid effectiveness is not only the business of donors and governments but is also the business of CSOs.

CSOs offer official donors operational alternatives. In particular, they are skilled in mobilising grassroots communities and poor or marginalised people. They play an important role in monitoring donor and government policies and practices, and in putting forward policy options. CSOs also deliver services and programmes, and build coalitions and networks to co-ordinate civil society and enhance its impact. CSOs in developed countries partner with developing country CSOs to mobilise and leverage developed country resources. In partner countries, CSOs are fundamental to democratic rule and good governance as they draw attention to issues that might otherwise be ignored and provide a voice for citizens to express concerns on political, social and economic issues. Through this democratic participation and discourse CSOs complement other ways of holding governments accountable.

Working with NGOs

Some donors finance large numbers of NGOs while others limit funding to the larger or more formal NGOs. Denmark, Ireland, Luxembourg, the Netherlands and Spain, among others, have clear-cut criteria for working with NGOs. Where donors work with annual budget commitments, NGOs, whose development activities are inevitably long term, have to deal with funding uncertainties. Recognising the difficulties this creates for NGOs and, as part of an increasingly strategic approach, some donors provide multi-year funding for

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large and well-established NGOs (see example below). In addition, NGOs may be able to access funding for specific issues, such as for humanitarian assistance, reproductive health or governance. Many of these schemes operate on a co-financing basis, where the NGO also provides funds from other, usually charitable, sources. However, some DAC member countries are limiting the number of different funding schemes to reduce management costs and increase efficiency.

Framework agreements for NGOs in Ireland and Spain

Irish Aid has introduced innovative funding mechanisms and structured its relationship with five large Irish NGOs. The multi-annual programme schemes (MAPS) provide strategic programme support to organisations with a proven capacity to operate on a clear policy foundation. Agencies receiving funding are expected to establish strong partnerships with southern civil society organisations. The southern partners are expected to influence priorities and programme design and, over time, come to own and play a more significant role in programme implementation. MAPS partners are also encouraged to co-ordinate among themselves and with Irish Aid, particularly when they are working in the same country. Learning mechanisms, such as joint learning forums, joint research initiatives and country-level MAPS partner meetings, contribute to coherence. Through MAPS, development assistance is delivered to a wide range of sectors in more than 40 countries.

Spain's framework to fund NGOs includes co-operation agreements and projects. The framework seeks to bring NGO activities into line with the overarching objectives of Spanish policy, framed by the MDGs. Projects are assigned in response to a centralised call for tenders based on the parameters set by the Spanish 2005-2008 Master Plan*, further specified by country and sector strategies. The funds are managed and disbursed from headquarters, while field staff assess bids and do the co-ordination and follow-up. Only qualified NGOs may be considered for funding and award of tenders considers their capacity for technical monitoring, evaluation and impact analysis. Conventions with NGOs are limited to agreements between NGOs and the Spanish Agency for International Development.*

Most DAC member countries do not apply the geographical priorities of the government development programme to NGOs. This means government programmes may support interventions in non-priority countries, even though this conflicts with attempts to focus aid and reduces synergies between NGO activities and bilateral government-to-government programmes. To prevent this, some countries are encouraging NGOs to focus activities in programme countries, such as by developing formal criteria for funding NGOs and increasing funding for NGO activities in partner countries.

Civil society organisations and aid effectiveness

By virtue of their position as independent development actors, and because they share the commitment to aid and development effectiveness, CSOs' views on the Paris Declaration deserve to be heard and considered.[3] The Accra Action Agenda does recognise the importance of CSOs and advocates a deeper engagement with them. The Agenda invites CSOs to reflect on how they can apply the Paris Declaration principles to improve development effectiveness, and encourages Governments to work with them to provide an enabling environment that maximises their contributions.

CSOs are important interlocutors in discussions on aid effectiveness because of their multifaceted role. As well as being development and democratic actors in their own right, they contribute to more inclusive development processes, advocate for the interests and human rights of their constituencies, and generate public policy options. CSOs need to play this multifaceted role effectively, advocating for the public good, helping to promote accountability for results, and bringing to bear a richer, deeper understanding of the aid effectiveness agenda, particularly on issues such as political legitimacy, human rights and social justice. CSOs' effectiveness as donors, recipients and partners is intrinsically linked to their effectiveness as development actors and as change agents. It is therefore critical to include them in international institutions and processes where aid effectiveness is discussed.

Notes

1. CSOs serve as channels for an estimated 20% of ODA.
2. In general, the term CSO includes all non-market and non-state organisations in which people organise themselves to pursue shared objectives and ideals and covers a broad range of organisations. Examples include non-governmental organisations, community-based organisations, environmental groups, women's groups, farmers' associations, faith-based organisations, labour unions, co-operatives, professional associations, chambers of commerce, independent research institutes, universities and the not-for-profit media.
3. See, for example, the position paper produced by the International Civil Society Steering Group for the Accra High Level Forum, "Will aid become more accountable and effective? A critical approach to the aid effectiveness agenda".

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Chapter 7

Managing Multilateral ODA

Multilateral institutions are an important channel for DAC member countries' ODA. In the eyes of many countries and, in particular, the smaller donors, multilateral organisations offer the advantage of being able to mobilise significant volumes of resources and to broaden development objectives. They also help co-ordinate donor responses to global development issues. However, to improve the coherence of the overall aid system, strategic and operational links between the bilateral and multilateral sectors need to be strengthened.

Global funds are distinct from multilateral institutions but, nevertheless, offer another way for DAC member countries to address development challenges at a regional or global level. While global funds have some strengths, aid managers need to consider their accountability, the extent to which they duplicate existing structures and the extent to which they take a partnership approach.

Multilateral assistance

DAC records aid contributions as multilateral assistance only if:

- They are made to an international institution whose members are governments and who conduct all or a significant part of their activities in favour of developing (or transition) countries.
- Contributions are pooled so that they lose their identity and become an integral part of the institution's financial assets.
- Pooled contributions are disbursed at the institution's discretion.

Any ODA or official aid which does not fulfil these criteria is classified as bilateral assistance, including multi-bilateral (multi-bi) assistance, that is, voluntary contributions supplementary to membership contributions earmarked for specific purposes.[1] Multi-bi assistance features largely in the funding profiles of some of the United Nations' special agencies. But when large amounts of multi-bi assistance are earmarked for specific sectors or countries the priorities of the multilateral agency may be redirected, diminishing the multilateral character of the institution. However, some DAC members regard voluntary contributions as a way to gain influence, focus the programme on specific issues and increase the effectiveness of multilateral agencies. In cases where donors respond to appeals for funding, for example from the World Food Programme, this funding is by default earmarked for specific purposes and therefore aligned with the agency's priorities.

DAC member countries contribute nearly one-third of their gross ODA to multilateral institutions.[2] The principal categories of multilateral institutions are:

- The European Community (for European Union Member States). This includes the European Development Fund (EDF) as well as development activities financed from the European Commission's (EC) own resources. In DAC statistics, contributions to these institutions are notionally reallocated back to each member state on a *pro rata* basis. The European Commission receives the largest amount of multilateral aid in terms of core contributions (36%).
- Multilateral development banks. The World Bank Group (24% of core contributions), including its International Development Association, and the four regional development banks and their soft-loan windows, the African Development Bank the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank.
- United Nations agencies (20% of core contributions) including the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the World Food Programme and the United Nations High Commissioner for Refugees (UNHCR).

Core funding for multilateral agencies are multi-year. The EC's ODA instruments stretch over six to seven years, and the UNDP's multi-year financial framework over four years. The policy and allocation priorities of multilateral development banks and global

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funds are set during the replenishment negotiations that take place every three to four years.

Coherence in multilateral assistance

"Promote greater coherence between those responsible for different aspects of multilateral aid." (Lesson 7)

Promoting coherence among ministries responsible for different aspects of multilateral aid is a particular challenge for DAC member countries. It means working to improve links between all facets of the national aid system which affect multilateral development, in the interests of a more efficient world-wide aid architecture and of more impact in the field.

In almost all countries, several ministries share responsibilities for multilateral assistance. Often, the ministry of finance manages core contributions and leads policy dialogues with multilateral development banks, especially the World Bank, whereas the ministry of foreign affairs, or in some cases the development agency, manages relations with most other multilateral agencies. The responsibility for multilateral issues in the ministry of foreign affairs, including multilateral co-operation and policy is, typically, assigned to a specific department or section comprising separate teams for United Nations agencies, the EC and, in some cases, international financial institutions. In all cases the ministry of foreign affairs co-ordinates policies on multilateral organisations with other ministries. To strengthen internal coherence on multilateral development in general, and make the best use of expertise and skills across the public service, Ireland has gone one step further and set up an Inter-Departmental Committee on Development (Government of Ireland, 2006).

Relationships with United Nations agencies often span a number of ministries. For example, although core contributions and relationships with the World Health Organisation are usually managed by the ministry of health, development and technical specialists in the development agency or the ministry of foreign affairs may provide backup. On climate and agricultural issues, the ministry of environment and the ministry of agriculture, respectively, may either have lead responsibility or be brought in to provide technical expertise.

In the European Community, policy coherence and the management of development aid are complex issues. Decisions are influenced by Member States, the European Parliament and the European Commission (EC), all of whom may have different and sometimes conflicting agendas. The Commission implements development co-operation activities and is the world's largest multilateral grant provider. The key actors in the Commission are the Directorate-General for External Relations, the Directorate-General for Development, the European Commission Humanitarian Office (ECHO) and Europe Aid, which implements external aid instruments. The EC delegations in the field are responsible for implementing external assistance programmes in partner countries.

The European Commission finances development activities through European Union budget lines for external relations and through the European Development Fund (EDF). External relations funds include activities that are not defined as ODA and come from contributions from Member States to the regular budget, and other sources such as customs duties. The EDF is a multi-annual programme that supports developing countries in the African, Caribbean and Pacific region, South Africa, activities in Member States' overseas territories and some thematic funds, such as food aid. It is funded by voluntary contributions from Member States and managed by the Directorate General Development, EuropeAid and, in the case of emergency assistance, ECHO. Both external relations and EDF funds are divided amongst a number of programming instruments and include significant regional/geographic programmes.

Multilateral strategy

In most DAC member countries, engagement with multilateral organisations is a high priority. Some member countries have recently developed, or are in the process of developing, an overall strategy for their engagement with multilateral organisations, setting multilateral priorities and objectives. These strategies guide decisions about ongoing relationships, funding levels and "whole-of-government approaches" to managing partnerships with multilateral organisations. Other donors set multilateral priorities as part of overall development policy.

In general, the multilateral objectives and priorities of DAC member countries either align with their bilateral priorities and objectives, or complement them by setting priorities and objectives for multilateral engagement in regions, countries and sectors which are outside the bilateral framework. The majority of DAC members follow the first approach.

Sweden's Strategy for Multilateral Development Co-operation

Sweden's Strategy for Multilateral Development Co-operation*, launched in April 2007, is a first step towards clearer and more results-oriented Swedish involvement in multilateral development co-operation. The* Strategy *lays out principles for multilateral allocations. One of these is to assess the relevance and effectiveness of its multilateral partners to guide financing decisions in annual budget rounds and replenishments. If a multilateral organisation is not considered relevant, contributions will be reduced and possibly phased out. Non-earmarked contributions and long-term financing will be preferred for more predictable funding. Contributions to vertical funds will be made only in special cases and multi-bi support will only be given to country programmes and priority activities. The financing for humanitarian assistance will follow internationally agreed principles of Good Humanitarian Donorship. Finally, the* Strategy *provides for new instruments and working methods, for example an assessment template, organisation-specific strategies for the most important multilateral institutions, division of labour between the Ministry of Foreign Affairs and the Swedish International Development Co-operation Agency (Sida) and a review of statistics and reporting on multilateral aid.*

All DAC member countries want a more effective multilateral system and some have developed, or are developing, assessment frameworks to supplement the assessment and audit tools of multilateral organisations. DAC members assess the strengths and weaknesses of multilateral agencies, and evaluate the impact and effectiveness of current engagement, including the fit with government policies and priorities. In some cases, DAC member countries' field staff monitor and evaluate the performance of multilateral organisations in partner countries. As well as linking multilateral and bilateral assistance and sharing lessons learned, this field assessment also informs decisions about ongoing relationships and funding levels.

At the same time, many DAC members are aware that the proliferation of bilateral assessments of multilateral effectiveness increases overlap and raises transaction costs. To minimise costs, a number of donors have developed a common approach to assessing multilateral organisations, the Multilateral Organisation Performance Assessment Network (Box 7.1).

Box 7.1. **The Multilateral Organisation Performance Assessment Network**

The Multilateral Organisation Performance Assessment Network (MOPAN) was created in 2002 by like-minded donor countries. These include Austria, Canada, Denmark, Finland, France, Germany, Ireland, Netherlands, Norway, Sweden, Switzerland and the United Kingdom. These donors have a common interest in sharing information and drawing on experiences in monitoring and assessing the work and performance of multilateral organisations. They also conduct an annual survey of multilateral organisations through their embassies and country offices.

In 2006, MOPAN developed a balanced scorecard as a common tool for donor countries to assess the effectiveness of multilateral organisations. The scorecard focuses on strategic and operational relationships, as well as knowledge management. The scorecard has twenty key performance indicators in four categories. Each indicator has two to six micro indicators. MOPAN is seeking stakeholders' views on the scorecard approach and is customising tools to collect and analyse performance data with a view to testing the harmonised approach in late 2008.

Starting in 2009, the new approach will cover about six multilateral organisations each year, by type. These include multilateral development banks. United Nations agencies, international humanitarian assistance organisations and global funds. To gather different perspectives data will be collected from multilateral organisations, MOPAN member headquarters and country offices, as well as from national governments. In parallel, MOPAN is undertaking an annual assessment of the results-based management practices in each organisation. Building on these initial steps in tracking and understanding the effectiveness and development contribution of multilateral organisations, the intention is to progressively broaden the approach with a view to phasing out members' own assessment systems.

Global funds

Global funds that support specific sectors and sub-sectors, for example, health, HIV/AIDS, primary education and the environment,[3] are major channels for donor funding, particularly in low-income countries. These funds are distinct from multilateral organisations in that they attract, manage and distribute resources for global purposes. There are strong incentives for the donor community to create new funds to mobilise public support for visible and widely-shared priorities, and to respond to emerging issues. To combat HIV/AIDs, for example, the United States created the Emergency Plan for AIDS Relief, the largest ever commitment by one nation to a single disease.

Board representation on global funds varies significantly. Some funds automatically grant donors a seat on the board whereas others share or rotate a seat between donors. If DAC member countries wish to engage strategically with global funds they need to interact with the board and other donors on issues such as governance, priorities, sustainability and aid effectiveness. DAC members can also work at board and country levels to ensure that global funds abide by internationally accepted practice.

Global funds can be very effective in complementing multilateral and bilateral country programmes to achieve specific development objectives. They generate additional resources from public sources and leverage funds from private foundations. However, global funds have some weaknesses. The focus on a single issue neglects synergies and may contradict support for country-led development partnerships based on national priorities and strategies. Global funds may duplicate existing structures and increase transaction costs. They have less democratic accountability than multilateral organisations and governments. These strengths and weaknesses may significantly influence the funding decisions of DAC member countries, particularly as many are looking to engage more strategically with multilateral organisations. When considering the creation of new global funds, donors need to weigh the disadvantages of proliferation against the potential gains.

The Paris Declaration on Aid Effectiveness rightly identified the need for global programmes to improve integration at the country level as a priority. Despite diverse governance and operational frameworks, global programmes are finding ways to align their assistance to country priorities and systems. For the most part, global funds are channelled through country budgets, although some channel funding through NGOs or the private sector. Some provide sector budget support, or take sector-wide approaches, thereby becoming more integrated into sector dialogues. For example, the Global Fund to Fight AIDS, Tuberculosis and Malaria has joined such programmes in Malawi, Mozambique, and Rwanda, and the Global Environment Fund channels funding through United Nations agencies and multilateral development banks at the country level. Nevertheless, global funds face numerous challenges in implementing the principles of the Paris Declaration, as shown below (Box 7.2).

Box 7.2. **Global funds and the Paris Declaration: Progress and challenges**

The Global Programmes Learning Group has reviewed progress in implementing the principles of the Paris Declaration. Overall, there has been, and continues to be, a good deal of learning. But global funds could make better use of existing flexibility in their governance and processes. Improving communication at the country level would make partner countries and donors more aware of this flexibility and of their commitment to implementing the Paris Declaration.

Ownership – Global funds tend to get strong support from sector ministries, civil society and the private sector, particularly in middle-income countries. However, the challenge is to gain support from overall co-ordinating mechanisms and central government ministries, including finance ministries.

Alignment – Global funds are set up with specific, generally sub-sectoral, mandates. This means that in setting priorities they need to take into account other sources of funds, as well as other priorities within the sector and across other sectors. Aligning with country systems is a challenge although global funds are making efforts to adapt their funding to country budget cycles. Sector-wide approaches can help global funds align funding with country priorities.

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Box 7.2. **Global funds and the Paris Declaration: Progress and challenges** *(cont.)*

Harmonisation – The mandates and processes of global funds, together with the lack of a direct field presence, make harmonisation at the country level challenging. Because of their global focus the funds have tended to follow international good practice. But, in order to reduce transaction costs, particularly for partner governments, they are now paying more attention to working with other donors in donor groups at the country level, or in joint missions and analyses.

Managing for results – Global funds typically manage for results, emphasising sound management of programme inputs, monitoring, evaluation and auditing, as well as outputs. However, they differ substantially in the extent to which they use government and joint donor systems for these activities. The challenge is to align and harmonise with these systems in ways that contribute to improving overall government and donor monitoring and evaluation systems, as well as to improving methods for tracking development outcomes.

Mutual accountability – Global funds tend to be accountable to their international constituencies. Some have set standards of good practice on transparency. However, accountability is more difficult at the country level, partly because of their global mandate and also because they are not present on the ground. Global funds, within limits set by staff constraints, are seeking ways to participate more in country-level mutual accountability mechanisms, or to have others represent them.

Source: OECD (2009c), *Aid Effectiveness: A Progress Report on Implementing the Paris Declaration*, Better Aid, OECD, Paris.

Notes

1. For more in-depth information, see the *2008 Report on Multilateral Aid*, the first DAC annual report analysing multilateral aid flows and policies of its members (*www.oecd.org/dac/*).
2. Multilateral ODA accounted for 24% of DAC's total gross ODA on average 2004-2006. Net of debt relief, the multilateral share of DAC ODA was 29%.
3. Noteworthy examples include the Global Environment Facility, the Global Alliance for Vaccines and Immunisation and the Global Fund for AIDS, Tuberculosis and Malaria.

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Chapter 8

Implementing the Aid Effectiveness Agenda

DAC member countries face political, institutional and operational challenges as they implement the aid effectiveness agenda. Implementing the principles of the Paris Declaration often means that donors need to adapt the legislative basis and fundamental orientation of their development co-operation policy and institutions. Moreover, the principles may run counter to political objectives, such as raising visibility in the short term and strengthening political relationships. This means that donor agencies must be relentless in winning and sustaining political support and leadership, and in communicating effectively with key stakeholders, including the public.

Aid effectiveness agenda: Institutional challenges

There are three institutional challenges to implementing the aid effectiveness agenda: *a) decentralising* to the country level; *b) adjusting human resources management* (see Chapters 3 and 4); and *c) adapting procedures*.

a) To maintain cohesion as they **decentralise** development co-operation, DAC members need to balance field level autonomy and headquarters development policy. Achieving this is difficult when donor systems are fragmented. Good practice suggests that, to enable an efficient flow of information and reporting, donors must have good quality assurance systems and effective internal communication.

b) **Human resources management** often needs to be revamped to motivate staff to implement the aid effectiveness agenda, to develop appropriate training and to recruit more local staff. Donors are doing this by integrating aid effectiveness incentives into professional career paths, offering locally recruited staff senior responsibilities and acquiring a different mix of staff skills at the country level.

c) **Procedures** need to be adapted so that country systems, such as for financial management and procurement, can be used.

The aid effectiveness agenda has direct consequences for donor operational systems. These include making future aid flows more predictable for partner countries over the medium term (while constrained by annual budgeting processes in donor countries), using programme-based approaches, and focusing assistance on fewer countries, sectors and activities (Box 8.1).

Box 8.1. **The Accra Agenda for Action: Challenges for aid managers**

The Accra Agenda for Action poses specific challenges for aid managers, including:

1. Using country systems rather than donor systems to deliver aid, and channelling at least 50% of government-to-government aid through partner country fiduciary systems.
2. Switching from a reliance on prescriptive conditions to a limited set of harmonised and transparent conditions based on the developing country's development objectives.
3. Finding international agreement on good practice principles on country-led division of labour and addressing the issue of aid-orphans.
4. Providing three-to-five-year forward information on plans for aid to partner countries.
5. Complementing country-level efforts in mutual accountability between donors and partners with independent evidence.

Progress in making aid more effective

Most DAC members have developed aid effectiveness action plans. These tend to be precise, operational and time bound. For example, the Nordic Plus group of donors has produced an action plan, as well as aid effectiveness guidelines and tools. In Denmark, the Netherlands and Sweden, internal operational guidelines for managing and preparing country assistance strategy papers have been revised to support staff in implementing the action plans. Translating strategies and principles into revised procedures and directives with appropriate guidance for field missions takes time, however.[1] As a result, the pace and depth of reform are not yet consistent across donor programmes (OECD, 2008e).

Equally, there is no one-size-fits-all strategy for implementing the aid effectiveness agenda in partner countries. Some, such as Burkina Faso, Ghana, Mozambique and Vietnam, have made the Paris Declaration a national priority and are quite advanced in implementing the principles. In fragile states the context for applying the principles is very different and more challenging as capacity to govern and lead the development process is weak.

Practicing the five principles

Ownership

Ownership is defined by the Paris Declaration and the Accra Agenda for Action as effective recipient-country leadership of development policies and strategies, through local processes involving parliament and local authorities, and through open and inclusive dialogue with civil society organisations. These policies should translate into results-oriented, operational budgets and programmes, consistent with the country's international commitments on issues such as gender equality, human rights, disability and environmental sustainability. Donors need to align with these country-owned policies and programmes. There are various interpretations of the meaning and boundaries of ownership (OECD Development Centre, 2008c). Implementing the ownership principle usually means strengthening the capacity of development partners' human resources and institutions. At the same time, pressures from donors for attribution and visibility may make it difficult for partner countries to design, implement, and monitor development policies and aid-supported development programmes (Wood *et al.*, 2008).

Alignment

Donors agreed to base their overall support on national development strategies, national institutions and procedures. In particular, donors agreed to use country systems (public financial management, procurement, auditing, monitoring and evaluation, or social and environmental assessments) as the preferred option for aid programmes managed by the public sector, all of which are crucial for strengthening ownership. Recipient countries agreed to improve these systems and institutions, with support from the donors.

Donors have a number of ways to make progress on alignment. These include reducing parallel implementation units, making greater use of programme-based approaches, using general or sector budget support, untying aid, and adjusting their country strategies to align them with local processes and timetables. They can also revise staff guidelines and internal incentives to encourage alignment.

Evidence suggests that it is easier to align donor policies with poverty reduction strategies than it is to align activities on the ground. Gaps tend to appear when policy agreements are transformed into operational programmes and projects, particularly when sub-national and local government is involved. Weak human resources, institutional arrangements and procedures in partner countries, and the legal requirements of donors partly explain these gaps. To minimise risks, donors are taking a step-by-step approach,

Denmark in Vietnam: Adapting to Alignment

The Danish Embassy in Vietnam spent three years changing the way it worked, gradually using the structures and systems of the Government of Vietnam for implementing programmes and projects. As a result, the role of Danida advisors evolved from primarily managing programmes to advising government. The embassy also became more involved in policy dialogues with Vietnamese partners. Value-for-money audits, spot checks to determine aid effectiveness, and needs assessments to monitor the programmes run by the Government of Vietnam afford a clearer idea of when to disburse funds to the government.

moving forward as partner countries strengthen their systems. Sweden, for example, minimises risks by assessing the implementation capacity of partner countries, as well as the degree of transparency and corruption, and human rights issues. The Accra Agenda for Action, calls for this kind of assessment to be carried out jointly.

Budget support contributes to alignment and building local systems. The European Commission, the United Kingdom, the Netherlands and Finland have policies to increase and co-ordinate both general and sector budget support. Other donors have set a ceiling on general budget support (25% in the case of Denmark) or make little or no use of it. From a donor point of view, the main barriers to budget support are linked to political and fiduciary risks, the capacity of the recipient country (especially with respect to public financial management), the lack of transparent and accountable processes, concerns that budget support focuses on the central government and weakens ties with local realities in the partner country, and that it is more difficult to report to parliament on results of budget support (Wood *et al.*, 2008).

Harmonisation

"Most DAC members should focus their assistance on fewer countries, fewer sectors and, in particular, fewer activities." (Lesson 10)

Harmonisation ranges from the informal exchange of information between donors and the creation of donor co-ordination groups, to simplified procedures and common arrangements for designing, managing and implementing aid. Joint assistance strategies, providing a single country strategy for all donors, have been developed in Ghana, Tanzania (Box 8.2), Uganda and Zambia (Wood *et al.*, 2008). Moves from projects to programme-based

Box 8.2. **The Joint Assistance Strategy for Tanzania**

The Joint Assistance Strategy for Tanzania, together with the subsequent Action Plan and Monitoring Framework, provides clear guidelines – agreed to by both partner and donors in a Memorandum of Understanding – on ways to increase harmonisation. In particular, the joint strategy calls for donors to fully align with national strategies, respect mission-free periods, support government efforts to develop sustained domestic capacity, rationalise the number of sectors or cross-cutting areas that they engage in, limit the number of active donors in each sector, appoint a lead partner for each sector, adhere to criteria of good practice when using basket funds and directing project funds, and harmonise their activities, funding decisions, requirements, analytic work, meetings, missions and reviews. Criteria for division of labour are also laid out.

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Box 8.2. **The Joint Assistance Strategy for Tanzania** *(cont.)*

In a related exercise, the Development Partner Group on Gender Equality (DPG-GE) has developed guidelines on how best to address gender issues at sector level. The group is currently finalising a division of labour strategy, in line with the joint assistance strategy.

Source: Irish Aid (2008), Cross Cutting Issues in Joint Assistance Strategies/Harmonisation Mechanisms: Gender Equality, Environmental Sustainability, Human Rights and HIV/AIDS, unpublished.

and sector-wide approaches increase opportunities for jointly analysing country needs and pooling funds. Denmark, Sweden and Norway share premises in some partner countries to facilitate interaction and to limit transaction costs.

The fragmentation of aid – numerous donors delivering small amounts of aid both among and within developing countries – increases the cost of aid delivery and threatens aid effectiveness. The Accra Agenda for Action recognises the need to improve the complementarities of donor efforts and the division of labour. The Working Party on Aid Effectiveness monitors and gathers evidence on good practice at the country level. These include matrices of donor support to sectors, limiting the number of donors per sector and sectors per donor, identifying lead donors in sectors, delegated co-operation agreements or silent partnerships, and phasing out from sectors. The *Agenda* also foresees a dialogue on international division of labour across countries starting by June 2009.

Box 8.3. **Mozambique's Programme Aid Partnership**

In Mozambique, the Government established a formal structure, the Programme Aid Partnership (PAP, also known as G-19), for consulting donors and increasing co-ordination. Seventy-two bilateral and multilateral donors operate in Mozambique, creating a very complex, disorganised network of development co-operation. The Programme Aid Partnership involves 19 development agencies and embassies in regular dialogue. PAP members provide 30% of their assistance through the state budget and use country systems. Sectoral or thematic working groups have been set up and a website facilitates exchanges of information.

A mutual accountability system, going beyond the Paris Declaration, prioritises general budget support and programme-based approaches. Joint annual reviews focus on reaching a common view on performance as a basis for aid commitments. Mid-year reviews are undertaken before the Medium-Term Expenditure Framework and Economic and Social Plan and the budget are submitted to the Republic's National Assembly. Annual PAP performance assessment scoring, conducted by independent consultants, rates PAP partners against a matrix of targets and indicators drawn from the Paris Declaration. As a result of the policy dialogue and performance assessments, 65% of the budget is allocated annually to priority poverty reduction sectors, with at least 50% going to health and education.

Box 8.4. **Division of labour in Zambia**

Following a donor self assessment and a government review of donors in various sectors, the Government of Zambia issued its initial preferred division of labour in April 2006. Preferences were discussed with stakeholders. Donors agreed to jointly lead sectors in groups of two or three, as lead, active, silent and phasing-out partners, and to align the 17 sectors with the poverty reduction strategy and ministry policies.

A number of positive outcomes can already be attributed to the division of labour and related agreements, including improved donor co-ordination and information sharing, streamlined donor communication with government and fewer bilateral meetings with government officials. However, a number of challenges have emerged. Donors find it difficult to disengage from sectors, in part because they feel that they should phase out slowly so as not to disrupt on-going activities and commitments. Sectoral/thematic coverage is uneven, with health and governance in particular continuing to attract most donors. Decentralised decision making varies considerably; several donors rely on headquarters for direction on the division of labour. Some donors want to remain visible and cannot assume a silent role. Finally, the current division of labour does not fully address cross-sectoral issues and emerging donors.

Source: Rationalising Aid Delivery – Partner Country Experience and Perspectives, Workshop in Pretoria, organised by the DAC Task Team on Complementarity/Rationalising Aid Delivery.

The EU is leading the way in enhancing co-ordination and complementarity among Member States. In 2007 it developed a code of conduct on the division of labour in partner countries which is implemented through the EU Fast Track Initiative on Division of Labour and Complementarity.[2] According to the code donors should:

- Concentrate active participation in a limited number of sectors in-country (three sectors + general budget support + support to civil society).
- Ensure responsible exit strategies by redeployment to other in-country activities.
- Establish lead donor arrangements.
- Enter into delegated co-operation/partnership, when not the lead donor.
- Ensure adequate donor support (minimum one donor, maximum 3-5 per strategic sector).
- Replicate in-country principles at regional level.
- Establish a limited number of priority countries to reinforce geographical focus.
- Address the problem of orphaned/neglected countries by redeployment of resources.
- Analyse/expand areas of strength through self-assessment of comparative advantage.
- Pursue progress on dimensions of complementarity (vertical and cross-modality/ instrument).
- Deepen the reforms.

Members of the Nordic Plus group, with their long experience of working together, are advanced in harmonisation. They have developed a number of useful tools, including a guide on joint financing arrangements (2004), a Procurement Policy (2004) and Guide (2005), Complementary Principles for Joint Assistance Strategy Processes (2005) and a Practical Guide to Delegated Co-operation (2006). The Nordic-plus group also delegates co-operation; for example Denmark delegates integrated water resources management to Sweden in

Burkina Faso. However, experience shows that in the early phase such arrangements can increase transaction costs (Wood *et al.*, 2008).

Managing for results

"Develop a stronger culture of managing for results and align incentives accordingly, but in ways that promote, not weaken, local structures of accountability." (Lesson 11)

Managing for results is defined as managing and implementing aid programmes or projects in a way that focuses on results and uses information to improve decision making. DAC members agree that managing for results merits greater attention but also acknowledge that it is a long-term solution, fraught with local capacity and methodological issues.[3] At the same time, donors are under increasing pressure from parliaments, government and civil society to demonstrate the impacts of aid on the lives of poor people.

Country-based monitoring and evaluation, and statistical capacity, are the building bricks of a "performance culture". However, the continued use of multiple different results frameworks by both donors and recipients constrains progress. Progress in managing for results has been slow in partner countries which should "have in place by 2010 transparent and monitorable performance assessment frameworks".[4] This means there are not many examples of donors using results-oriented and monitoring frameworks in partner countries. However, DAC member countries are building capacity in national statistical and information systems. They have established a multi-donor fund to enhance statistical capacity, for example.[5]

DAC members are strengthening their own performance management frameworks, methodological guides, training and staff awareness programmes on results-based management, and incentive schemes that reward employees not simply for disbursing financial resources, but also for achieving sustainable and long-term returns on investments. Performance-based management often includes monitoring, evaluation and auditing, and is usually effective in assessing the performance of individual units and staff. The corporate performance framework put in place by some donors has been applauded by the DAC, although all efforts to date merit further integration and simplification. Agencies also need to be alert to the danger that such frameworks can lead to perverse incentives or to excessive aversion to risk.

Australia's Office of Development Effectiveness

The Office of Development Effectiveness (ODE) monitors the quality and evaluates the impact of Australia's aid programme, as well as reporting on the effectiveness of aid and identifying areas where effectiveness could be improved. Furthermore, the ODE helps to strengthen performance systems. The ODE is a separate unit within AusAID which reports directly to the Director General. It is guided by the Development Effectiveness Steering Committee which is chaired by the Director-General and comprises deputy secretaries from the Departments of Foreign Affairs and Trade, Prime Minister and Cabinet, Finance and Deregulation, and Treasury, as well as AusAID's Principal Economist. The Steering Committee advises the Office on work priorities, comments on the Annual Review of Development Effectiveness, and advises the Minister on the quality of major new country strategies and new budget proposals.[6]

Mutual accountability

Accountability means that donors and partners are held responsible to their citizens for development results, and mutual accountability means that donors and partners are accountable to each other. The Paris Declaration binds donors and partner countries to mutual accountability, transparency and the achievement of measurable results.

Donors have several ways of supporting mutual accountability in partner countries. These include, for example, by developing capacity, by arranging mutual reviews, by reinforcing participatory approaches in formulating and assessing progress in strategies, and by providing partners with timely, transparent and comprehensive information on aid flows to enable them to report fully on budget expenditures to legislatures and citizens.

Mutual accountability is one of the principles where progress in implementation is least advanced. Donors and developing countries have committed to put mutual assessment reviews in place by 2010 in all countries that have endorsed the Paris Declaration. The Accra Agenda for Action stressed that there should be stronger parliamentary scrutiny and citizen engagement in mutual assessment reviews. Evidence from the Netherlands suggests that there is a wide range of existing and evolving mechanisms for mutual review at various levels (Wood *et al.*, 2008). These include annual consultations on major national strategies, independent teams and task forces to monitor harmonisation or other action plans, consultative groups, round tables or their equivalents, consultations on joint assistance strategies, joint reviews of sector strategies and major funding programmes, and social audits.[7] Joint evaluations are generally seen as better and more useful because ownership is shared. Where there are tools for mutual accountability, as in Mozambique (Box 8.3), these seem to have a disciplining effect on donors and partners (Wood *et al.*, 2008).

The Netherlands' approach to mutual accountability

The Netherlands uses several measures to improve accountability to partner countries. One is to provide information on commitments and respect established funding patterns for aligned programmes when participating in Joint Assistance Strategies (e.g. Uganda and Zambia). Holding regular political consultations with EU donors and national authorities to discuss mutual accountability when it holds the presidency of the European Union (for instance in Mali) is another. The Netherlands has also transformed general budget support into results-oriented support, which makes partner countries accountable for results and, in Sub-Saharan Africa, increasingly provides general budget support in a multi-year framework.

Notes

1. Evidence is taken from the Evaluation of the Implementation of the Paris Declaration, Phase One (Wood *et al.*, 2008); the 2008 Monitoring Survey (*www.oecd.org/dac/hlfsurvey*) (OECD, 2008g); and the Synthesis Report on Implementing the Paris Declaration: Lessons from Peer Reviews (OECD, 2008e).
2. The Member States and Commission work together with the governments of 30 partner countries to map out comparative advantages and establish lead donor and delegated co-operation arrangements according to jointly agreed criteria. The Fast Track Initiative issued its first monitoring report in January 2009.
3. The Hanoi Roundtable on Managing for Development Results of February 2007 provided some encouraging information on good practice by a growing number of aid recipient countries. These

are building national systems for evidence-based policy, developing evaluation and placing greater focus on the real results of national programmes, including those supported by aid.

4. Paris Declaration Indicator No. 11.
5. An outcome of the Hanoi Roundtable on Managing for Development Results.
6. *www.ode.ausaid.gov.au/about/index.html*.
7. A social audit details the resources, both financial and non-financial, used by public agencies for development initiatives and the impact on society of such initiatives, and shares the information, often through a public platform, making these public agencies or authorities accountable to citizens.

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Chapter 9

Managing Cross-sectoral Issues

Poverty reduction, gender equality, good governance, environmental sustainability, capacity development, HIV/AIDS and human rights cut across all sectors. Addressing these issues is critical to making aid more effective and achieving enduring impacts. While almost all DAC members have cross-sectoral policies, only a few have the staff, budgets and management practices needed to implement them. Bridging the gap between cross-sectoral policy and implementation is critical.

Lessons and good practice in gender equality and women's empowerment can usefully be applied to other cross-sectoral themes. These include critically assessing current approaches to achieving the MDGs, allocating funds to specific issues, balancing mainstreaming with targeted interventions, matching human resources to policy objectives, accounting for results and strengthening in-country implementation.

Bridging the gap between policy and implementation

Dealing with cross-sectoral issues or themes is challenging even when they are central to development policies. The gap between policy and implementation is difficult to bridge. Although most DAC member countries have identified three or four cross-sectoral issues as being critical to their development co-operation, with the exception of gender equality, there is little information on how they have integrated or mainstreamed these issues into development programmes.[1]

Cross-sectoral issues can be advanced by combining a mainstreaming strategy with targeted action. Rebalancing the mix of mainstreaming and focused programmes is necessary if sustained progress is to be made towards achieving the MDGs. There are no quick fixes for achieving gender equality and environmental sustainability, eliminating HIV/AIDs and respecting human rights. Each of these issues needs a long-term commitment (human and financial) by both donors and partner countries, which has important implications for policy dialogues with partner countries.

The good practice by Irish Aid, described below, shows one approach to mainstreaming cross-sectoral themes.

Ireland's mainstreaming strategy on cross-sectoral issues

Irish Aid's 2007-2009 mainstreaming strategy seeks to increase the quality and effectiveness of Irish Aid's contribution to sustainable poverty reduction. The mainstreaming strategy is guiding planning, implementation and evaluation of all interventions in programme countries. It includes training in mainstreaming and knowledge building in the four priority issues: gender, HIV/AIDS, governance and the environment. Lines of approach include strengthening accountability and senior management oversight, making a group of technical advisers and staff at headquarters available to support partners, incorporating the mainstreaming approach into country strategy papers in programme countries, and preparing implementation plans and budgets. The next step will be to bring in quality assurance and monitoring to document lessons learned and improve knowledge management.

Accelerating achievement of the MDGs

To accelerate progress towards the MDGs, DAC member countries can, as a first step, critically assess their current approaches to achieving MDG 6 (combat HIV/AIDS, malaria

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and other diseases) and MDG 7 (ensure environmental sustainability) in the same way that they recently critically assessed their approach when they realised that they had failed to achieve MDG 3 (promote gender equality and women's empowerment) by the target date of 2005. For example, Australia made gender equality an overarching principle, and Ireland and Spain made gender equality and women's empowerment critical components of their programmes. Government leaders, international organisations, companies, civil society organisations and the media were presented with MDG 3 champion torches if they committed to doing something extra to accelerate the achievement of MDG 3. One hundred torches travelled the world in the lead up to the September 2008 United Nations High Level Event on the MDGs, the half-way point to 2015. DAC member countries could well follow that example and organise special events to draw attention to the importance of cross-sectoral themes for achieving the MDGs.

Allocating specific funds

Allocating specific funding for cross-sectoral issues could also speed progress towards meeting some of the MDGs. Recognising that the focus on gender equality had become diluted, some donors significantly increased aid to this specific area. Ireland, the Netherlands and Norway created budget lines to provide additional resources for gender equality and women's empowerment because the evidence showed that relying on mainstreaming gender equality does not result in positive gender equality outcomes. The Dutch and Norwegian funds for gender equality are guaranteed for a fixed number of years, with yearly increments. The funds do not target women exclusively but also contribute to gender equality work with men and boys, as illustrated by the example below.

Norway's approach to financing women's rights and gender equality

The Government of Norway renewed its commitment to promoting women's rights and gender equality in 2005, revitalising measures to reach targets and allocating extra resources. As a result, the 2007 Ministry of Foreign Affairs development co-operation budget included a new budget line of EUR 25 million dedicated to developing capacity and building skills in women's rights and gender equality. In addition, the funds support initiatives that target men and boys and address discrimination and stigmatisation of sexual minorities. A further EUR 24 million was allocated to promoting women's rights and gender equality in other budget lines. In the 2008-2009 budget, the line for gender was increased to EUR 30 million. Besides these targeted mechanisms, a broader gender budgeting initiative aims to ensure that the overall development co-operation budget is responsive to gender equality and women's empowerment.

Matching policy objectives with human resources

When dealing with cross-sectoral themes, DAC member countries need to match policy objectives with the human resources needed to implement them, and to make staff accountable. Well trained, dedicated specialists, with sufficient seniority and authority to participate fully and carry weight at meetings, are essential for working with colleagues and counterparts to design activities and integrate cross-sectoral themes into development programmes. Cross-sectoral issues are often complex, as well as politically and culturally sensitive. This means agency and embassy staff need to be trained so that they are equipped to make appropriate decisions on implementation. Managing human resources to achieve cross-sectoral policy objectives also means devising rewards for field representatives who successfully introduce sensitive topics, such as human rights and HIV/AIDS, into dialogues with finance or line ministries. Regularly monitoring outcomes and results, reappraising approaches and strengthening the accountability of both management and staff for the results achieved, are also important to improve performance.

Boosting operational commitment

A critical issue in implementing cross-sectoral policies is how to boost operational commitment in both donor agencies and partner country governments. To do this it is essential to adopt an informed, country-led and pragmatic approach. This means involving national organisations in dialogue, and in planning, budgeting and monitoring results. To advance cross-sectoral themes in partner countries, donors can:

- Strengthen the capacity of partner country civil society organisations to promote gender equality, HIV/AIDS and environmental or human rights in partner country development plans and programmes.
- Develop action plans and work with other donors to make poverty reduction strategies and sector-wide plans more responsive to cross-sectoral themes.
- Introduce specific issues into the country dialogue, for example economic opportunities for women as a means of empowerment, or children's rights through demobilisation and reintegration of child soldiers. Such dialogues could stem from regional and international commitments on gender equality, human rights and environmental sustainability.
- Support analytical work to identify gaps and constraints, and detect and eliminate biases in partner country budget expenditures.
- Link cross-cutting issues, for example gender equality and HIV/AIDS, or environmental sustainability and human rights.

The Paris Declaration on Aid Effectiveness has injected new momentum into donors' approaches to gender equality, women's empowerment, capacity development, human rights, environmental sustainability and HIV/AIDS. A jointly funded major study provides evidence that addressing human rights, social exclusion and gender equality enhances, and is integral to, the aid effectiveness agenda and the wider agenda of development co-operation to which the Paris Declaration contributes.[2] Joint Assistance Strategies (Box 9.1) are a valuable mechanism to advance cross-sectoral issues at the country level (Gaynor and Jennings, 2008). These enhance harmonisation and effective division of labour based on comparative advantages and competencies.

Lessons for increasing operational commitment to cross-sectoral issues are emerging from the Paris Declaration:

- Aid reforms have encouraged a more participatory, more democratic and more coherent approach to policy making through national poverty reduction strategy processes. The result has been policy commitments to the MDGs, particularly in relation to gender equality. These commitments are being integrated into national development planning processes, although the degree of ownership varies greatly between countries.

Box 9.1. **Using joint assistance strategies to integrate cross-sectoral issues**

Joint assistance strategies (JAS) can integrate cross-sectoral issues in development co-operation. When developing joint assistance strategies, donors are encouraged to:

- Ensure that they have adequate analyses of cross-sectoral issues for all pillars/clusters of national poverty reduction strategies and development plans to which JAS are aligned.
- Turn analyses into operational strategies and monitoring and accountability frameworks.
- Build capacity, at the local level and in civil society, to advance cross-sectoral issues.
- Consider the most effective way to address gender equality, human rights and environmental sustainability – as cross-sectoral themes, in sectors, or both.
- Ensure that the lead donor has the greatest comparative advantage and capacity when gender equality, human rights or environmental sustainability are being addressed.
- Harmonise support for capacity building so that the approach to building skills, systems and information is comprehensive and sustained.
- Apply a results-focused (in addition to process) framework in working groups and harmonisation processes.
- Provide incentives for staff to engage with and follow through on cross-sectoral issues in the context of division of labour.

- The processes for harmonisation and alignment have generally encouraged a more coherent approach to the provision of aid to support national priorities, including equity and rights, set out in national poverty reduction strategies or development plans.
- The establishment of common results frameworks, either at the national level or for particular programmes (including at sector level), can help to build consensus and ensure that policy and resource allocation decisions take sufficient account of cross-sectoral issues. Monitoring and evaluation systems based on disaggregated data are useful for measuring the effectiveness of programmes. When implemented within a results framework, basket funding provides significant opportunities to address cross-sectoral issues.

Notes

1. There are more examples of mainstreaming gender equality in DAC peer reviews than there are for other cross-sectoral issues. These examples provide a sound basis from which to draw lessons for other issues.
2. Ireland, the Netherlands, Norway and the United Kingdom funded the study. See *www.opml.co.uk/policy_areas/aid_policy/effective_aid.html*.

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Chapter 10

Monitoring and Evaluation

Managers of development assistance need to keep parliaments, government and civil society informed and provide evidence that development programmes are well managed and achieve results. The evidence of the impact of development assistance is vital for decision makers to choose where to direct resources to make the most difference in reducing poverty. Ways of gathering evidence include monitoring and evaluation, results-based management, audits by national authorities and inputs, feedback and reviews from advisory bodies. But donors will need to simplify their monitoring and evaluation procedures so that they can be integrated with other systems, notably systems in partner countries.

Monitoring

Monitoring is an integral part of project/programme cycles regardless of the aid modality. The OECD/DAC defines monitoring as a "continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds" (OECD, 2002). Monitoring enables managers to review progress and take corrective action to achieve objectives. Both implementing and funding organisations are responsible for monitoring, but the perspectives of stakeholders and beneficiaries should also be taken into account. Logical frameworks are useful for monitoring as they specify indicators and means of verification.

A well-designed development intervention has clear, measurable objectives and indicators. Indicators measure progress in carrying out activities, the results achieved and progress towards the objectives. If baseline information is not already available, it must be collected at the outset. Baseline data describes and analyses socio-economic and other conditions and trends. The baseline study sets the reference points for demonstrating change and the achievement of objectives. Monitoring should also take account of changes in the external environment and major assumptions.

DAC member countries monitor activities to different degrees. Some have few formal requirements, which can be a source of frustration for staff in the field. In contrast, others, such as the United Kingdom and the United States, have developed sophisticated strategic management systems for monitoring activities and aggregating results. These enable them to gauge the impact of a country programme as a whole. Some DAC member countries determine indicators according to the specific activity and the country's overall objectives.

The United Kingdom's management system for monitoring aid

Each country office reports through the DFID standard monitoring system. DFID's project management cycle includes regular reviews of programmes and projects, budgetary support and sector-wide approaches, mainly for interventions with a value of GBP 1 million or more. Reviews are usually annual and assess progress in delivering outputs, or report on project completion. Project officers are responsible for ensuring that these mandatory reviews are carried out, that the required information is provided, and that scores are fed into the Performance Reporting Information System for Management (PRISM) once approved by the Head of Office. PRISM then allows country programme managers to get an overview of the relative success of the programmes in their portfolios and identify any high-risk areas. However, to provide evidence of the impact of UK development assistance, more attention needs to be paid to attribution and the direct results of the UK programmes. This will be crucial in sustaining public and political support for scaling up aid.

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Others make deliberate efforts to use partner government monitoring systems as much as possible. More and more DAC members are using computer-based systems, especially where communication systems are good, for scoring and monitoring all their activities worldwide.

Evaluation

The OECD/DAC defines an evaluation as "a systematic and objective assessment of an ongoing or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, developmental efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors" (OECD, 2000). Evaluation provides feedback, enables lessons to be learned and promotes accountability. For evaluations to fulfil these objectives, organisations must use them as learning tools and, where necessary, modify organisational behaviour. Most DAC member countries have recognised both the need and the value of sharing lessons and have established internet-based knowledge systems. Easily searched websites holding evaluation reports, such as the DAC Evaluation Resource Centre (DEReC), facilitate mutual learning.[1]

Although evaluation is a performance management tool it also concerns development agency accountability and the independent reporting of results to the public, parliament and the media. As such, development evaluation systems have evolved substantially in recent years. In some donor agencies, persistent budget constraints and new development programming demands have, paradoxically, diminished evaluation system capacity while requiring evaluation departments to do more and deliver new types of products. In other donor agencies more attention and resources are now devoted to evaluation, often in response to growing demands for aid agency accountability.

The main issues to be evaluated in development activities are:

- The **relevance** of the intervention and the extent to which the aid activity is suited to the priorities and policies of the target group, recipient and donor.
- The **effectiveness** of the intervention in achieving its purpose and the extent to which achievement of the purpose can be attributed to the intervention.
- The **efficiency** of the intervention in terms of the inputs used to achieve the outputs.
- The intended and unintended **impact** of the intervention and any contribution to achieving the overall goal.
- The **sustainability** of the benefits after the external assistance ends.

In 1991, as part of on-going efforts to improve aid effectiveness, the DAC adopted a set of *Principles for Evaluation of Development Assistance* (OECD, 1991). These were reviewed in 1998[2] (Box 10.1). The DAC Network on Development Evaluation has also developed evaluation quality standards which are currently being widely tested by Network members and other evaluation stakeholders. The standards are a guide to good practice and identify the key pillars of quality evaluation processes and products. They promote joint work and contribute to a more harmonised approach to evaluation in line with the principles of the Paris Declaration on Aid Effectiveness.

Box 10.1. **DAC Principles for Evaluation of Development Assistance**

The DAC *Principles for Evaluation of Development Assistance* incorporate the following key messages:

- Aid agencies' evaluation policies should set out clear guidelines and methods, and clearly define the agency's role and responsibilities, and its place in the institutional aid structure.
- The evaluation process should be impartial, and independent of policy-making and the delivery and management of development assistance.
- The evaluation process must be as open as possible and the results must be made widely available.
- For evaluations to be useful, the lessons learned must be put into practice. Feedback to both policy-makers and operational staff is, therefore, essential.
- Partnership with recipients and co-operation with other donors is essential in evaluating aid. Partnership is an important aspect of both recipient institution building and of aid co-ordination, and may reduce the administrative burdens on recipients.
- Aid evaluation must be planned from the start of the activity. Clearly identifying the objectives that an aid activity is to achieve is an essential prerequisite for ongoing effectiveness and an objective evaluation.

Peer reviews have drawn attention to a number of issues and challenges facing members with regard to evaluation. Donor agencies need to:

- Ensure that evaluation systems are impartial and independent of policy and operational management.
- Become learning organisations, for example by promoting an evaluation and results-based culture, and creating links between the field and headquarters and between policy and operations.
- Provide effective feedback and disseminate results, especially in partner countries.
- Further develop appropriate tools to evaluate impact, including for sector support and joined-up modalities.
- Strengthen the role and the capacity of partner countries in monitoring and evaluation.

Impact evaluations are becoming more important in assessing the specific outcomes of a particular intervention or programme, and in generating specific knowledge on which programmes have substantive results and which do not. In general, impact evaluations compare outcomes where the intervention is applied with outcomes where the intervention is not applied. However, impact evaluations are time consuming and expensive. Plus, methods which extend beyond the project level need to be further developed. Several initiatives have been launched to improve impact evaluations, for example the International Initiative for Impact Evaluation, the (Network of networks for impact evaluation) and the World Bank's Development Impact Evaluation.

Capacity building in evaluation, in both partner and donor countries, contributes to accountability, strengthens ownership, facilitates joint work and enables donors to align with partner country systems. Furthermore, enhancing partner country capacity can help avoid an evaluation agenda dominated by donor priorities and interests. By adopting the

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Paris Declaration donors have committed to promoting and supporting evaluation capacity development in partner countries.

Independence and transparency are important if evaluation is to be successful. To ensure that findings are objective and reliable, a number of DAC member countries have established new, independent structures. For example, in Sweden, Sida's evaluation department is now complemented by an external agency, the Swedish Agency for Development Evaluation (SADEV), and in Ireland, an independent advisory committee has been set up within the Department for Foreign Affairs to make evaluations more independent and valuable. In Australia, the Office of Development Effectiveness (ODE) was established to evaluate and report on the effectiveness of the Australian overseas aid programme.

Sweden's Agency for Development Evaluation

The Swedish Agency for Development Evaluation (SADEV) is a government-funded institute that carries out and disseminates expert analyses and evaluations of international development co-operation. SADEV's overarching objectives are to contribute to increased efficiency in Swedish development co-operation and investigate issues related to international development in order to inform policy makers. In addition, SADEV supplies appropriate, timely and comprehensible analyses on the organisation, direction, volume, composition and impact of international development co-operation to specific target groups, including the general public. SADEV also seeks to further partner countries' capacities to carry out analyses and evaluations in development and development assistance. The agency reports to the Swedish Government.

Evaluations are conducted at different levels. Methods depend on the purpose of the evaluation and on the questions to be answered. Projects or activities may be evaluated during implementation or upon completion. However, donors tend to evaluate similar activities in a number of partner countries or a range of activities in the same partner country. In line with the principles of the Paris Declaration, more donors are carrying out joint evaluations, which is a good step towards consolidating evaluation programmes that meet the needs of partner countries and multiple donors.

In 2006, the DAC Network on Development Evaluation produced guidance on how to plan and conduct joint evaluations of development programmes. This drew attention to the benefits of jointly addressing multi-agency impacts (Box 10.2) (OECD, 2006b). Because significant quantities of aid are provided through joined-up modalities, such as basket-funds, sector-wide approaches, budget support, and co-ordinated and joint assistance strategies, this will be increasingly important. The guidance emphasises the need for the evaluation community to move towards an agenda set jointly with the partner countries and which meets their learning and accountability needs. The DAC Network also encourages and facilitates joint evaluations.

The trend towards joint evaluations demonstrates the desire to evaluate the overall results of development programmes and their contribution to the development of the partner country and to the achievement of the MDGs. This trend also reflects the need to align with the harmonisation and alignment principles of the Paris Declaration on Aid Effectiveness. However, donors also need to satisfy the requirements of their own governments for evidence of the impact of their individual contributions, and for assessing

Box 10.2. **Benefits of joint evaluations**

Mutual capacity development. Joint evaluations enable agencies, as well as partner countries and local consultants, to learn from each other and to share evaluation knowledge. Strengthening the evaluation capacity of recipient countries is a key step in improving accountability and effective management for results.

Harmonisation and reduced transaction costs. One joint evaluation, instead of multiple individual evaluations, clearly reduces transaction costs for the partner country and limits the number of different evaluation messages, fostering consensus on recommendations for future actions. However, transaction costs for donor agencies can initially increase.

Objectivity and legitimacy. Joint evaluations can improve the objectivity, transparency and independence of evaluation and strengthen legitimacy and impact. Broad participation increases ownership of the findings and makes follow-up on recommendations more likely.

Broader scope. Joint evaluations can address broader evaluation questions and bring perspectives on multi-agency impacts beyond the impact of one individual agency. However, broadening the scope also means that the evaluation process can become more onerous and, possibly, more time consuming.

Participation, alignment and ownership. Partner country institutions should participate in joint evaluations. This aligns evaluations with national needs, and promotes ownership of the evaluation process and its results.

strategic priorities at the country level. Referring to existing evaluations, as well as trusting other donors' evaluations could help in this respect. Generally, trends in evaluation follow trends in programming, so joint evaluations are likely to follow from joint programming.

An important aspect of evaluation, linked to trusting and using other evaluations, is the development of feedback mechanisms. DAC member countries have acknowledged the need to improve and develop evaluation feedback (OECD, 2001). Potential audiences for evaluation feedback are large and varied so it may be necessary to choose the most important audiences the best way to reach them. Danida[3] shows how feedback can be tailored to selected audiences.

Denmark's approach to disseminating evaluation results

All evaluations in which Danida is a partner are published as printed reports and summaries, and also posted on the evaluation department's website. Brief summaries in Danish, English and other relevant languages present the most important findings in non-technical language. If an evaluation is of interest to a broader audience, Danish and local language versions (possibly shortened) are produced tailored to non-specialist audiences. The evaluation department shares evaluation lessons from Danida, as well as other development organisations, through workshops and seminars for staff and partner countries. Every year, it reports directly to the Board and to Parliament's Foreign Affairs Committee on evaluation activities, the findings of evaluations and the follow up on previous evaluations. In addition, the evaluation department contributes its findings to Danida's Annual Report *and* Annual Performance Report.

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Audit

National audit offices and auditor generals are independent agencies that audit government performance. They provide objective, publicly available advice. In many countries, national audit offices investigate and report on development programmes. Reports may be limited to an assessment of respect for, and pursuit of, government practices and procedures (a compliance audit), including the appropriate spending of taxpayers' money. Reporting may extend to an evaluation of value-for-money and the achievement of results (a performance or value-for-money audit). In the latter case, the audit complements evaluation.

Some DAC member countries now provide significant resources to partner countries as sector support or programme aid. This has meant that they have had to call upon national audit offices to help improve understanding of the objectives of development assistance and different aid modalities. The United Kingdom Comptroller and Auditor General, for example, while emphasising the importance of value-for-money and development impact has, at the same time, acknowledged that there are challenges to effective performance management and measurement in development. The timescales for discernable results to appear are often longer than those normally set for public expenditure. In addition, there are difficulties in measuring and attributing impact and in obtaining reliable data.[4]

A group of seven DAC member countries, Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom, known as the Nordic + group, are working to promote greater harmonisation of financial, procedural and legal standards.[5] The group has, for example, produced practical guidelines for joint financing agreements and delegated co-operation.[6] Ultimately, there should be more joint efforts to support audit offices at the country level.

Advisory bodies

Approximately half the DAC member countries have some form of committee that advises either the minister responsible for development or the main development agency. The structure, functions, membership and role of these committees take different forms, but they usually differ from consultative bodies in that they have an explicit advisory role and a high degree of independence. A few DAC member countries have more than one advisory body.

The composition and size of advisory bodies depends on their mandate. Some comprise technical specialists or research experts while others include representatives of civil society, including staff of development NGOs and academics. A number of advisory bodies include former ministers and government representatives alongside members from civil society. The size of such bodies can range from as few as 9 people to as many as 50.

Notes

1. *www.oecd.org/dac/evaluationnetwork/derec.*
2. In March 2006, the Network also developed an assessment tool, covering eight dimensions, intended to be used as a flexible component of evaluation systems as part of the DAC Peer Reviews: Evaluation Systems and Use: A Working Tool for Peer Reviews and Assessments.

3. Danish Ministry of Foreign Affairs staff commonly use the name “Danida” to represent Denmark’s development co-operation, which accounts for 90% of the programme of activities of the South Group of the Ministry of Foreign Affairs.
4. Comptroller and Auditor General, 2002, Performance Management – Helping to Reduce Poverty: Report by the Comptroller and Auditor General HC 739 Session 2001-2002, HMSO, London.
5. Nordic + Joint Action Plan (JAP) on harmonisation and alignment (2006) available at *www.oecd.org/dataoecd/30/10/30216580.pdf*.
6. Civil Law Division of the Legal Affairs Department of the Dutch Ministry of Foreign Affairs on behalf of Nordic Plus (2007), Practical Guide to Joint Financing Arrangements; Norad on behalf of Nordic Plus (2007) Practical Guide to Delegated Co-operation.

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Chapter 11

Humanitarian Action

Humanitarian action provides a safety net to stabilise populations in crisis. It paves the way for post-crisis recovery processes and protects previous development investments anticipating crises and putting in place crisis mitigation and preparedness measures. Humanitarian need drives frontline humanitarian action at the onset of a crisis. However, disasters are rarely isolated or unpredictable events. Many communities live under constant threat of conflict or natural disaster. The vulnerability of crisis-prone communities has stimulated donors and implementing agencies to re-examine the processes through which needs are assessed and assistance is disbursed, as well as the role of humanitarian agencies in providing civilian protection. Vulnerability and risk have therefore become drivers for humanitarian action over the longer term. Moreover, recognition that the longer-term vulnerability of marginalised, stakeholder groups (including women) can be reduced through their participation in key humanitarian decision-making processes has generated interest in participatory processes across the humanitarian sector.

Disaster risk reduction

The recurrent nature of crises has stimulated interest in disaster risk reduction (DRR)[1] approaches as the guiding principle for dialogue with partner countries on reducing vulnerability (*e.g.* Switzerland).[2] Disaster risk reduction is a cross-sectoral development issue "consisting of political, technical, participatory and resource mobilisation components […]. Disaster risk reduction requires collective wisdom and efforts from national policy and decision-makers from various government sectors, and representatives from civil society, including academic institutions, the private sector and the media" (ISDR, 2007). In the case of sudden-onset natural disasters, exposure of vulnerable populations to persistent geological and hydro-meteorological hazards has stimulated interest in preventive, mitigation and preparedness measures that reduce the impact of these disasters when they occur. And, for slower-onset disasters (drought, HIV/AIDS pandemic etc.), food and livelihood security approaches provide a framework to reduce risk exposure.

Switzerland's strategy towards risk prevention and preparedness

The Swiss Agency for Development and Co-operation (SDC) recognises the complementary role of development co-operation and humanitarian aid in addressing the risks and reducing the impact of natural disasters. SDC's Humanitarian Aid Department integrates prevention and preparedness into sustainable development programming. This approach focuses on disaster risk reduction and recognises that vulnerability, expressed in physical and social as well as economic terms, is a major reason for the huge increase in the number of victims and extent of economic loss resulting from recent natural disasters. This approach also focuses on changing environmental conditions, brought about by climate change and large scale deforestation. SDC's Humanitarian Aid Department takes an active role in integrating risk reduction in sustainable development planning and will continue to promote a culture of disaster risk reduction within SDC.

Conflict risk reduction (conflict prevention, peace-building and other social transformation processes) is often excluded from the humanitarian mandate of DAC members because it has the potential to compromise fundamental principles of neutrality and impartiality. The EC, for example, states that "EU humanitarian aid is not a crisis-management tool".[3] Nevertheless, it is clear that peace-conflict dynamics have an influence on critical humanitarian space and, accordingly, DAC members apply different degrees of organisational and programmatic separation. Some donors also apply conflict-sensitive approaches (*e.g.* "do-no-harm" methodologies, peace-conflict impact assessment) at various stages in humanitarian decision-making processes to avoid exacerbating tensions.

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DAC members have begun to dismantle many of the functional and programmatic boundaries between humanitarian and development assistance. The Millennium Summit had committed donors to "adopt in all our environmental action a new ethic of conservation and stewardship and, as first steps, resolve … to intensify co-operation to reduce the number and effects of natural and man-made disasters".[4] The 2005 World Summit re-affirmed these commitments and also pledged to "support the efforts of countries … to strengthen their capacities at all levels in order to prepare for and respond rapidly to natural disasters and mitigate their impact".[5] In 2005, the DRR approach was entrenched in the Framework for Action,[6] adopted at the World Conference on Disaster Reduction in Hyogo. These collective commitments are a robust platform for promoting disaster risk management as a legitimate development – as well as humanitarian – concern. Nevertheless, significant work remains to be done to consolidate humanitarian perspectives within mainstream development practice among the DAC members.

Improving the performance of the humanitarian sector

Good Humanitarian Donorship

Significant steps have been taken to professionalise the humanitarian sector in the past decade or so. DAC members[7] have committed to enhance the quality of collective humanitarian action by endorsing the *Principles and Good Practices of Humanitarian Donorship* (Annex D). The *European Consensus on Humanitarian Aid* makes explicit reference to these commitments, "all EU donors commit themselves to the Good Humanitarian Donorship (GHD) Principles and undertake to work together, and with others, to seek to apply donor best practice", effectively enlarging the GHD group to 35 states.

Although the primary result has been improvements to global humanitarian financing, the GHD Initiative crystallises the role of donors as strategic actors – rather than solely financiers – in the international humanitarian system by expanding donor agendas to include the implementation and learning aspects of humanitarian action. The implications of this paradigm shift have been profound. DAC members are engaging in crisis response at higher levels and are placing higher expectations on implementing agencies.

While the GHD Initiative defined a collective vision for international humanitarian action, most DAC members have found it appropriate to re-cast GHD commitments in terms of national agendas by publishing humanitarian policy statements defining specific corporate objectives and priorities. For many donors, the humanitarian policy statement is also the national GHD implementation plan but fewer donors have comprehensive strategies and benchmarks to underpin them. The value of a policy statement is that it promotes coherence across the diverse range of stakeholders who constitute humanitarian communities of practice within and beyond the donor agency. A recent synthesis of humanitarian assessments[8] contained within peer reviews found that several DAC members had successfully embedded many GHD commitments into institutional systems. Nevertheless, the extent to which the policy directions are reflected in the associated policies of non-aid departments within donor governments is unclear.

Reform of the United Nations humanitarian system

In parallel with the deepening engagement of donors in the humanitarian sector, the UN humanitarian system has undergone significant reform. The reforms are based on three core principles (*i.e.* predictability, accountability and partnership), which aim to better position the United Nations to provide policy, strategic and operational leadership to the international community, reinforce the spirit and intent of the GHD Initiative. Significantly for the donor community, UN reforms have included enhanced funding mechanisms – such as the Central Emergency Response Fund (CERF), country-specific Emergency Response Funds (*e.g.* in Sudan and DRC) and other pooled funds. These new aid modalities are intended to improve the predictability of support to crisis-affected communities while ensuring appropriate levels of accountability and transparency in decision-making processes.

In the framework of UN humanitarian reform, parallel efforts have been made to strengthen the working relationships between UN agencies and non-government organisations (NGOs). These culminated in the launch of the *Principles of Partnership: A Statement of Commitment*[9] by the Global Humanitarian Platform in June 2007. Meanwhile, the NGO sector, assisted and encouraged by DAC members, has itself taken significant steps to enhance performance and accountability. The *Sphere Guidelines*[10] developed by the Steering Committee for Humanitarian Response are now accepted benchmarks for humanitarian action. Meanwhile, initiatives such as the Humanitarian Accountability Partnership Initiative[11], the People in Aid Code of Good Practice in the Management and Support of Aid Personnel[12] and the work of the Active Learning Network for Accountability and Practice in Humanitarian Action (ALNAP)[13] have strengthened critical aspects of both forward and backward accountability.

Managing humanitarian aid

The net outcomes of these developments for DAC members have been: *a)* an expanding humanitarian agenda (*i.e.* prevention, preparedness and early recovery as well as emergency response; longer-term vulnerability reduction as well as immediate life-sustaining assistance; humanitarian protection as well as humanitarian assistance *etc.*); and *b)* a growing allocation of ODA for humanitarian action. In addition, non-DAC donors (particularly the Gulf States) are providing a small but growing proportion of global humanitarian aid, challenging traditional donors to broaden humanitarian dialogues to include these emerging donors.

Managing the expanded humanitarian agenda means simultaneously delivering a pragmatic blend of humanitarian development and, where necessary, peace-building assistance – rather than a linear sequence of discrete activities. Some crisis-related activities (*e.g.* crisis prevention and strengthening national and sub-national disaster management capabilities) clearly lie in the development domain, while others (*e.g.* preparedness and early warning measures) fall in the border zone between humanitarian and development domains. Accordingly, many donors are adopting practical approaches to financing that straddle the humanitarian-development divide.

These developments have, in turn, increased expectations with regards to integrated inter-departmental action, improved accountability and enhanced impact assessment of humanitarian action. Furthermore, the current vision of crises as cyclical phenomena and the focus on vulnerability as the defining criterion for humanitarian action have stimulated profound changes in the way those in humanitarian units relate to counterparts in the development sphere and to colleagues from other government departments – notably in the areas of diplomacy and security. For example, the

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Responsibility to Protect doctrine, positions humanitarian action at a sensitive interface – notably concerning civil-military co-operation and political support for neutral, impartial humanitarian access to crisis-affected populations.

Organisational change

The functional and systemic challenges invoked by the expansion of the humanitarian agenda and GHD commitments have precipitated modifications to institutional structures, systems and procedures across donor administrations. Communities of practice have evolved to raise mutual awareness and, by improving coherence between policy and strategy, put GHD and Paris Declaration commitments to align humanitarian and development assistance into practice. Several DAC members have established formal structures to promote and sustain dialogue on humanitarian policy issues. Denmark and the Netherlands, for example, have established formal mechanisms for collaboration with defence and diplomatic counterparts. In Canada, inter-departmental co-operation has been embedded in standard operating procedures which facilitate rapid and effective whole-of-government responses. France has established a thematic inter-departmental working group to promote disaster prevention, mitigation and early warning approaches in development programmes. In Australia, more informal communities of practice have evolved for discussion of humanitarian issues in particular regional and country programming contexts

Humanitarian units within donor agencies have had to adapt to the evolving business environment for delivery of humanitarian assistance. This environment requires not only more transparent humanitarian decision-making processes but also stronger links with mainstream development counterparts. This requirement has initiated profound shifts in the way humanitarian units do business and has promulgated ongoing changes in many donor administrations. A recent ALNAP paper identified nine key areas of organisational change in the humanitarian sector (Clarke and Ramalingam, 2008). These represent a blueprint for organisational change in humanitarian units.

Key characteristics of good humanitarian donorship are predictability, timeliness, flexibility, proportionality and minimal earmarking. They call for strengthened relationships between donors and implementing agencies built on transparency and trust. The new funding modalities established under the UN humanitarian reform process are important mechanisms for donors to pre-position funds and delegate authority for disbursement to the UN Humanitarian Coordinator/Resident Coordinator. Growing acceptance of these funding modalities among DAC members – along with multi-year funding arrangements that provide predictable funding and platforms for policy dialogue – indicate a steadily maturing relationship between institutional donors and partners.

Enhancing impact assessment

The increase in humanitarian aid coincided with the introduction of results-based management (RBM) in public sectors of donor countries. Together, these two developments have stimulated greater interest in measuring humanitarian outcomes. However, impact assessment in the humanitarian sector demands “a broad evaluative scope beyond the immediate and narrow parameters of the aid project” (Frerks and Hillhorst, 2002). Changes in the operating environment mean that assessing relevance, risk and impact must be ongoing while attributing outcomes against a shifting backdrop is particularly problematic. Furthermore, some humanitarian impacts are not readily quantifiable or measurable. For example, humanitarian protection (like most preventive actions) is difficult to quantify and, in addition, protection outcomes may flow simply from the presence of an agency in a crisis environment that matches – or even outweighs – measurable impacts derived from its protection activities. Not surprisingly then, RBM in the humanitarian sector has generally lagged behind progress in implementing RBM in the development domain of donor administrations.

ECHO has one of the most developed programmes among DAC members for impact assessment of humanitarian action. The programme includes *ex-post* evaluations of country operations, *ex-ante* evaluations of individual activities, reviews of critical partnerships, and thematic studies or reviews. Furthermore, there is a mandatory requirement to report evaluation findings to the Humanitarian Aid Committee and a clear process for incorporating lessons into future funding proposals. Other donors have looked to joint evaluations to provide systemic evaluation of humanitarian action. The joint evaluation of the international response to the Indian Ocean tsunami, for example, was the product of a coalition of over forty United Nations agencies, NGOs and donor governments.

The future of donor-led humanitarian action

The pervasive phenomena of fragile states descending into conflict, the growing incidence of medium-sized natural disasters and climate-induced population displacement as well as the emergence of new challenges (such as global pandemics, global food insecurity) suggest that humanitarian action is likely to continue to be a prominent part of development co-operation in the future. Humanitarian aid flows will need to be at least maintained, if not expanded.

Humanitarian action does not, however, resolve crises – rather it is a safety net for crisis-affected populations. In the long term, reducing demand for humanitarian aid will require robust linkages to other funding streams within development co-operation systems in order to reduce chronic vulnerability and make crisis-prone communities more resilient. Good humanitarian donorship, therefore, is a vital investment in aid effectiveness generally and should not be regarded as "development failure". Humanitarian aid is an integral part of managing risks associated with socio-economic development in vulnerable societies. Positioning GHD commitments within the broader framework of aid commitments (MDGs, the Monterrey Consensus, Paris Declaration) is imperative. Dismantling barriers to more holistic packages of assistance, which embrace humanitarian as well as development objectives, should therefore be a priority for donors in the future.

Notes

1. Disaster risk reduction is defined as an approach to "minimising vulnerabilities and disaster risks throughout a society in order to avoid (prevention) or to limit (mitigation and preparedness) the adverse impacts of hazards, and facilitate sustainable development". Risk is defined as "the probability of harmful consequences, or expected losses (deaths, injuries, property, livelihoods, economic activity disrupted or environment damaged) resulting from interactions between natural or human-induced hazards and vulnerable conditions" (ISDR 2007).
2. Vulnerability is defined as "the conditions determined by physical, social, economic, and environmental factors or processes, which increase the susceptibility of a community to the impact of hazards" (ISDR 2007). It includes acute vulnerabilities generated by natural disasters and/or conflict as well as chronic vulnerabilities generated by endemic poverty, population growth, climate change etc.

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3. EU Consensus on Humanitarian Aid, para No. 15, December 2007, *http://ec.europa.eu/echo/pdf_files/consensus/consensus_en.pdf*.
4. UN Millennium Declaration (A/RES/55/2) para No. 23.
5. World Summit Outcomes (A/RES/60/1) para nos. 56(f) to 56(g) and para 169.
6. Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters, ISDR 2005, *www.unisdr.org/eng/hfa/hfa.htm*.
7. Endorsed by Australia, Austria, Belgium, Canada, Czech Republic, Denmark, European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States.
8. OECD, 2008f.
9. *www.icva.ch/pop.html*.
10. Sphere Humanitarian Charter and Minimum Standards in Disaster Relief, Steering Committee for Humanitarian Response, revised 2004, *www.sphereproject.org/content/view/27/84/lang,English*.
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ANNEX A

DAC Member Country Profiles on Foreign Assistance

Notes

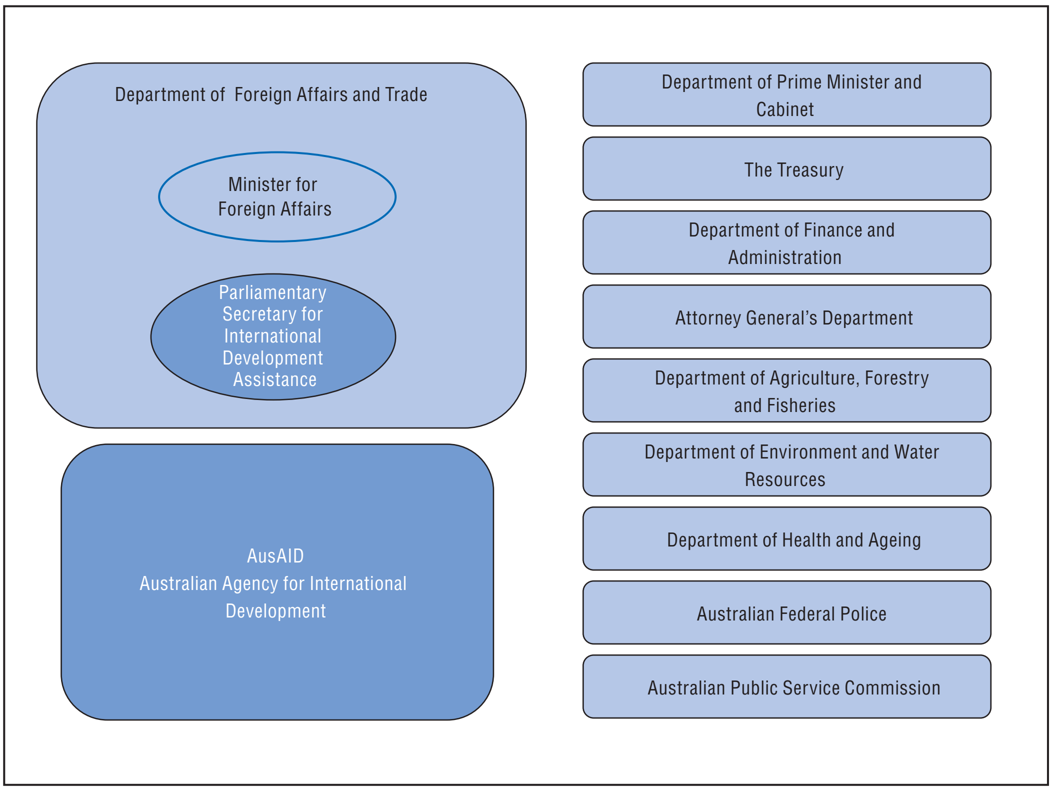
1. Each DAC member profile contains a figure representing a simplified version of its development co-operation system. In the figure, the dark shading is used for the components of the co-operation system fully involved in aid and the light shading is used to indicate those which are partially involved in aid.

   Only Aid Partially Aid

2. Every country profile contains a box on Practices on Forward Planning of Aid Expenditures. This is drawn from the DAC Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans (OECD 2008h) *www.oecd.org/dac/scalingup*.
3. Every country profile includes a figure reporting statistics on gross bilateral ODA. This is drawn from the OECD *Development Co-operation Report 2009* (OECD 2009).

Australia

Objective:	To assist developing countries reduce poverty and achieve sustainable development, in line with Australia's national interest.
Legislation:	
Overall policy statement:	Currently under development given new government (2007).
Other general policy statements:	*Future Directions for Australia's International Development Assistance Programme* (2008). White Paper *Australian Aid: Promoting Growth and Stability* (2006). *Australian Aid: Investing in Growth, Stability and Prosperity* (2002). *Reducing Poverty – the Central Influencing Factor of Australia's Aid Programme* (2001).
Inter-ministerial co-ordination structures:	Development Effectiveness Steering Committee (Department of Foreign Affairs and Trade, Department of Prime Minister and Cabinet, Treasury, Department of Finance and Administration; chaired by AusAID). Strategic Partnership Agreements with: The Treasury, Department of Finance and Administration, Attorney General's Department, Department of Agriculture, Forestry and Fisheries, Department of Environment and Water Resources, Department of Health and Ageing, Australian Federal Police, Australian Public Service Commission.
Priority partner countries:	**Middle East:** Iraq and Palestinian administered areas. **South and Central Asia:** Afghanistan, Bangladesh, Bhutan, India, Maldives, Myanmar (Burma), Nepal, Pakistan and Sri Lanka. **Far East Asia:** Cambodia, China, Timor-Leste, Indonesia, Lao PDR, Mongolia, Philippines, Thailand and Viet Nam. **Oceania:** Cook Islands, Fiji, Kiribati, Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.
Main sectors/themes:	Health, education, infrastructure, broad-based growth including rural development and food security, environment and climate change and governance.
Ministerial advisory bodies:	



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Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The Australian Government's development co-operation budget proposal is contained in the Foreign Affairs and Trade Portfolio Budget Statement, which is submitted to the parliament each year in May, in advance of the fiscal year which begins on 1 July. In addition to the Portfolio Budget Statement, there is a ministerial budget statement which details the activities underpinning the budget proposal.

Once the budget is adopted by the parliament, resources are allocated to departments and agencies through the annual appropriations acts. The development co-operation budget is managed by the Australian Agency for International Development (AusAID), an autonomous agency under the aegis of the Department of Foreign Affairs and Trade.

Aid targets

Australia supports the UN target of 0.7% of ODA/GNI as an aspiration and, as a step in that direction, intends to increase its ODA to about AUD 4.3 billion by 2010-11, equivalent to 0.36% of ODA/GNI. Australia intends to reach an ODA/GNI target of 0.5% by 2015-16.

Planning at operational level

Australia has development partnership strategies with 32 countries, with a geographic focus on the Asia-Pacific region. For each partner country, or in some cases region, Australia develops a multi-year strategy, which typically covers a period of up to 4 years. The country strategies provide the overall policy and implementation frameworks for Australia's aid programmes, but do not include multi-year financial plans. Aid allocations are determined during the annual budget process.

Availability of forward information

- Information on the development co-operation budget becomes publicly available in May (for the fiscal year starting on 1 July).
- Country strategies provide multi-year planning frameworks. Aid allocations are determined in the annual budget process.

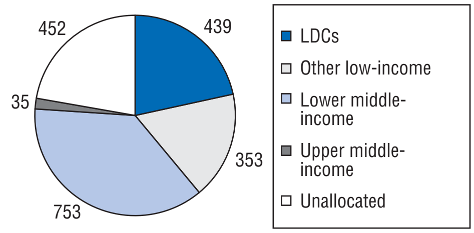
AUSTRALIA

Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	2 123	2 669	25.7%
Constant (2006 USD m)	2 123	2 317	9.1%
In australian dollars (million)	2 819	3 189	13.1%
ODA/GNI	0.30%	0.32%	
Bilateral share	85%	85%	

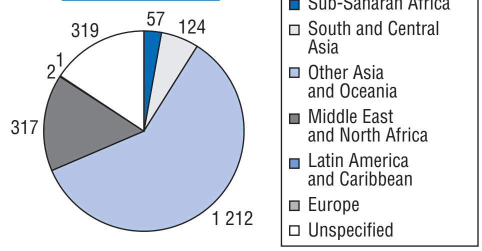
By income group (USD m)

Clockwise from top

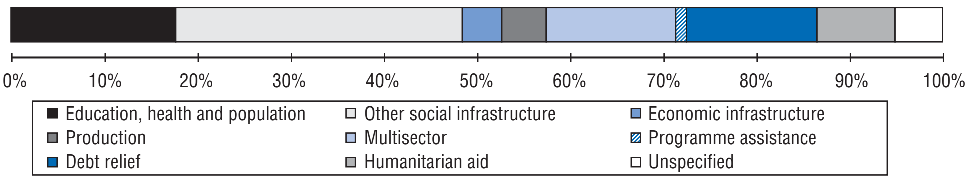


Top ten recipients of gross ODA (USD million)	
1 Indonesia	288
2 Iraq	288
3 Papua New Guinea	262
4 Solomon Islands	174
5 Timor-Leste	65
6 Philippines	60
7 Viet Nam	56
8 China	41
9 Afghanistan	36
10 Cambodia	30

By region (USD m)

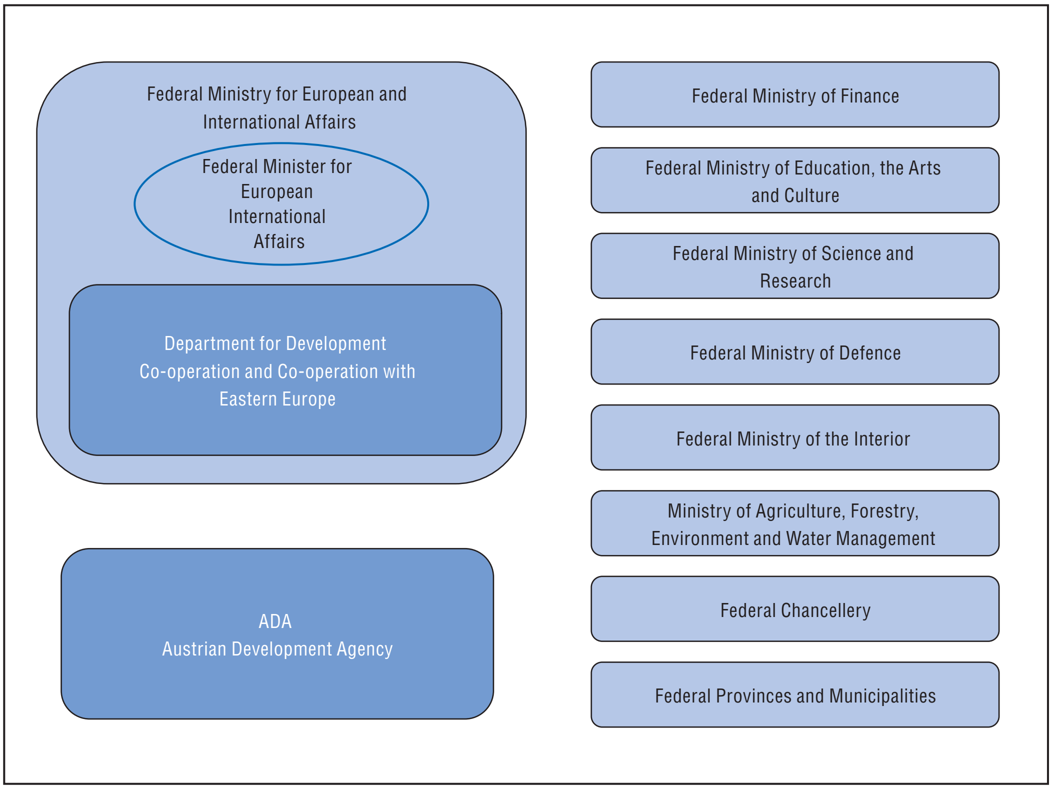


By sector



Austria

Objective:	To combat poverty through economic and social development, ensure peace and human security, preserve the environment and protect natural resources.
Legislation:	*Federal Act on Development Co-operation (2002, amended 2003).*
Overall policy statement:	*Three-Year Programme on Austrian Development Policy* (adjusted annually).
Other general policy statements:	
Inter-ministerial co-ordination structures:	ADA Board of Directors. Inter-ministerial Working Group on Coherence. Private Sector Development Platform.
Priority partner countries:	**Europe**: Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia (FYR), Kosovo, Moldova, Montenegro and Serbia. **Africa, South of Sahara**: Burkina Faso, Cape Verde, Ethiopia, Mozambique and Uganda. **South and Central America**: Nicaragua. **Middle East:** Palestinian administered areas. **South and Central Asia**: Bhutan.
Main sectors/themes:	Water and sanitation, rural development, energy, private sector development, education, and governance.
Ministerial advisory bodies:	The Advisory Board on Development Policy.



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Austria's development co-operation policy and thematic priorities are outlined in a 3-year programme, revised every year on a rolling basis. The programme is endorsed by the Council of Ministers and communicated to parliament for information. A large number of ministries, agencies and institutions (as well as the federal provinces and municipalities) budget funds for development co-operation.

The development co-operation budget, contained in the ministerial budgets, is approved once a year in the Federal Finance Act. The core bilateral programme is included in the budget of the Federal Ministry for European and International Affairs.

Aid targets

Austria has endorsed the overall UN ODA/GNI target of 0.7% by 2015 and the EU agreed target of 0.51% of ODA/GNI by 2010.

Planning at operational level

The Austrian Development Agency (ADA) is responsible for administering and contracting out the core bilateral programme which represents a relatively small share of Austria's total ODA.

The core bilateral programme is allocated to 13 priority recipients and 20 other co-operation countries. Bilateral co-operation agreements with these countries are multi-year and in some cases include a level of funding over a 3-4 year period.

Availability of forward information

- The overall budget for development co-operation is available in the Federal Finance Act and is submitted to parliament each year in November, in advance of the fiscal year which begins on 1 January.
- Allocations to focus countries are planned over 3-4 years.

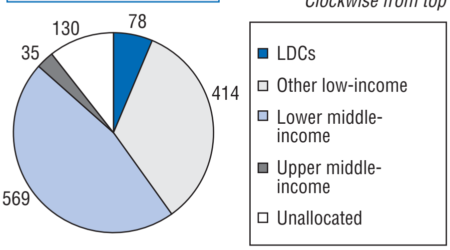
AUSTRIA

Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	1 498	1 808	20.7%
Constant (2006 USD m)	1 498	1 622	8.3%
In euro (million)	1 194	1 321	10.7%
ODA/GNI	0.47%	0.50%	
Bilateral share	73%	73%	

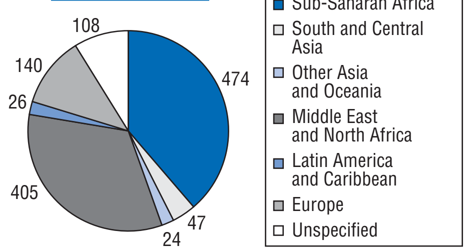
By income group (USD m)

Clockwise from top

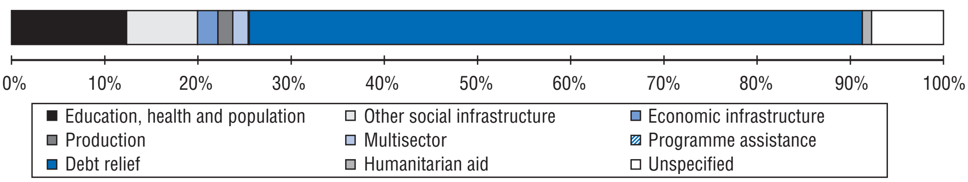


Top ten recipients of gross ODA (USD million)	
1 Iraq	369
2 Cameroon	222
3 Nigeria	161
4 Serbia	43
5 Bosnia and Herzegovina	31
6 Georgia	28
7 Egypt	24
8 Turkey	23
9 Malawi	16
10 China	15

By region (USD m)

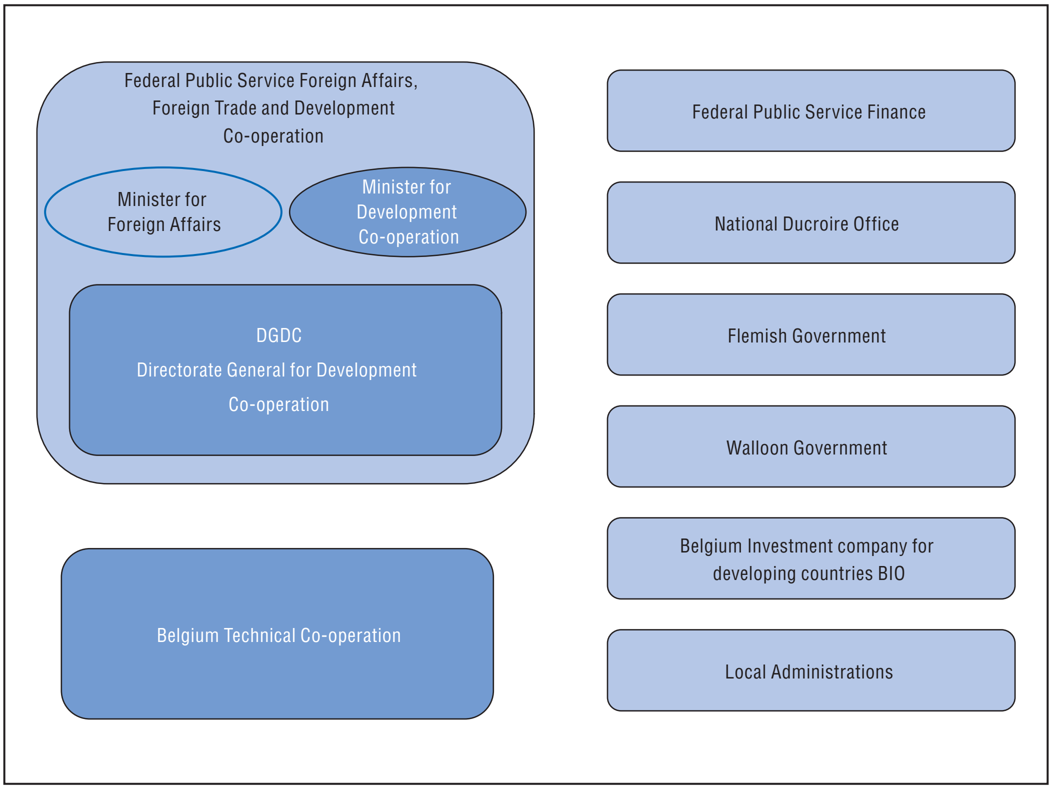


By sector



Belgium

Objective:	To fight poverty in order to achieve sustainable human development.
Legislation:	*Law on Belgian Development Co-operation (25/05/1999)*, under review.
Overall policy statement:	*Note de Politique Générale du Ministre de la Coopération au Développement, Chambre des Représentants, 25/04/2008.*
Other general policy statements:	"*Improvement of the effectiveness of the Belgian governmental bilateral aid*". *Plan for the Harmonisation and the Alignment of aid* (2007).
Inter-ministerial co-ordination structures:	Coor-multi, Coordination interdépartementale sur l'Afrique Centrale.
Priority partner countries:	**Africa, North of Sahara:** Algeria and Morocco. **Africa, South of Sahara**: Benin, Burundi, Democratic Republic of Congo, Mali, Mozambique, Niger, Rwanda, Senegal, South Africa, Tanzania and Uganda. **South and Central America**: Bolivia, Ecuador and Peru. **Middle East**: Palestinian administered areas. **Far East Asia**: Viet Nam**.**
Main sectors/themes:	Basic health, including reproductive health; education and training; agriculture and food security; basic infrastructure; conflict prevention and social cohesion, child rights.
Ministerial advisory bodies:	Commission Femmes et Développement. Commission Développement Durable.



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The General Directorate for Development Co-operation (DGDC), which is part of the Federal Public Service of Foreign Affairs, External Trade and Development Co-operation, manages the bulk (around 55%) of Belgium's ODA. The Federal Public Service Finance manages about 11% of ODA, including government-to-government loans, while the National Ducroire Office (the official trade and investment insurance agency) handles debt issues. The regions, the communities, the provinces and a great number of communes account for an additional 4% of ODA.

Belgium prepares an integrated development co-operation budget. It includes budgetary items that formerly appeared in the budgets of other departments. However, the budget for co-operation loans is still organisationally distinct.

Aid targets

Belgium is committed to increasing ODA up to 0.7% of ODA/GNI by 2010. This commitment, which goes beyond the European Union commitment, was recorded in the programme law of 24 December 2002, and confirmed in the Government Agreement of July 2003. The established ODA growth path calls for steady increases of 0.05% of ODA/GNI each year with minimally 60% of ODA being managed through DGDC.

Planning at operational level

Belgium's bilateral assistance is provided through both direct and indirect co-operation channels. Direct assistance is governed by specific co-operation agreements between governments. The programmes are prepared and financed by the DGDC, but are carried out by a public corporation, Belgium Technical Co-operation. Indirect aid consists of programmes co-financed by the DGDC, but prepared and implemented by NGOs, universities and scientific institutions, trade unions, etc.

The law of 25 May 1999 instituted the principle of geographic and sectoral concentration for government-to-government bilateral aid. Belgium has 18 partner countries and concentrates its aid within each country on a limited number of sectors.

The co-operative relations between Belgium and its bilateral co-operation partner countries are governed by joint commissions, which adopt the Indicative Co-operation Programmes (PICs/ISPs). The joint commissions meet normally every three or four years. At the end of each session, a financial envelope is determined as the basis for preparing co-operation programmes, leading to the signing of specific co-operation agreements.

From 2009, multilateral support will only be planned and disbursed as core/non-earmarked contributions to multilateral organisations. Via the bilateral envelope, multilateral organisations can still receive funds for specific programmes in partner countries.

Availability of forward information

- Multi-year country envelopes are available in the Indicative Co-operation Programmes.
- Belgium's budget is presented to the parliament by the end of October for approval no later than 31 December.

BELGIUM

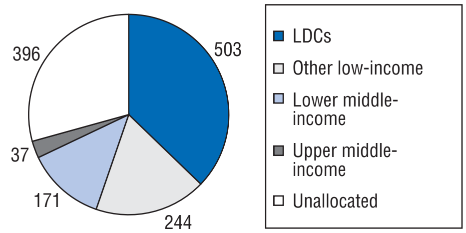
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	1 978	1 953	-1.3%
Constant (2006 USD m)	1 978	1 756	-11.2%
In euro (million)	1 576	1 427	-9.5%
ODA/GNI	0.50%	0.43%	
Bilateral share	69%	63%	

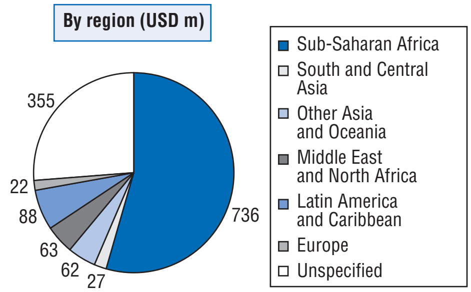
Top ten recipients of gross ODA (USD million)	
1 Congo, Dem. Rep.	220
2 Nigeria	99
3 Cameroon	79
4 Rwanda	39
5 Burundi	31
6 Senegal	23
7 Ecuador	21
8 Viet Nam	20
9 South Africa	20
10 Mozambique	18

By income group (USD m)

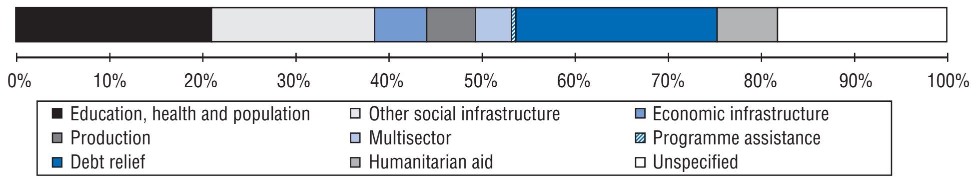
Clockwise from top



By region (USD m)

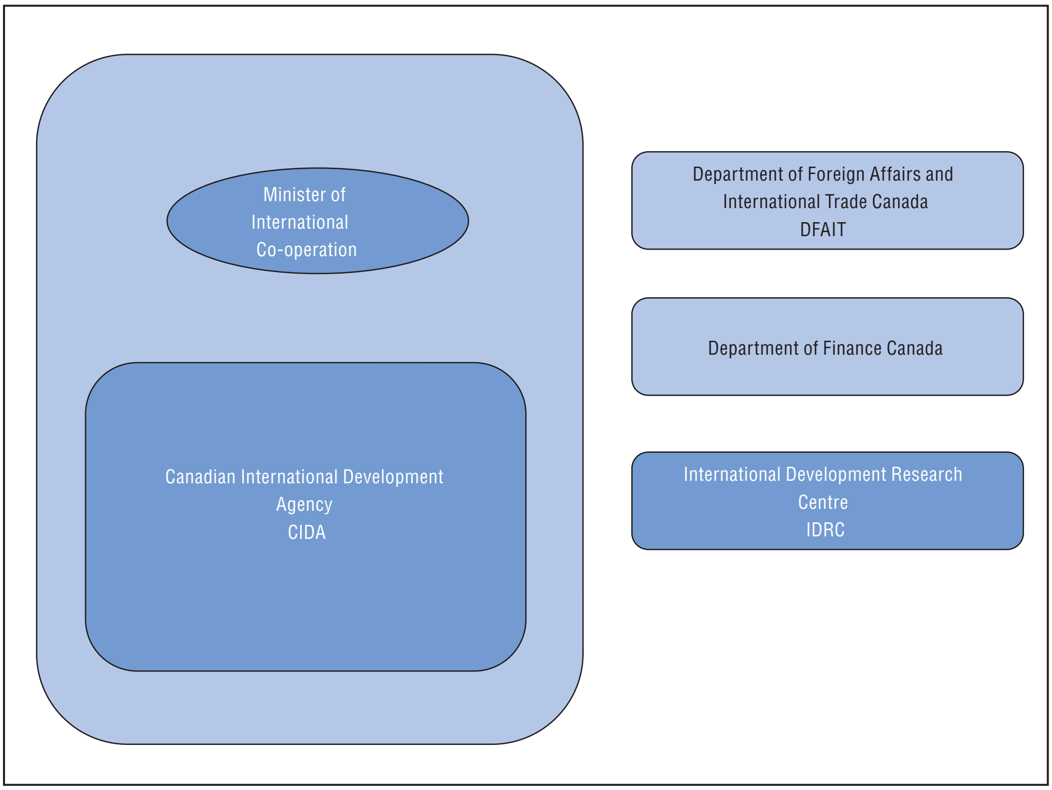


By sector



Canada

Objective:	To reduce poverty, promote human rights, and support sustainable development.
Legislation:	*Department of Foreign Affairs and International Trade Act (1985).* *Official Development Assistance Accountability Act (2008).*
Overall policy statement:	
Other general policy statements:	*Canada Making a Difference in the World: A Policy Statement on Aid Effectiveness (2002).* *Sustainable Development Strategy 2007-2009.*
Inter-ministerial co-ordination structures:	Cabinet Committee on Foreign Affairs and Security; *Ad hoc* Cabinet Committee on Afghanistan and Afghanistan Task Force; Privy Council Office.
Priority partner countries:	As part of its efforts to transform Canada's aid programme, the Government will realign its bilateral resources to countries selected on the basis of criteria that will include, for example, the level of poverty, alignment with the Government's priorities and shared values, and our ability to make a difference. At the same time, CIDA will augment its sectoral expertise to enhance planning and coordination in countries of concentration.
Main sectors/themes:	Democratic governance, private sector development, health, education, equality between women and men, and environmental sustainability.
Ministerial advisory bodies:	Cabinet Committee on Foreign Affairs and Security; *Ad hoc* Cabinet Committee on Afghanistan and Afghanistan Task Force; Treasury Board.



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Canadian development co-operation activities are mainly funded from the International Assistance Envelope (IAE) which consists of five pools – development, international financial institutions, peace and security, crisis and development research. It provides for both ODA and non-ODA activities. The Cabinet is responsible for the allocation of incremental funds from the IAE to departments and institutions implementing the international assistance programme. The IAE is jointly managed by the Canadian International Development Agency (CIDA), the Department of Foreign Affairs and International Trade (DFAIT) and the Department of Finance, in collaboration with the Treasury Board Secretariat and the Privy Council Office. Detailed information on the activities to be financed is presented to parliament in the Estimates which includes the "Reports on Plans and Priorities", submitted by each agency/department implementing development co-operation.

Aid Targets

In 2008, Canada reconfirmed its 2002 commitment to scale up aid by doubling its international Assistance Envelope to CAD 5 billion from FY 2001-02 levels by FY 2010-11.

Planning at the operational level

The 2007 Federal Government Budget lays out a three-point programme for enhancing the focus, efficiency and accountability of Canada's international assistance efforts. Canada will concentrate its traditional bilateral aid in fewer countries in a manner consistent with its foreign policy objectives. Canada will also work to increase efficiency and examine options to ensure the independent evaluation of its aid programme.

The IAE is managed by CIDA (68% of total planned aid resources for FY 2007-08), DFAIT (assessed contributions to multilaterals, peace and security programmes), Department of Finance (IDA, multilateral debt relief), International Development Research Centre (IDRC), and some other government departments.

At CIDA, planning at the operational level is multi-year with financial allocations by channel (region and institution). CIDA further develops country strategies with its partners that serve as a basis for strategic engagement and business planning for a period of 5-10 years.

Availability of forward information

- Information on the following financial year's overall development co-operation budget becomes publicly available in the spring in the Report on Plans and Priorities. The breakdown is by "strategic outcome".

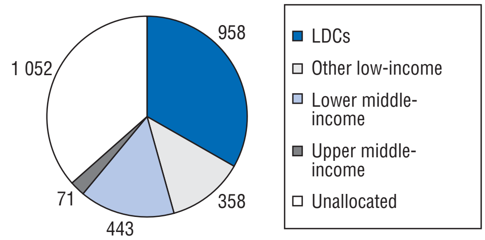
CANADA

Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	3 684	4 080	10.7%
Constant (2006 USD m)	3 684	3 729	1.2%
In canadian dollars (million)	4 179	4 383	4.9%
ODA/GNI	0.29%	0.29%	
Bilateral share	69%	77%	

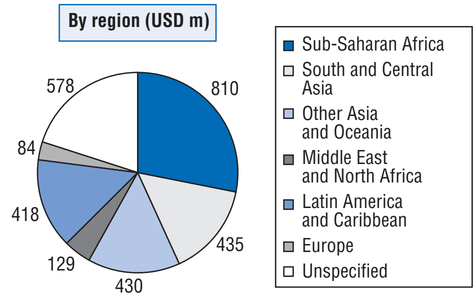
By income group (USD m)

Clockwise from top

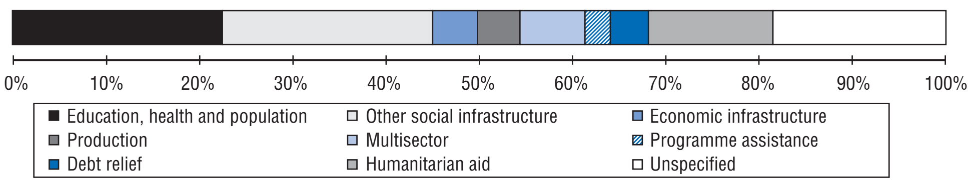


Top ten recipients of gross ODA (USD million)	
1 Afghanistan	243
2 Cameroon	110
3 Haiti	108
4 Ethiopia	77
5 Sudan	75
6 Ghana	66
7 Bangladesh	58
8 Indonesia	57
9 Mozambique	53
10 Tanzania	49

By region (USD m)

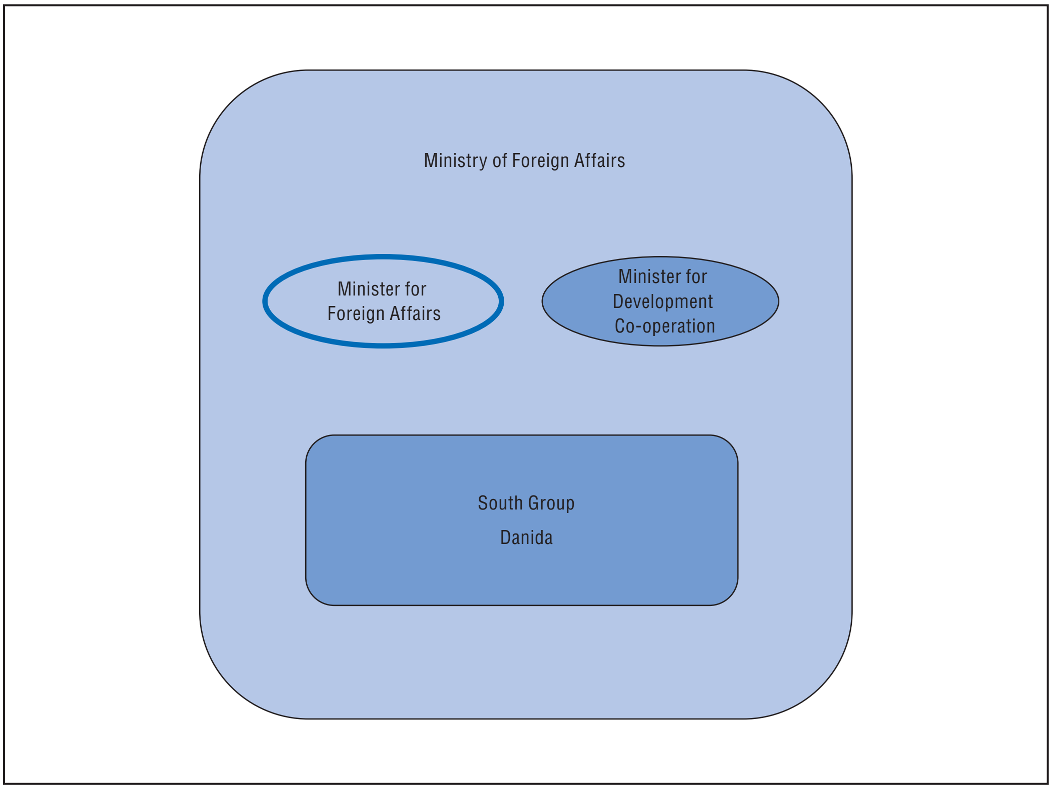


By sector



Denmark

Objective:	To support developing country governments and public authorities to provide economic growth, thereby ensuring social progress and political independence in accordance with the aims and principles of the UN Charter; and to promote mutual understanding and solidarity through cultural co-operation.
Legislation:	*Act on International Development Co-operation (1971, amended 1998 and June 2002).*
Overall policy statement:	*The Overall Strategic Framework for Danish Development Assistance, Partnership 2000.*
Other general policy statements:	*Priorities of the Danish Government for Danish Development Assistance 2009-2013.*
Inter-ministerial co-ordination structures:	
Priority partner countries:	**Africa, North of Sahara:** Egypt. **Africa, South of Sahara:** Benin, Burkina Faso, Ghana, Kenya, Mali, Mozambique, Tanzania, Uganda and Zambia. **South and Central America**: Bolivia and Nicaragua. **South and Central Asia**: Bangladesh, Bhutan and Nepal. **Far East Asia:** Viet Nam.
Main sectors/themes:	Social infrastructure (education, public administration and civil society, health, water and sanitation). Economic infrastructure (transport, energy) and productive sectors (agriculture and the private sector).
Ministerial advisory bodies:	The Board of International Development Co-operation. The Council of International Development Co-operation.



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Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The annual development co-operation budget is included in the annual Finance Act proposal (Finanslovsforslag), under the Ministry of Foreign Affairs chapter. The proposal is submitted to the Folketing (parliament) each year, by end of August at the latest, and is approved before the beginning of the fiscal year which starts 1 January. The development co-operation budget is submitted on an accrual basis, *i.e.* it encompasses total annual commitments (rather than the planned annual disbursements). Once allocated, the funds are managed by the South Group in the Ministry of Foreign Affairs (commonly known as Danida).

Annexed to the annual budget proposal is a rolling five year plan of Danish development co-operation (commitments and disbursements). This plan includes country level information (*e.g.* sectoral breakdown by recipient) for Denmark's 16 priority partner countries.

Aid targets

The Danish Government has announced that development assistance will be at a level of at least 0.8% of ODA/GNI in the years ahead. In 2009, Danish development assistance will be at a level of 0.82% of GNI.

Planning at operational level

For each programme country, Denmark elaborates a Strategy for Danish Co-operation covering up to 5 years. These provide a framework for planning at the operational level (including identifying new phases of support to sector programmes and other priority areas), together with an outline of the planned distribution of resources between the sectors and the focus areas for each year of the strategy period.

Country strategies, prepared by the Danish embassies in programme countries, are endorsed both by the Danish Minister for Development Co-operation and the partner country authorities. They form the basis for the statutory rolling five-year plan of Denmark's total development co-operation budget.

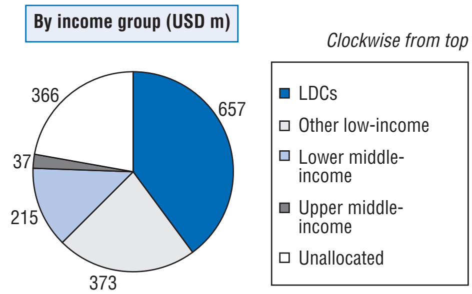
Availability of forward information

- A given year's budget for development co-operation is available in the budget proposal submitted during August of the previous year.
- Multi-year financial plans are available in the annual Finance Act and in the country strategies. The latter are negotiated every 5 years.

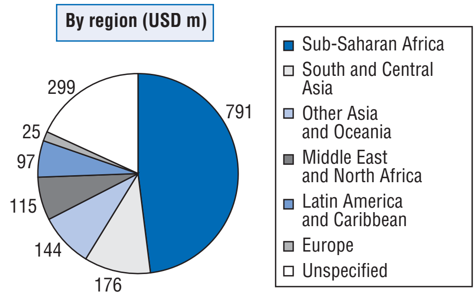
DENMARK

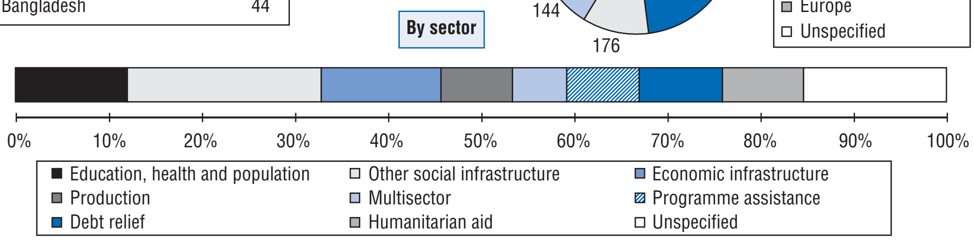
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	2 236	2 562	14.6%
Constant (2006 USD m)	2 236	2 301	2.9%
In danish kroner (million)	13 289	13 945	4.9%
ODA/GNI	0.80%	0.81%	
Bilateral share	65%	64%	



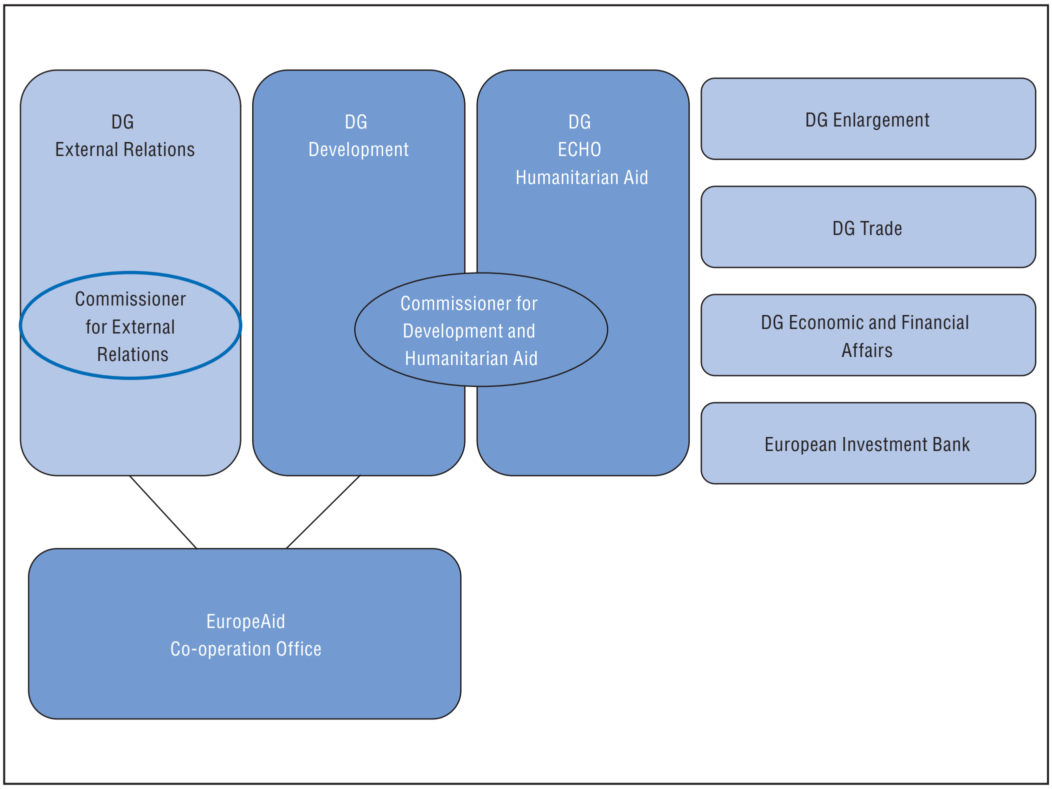
Top ten recipients of gross ODA (USD million)	
1 Uganda	95
2 Tanzania	93
3 Nigeria	92
4 Mozambique	82
5 Viet Nam	77
6 Ghana	69
7 Zambia	49
8 Kenya	47
9 Egypt	47
10 Bangladesh	44





European Commission

Objective:	To eradicate poverty in the context of sustainable development and pursue the Millennium Development Goals.
Legislation:	
Overall Policy Statement:	*European Consensus on Development* (2005).
Other general policy statement:	
Inter-ministerial co-ordination structures:	Informal Network on policy coherence. Special division within the Directorate General for Development and Relations with African, Caribbean and Pacific countries.
Priority partner countries:	No priority countries.
Main sectors/themes:	Democratic governance, social infrastructure, economic infrastructure, humanitarian aid, food security, and gender equality.
Ministerial advisory bodies:	



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Following a reform of the European Community's financial instruments in 2006, the majority of EC ODA is funded through the European Development Fund (EDF), the Development Co-operation Instrument (DCI) and the European Neighbourhood Instrument (ENPI). Other EC funding programmes include the Instrument for Pre-Accession, the Instrument for Stability and the European Instrument for Democracy and Human Rights.

Funded by contributions from EU member states (outside the Community budget), the EDF is a multi-annual programme under the responsibility of the Directorate General for Development and Relations with African, Caribbean and Pacific countries (DEV). The 10^{th} EDF (EUR 22.7 billion) covers the period 2008-2013.

The DCI and the ENPI, financed directly from the Community's annual budget, are a responsibility of the Directorate General for External Relations which elaborates multi-annual strategies and programmes. The DCI (EUR 16.9 billion funding envelope for 2007–2013) supports development programmes in Latin America, Asia, Central Asia, Middle East and South Africa. The ENPI provides financial assistance to development in neighbouring countries of the Mediterranean basin and Eastern Europe. The EuropeAid Co-operation Office identifies and implements specific projects and programmes for both DEV and Relations Extérieures (Council Working Party: Conseillers Relations Extérieures) (RELEX) funds.

Aid Targets

The EC does not have a target, but there is a collective EU target of 0.56% of GNI by 2010 rising to 0.7% by 2015.

Planning at operational level

Most Community aid to a country is outlined in the country strategy papers, which provide a medium-term (6-7 years) strategic involvement of the EC at country level. The country strategy papers are supplemented with National Indicative Programmes (NIPs), which are shorter, focused documents listing the sectors of intervention, activities and indicative financial plans. The country strategy papers concerning the EDF (African, Caribbean and Pacific countries) are communicated to the country. They run for the same period as the EDFs, so the country strategy papers for 2008-2013 are being finalised. In the case of DCI and ENPI, mixed commissions are used to discuss overall aid levels. The country strategy papers of the countries covered by the DCI and ENPI cover the period 2007-2013. For both the EDF, DCI and ENPI funds, in addition to the overall multi-year financial framework, the EC adopts annual action programmes based on the strategy papers.

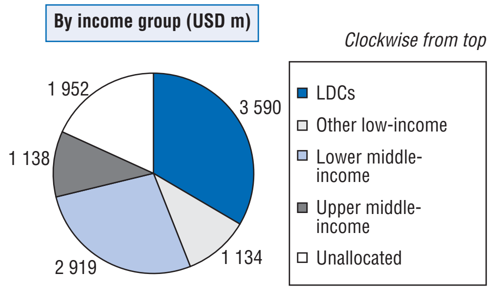
Availability of forward information

- Information on the 10^{th} EDF overall envelope covering years 2008-2013 became available in October 2006 at the same time as the DCI's overall envelope covering the years 2007-2013 (following the 2007 budget approval).
- Country allocation processes for EDF, DCI and ENPI are finalised as part of the CSPs.
- For each partner country annual action programmes are adopted in the last quarter of the preceding year.

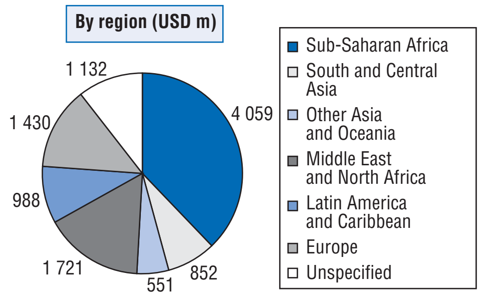
European Community

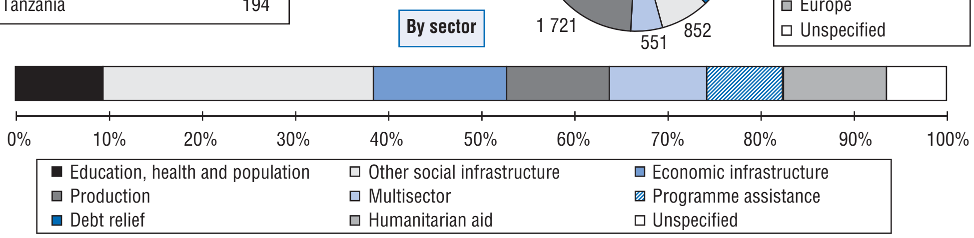
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	10 245	11 774	14.9%
Constant (2006 USD m)	10 245	10 559	3.1%
In euro (million)	8 162	8 601	5.4%



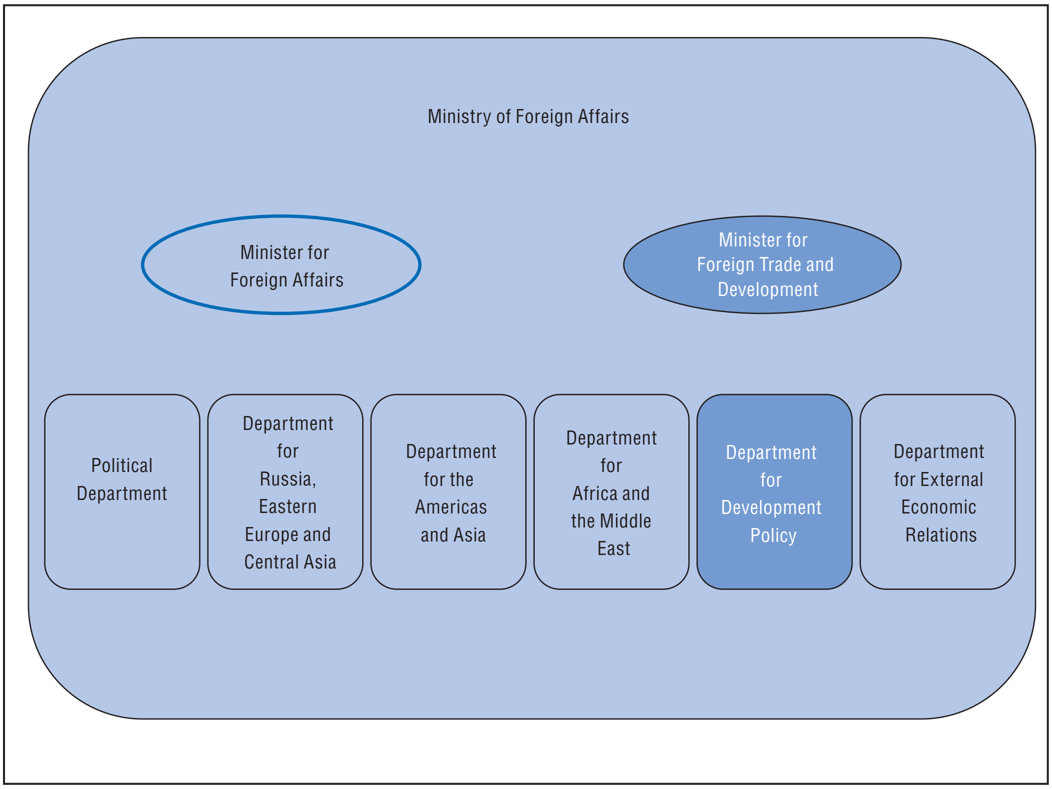
Top ten recipients of gross ODA (USD million)	
1 Turkey	486
2 Palestinian Adm. Areas	397
3 Morocco	337
4 Serbia	303
5 Ethiopia	284
6 Sudan	277
7 Egypt	271
8 Afghanistan	264
9 Mozambique	212
10 Tanzania	194





Finland

Objective:	The most important goal of development policy is to eradicate poverty in line with the Millennium Development Goals. Eradicating poverty is possible only if progress made in developing countries is economically, socially and ecologically sustainable.
Legislation:	
Overall policy statement:	*Government Resolution on Development Policy* (2007).
Other general policy statements:	The Government Programme of Prime Minister Matti Vanhanen's second Cabinet (2007).
Inter-ministerial co-ordination structures:	Cabinet Committee on Foreign and Security Policy, EU co-ordination bodies.
Main bilateral partners:	**Africa, South of Sahara:** Ethiopia, Kenya, Mozambique, Tanzania and Zambia. **South and Central America:** Nicaragua. **South and Central Asia:** Afghanistan and Nepal. **Far East Asia:** Viet Nam.
Main sectors/themes:	Eradication of poverty and sustainable development: climate change, crisis prevention and support for peace processes, social development, water, rural development, agriculture and forestry, energy, private sector development/trade, governance and civil society.
Ministerial advisory bodies:	The Development Policy Committee.



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Finland's development co-operation budget, which comprises the bulk of its ODA, is determined by the economic plan of the central government. Each new government agrees on a government programme for the respective four-year Parliamentary period, in addition to which the government agrees annually on a budget framework (spending limits) for the following four-year period.

The formulation of the annual development co-operation budget starts each year in March, and the Ministry of Foreign Affairs submits a draft proposal to the Ministry of Finance in May to be finalised in June-August. The budget is submitted to the Parliament in September for approval in December. It decides on annual aid allocations by main category of expenditure: multilateral ODA, bilateral country/region specific ODA, European Development Fund, thematic and non region specific programmes, humanitarian aid, planning and support functions, evaluation/audit, NGOs, concessional credits. For the first two categories, the budget proposal includes a breakdown by recipient (organisation, country or region). The Parliament's budget approval also includes the approval of commitment authorities for the respective budget year, *i.e.* it authorises the Ministry of Foreign Affairs to enter into agreements that will incur expenditure and have budgetary implications for several years ahead.

Aid Targets

As an EU-15 member, Finland has committed to raise its ODA/GNI ratio to 0.51% by 2010.

Planning at operational level

In parallel with budget drafting and negotiations, the regional and policy departments prepare their 4-year operating and financial plans. The regional and political departments handling ODA funds plan expenditure at the country level for Finland's long-term partner countries as well as their activities related to development policy implementation in terms of thematic and multilateral cooperation. The current approved operating and financial plan goes up to 2012.

Availability of forward information

- Forward information on the following year's overall budget for development co-operation is published in August.
- The budget includes forward information at country level for one year on Finland's long-term partners and other key collaboration partners, including both countries and organisations.
- Budgetary spending limits for development cooperation implemented by the Ministry of Foreign Affairs of Finland are negotiated and established annually for the four year period ahead.

FINLAND

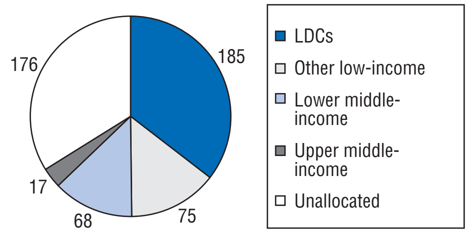
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	834	981	17.6%
Constant (2006 USD m)	834	887	6.4%
In euro (million)	665	717	7.8%
ODA/GNI	0.40%	0.39%	
Bilateral share	54%	60%	

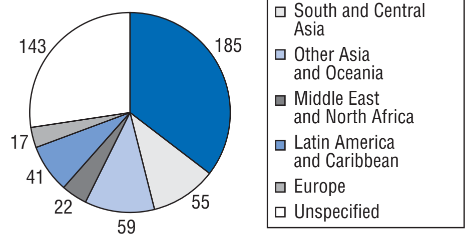
Top ten recipients of gross ODA (USD million)	
1 Tanzania	34
2 Mozambique	31
3 Viet Nam	23
4 Nicaragua	20
5 Afghanistan	17
6 Sudan	15
7 Zambia	15
8 Kenya	12
9 Ethiopia	12
10 South Africa	11

By income group (USD m)

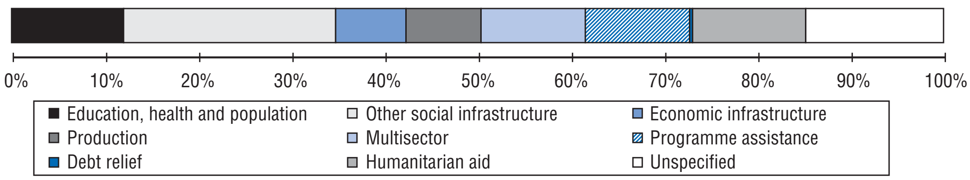
Clockwise from top



By region (USD m)

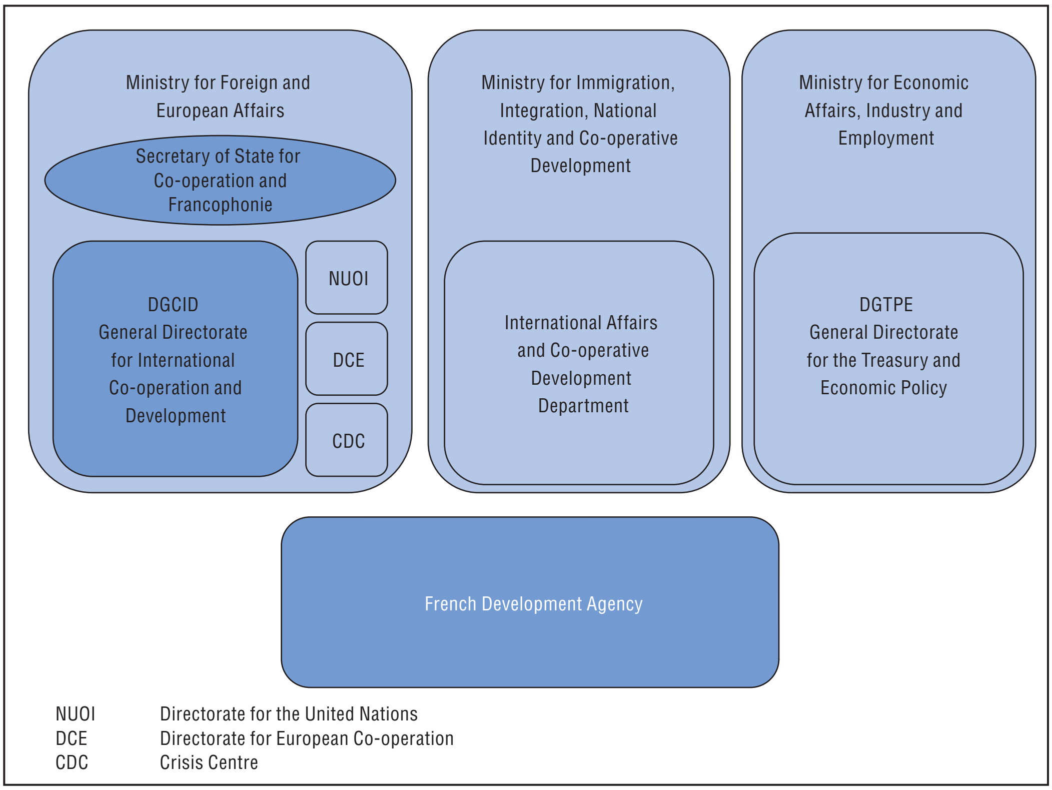


By sector



France

Objective:	To foster growth, reduce poverty and give easier access to global public goods, thus helping to achieve the Millennium Development Goals. To respond to crisis situations as effectively as possible. To help emerging countries in their transition by supporting their economic and human development.
Legislation:	
Overall policy statement:	
Other general policy statements:	*Politique française en faveur du développement, document de politique transversale, Projet de loi de finances pour 2008.*
Inter-ministerial co-ordination structures:	Inter-Ministerial Committee for International Co-operation and Development (CICID). Strategic Guidance and Programming Conference (COSP).
Priority partner countries:	**Africa, North of Sahara:** Algeria, Morocco and Tunisia. **Africa, South of Sahara**: South Africa, Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Comoros, Dem. Rep. Congo, Rep. Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Mali, Mauritania, Mozambique, Namibia, Niger, Nigeria, Uganda, Rwanda, Sao Tome and Principe, Senegal, Sudan, Sierra Leone, Tanzania, Republic of Chad, Togo and Zimbabwe. **South and Central America:** Cuba, Dominican Republic, Haiti and Suriname. **Middle East:** Lebanon, Yemen and Palestinian administered areas. **South and Central Asia**: Afghanistan (temporarily), Cambodia, Lao PDR and Viet Nam. **Oceania**: Vanuatu.
Main sectors/themes:	Education, health and the fight against AIDS, water and sewage, agriculture and food security, environment and biodiversity, infrastructure development in sub-Saharan Africa, support to the productive sector. Cross-cutting sectors: democratic governance, sustainable development and gender.
Ministerial advisory bodies:	Strategic Council for non-governmental cooperation.



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The Inter-ministerial Committee for International Co-operation and Development (CICID) defines development co-operation policies and identifies the area of concentration ("*zone de solidarité prioritaire*", ZSP). The CICID is chaired by the Prime Minister and embraces the 12 ministries most directly concerned with development issues. CICID is supported by the Ministry for Foreign and European Affairs (MAEE) and the Ministry for Economy, Finance and Employment (MINEFE) and, from January 2008, the Ministry for Immigration, Integration, National Identity and Co-operative Development.

All programmes involving ODA covered by the budget law are grouped together in a comprehensive policy document. The draft budget law is submitted in September to the National Assembly, which has 70 days to adopt it. The two main programmes that constitute ODA (programmes 110 and 209) and, since 2007 programme 301 (development for solidarity and migrations), represent an inter-ministerial mission' that is presented in an integrated format in the budget law. Programme 110 (economic and financial aid to development) is managed by the MINEFE, programme 209 (solidarity with developing countries) by the MAEE, and programme 301 by the Ministry of Immigration, Integration, National Identity and Co-operative Development. These programmes include bilateral and multilateral financing. The fiscal year begins on 1 January.

Aid Targets

As an EU-15 member, France has committed to raise its ODA/GNI ratio to 0.51% by 2010.

Planning at operational level

The French Development Agency (AFD) is the pivotal operator for bilateral assistance in sectors related directly to the Millennium Development Goals and for implementing global budgetary assistance. AFD reports jointly to MINEFE and MAEE. According to DAC statistics, the funds managed by AFD, MINEFE and MAEE accounted for 83% of France's bilateral ODA in 2005 (on a commitment basis). Programme implementation also involves France's representatives in the partner countries (diplomatic offices, co-operation and cultural action services, research centres).

The main instrument for programming assistance to the ZSP countries is the Partnership Framework Document (DCP). The framework presents the indicative financing envelope for French support, by sector of intervention, and spells out agreed activities over a five-year period. The frameworks are negotiated with the partner countries and confirmed in the "Strategic Orientation and Programming Conference". The DCP is the key tool of the French Action Plan for aid effectiveness.

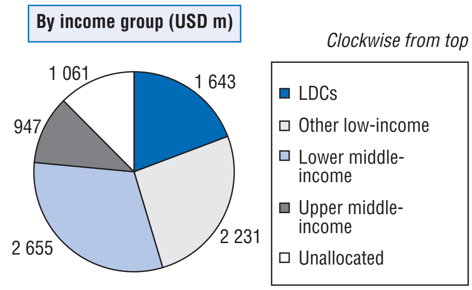
Availability of forward information

- Information on the ODA budget is available in the draft budget law submitted in September. France has adopted a three-year finance law (2009-2011) that gives medium-term indicative ODA volumes.
- At partner country level, multiyear ODA forecasts are contained in the indicative five-year Partnership Framework Document including a mid-term review of results.

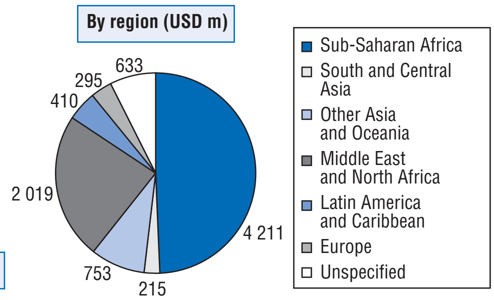
FRANCE

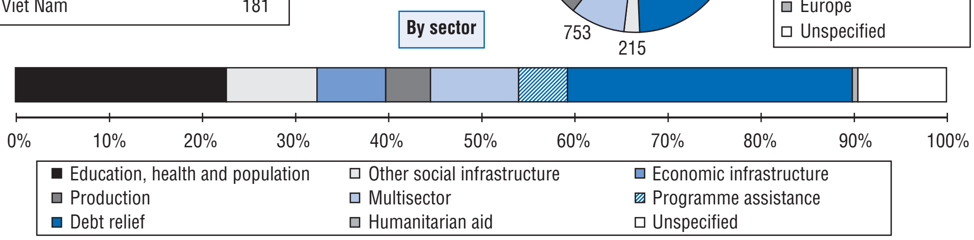
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	10 601	9 884	-6.8%
Constant (2006 USD m)	10 601	8 867	-16.4%
In euro (million)	8 445	7 220	-14.5%
ODA/GNI	0.47%	0.38%	
Bilateral share	75%	63%	



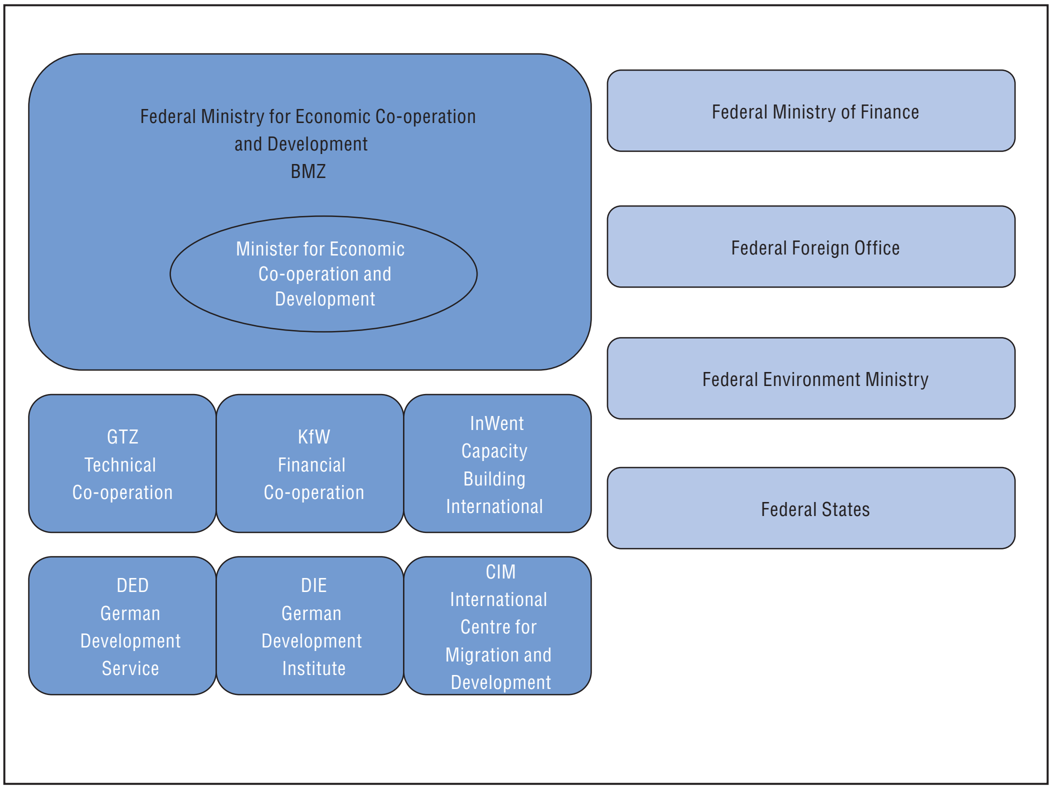
Top ten recipients of gross ODA (USD million)	
1 Nigeria	1 028
2 Iraq	775
3 Cameroon	571
4 Morocco	405
5 Mayotte	374
6 Senegal	258
7 Tunisia	233
8 Algeria	225
9 China	196
10 Viet Nam	181





Germany

Objective:	Reducing poverty worldwide, building peace and bringing about democracy, promoting equitable forms of globalisation and protecting the natural environment.
Legislation:	
Overall policy statement:	*White Paper on Development Policy: The German Government's 13th Development Policy Report (2008).*
Other general policy statements:	*The German Government's 12th Development Policy Report (2005).*
Inter-ministerial co-ordination structures:	Interdepartmental working groups, coherence meetings at Director General level, meetings of Secretaries of State (Staatssekretäre) to prepare weekly sessions of the Federal Government's cabinet.
Priority partner countries:	**Europe**: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia and Ukraine. **Africa, North of Sahara:** Egypt and Morocco. **Africa, South of Sahara:** Angola, Benin, Burkina Faso, Burundi, Cameroon, Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, South Africa, Sudan (Southern Sudan), Tanzania, Uganda and Zambia. **South and Central America:** Bolivia, Brazil, Colombia, Ecuador, Guatemala, Honduras, Mexico, Nicaragua and Peru. **Middle East:** Palestinian administered areas, Syria and Yemen. **South and Central Asia:** Afghanistan, Bangladesh, India, Kyrgyz Republic, Nepal, Pakistan, Tajikistan and Uzbekistan. **Far East Asia:** Cambodia, China, Indonesia, Laos, Mongolia and Viet Nam.
Main sectors/themes:	Good governance; social protection; human rights; peace building and conflict prevention. Education; health, family planning, HIV/AIDS; economic and social policy reform. Water supply and sanitation; environmental policies and sustainable management of natural resources; renewable energies and energy efficiency; food security and agriculture; transport and communication. Gender and aid for trade are priority cross-cutting issues.
Ministerial advisory bodies:	Scientific Advisory Council to the Ministry and German Development Institute (DIE).



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The budget for development co-operation of the federal government is established on the basis of the annual federal budget and a rolling financial plan covering a 4-year period ahead.

Germany's aid allocation policy is debated in the parliament's Committee for Economic Co-operation and Development and the Budget Committee. The ODA budget is administered for the most part by the Federal Ministry for Economic Co-operation and Development (BMZ). Other Ministries include the Federal Ministry of Finance (EC budget, debt relief), the Federal Foreign Office (mainly humanitarian aid) and the Federal Environment Ministry (climate protection in developing countries). Part of German ODA is provided by the federal states (Bundesländer).

Aid Targets

As an EU-15 member, Germany has committed to raise its ODA/GNI ratio to 0.51% by 2010.

Planning at operational level

The BMZ budget for bilateral co-operation is, in turn, allocated to KfW (financial co-operation), GTZ (technical co-operation) and other implementing agencies in the field of technical cooperation, such as INWENT (capacity building international), DED (German development service) and CIM (international centre for migration and development). In addition, funds are channelled through non-governmental organisations, including churches and political foundations. The multi-year framework for the BMZ aid budget is broken down by country and by sector. Country strategies, a requirement for partner countries, are generally valid for three to five years. They are binding for financial and technical co-operation agencies and serve as guidance for other agencies. In addition, allocation targets are set to meet Germany's international sectoral commitments (*e.g.* education, HIV/AIDS).

Germany negotiates aid levels with partner countries and informs them of multi-year commitment plans with regard to financial and technical co-operation projects and programmes. Commitments are made up to three years ahead.

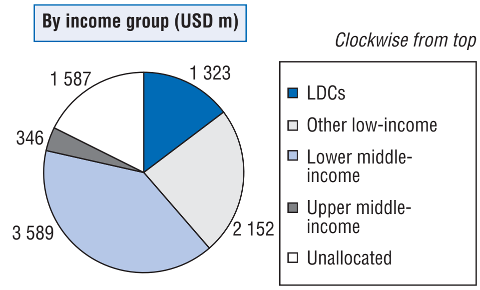
Availability of forward information

- Within the BMZ budget, the main part of the bilateral funds (being implemented by GTZ and KfW) are committed to partner countries for a fixed multi-year period. New commitments are made at the end of the fixed period.
- BMZ examines how to provide developing countries with regular and timely information on rolling three- to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations that developing countries can integrate into their medium-term planning and micro-economic frameworks.
- As of 2010, BMZ will make the respective information available.
- Germany supports international efforts to improve availability of forward information, such as the International Aid Transparency Initiative (IATI).

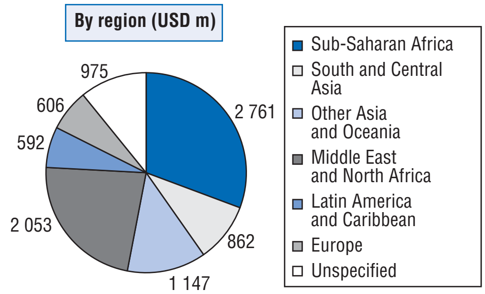
GERMANY

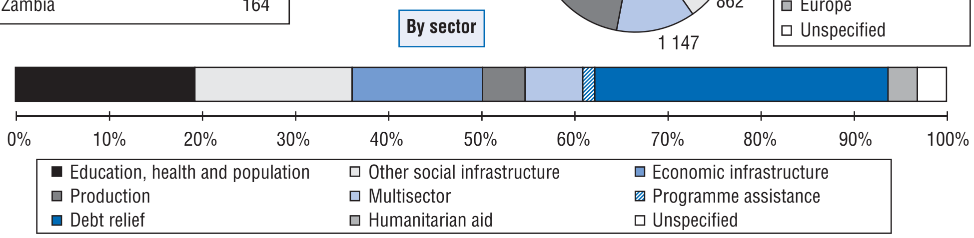
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	10 435	12 291	17.8%
Constant (2006 USD m)	10 435	11 069	6.1%
In euro (million)	8 313	8 978	8.0%
ODA/GNI	0.36%	0.37%	
Bilateral share	67%	65%	



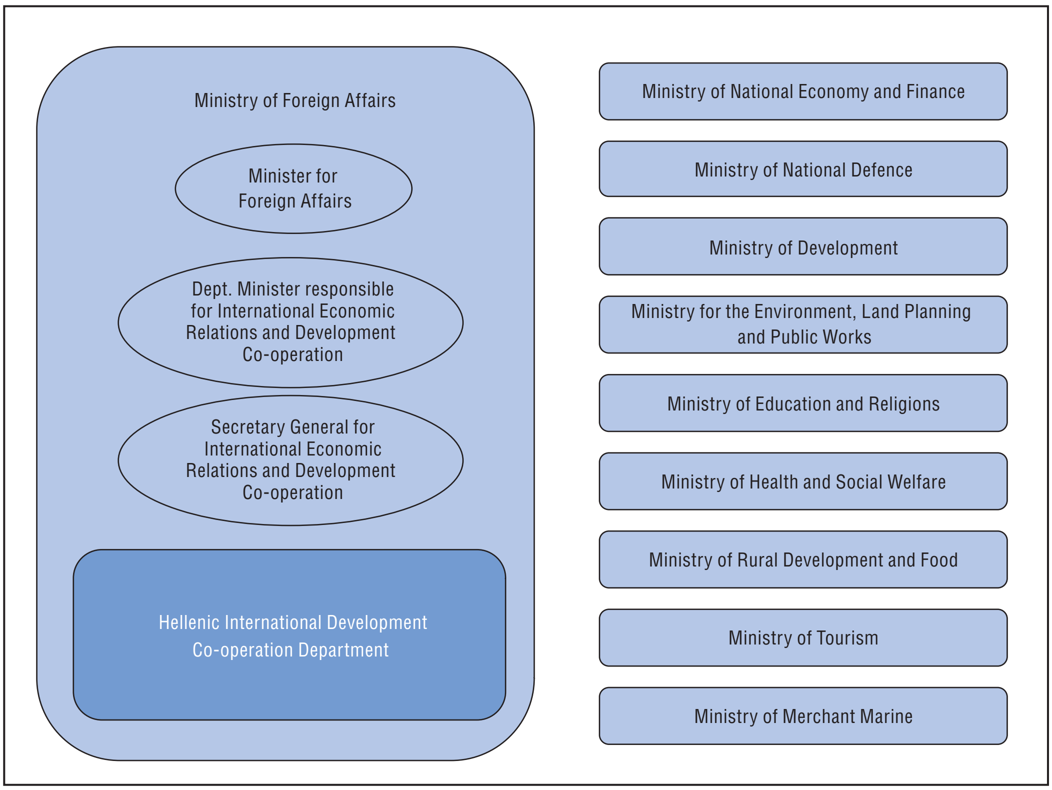
Top ten recipients of gross ODA (USD million)	
1 Iraq	1 242
2 Nigeria	943
3 Cameroon	504
4 China	454
5 India	242
6 Indonesia	240
7 Egypt	184
8 Morocco	177
9 Afghanistan	168
10 Zambia	164





Greece

Objective:	To contribute to economic and social development, poverty reduction, the strengthening of democracy and the state of law, respect for human rights and fundamental freedoms, gender equality and the protection of the environment.
Legislation:	*Law 2731/1999* (Official Gazette 138/A/5-7-1999) and *Presidential Decree 224/2000* (Official Gazette 193/A/6-9-2000).
Overall policy statement:	*Second Medium-Term Five-year Development Co-operation Programme* (2002-2006).
Other general policy statements:	*Hellenic Aid Action Plan for Coordination and Harmonisation of Development Co-operation Policy* (2004).
Inter-ministerial co-ordination structures:	Committee for the Organisation and Co-ordination of International Economic Relations (EOSDOS).
Priority partner countries:	**Europe**: Albania, Bosnia and Herzegovina, Macedonia FYR, Moldova, Montenegro, Serbia and Ukraine. **Africa, North of Sahara:** Egypt. **Africa, South of Sahara:** Congo Dem. Rep, Congo Rep., Ethiopia, Angola, Eritrea, Kenya, Botswana, Zimbabwe and South Africa. **Middle East:** Jordan, Palestinian Authority and Syria. **South and Central Asia:** Armenia, Georgia, Azerbaijan, Kyrgyz Rep., Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan.
Main sectors/themes:	Basic and secondary education, infrastructure and vocational training, basic health infrastructure, water supply and sanitation, environment and agriculture, democratisation and human rights, institution building, micro-credit and income generation.
Ministerial advisory bodies:	Committee for the Organisation and Co-ordination of International Economic Relations (EOSDOS).



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The Greek parliament approves the budget for development co-operation on an annual basis in December. The budget is managed by several ministries, mainly by the Ministry of Foreign Affairs (Hellenic Aid), but also by the Ministry of National Education and Religions, and the Ministry of National Defence.

Aid Targets

As an EU-15 member, Greece had committed to raise its ODA/GNI ratio to 0.51% by 2010. Due to budgetary constraints the target of 0.51% has been deferred to 2012.

Planning at operational level

The Hellenic Aid strategy is outlined in 5-year development co-operation programmes.

Every year, sectors within each priority country are further identified in proposals from diplomatic missions and bilateral agreements. On this basis, Hellenic Aid invites expressions of interest from ministries, legal entities, NGOs, universities, etc. for project proposals, which, if approved, will be financed by the development co-operation budget. Funds are allocated on an annual basis, *i.e.* no multi-year commitments are made.

Greece has signed multi-year bilateral development co-operation agreements with the countries in the Balkans within the framework of the Hellenic Plan for the Economic Reconstruction of the Balkans' (HiPERB). The Plan originally covered years 2002 – 2006, but as funds were not fully absorbed the programme has been extended to 2011. Financial allocations to each beneficiary country are specified in the HiPERB budget (totalling EUR 550 million). (Also included are activities in Romania and Bulgaria which do not count as ODA). HiPERB funds are allocated on an annual basis.

Availability of forward information

- Information on the next fiscal year's development co-operation budget is available in the annual budget voted by the parliament in December for the fiscal year starting in January.
- The funds for development co-operation are committed on an annual basis.

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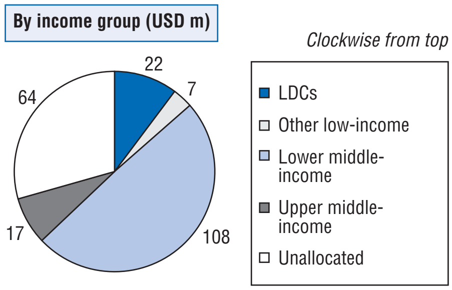
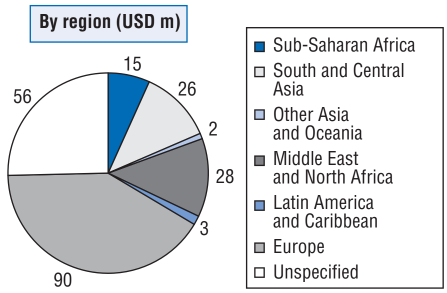
GREECE

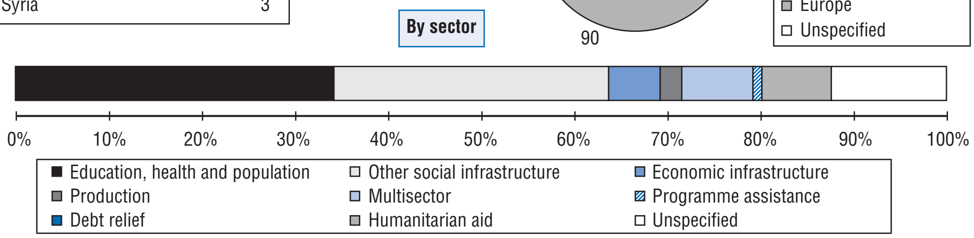
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	424	501	18.1%
Constant (2006 USD m)	424	446	53%
In euro (million)	338	366	8.3%
ODA/GNI	0.17%	0.16%	
Bilateral share	45%	50%	



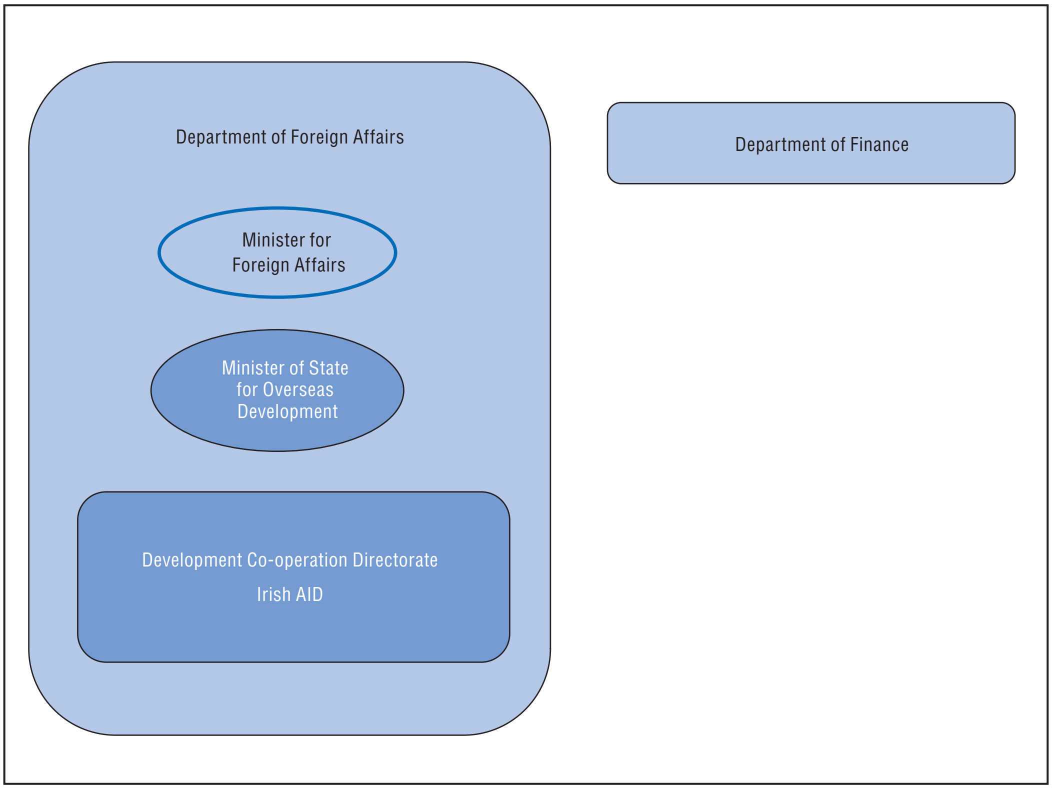
Top ten recipients of gross ODA (USD million)	
1 Serbia	36
2 Albania	24
3 Afghanistan	14
4 Bosnia and Herzegovina	13
5 Lebanon	9
6 Egypt	5
7 Turkey	5
8 Palestinian Adm. Areas	4
9 Armenia	3
10 Syria	3





Ireland

Objective:	To reduce poverty and vulnerability and increase opportunity.
Legislation:	
Overall policy statement:	*White Paper on Irish Aid (2006).*
Other general policy statements:	
Inter-ministerial co-ordination structures:	Inter-Departmental Committee on Development.
Priority partner countries:	**Africa, South of Sahara**: Ethiopia, Lesotho, Malawi, Mozambique, Tanzania, Uganda and Zambia. **Far East Asia**: Timor-Leste and Viet Nam.
Main sectors:	Health, education, environment, HIV/AIDS, gender, governance, peace and security and humanitarian assistance.
Ministerial advisory bodies:	



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Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Irish Aid, a division of the Department of Foreign Affairs, is responsible for the management, oversight, policy direction and administration of Ireland's development co-operation programme. Most of the Irish ODA budget originates from Vote 29 – Development Co-operation. This covers Ireland's bilateral ODA and most of its voluntary contributions to multilateral agencies. The components of ODA not included in the vote are the pro-rata share of the European Community's ODA and contributions made by other government departments, *e.g.* by the Department of Finance to international financial institutions.

The Minister for Finance publishes a Budget Outlook in November of each year. This contains estimates of the coming year's expenditure for each government programme on an existing level of service basis. The Minister for Finance then presents the annual exchequer budget to Dáil Éireann (parliament) in the first week of December. This includes the final estimate allocations for the various government expenditure programmes, including Vote 29, for the coming year. These final estimates provide for any planned changes in level of service. The estimates are subsequently approved by a vote of the Dáil.

Aid Targets

The Irish Government is committed to reaching the UN target of spending of 0.7% of ODA/GNI on official development assistance by 2012.

Planning at operational level

Once voted, the budget is managed directly by Irish Aid through its programme country offices, or implemented through key partners, including Irish missionaries, NGOs and multilateral institutions.

Operations in Ireland's priority programme countries are outlined in Country Strategy Papers (CSP), which cover a 3-year period and provide indicative multi-year funding approvals. Ireland plans to align its Country Strategies with the Poverty Reduction Strategy cycles of the programme countries.

Irish Aid has a structured relationship with five partner NGOs (Concern, Trócaire, GOAL, Christian Aid and Self Help Development International) and uses Multi-Annual Programme Schemes to provide predictable funding. These schemes are based on predictable levels of financial support from Irish Aid and agreed programmes of development activity. The current schemes cover the period 2007-2011.

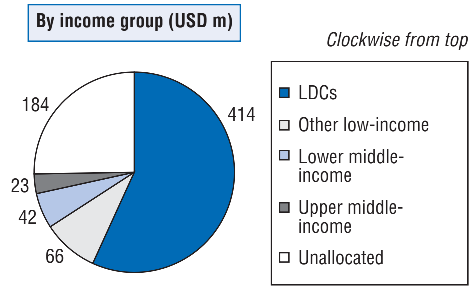
Availability of forward information

- Forward planning information is available through the Country Strategy Papers, Multi-Annual Programme Schemes approvals and other commitments with development partners.

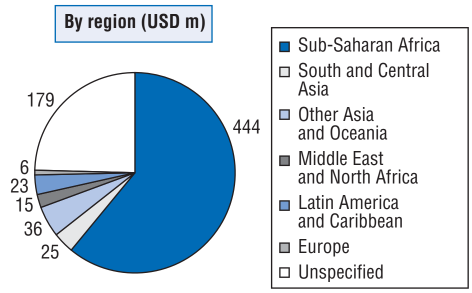
IRELAND

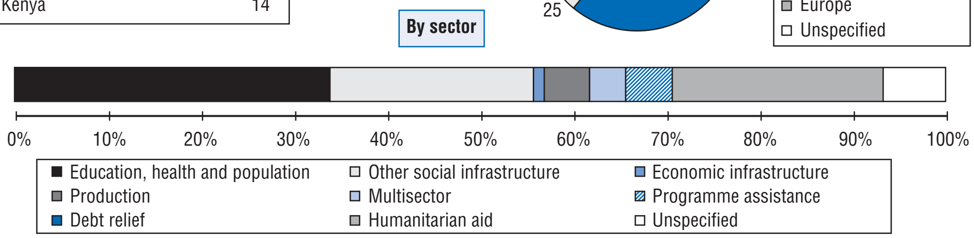
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	1 022	1 192	16.7%
Constant (2006 USD m)	1 022	1 070	4.8%
In euro (million)	814	871	7.0%
ODA/GNI	0.54%	0.55%	
Bilateral share	62%	69%	



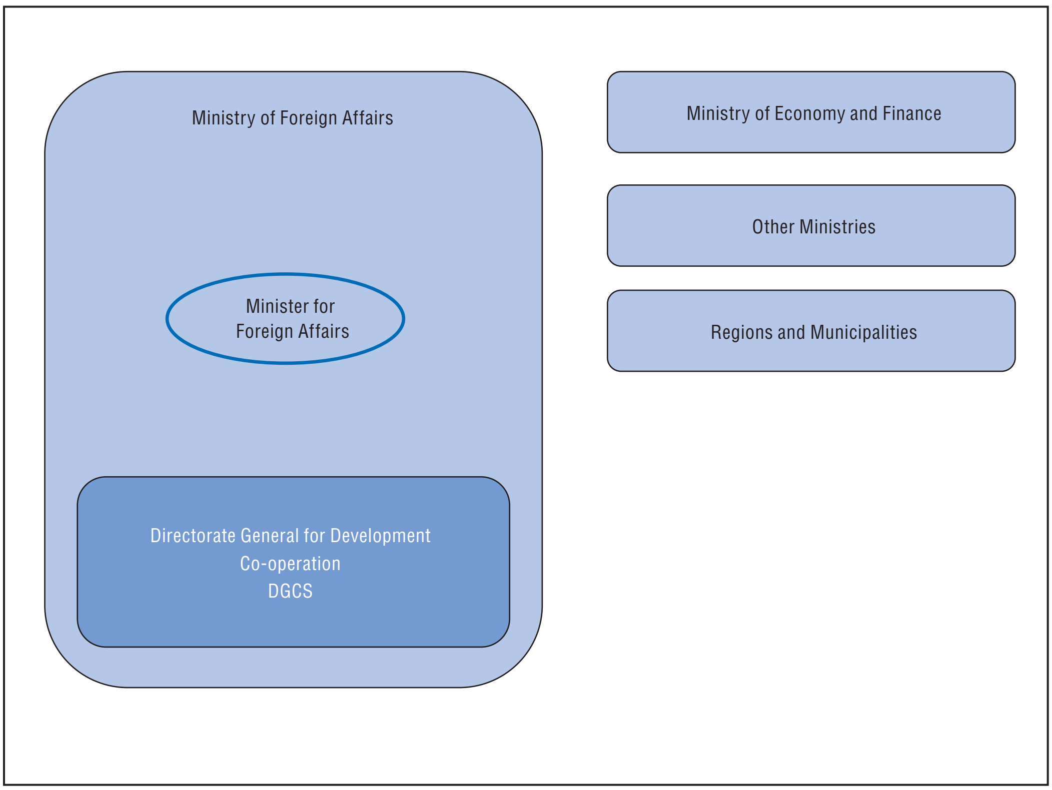
Top ten recipients of gross ODA (USD million)	
1 Uganda	62
2 Mozambique	61
3 Ethiopia	55
4 Tanzania	46
5 Zambia	34
6 Sudan	22
7 South Africa	19
8 Viet Nam	17
9 Lesotho	16
10 Kenya	14





Italy

Objective:	To contribute to solidarity among peoples, and to support human rights.
Legislation:	*Law No. 49/87 (1987).*
Overall policy statement:	
Other general policy statements:	*Informative Note on the Italian Development Co-operation Programme 2007-2009. Strategic Guidelines and Financial Planning for 2009-2011. Forward Planning and Policy Paper on Development Co-operation activities in 2009.*
Inter-ministerial co-ordination structures:	Inter-ministerial Committee on Economic Policy (CIPE). Directional Committee. Coordinating Task force with members from the Ministry of Foreign Affairs and the Ministry of Economy and Finance enlarged to include other Administrations.
Priority partner countries:	**Europe**: Albania, Kosovo, Montenegro, Macedonia FYR and Serbia. **Africa, North of Sahara**: Algeria, Libya, Morocco, Sahrawi and Tunisia. **Africa, South of Sahara**: Angola, Eritrea, Ethiopia, Mauritania, Mozambique, Senegal, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania and Uganda. **South and Central America:** Argentina, Bolivia, Ecuador, Honduras, Nicaragua and Peru. **Middle East:** Iran, Jordan, Lebanon, Palestinian administered areas, Syria and Yemen. **South and Central Asia:** Afghanistan and India. **Far East Asia:** China and Viet Nam.
Main sectors/themes:	Environment and community assets, water, rural development, renewable energy sources, gender policies and women's empowerment, health care and education.
Ministerial advisory bodies:	



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Italy's development co-operation budget is established in the yearly national budget plan (*Legge Finanziaria)* and other specific laws *(e.g.,* law on international missions). The government presents the budget plan to the parliament in September for approval in December. A three year budget framework has been introduced in 2008. It will have its first application for the 209-2011 term.

Aid Targets

As an EU member, Italy is committed to an ODA/GNI target of 0.51% by 2010.

Planning at operational level

The Ministry of Foreign Affairs oversees development co-operation and manages most of the resources, but a few other institutional entities (*e.g.* Ministry of Economics and Finance) are involved. The General Directorate for Development Co-operation (DGCS) of the Ministry of Foreign Affairs is in charge of programming Italian aid. Country offices work with 3-year financial plans which are revised every year. Plans are made at the level of regions in January-February and countries in March.

Early in 2007 Italy introduced the first multi-year programming framework (DGCS deliberation No. 23) with guidelines for aid allocation in 2007-2009. The document states that, geographically, priority will be given to Sub-Saharan African and Mediterranean and Latin American countries as well as areas involving conflict situations (Afghanistan, Iraq, Palestinian administered areas).

At present Italian aid activities are regulated by the 1987 law No. 49 and its subsequent amendments. A major reform of Italian development co-operation is underway.

Availability of forward information

- Italy's annual aid budget is presented to the parliament in September for approval in December.
- Country offices work with 3-year financial plans, revised every year in March.

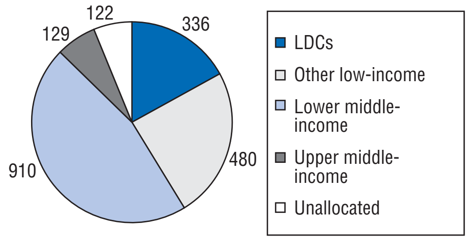
ITALY

Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	3 641	3 971	9.1%
Constant (2006 USD m)	3 641	3 547	-2.6%
In euro (million)	2 901	2 901	0.0%
ODA/GNI	0.20%	0.19%	
Bilateral share	55%	32%	

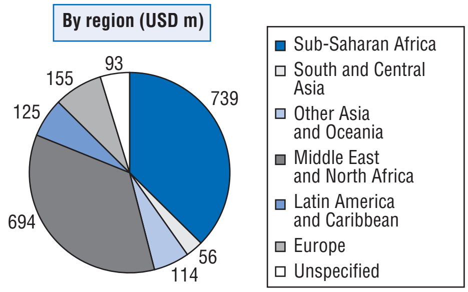
By income group (USD m)

Clockwise from top

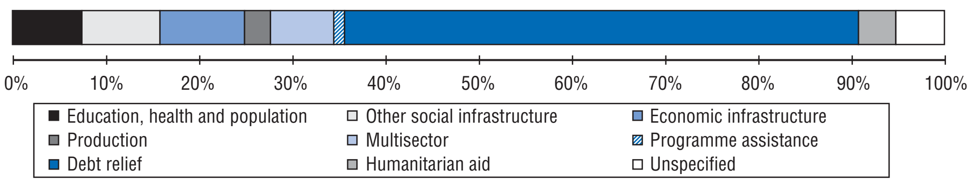


Top ten recipients of gross ODA (USD million)	
1 Iraq	483
2 Nigeria	382
3 Ethiopia	90
4 China	80
5 Serbia	76
6 Morocco	59
7 Lebanon	57
8 Afghanistan	47
9 Tunisia	43
10 Mozambique	36

By region (USD m)

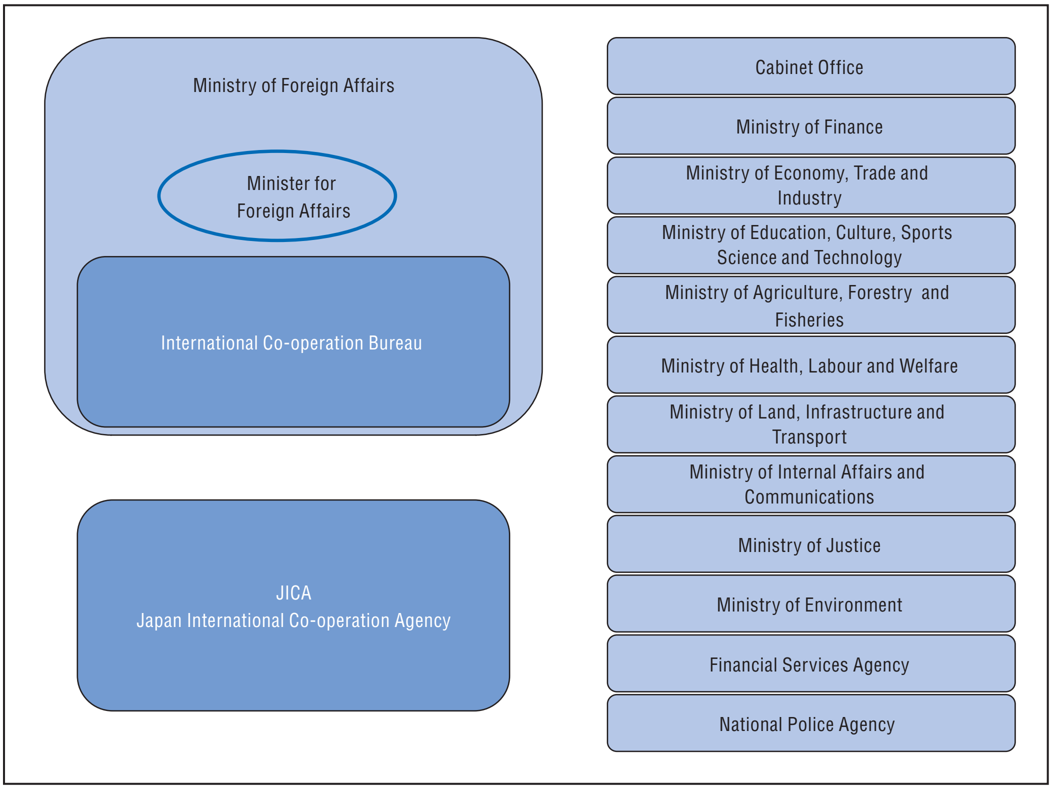


By sector



Japan

Objective:	To contribute to world peace and development, and thereby help ensure Japan's own security and prosperity.
Legislation:	
Overall policy statement:	Official Development Assistance Charter (2003).
Other general policy statements:	White Paper on Official Development Assistance (2007).
Inter-ministerial co-ordination structures:	Overseas Economic Cooperation Council. Inter-Ministerial Meeting on ODA.
Priority partner countries:	Asian Countries
Main sectors/themes:	Poverty Reduction (education, health care and welfare, water and sanitation, agriculture, human and social development); Sustainable growth (socioeconomic infrastructure, trade and investment, policy-making, development of institutions, human resource development); Global issues (environment, infectious diseases, population, food, energy, natural disasters, terrorism, drugs, organised crime); Peace-building (conflict prevention, emergency humanitarian assistance).
Ministerial advisory bodies:	Advisory Council on International Cooperation.



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Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Japan has an annual development co-operation budget. The Cabinet submits the draft budget to the Diet (parliament) usually in the latter half of January, for approval before the beginning of the fiscal year on 1 April.

Aid Targets

Japan intends to increase its ODA by USD 10 billion in aggregate over the five years 2005-09 compared to 2004.

Planning at operational level

The Ministry of Foreign Affairs (MOFA) and Ministry of Finance (MOF) accounted for 88% of the total ODA budget in FY 2006 and FY 2007. A part of the budget is administered directly by MOFA and MOF; a part is allocated to Japan International Cooperation Agency (JICA), which merged with the Japan Bank for International Cooperation (JBIC) on 1st October 2008. MOFA has the central coordinating role among the ODA-related government ministries and agencies.

The ODA charter states that "Asia, a region with close relationship to Japan and which can have a major impact on Japan's stability and prosperity, is a priority region for Japan".

Aid allocations to partner countries are based on Country Assistance Programs, generally designed around a 5-year cycle. It specifies the priority in sectors in the medium term taking into account political, economic, and social conditions of the recipient country as well as its development needs and plans. Japan is developing rolling multi-year indicative financial plans (covering loans, grant aid and technical cooperation) which it shares with the partner countries on a non-committal, informal basis.

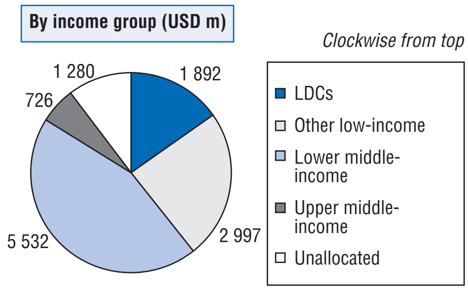
Availability of forward information

- In January, information is publicly available on the draft development co-operation budget for the following fiscal year.

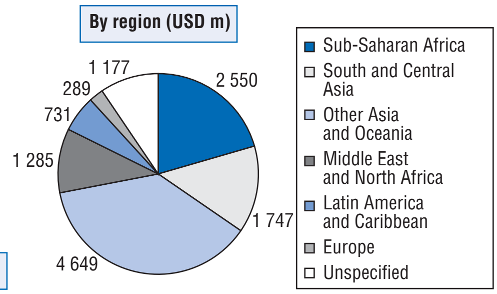
JAPAN

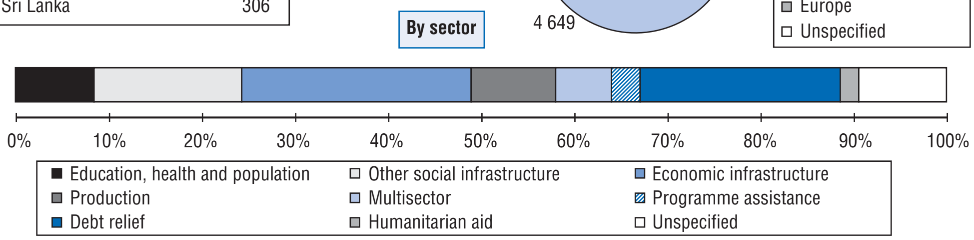
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	11 136	7 679	-31.0%
Constant (2006 USD m)	11 136	7 812	-29.8%
In yen (billion)	1 296	905	-30.2%
ODA/GNI	0.25%	0.17%	
Bilateral share	65%	75%	



Top ten recipients of gross ODA (USD million)	
1 China	1 248
2 Nigeria	1 074
3 Indonesia	1 038
4 Iraq	845
5 Philippines	738
6 Viet Nam	711
7 India	609
8 Tanzania	381
9 Malaysia	308
10 Sri Lanka	306





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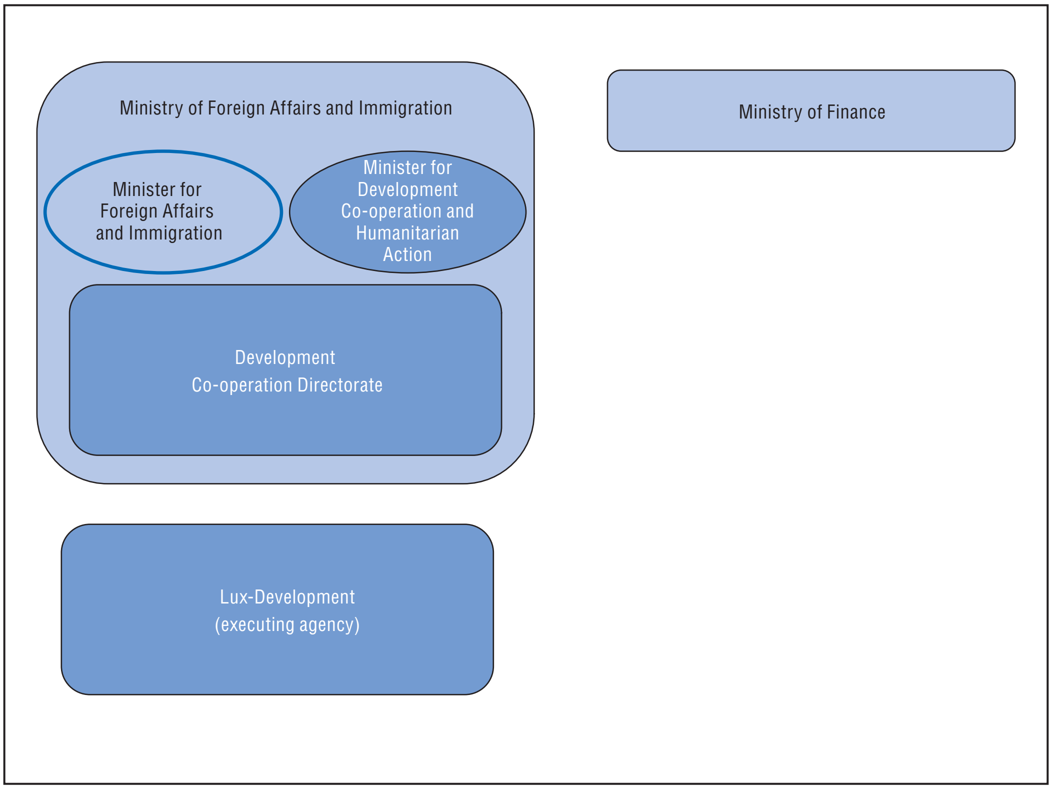
Luxembourg

Objective:	To contribute to sustainable development and the fight against poverty.
Legislation:	Development Co-operation Act (1996).
Overall policy statement:	
Other general policy statements:	Statement on Development Co-operation and Humanitarian Action (2004).
Inter-ministerial co-ordination structures:	Inter-ministerial Development Co-operation Committee.
Main bilateral partners:	**Africa, South of Sahara**: Burkina Faso, Cape Verde, Mali, Namibia, Niger and Senegal. **South and Central America**: El Salvador and Nicaragua. **Far East Asia**: Lao PDR and Viet Nam.
Main sectors/themes:	Health, water and sanitation, education (vocational education and professional training), integrated rural development, and microfinance.
Ministerial advisory bodies:	



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Luxembourg manages its ODA primarily through the Ministry of Foreign Affairs and Immigration, which is responsible for around 80% of total ODA. The co-operation budget is voted annually by parliament, under sections 01.7 and 31.7, “Development Co-operation and Humanitarian Action”, allocated to the Ministry of Foreign Affairs and Immigration.

Aid Targets

The objective is to achieve a level of 1% of ODA/GNI in coming years.

Planning at operational level

Luxembourg’s bilateral ODA is implemented primarily by Lux-Development, which formulates and carries out co-operation projects with partners in developing countries. The agency handles about 90% of the bilateral programmes financed by the Luxembourg government.

Luxembourg allocates most of its assistance to 10 priority partner countries. In 2006, these countries represented 51% of bilateral aid expenditures.

For each of these target countries an indicative five-year co-operation programme is adopted by the governments of Luxembourg and the partner country. It defines the broad areas of co-operation (sectors, geographic zones, forms of intervention) as well as the multi-year budget for the programme.

Availability of forward information

- Information on the ODA budget is available in the draft budget law submitted to parliament in October.
- Multi-year ODA forecasts for the target countries are contained in the indicative co-operation programmes (PICs).

LUXEMBOURG

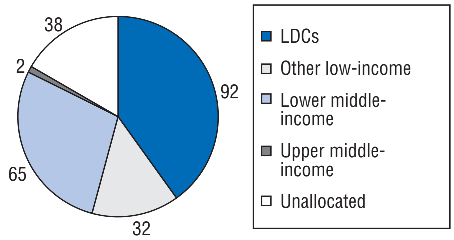
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	291	376	29.2%
Constant (2006 USD m)	291	334	15.0%
In euro (million)	232	274	18.4%
ODA/GNI	0.90%	0.91%	
Bilateral share	70%	67%	

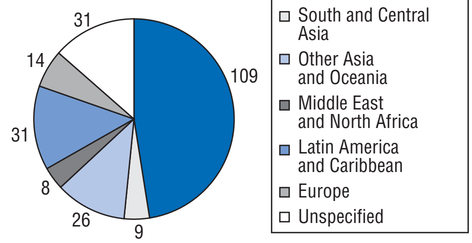
Top ten recipients of gross ODA (USD million)	
1 Senegal	15
2 Cape Verde	15
3 Viet Nam	13
4 Mali	13
5 Burkina Faso	12
6 Nicaragua	12
7 Niger	10
8 El Salvador	10
9 Laos	9
10 Namibia	8

By income group (USD m)

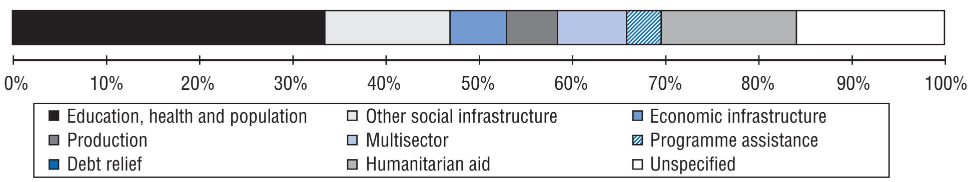
Clockwise from top



By region (USD m)

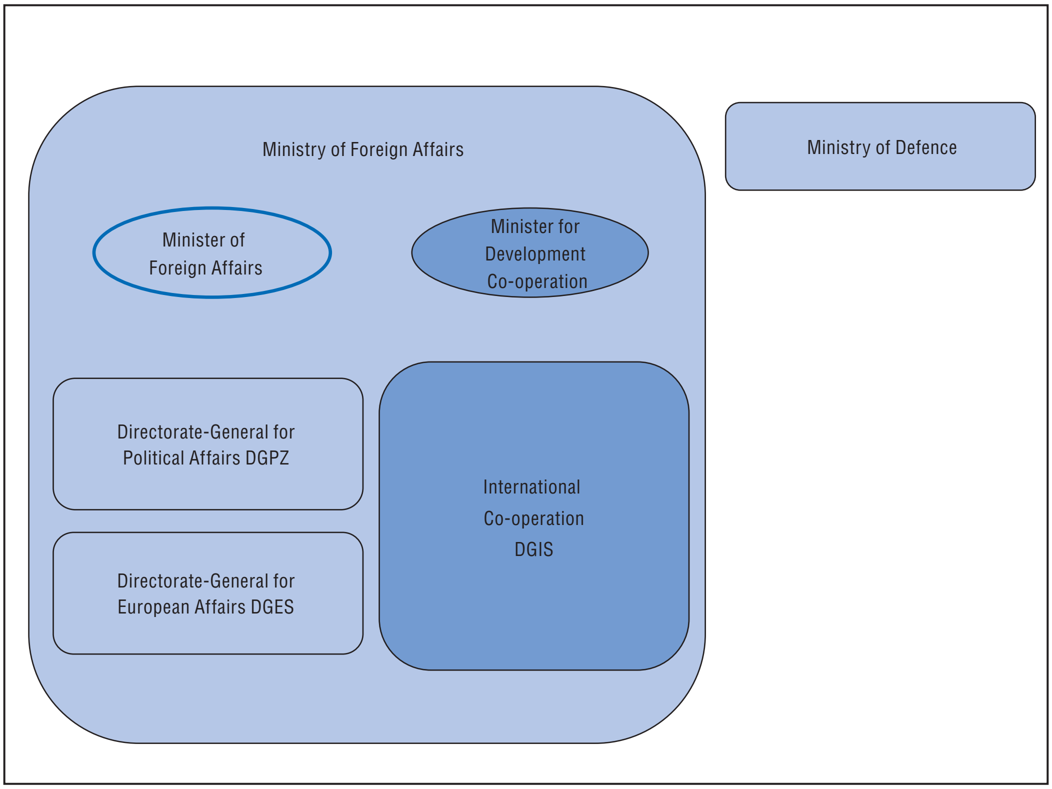


By sector



The Netherlands

Objective:	To contribute to sustainable poverty reduction.
Legislation:	
Overall policy statement:	*Our Common Concern (2007).*
Other general policy statements:	*Mutual Interests, Mutual Responsibilities: Dutch Development Co-operation en route to 2015 (2003).* *Africa Memorandum (2003).* *Mandatory Explanatory Memoranda to annual budgets, presented to parliament.* *Occasional Policy Letters to Parliament on specific topics.*
Inter-ministerial co-ordination structures:	The Co-ordinating Committee for International Affairs. The Co-ordination Committee for European Affairs.
Priority partner countries:	**Europe**: Albania, Bosnia and Herzegovina, Kosovo, Macedonia FYR and Moldova. **Africa, North of Sahara:** Egypt. **Africa, South of Sahara**: Benin, Burkina Faso, Burundi, Cape Verde, Democratic Republic of Congo, Eritrea, Ethiopia, Ghana, Kenya, Mali, Mozambique, Rwanda, Senegal, South Africa, Sudan, Tanzania, Uganda and Zambia. **South and Central America:** Bolivia, Colombia, Guatemala, Nicaragua and Suriname. **Middle East:** Palestinian administered areas and Yemen. **South and Central Asia**: Afghanistan, Armenia, Bangladesh, Georgia, Pakistan and Sri Lanka. **Far East Asia**: Indonesia, Mongolia and Viet Nam.
Main sectors/themes:	Education, sexual and reproductive health and rights, HIV/AIDS, water and environment.
Governmental advisory bodies:	Advisory Council on International Affairs.



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Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The overall budget framework for Dutch development co-operation is given in the Homogenous Budget for International Co-operation, which presents an overview of ODA and non-ODA activities in a multi-year framework currently covering the years 2005 to 2010. The Ministry of Foreign Affairs (MFA) is responsible for co-ordination and preparing proposals on the allocation of funds under the budget according to foreign policy priorities. Decisions are made by the Cabinet and these are further converted into budgets for the various ministries concerned. Each ministry prepares its budget based on the Homogenous Budget and the allocation decision made by the Cabinet. The budgets are annual, submitted to the parliament in September each year for approval before the beginning of the calendar year. The MFA administers most of the funds (75% in 2005).

Aid Targets

In 1997 the government decided to fix ODA at 0.8% of ODA/GNI, a target confirmed by subsequent governments.

Planning at operational level

The Homogenous Budget provides the basis for multi-year financial planning at operational level. Multi-Annual Strategic Plans are prepared for the Netherlands' development co-operation partner countries. Strategic plan allocations are updated annually and partly based on country performance and need, expressed in the Embassies' Annual Reports and substantiated at the MFA with the help of an aid allocation model. Within each country, aid is focused on two to three sectors at most.

The strategic plans constitute an internal process through which the Embassies set out a country strategy in agreement with headquarters. Only multi-year aid levels in relation to budget support are discussed with partner countries.

Availability of forward information

- Latest November, information on the development co-operation budget for the following year becomes publicly available.
- Multi-year indicative planning data are available in the Homogenous Budget and the Embassies' strategic plans (4-year financial envelopes). Multi-year aid levels are discussed with partner countries only in relation to budget support.

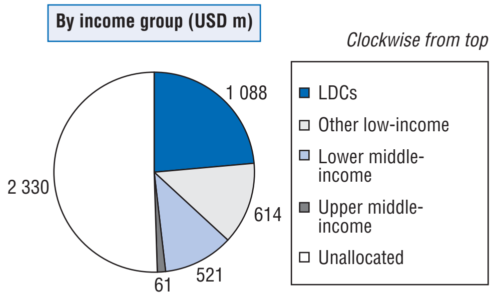
NETHERLANDS

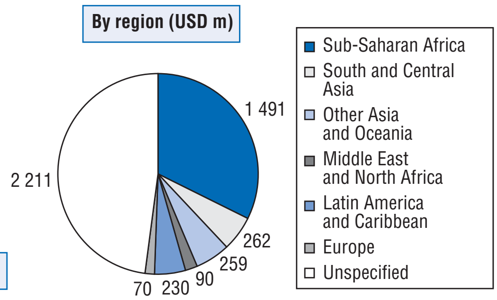
Gross bilateral ODA, 2006-07 average, unless otherwise shown

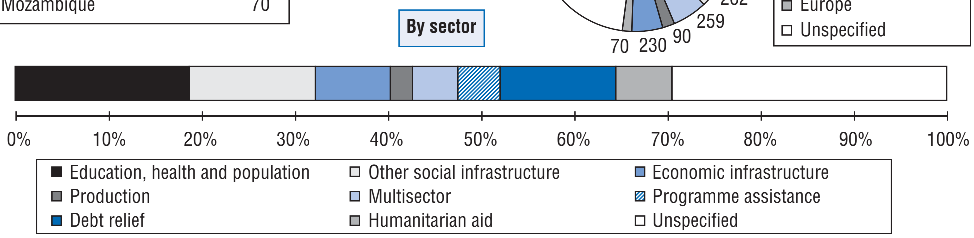
Net ODA	2006	2007	Change 2006/07
Current (USD m)	5 452	6 224	14.2%
Constant (2006 USD m)	5 452	5 629	3.2%
In euro (million)	4 343	4 547	4.7%
ODA/GNI	0.81%	0.81%	
Bilateral share	79%	75%	

Top ten recipients of gross ODA (USD million)

1 Nigeria	303
2 Sudan	149
3 Indonesia	138
4 Tanzania	121
5 Ghana	120
6 Afghanistan	88
7 Bangladesh	83
8 Suriname	79
9 Uganda	76
10 Mozambique	70

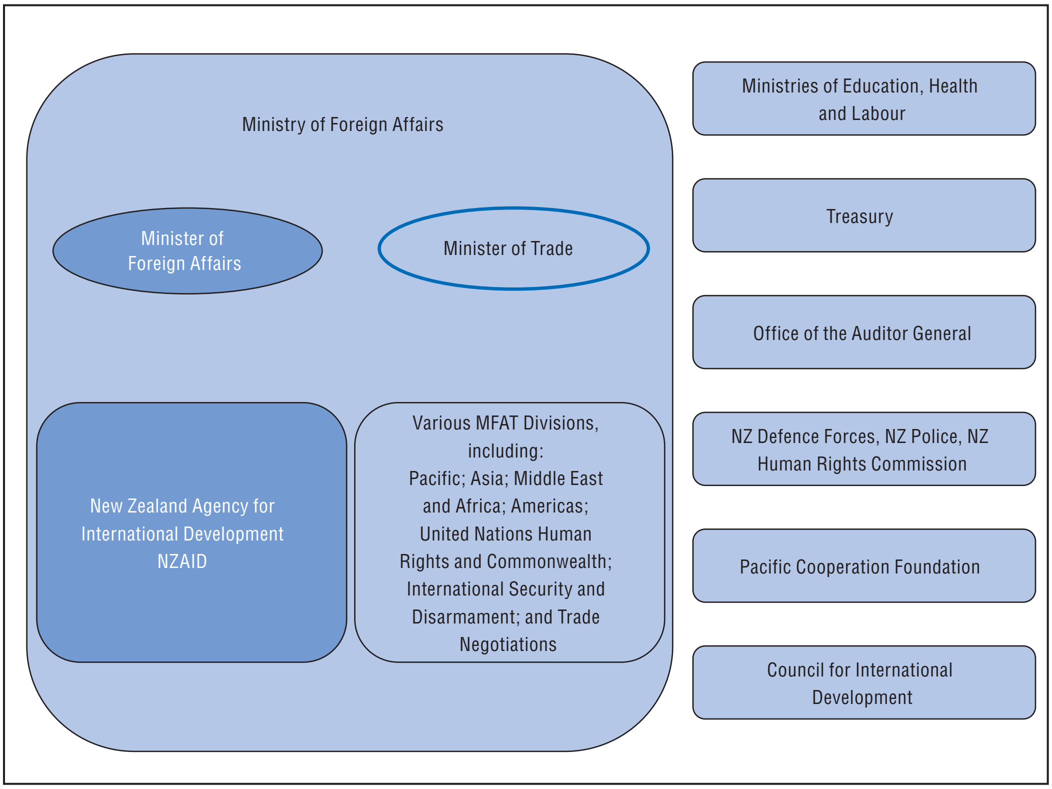






New Zealand

Objective:	To eliminate poverty in developing countries through working with partners to achieve sustainable and equitable development for those most in need.
Legislation:	
Overall policy statement:	*Towards a Safe and Just World Free of Poverty (2002).*
Other general policy statements:	*NZAID Five-Year Strategy (2004/5 – 2009/10).* *Statement of Intent 2008-2011.*
Inter-ministerial Co-ordination structures:	NZ Cabinet External Relations Committee. Parliamentary Group on Population and Development.
Priority partner countries:	**Major Bilateral Partners:** Indonesia, Papua New Guinea, Solomon Islands and Vanuatu. **Bilateral Partners:** Cambodia, Fiji, Kiribati, Lao PDR, Philippines, Samoa, Timor-Leste, Tonga, Tuvalu and Viet Nam. **Constitutional Relationships:** Cook Islands, Niue and Tokelau.
Main sectors/themes:	Education, environment, gender equality, economic growth and livelihoods, health, human rights, humanitarian and emergency assistance, leadership and governance, peace building and conflict prevention, trade and development.
Ministerial advisory bodies:	



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

New Zealand's development co-operation budget is a separate Vote for Official Development Assistance. The majority of funds (92% for the financial year 2007/08) are managed by the New Zealand Agency for International Development (NZAID), which is a semi-autonomous body within the Ministry of Foreign Affairs and Trade.

The development co-operation budget is approved once a year, but it is based on a three-year funding envelope as provided in the Statement of Intent. The statement provides information about the overall planning framework over 3-5 years as well as the projected annual funding levels**.** The annual budget (Estimates' document) is presented to parliament in May and adopted before the beginning of the fiscal year, which starts on 1 July.

Aid Targets

New Zealand has confirmed its commitment to reach an ODA level of NZD 600 million in 2010/11.

Planning at operational level

The annual budget is detailed by country programme and is presented on the NZAID website.

At the operational level planning takes place through country strategies. These set out the direction to NZAID's assistance to each country over a multi-year period. They are complemented by implementation plans that detail NZAID's activity in each country.

NZAID's programmes are focused on the Pacific and South East Asia region: NZAID operates eighteen core bilateral programmes, of which eight have been targeted for the majority of growth in future (these are Viet Nam, Indonesia, Solomon Islands, Vanuatu, Papua New Guinea, Fiji, Tokelau and Niue).

Availability of forward information

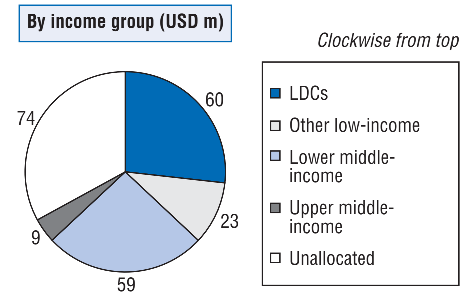
- Information on the overall budget for development co-operation for the fiscal year starting in July is available in May following the delivery of the Budget Speech.
- Overall multi-year financial plans are available in the Statement of Intent and the Estimates.

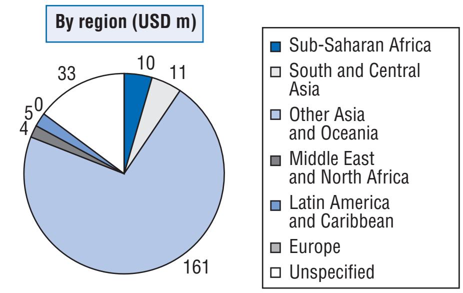
NEW ZEALAND

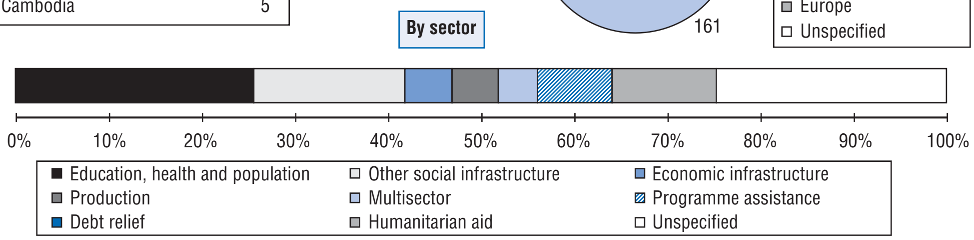
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	259	320	23.6%
Constant (2006 USD m)	259	272	5.1%
In NZL dollars (million)	399	435	9.2%
ODA/GNI	0.27%	0.27%	
Bilateral share	78%	77%	

Top ten recipients of gross ODA (USD million)	
1 Solomon Islands	18
2 Papua New Guinea	13
3 Indonesia	11
4 Niue	10
5 Tokelau	10
6 Tonga	9
7 Vanuatu	7
8 Samoa	7
9 Cook Islands	5
10 Cambodia	5

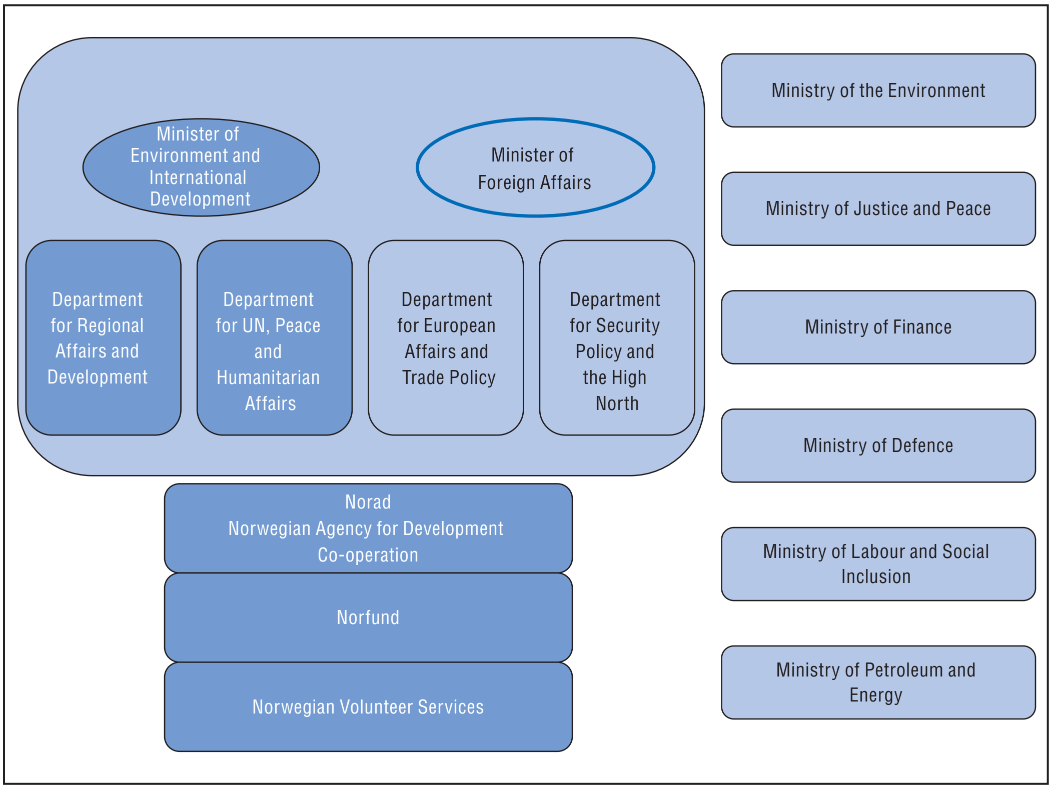






Norway

Objective:	To contribute to the fight against poverty, and thereby contribute to achieving the MDGs.
Legislation:	
Overall policy statement:	*Fighting Poverty Together: A Comprehensive Development Policy. Report No. 35 (2003-2004) to the Storting.*
Other general policy statements:	*Fighting Poverty: The Norwegian Government's Action Plan for Combating Poverty in the South towards 2015 (2002).*
Inter-ministerial co-ordination structures:	Committee of State Secretaries (*ad hoc*)
Priority partner countries:	**Africa, South of Sahara:** Malawi, Mozambique, Tanzania, Uganda and Zambia. **South and Central Asia:** Bangladesh and Nepal.
Main sectors/themes:	Climate change and sustainable environment; peace building, human rights and humanitarian aid; women's rights and gender equality; petroleum development and clean energy; good governance and the fight against corruption.
Ministerial advisory bodies:	



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The development co-operation budget is submitted to the Storting (parliament) once a year as part of the budget of the Ministry of Foreign Affairs. The budget proposal, which specifies the policy priorities of the government, is presented in October and approved not later than 20 November before the beginning of the fiscal year on 1 January. The Storting appropriates budgets for one year at a time, but has information on multi-year budgetary consequences. Once voted the Ministry of Foreign Affairs' financial allocation is translated into operational budgets at country level.

Aid Targets

Norway has set a goal to reach 1% of ODA/GNI for the parliamentary period 2005-2009.

Planning at operational level

The programming document that officially formalises Norway's co-operation with its development partners is the Memorandum of Understanding, negotiated by Ministry of Foreign Affairs and embassy staff. The memorandum specifies the objectives and principles of Norway's assistance to a given country, including sector focus.

Since 2005 Norway has entered into multi-year development co-operation agreements with selected partner governments and organisations. The agreements specify aid allocations for up to five years. They do not cover all partner countries.

Availability of forward information

- Information on the next fiscal (calendar) year's development co-operation budget is available in October. For some countries tentative projections on aid levels beyond this are given in bilateral Memoranda of Understanding.

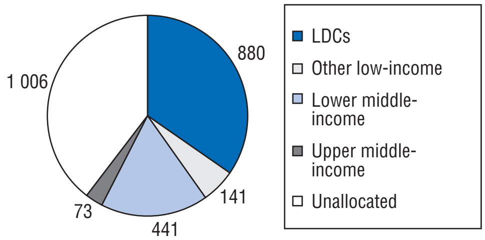
NORWAY

Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	2 954	3 728	26.2%
Constant (2006 USD m)	2 954	3 350	13.4%
In norwegian kroner (million)	18 950	21 840	15.3%
ODA/GNI	0.89%	0.95%	
Bilateral share	74%	77%	

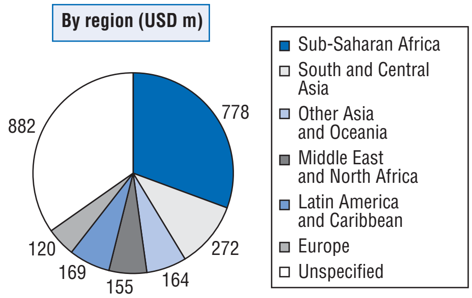
By income group (USD m)

Clockwise from top

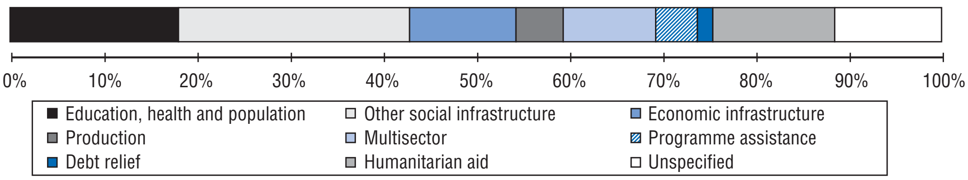


Top ten recipients of gross ODA (USD million)	
1 Sudan	113
2 Palestinian Adm. Areas	97
3 Tanzania	95
4 Afghanistan	82
5 Mozambique	72
6 Zambia	70
7 Uganda	60
8 Malawi	53
9 Peru	48
10 Philippines	42

By region (USD m)

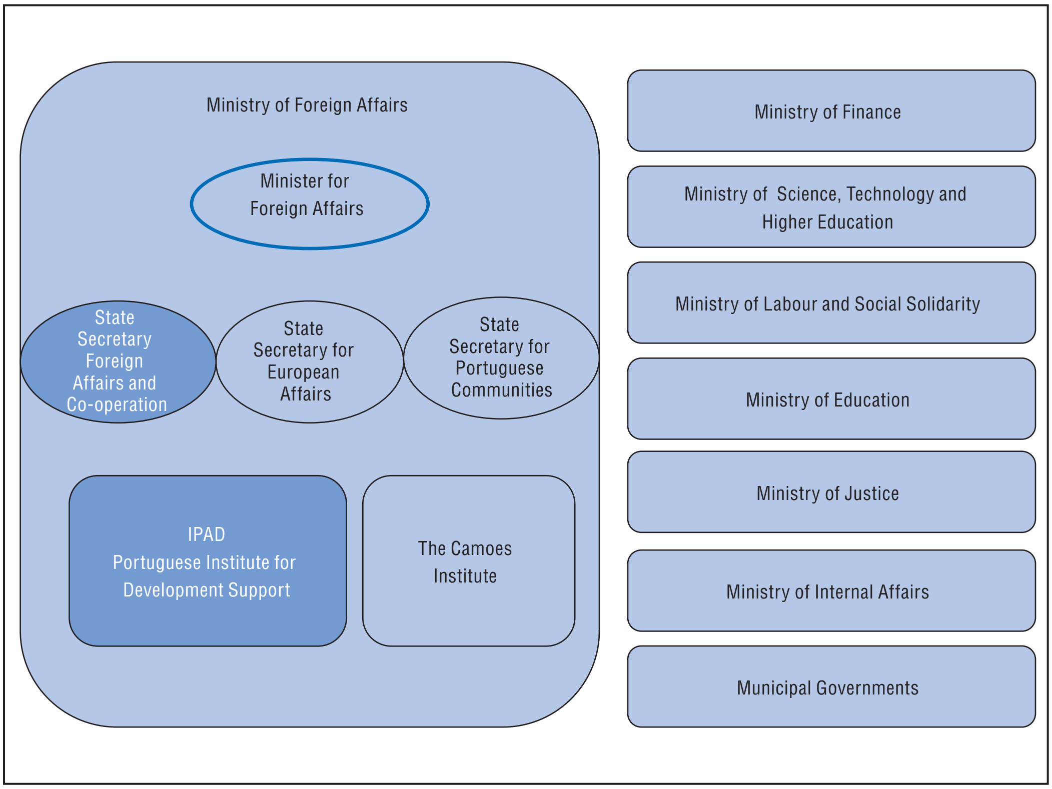


By sector



Portugal

Objective:	To contribute, to a better and more stable world characterised by economic and social development. To help strengthen peace, democracy, human rights and the rule of law.
Legislation:	*Decree Law 5/2003 13th January.*
Overall policy statement:	*A strategic vision for Portuguese co-operation (2005).*
Other general policy statements:	
Inter-ministerial co-ordination structures:	Council of Ministers for Development Co-operation. Inter-ministerial Commission for Co-operation.
Priority partner countries:	**Africa, South of Sahara**: Angola, Cape Verde, Guinea Bissau, Mozambique, Sao Tomé and Principe. **South and Central Asia**: Timor-Leste.
Main sectors/themes:	Good governance, participation and democracy; sustainable development and the fight against poverty (including education, health, rural development, protecting the environment and the sustainable management of natural resources); and development education.
Ministerial advisory bodies:	



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Portugal has a highly decentralised aid programme spread over different ministries plus universities, other public institutions and municipal governments. The bulk of ODA is administered by the Ministry of Foreign Affairs, the Ministry of Finance and the Ministry of Science, Technology and Higher Education (scholarships and imputed students' costs). The Portuguese Institute for Development Assistance (IPAD) – as part of the MFA – is responsible for co-ordination.

The parliament approves the integrated budget for development co-operation on a yearly basis.

Aid Targets

As an EU-15 member, Portugal is committed to raise its ODA/GNI ratio to 0.51% by 2010.

Planning at operational level

The country programming process is managed by IPAD. The main programming instrument is the Indicative Co-operation Programme (PIC) which identifies multi-annual financial envelops in accordance with the period during which the PRSPs are in effect (three or four years). These programmes, drafted by IPAD in collaboration with the Embassy staff, are agreed with partner countries and aligned with their priorities. The programmes are binding for the line ministries and provide guidance for other public entities.

Availability of forward information

- The Indicative Co-operation Programmes provide multi-annual financial envelopes for aid to Portugal's six priority countries.
- The exact financial allocations are subject to annual approval in the budgetary process.
- In the 2009 State Budget, an innovative PO05 Budgetary Programme for Development Co-operation has been introduced as part of a pilot programme aiming to focus more on results instead of resources. This new budgetary programme has clearly defined and monitored goals and is of a multi-annual nature.

PORTUGAL

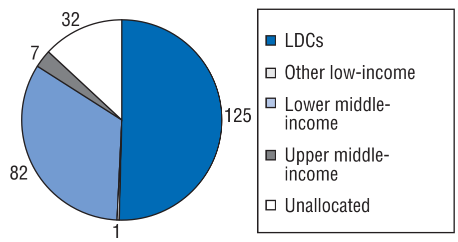
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	396	471	18.7%
Constant (2006 USD m)	396	420	5.9%
In euro (million)	316	344	8.9%
ODA/GNI	0.21%	0.22%	
Bilateral share	53%	57%	

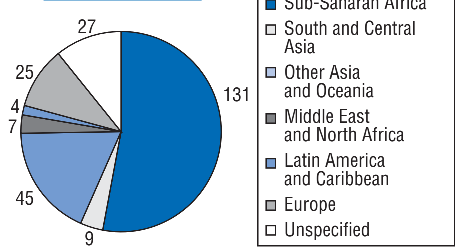
Top ten recipients of gross ODA (USD million)	
1 Cape Verde	52
2 Timor-Leste	43
3 Mozambique	22
4 Angola	20
5 Guinea-Bissau	15
6 Serbia	14
7 Sao Tome & Principe	12
8 Bosnia and Herzegovina	9
9 Afghanistan	8
10 Lebanon	6

By income group (USD m)

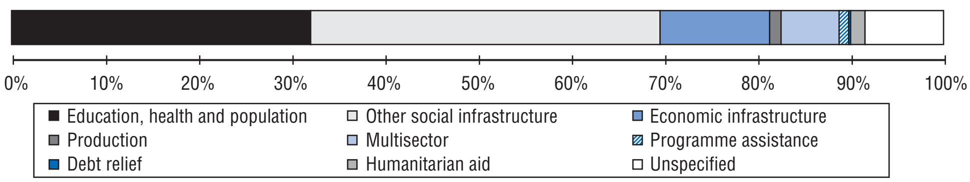
Clockwise from top



By region (USD m)

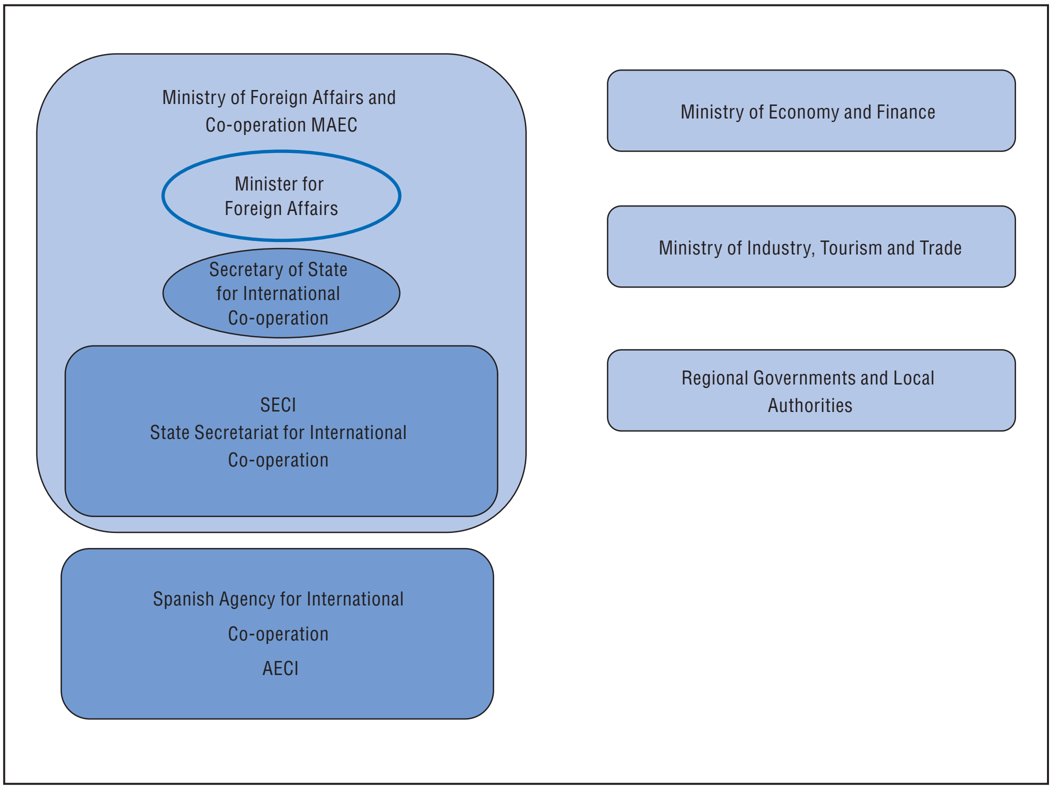


By sector



Spain

Objective:	To promote human, social and economic development in order to eliminate poverty.
Legislation:	*Law on International Co-operation in Development Matters (1998).*
Overall policy statement:	
Other general policy statements:	*Four-year Master Plan (2005-2008).*
Inter-ministerial coordination structures:	The Inter-ministerial Commission for International Co-operation. The Inter-territorial Development Co-operation Commission.
Priority partner countries:	**Africa, North of Sahara:** Algeria, Morocco and Tunisia. **Africa, South of Sahara**: Angola, Cape Verde, Mauritania, Mozambique, Namibia and Senegal. **South and Central America:** Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Paraguay and Peru. **Middle East:** Palestinian administered areas. **Far East Asia:** Philippines and Viet Nam.
Main sectors/themes:	Basic social services, democratic governance, citizen participation and institutional development, private sector support, environment, culture, gender, conflict prevention and peace building.
Ministerial advisory bodies:	The Development Co-operation Council.



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Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

Within the General State Administration, three ministries mainly manage ODA. The Ministry of Foreign Affairs and Co-operation is responsible for development policy. It oversees the Spanish International Co-operation Agency (AECI) and administers contributions to non-financial international organisations. The Ministry of Economy and Finance is responsible for international and national financial institutions and the Ministry of Industry, Tourism and Trade is responsible for managing Spain's development assistance loans. An important share of Spanish ODA is provided by regional governments and local authorities in the 17 autonomous regions, some of which have their own aid agencies. There are three co-ordination bodies: the Inter-Territorial Development Co-operation Commission, the Inter-ministerial Commission for International Co-operation, and the Development Co-operation Council.

The ministries and their related bodies obtain their annual allocations in the general state budget, which is usually presented to the parliament in October, at latest, for approval at the end of December. The budget proposal includes a three-year income and expenditure scenario.

Aid Targets

The government has committed to reach an ODA/GNI ratio of 0.5% by 2008, and 0.7% by 2012.

Planning at operational level

Planning tools include the Master Plan, the Yearly International Co-operation Plan (PACI), policy/sector strategy papers and country strategy papers. The Master Plan is a 4-year indicative plan that sets the general guidelines for strategy and aid allocations. The PACI develops the strategic goals and intervention criteria of the Master Plan and specifies the horizontal, sectoral and geographic priorities as well as the intervention channels. Currently there are 22 priority recipients. Final versions of the country strategies are presented in the parliament once they have been reviewed by co-ordinating bodies. Once the strategic planning process is completed, AECI prepares annual operational plans and determines projects, programmes and their estimated budgets in Joint Commissions with recipient countries.

Within the legal framework of the new Law 28/2006, AECI has greater autonomy in the planning and allocation of resources. The regulatory framework sets out a 4-year management agreement between AECI and the public administration which includes a multi-annual results-based budget.

Availability of forward information

- In October, information on the budget for the following fiscal year becomes publicly available.
- The planning documents contain only minimal budget information.
- A system of multi-annual financial envelopes will be implemented over the period 2007-2009.

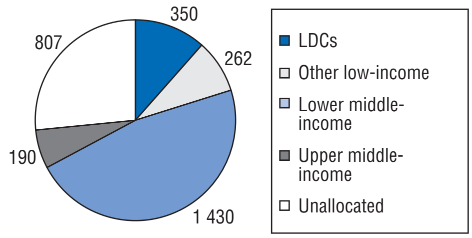
SPAIN

Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	3 814	5 140	34.8%
Constant (2006 USD m)	3 814	4 566	19.7%
In euro (million)	3 038	3 755	23.6%
ODA/GNI	0.32%	0.37%	
Bilateral share	55%	65%	

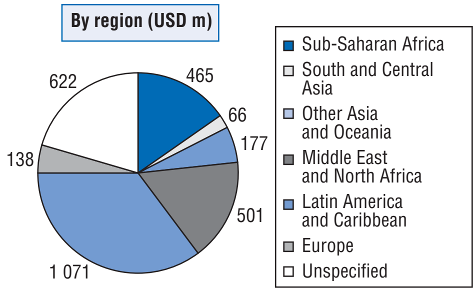
By income group (USD m)

Clockwise from top

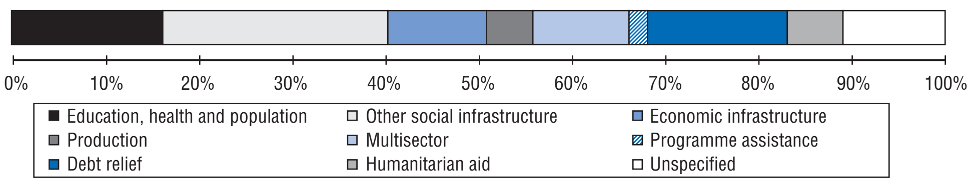


Top ten recipients of gross ODA (USD million)	
1 Guatemala	239
2 Peru	107
3 Morocco	100
4 Iraq	100
5 Algeria	98
6 China	81
7 Honduras	80
8 Nicaragua	77
9 Turkey	75
10 Colombia	71

By region (USD m)

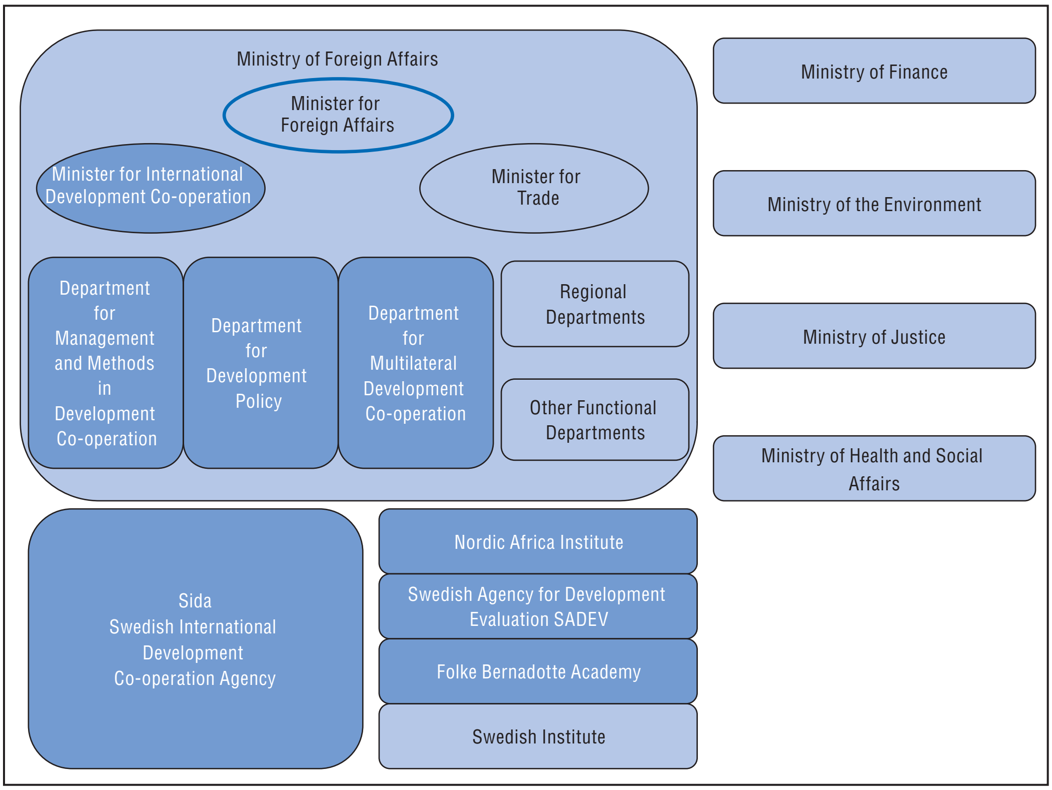


By sector



Sweden

Objective:	The goal of the Swedish policy for global development is to contribute to equitable and sustainable global development. A rights perspective permeates the policy, which means that the measures taken towards equitable and sustainable development are compatible with respect for human rights. The policy is also based on the perspective of the poor, which means that poor people's needs, interests, capacity and conditions should be a point of departure in efforts to achieve equitable and sustainable development, contributing to an environment supportive of poor people's own efforts to improve their quality of life.
Legislation:	
Overall policy statement:	*Policy on Global Development (2003).* *Government Communication on Policy on Global Development (2008).*
Other general policy statements:	*The Budget Bill 2008*
Inter-ministerial co-ordination structures:	
Priority partner countries:	**Europe**: Albania, Bosnia and Herzegovina, Georgia, Kosovo, Macedonia FYR, Moldova, Serbia, Turkey and Ukraine. **Africa, South of Sahara:** Burkina Faso, Burundi, DR Congo, Ethiopia, Kenya, Liberia, Mali, Mozambique, Rwanda, Somalia, Sierra Leone, Sudan, Tanzania, Uganda and Zambia. **South and Central America:** Bolivia, Colombia and Guatemala. **Middle East:** Iraq and Palestinian administered areas. **South and Central Asia:** Afghanistan and Bangladesh. **Far East Asia:** Cambodia and Timor-Leste.
Main sectors/themes:	Democracy and human rights, environment and climate, gender equality and the role of women in development.
Ministerial advisory bodies:	Swedish Development Policy Council.



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The consolidated annual development co-operation budget is included in the Government's budget bill (International development co-operation policy area 8: expenditure areas 7 International Development Co-operation, and 49 Reform Cooperation in Eastern Europe) submitted to the Riksdagen (parliament) in September. The budget bill is approved at the latest in December. The budget bill also includes an indicative 3-year budget framework for development co-operation as well as authorisation for multi-annual commitments.

Aid Targets

The announced ODA level for the period 2008-10 is 1% ODA/GNI.

Planning at operational level

Once the budget bill is approved, the Government gives "appropriation directives" to the spending authorities in terms of objectives, expected results and financial conditions for the operations. Bilateral development co-operation appropriations are primarily managed by Sida and multilateral appropriations by the Ministry for Foreign Affairs.

Bilateral co-operation is governed by multi-year country strategies prepared for Sweden's 33 partner countries. Since the country focus process carried out in 2007, bilateral assistance is organised around the following categories of development cooperation: Long term development; Conflict and post conflict situations; Reform cooperation in Eastern Europe; Alternative cooperation to promote democracy and human rights; Selective cooperation including other actors, Thus, bilateral co-operation with some previous partner countries is presently being phased out.

The annual country plans lay out the financial allocations for the year and planning figures for the next 2 years. The country plan is discussed with the partner country on a yearly basis.

Availability of forward information

- A given year's budget for development co-operation is available in the Government's budget bill proposal submitted during September of the previous year.
- Multi-year financial plans are available in the country strategies and in the annual country plans. The latter include indicative planning figures for three years.

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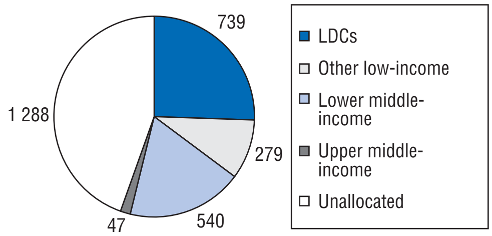
SWEDEN

Gross bilateral ODA, 2006-07 average, unless otherwise shown

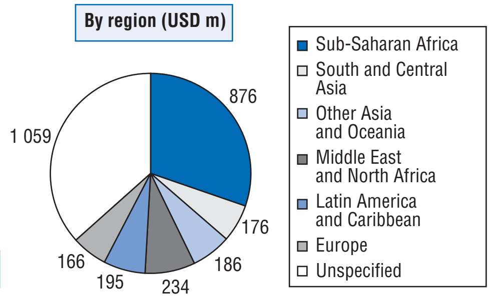
Net ODA	2006	2007	Change 2006/07
Current (USD m)	3 955	4 339	9.7%
Constant (2006 USD m)	3 955	3 857	-2.5%
In swedish kronor (million)	29 161	29 320	0.5%
ODA/GNI	1.02%	0.93%	
Bilateral share	72%	68%	

Top ten recipients of gross ODA (USD million)	
1 Iraq	148
2 Tanzania	110
3 Mozambique	98
4 Uganda	60
5 Sudan	58
6 Palestinian Adm. Areas	53
7 Afghanistan	51
8 Zambia	51
9 Kenya	49
10 Viet Nam	45

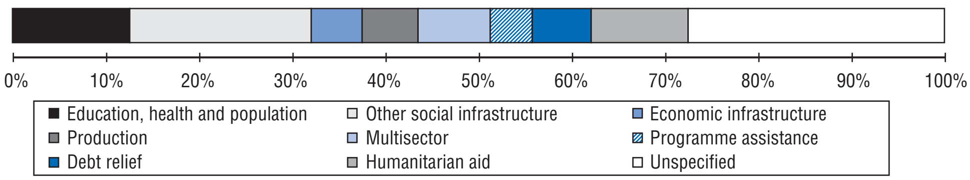
By income group (USD m)



By region (USD m)

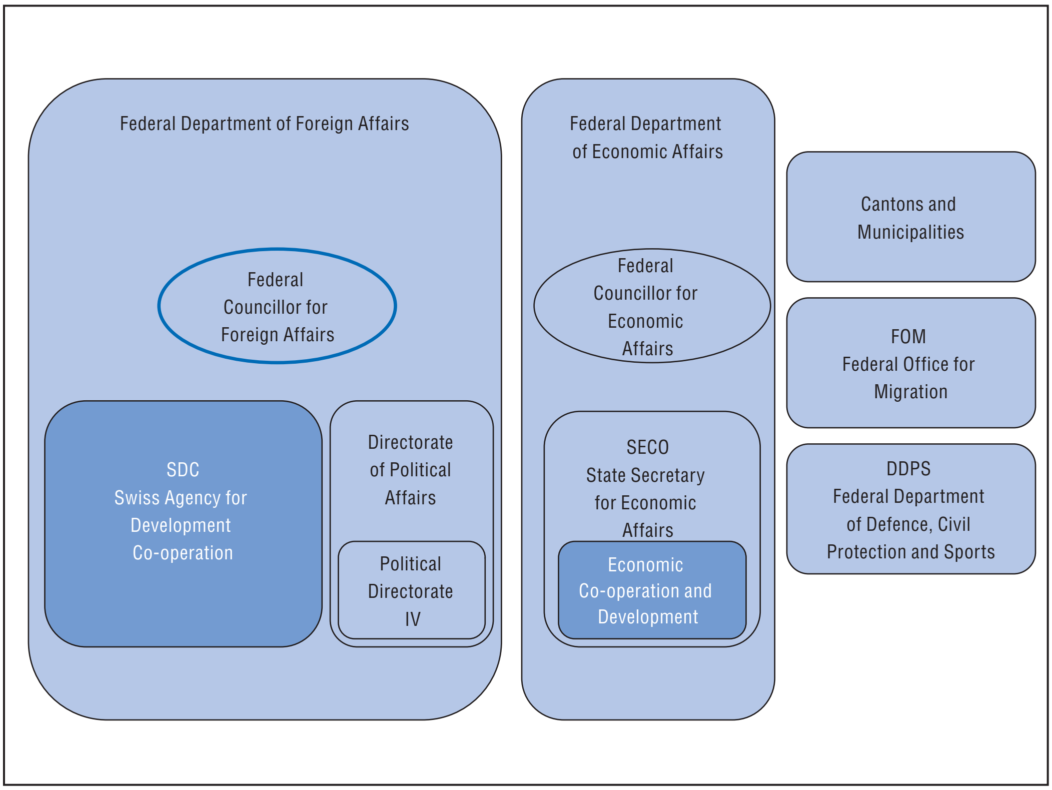


By sector



Switzerland

Objective:	To help developing countries improve the living conditions of their populations and enable these countries to play an active role in their own development.
Legislation:	*The Federal Act on International Development Co-operation and Humanitarian Aid (1976).* *Federal Act on co-operation with Eastern Europe (2006).*
Overall policy statement:	*Joint Strategy 2008*
Other general policy statements:	*Bill for Humanitarian Aid (2007).* *Bill for Co-operation with the East (2007).* *Bill on the continuation of Technical Co-operation and Financial assistance for developing countries (2008).* *Bill for Trade Policy and Commercial Measures within Development Co-operation (2008).* *Joint SDC/SECO Statement on the Paris Declaration (2005).*
Inter-ministerial co-ordination structures:	Interdepartmental Committee on Development and Cooperation (IKEZ) and various other bodies.
Priority partner countries:	**SDC: Europe**: Albania, Bosnia and Herzegovina, Kosovo, Macedonia FYR, Serbia and Ukraine. **Africa, South of Sahara:** Benin, Burkina Faso, Chad, Mali, Mozambique, Niger and Tanzania. **South and Central America:** Bolivia and Nicaragua/Central America. **South and Central Asia:** Armenia, Azerbaijan, Bangladesh, Georgia, Kyrgyz Republic, Nepal, Tajikistan and Uzbekistan. **Asia:** Viet Nam/Mekong. **SECO: Europe:** Albania, Bosnia and Herzegovina, Macedonia FYR; Serbia and Ukraine. **Africa:** Egypt, Ghana and South Africa. **South and Central America:** Colombia and Peru. **South and Central Asia:**, Azerbaijan, Kyrgyz Republic and Tajikistan. **Far East Asia:** Indonesia and Viet Nam.
Main sectors/themes:	**SDC**: Health, education, water, agriculture/rural development, environment, employment and the economy, rule of law/democracy, conflict prevention and transformation, migration, governance and food security. **SECO**: Macroeconomic support, private sector development, trade promotion and infrastructure financing.
Ministerial advisory bodies:	Consultative Commission of the Federal Council on International Cooperation.



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Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The objectives of Swiss international co-operation are defined by parliament on the basis of dispatches (messages) submitted by the Federal Council. The messages specify priorities in terms of the geographic and thematic breakdown of assistance, as well as the respective shares of bilateral and multilateral co-operation. The funds allocated to international co-operation take the form of framework credits' that extend over four or five years. These credits cover various kinds of measures: technical and financial co-operation, economic and commercial policy measures and international humanitarian aid. Payment allocations flowing from these framework credits are approved annually in the budget of the Confederation. The budget is submitted to parliament in the fall session and is voted on before the beginning of the fiscal year on 1 January.

Aid Targets

The Federal Council has confirmed its intention to bring ODA up to 0.4% of ODA/GNI by 2010 at the latest. The Swiss parliament is currently debating a higher target. Probably a decision will be taken in 2009.

Planning at operational level

The Swiss Agency for Development and Co-operation (SDC), within the Federal Department of Foreign Affairs (DFAE), and the Economic Co-operation and Development Office of the State Secretariat for Economic Affairs (SECO), under the Federal Department of Economic Affairs (DFE), are jointly responsible for implementing development policy. The SDC handles development co-operation and humanitarian aid, while the SECO is responsible for economic and trade policy measures. The SDC administers around 65% of ODA, SECO 10% and the rest is spent by other federal and cantonal offices.

In co-operation with the co-ordination offices, the central services of the SDC and the SECO draw up multi-year co-operation programmes for priority countries or regions. Country programmes are prepared on the basis of consultation with the principal Swiss partners. These programmes constitute the required frame of reference for all Swiss co-operation activities (strategic and sectoral/thematic guidelines, aid management procedures) and provide medium-term financial planning data for Swiss co-operation (SDC and SECO).

Availability of forward information

- The global indicative multi-year envelopes are available within the framework credits. Country-specific information can be found in the country programmes that are prepared about every five years, and are revised in the annual programmes for priority countries.
- The annual budget is based on the framework credits and the country programmes. Country allocations depend on the budget envelope for development assistance.
- The annual co-operation budget is presented to parliament each year in the fall session and approved in December.

SWITZERLAND

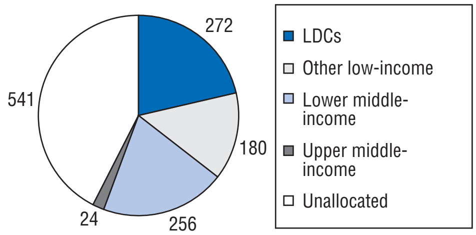
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	1 646	1 689	2.6%
Constant (2006 USD m)	1 646	1 605	-2.5%
In swiss francs (million)	2 063	2 027	-1.8%
ODA/GNI	0.39%	0.37%	
Bilateral share	76%	75%	

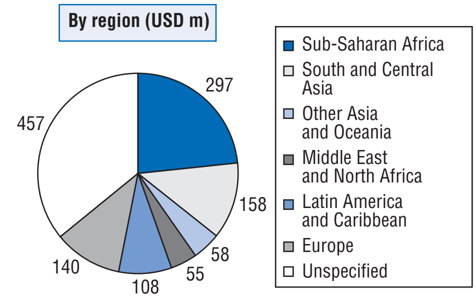
Top ten recipients of gross ODA (USD million)	
1 Serbia	73
2 Nigeria	26
3 Tanzania	25
4 Mozambique	23
5 Burkina Faso	21
6 Palestinian Adm. Areas	20
7 Viet Nam	19
8 India	19
9 Afghanistan	19
10 Bosnia and Herzegovina	18

By income group (USD m)

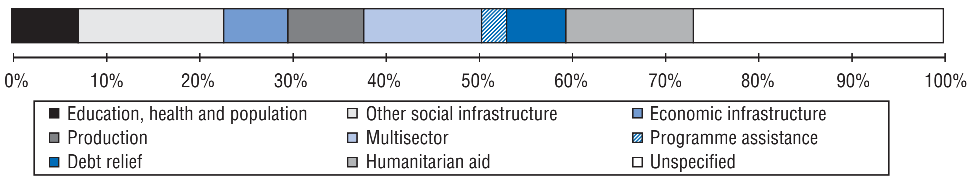
Clockwise from top



By region (USD m)

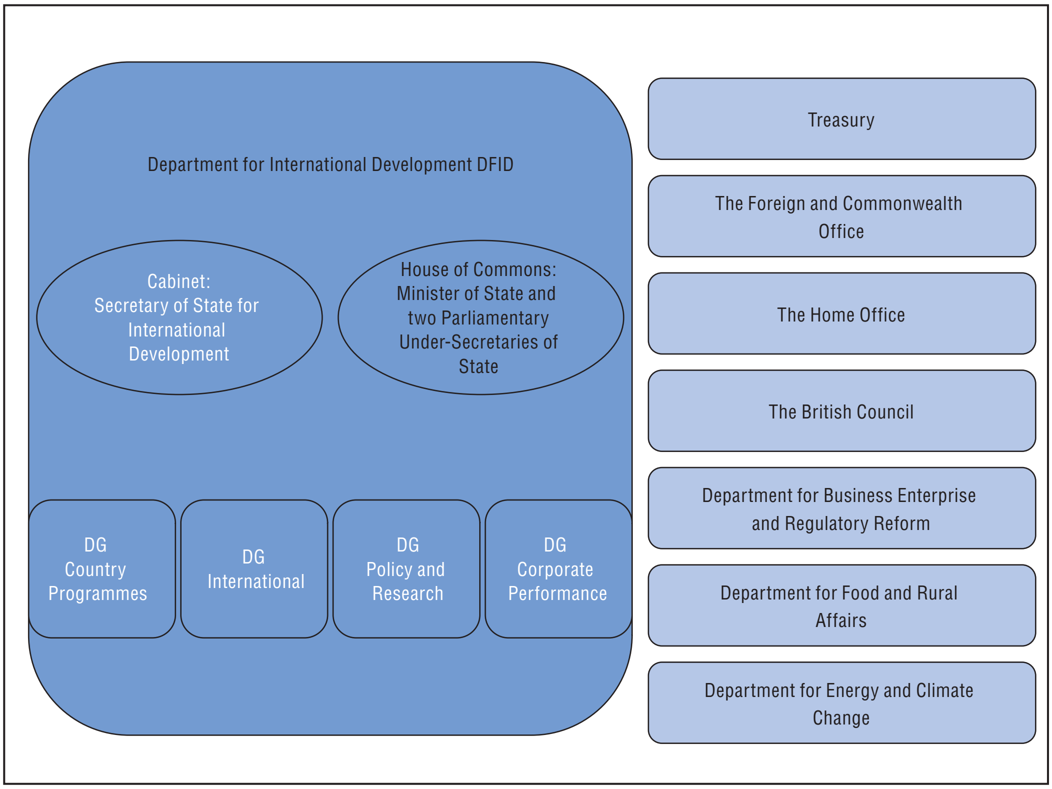


By sector



United Kingdom

Objective:	To eliminate poverty in poor countries, in particular through achievement by 2015 of the Millennium Development Goals.
Legislation:	*International Development Act (2002).*
Overall policy statement:	*Eliminating World Poverty: A Challenge for the 21st Century (1997).* *Eliminating World Poverty: Making Globalisation Work for the Poor (2000).* *Eliminating World Poverty: making governance work for the poor (2006).* *DFID Public Service Agreement 2005-2008.*
Other general policy statements:	
Inter-ministerial co-ordination structures:	
Priority partner countries:	**Africa, South of Sahara:** Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. **Middle East:** Yemen. **South and Central Asia:** Afghanistan, Bangladesh, India, Nepal and Pakistan. **Far East Asia:** Cambodia and Viet Nam
Main sectors/themes:	Growth through increasing trade, conflict prevention and resolution, tackling climate change and international institutional reform to deliver more and better aid.
Ministerial advisory bodies:	



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

The UK has an annual development co-operation budget with a financial year running from April to March. The Chancellor of the Exchequer usually presents the budget in March for parliamentary approval before the beginning of the financial year. Forward planning is based on the Treasury's Spending Reviews and the Public Service Agreements (PSA). The former defines the limits for government departments' expenditures and the latter the key results of the expenditure, over a period of three years.

Spending Reviews are usually carried out every third year, and a Comprehensive Spending Review every ten years.

Aid Targets

The announced ODA level for FY 2010-2011 is 0.56 % of ODA/GNI. The Government has expressed its wish to continue to increase UK ODA and achieve a level of 0.7 % of ODA/GNI by 2013.

Planning at operational level

The Public Service Agreement for International Poverty Reduction 2008-2009 to 2010-2011 specifies the UK contribution towards the achievement of the MDGs. The Agreement is led by DFID, supported by the Department for Environment, Food and Rural Affairs, the Foreign and Commonwealth Office and the Ministry of Defence, and covers all of DFID's operations. It is translated into DFID's corporate planning framework, which is reviewed annually by the DFID Management Board. The corporate plan is in turn translated into Divisional Performance Frameworks and 3- to 5-year Country Assistance Plans and Regional Assistance Plans, which specify country-level allocations. Financing and programming decisions are taken by the Head of Office in the recipient country.

For countries supported through a bilateral programme, DFID uses a resource allocation model based on population, GNI per capita and Country Policy Institutional Analysis scores. Resource allocations are reviewed annually and there is some flexibility for changing allocations within the overall three-year expenditure framework. DFID can make longer-term arrangements with countries committed to poverty reduction and good governance, and has already signed ten-year Development Partnership Arrangements with Afghanistan, Mozambique, Pakistan, Rwanda, Sierra Leone, and Yemen.

Availability of forward information

- Next year's overall budget for development co-operation is available usually in March, when the Chancellor of the Exchequer presents the budget.
- Forward information of the budget framework over the medium term is contained in the Spending Reviews.
- Forward information on planned annual expenditures in the UK partner countries is published in DFID's Departmental Report and in the Country Assistance Plans, Regional Assistance Plans and Directors' Delivery Plans.

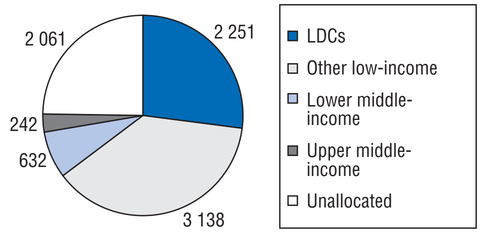
UNITED KINGDOM

Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	12 459	9 849	-21.0%
Constant (2006 USD m)	12 459	8 774	-29.6%
In pounds sterling (million)	6 770	4 921	-27.3%
ODA/GNI	0.51%	0.36%	
Bilateral share	70%	57%	

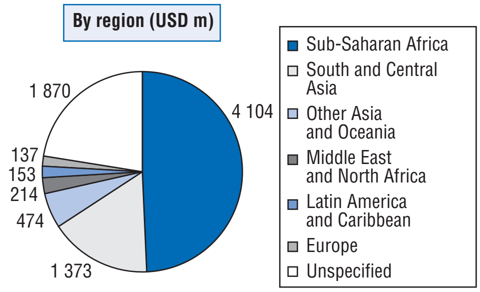
By income group (USD m)

Clockwise from top

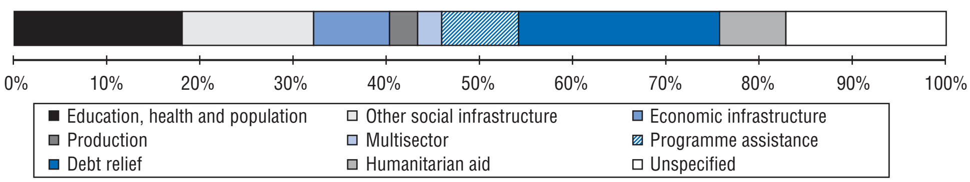


Top ten recipients of gross ODA (USD million)	
1 Nigeria	1 773
2 India	538
3 Afghanistan	258
4 Ethiopia	228
5 Tanzania	225
6 Pakistan	214
7 Bangladesh	213
8 Sudan	211
9 Uganda	191
10 Ghana	161

By region (USD m)

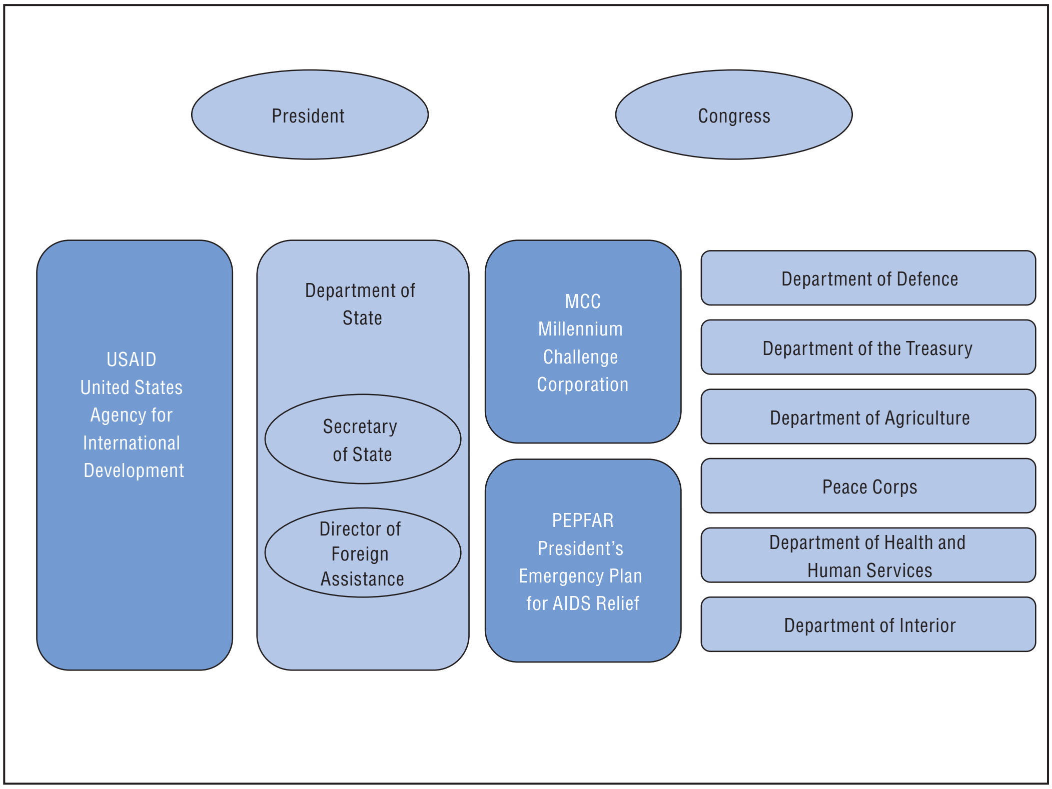


By sector



United States

Objective:	
Legislation:	*Foreign Assistance Act (1961 amended).*
Overall policy statement:	*US Department of State and US Agency for International Development, Transformational Diplomacy, Strategic Plan: Fiscal Years 2007-2012.*
Other general policy statements:	*Foreign Assistance in the National Interest: Promoting Freedom, Security and Opportunity (2003).* *Policy Framework for Bilateral Foreign Aid (2006).* *National Security Strategy (2006).* *Foreign Assistance Framework (2007).*
Inter-ministerial co-ordination structures:	The National Security Council for on-going, general inter-agency co-ordination, and the Policy Co-ordination Committee on Development headed by the Director of Foreign Assistance.
Priority partner countries:	No priority countries.
Main sectors/themes:	Agriculture, conflict management, democracy and governance, economic growth and trade, education, environment and population, health and nutrition.
Ministerial advisory bodies:	Advisory Committee on Voluntary Foreign Aid (ACVFA).



Practices on Forward Planning of Aid Expenditure

Overall budget framework for development co-operation

A large number of agencies manage development co-operation funds. USAID is the largest institution (administering about 40% of US total bilateral ODA), followed by the State Department (including the Office of the Global AIDS Coordinator, which administers the President's Emergency Plan for AIDS Relief), the Department of Defence, the Millennium Challenge Corporation (MCC) and the Department of Agriculture. Relatively small amounts are managed by some 20 other agencies. The development co-operation budget, covering all agencies, is presented in a single document "*The Budget of the United States Government*". It is built up from individual agency requests and is reviewed and modified by the President. All budget request documents include ODA as well as non-ODA expenditures and some include information about allocations at country level where applicable. The US fiscal year runs from October to September. In early February, the President submits the budget request of the United States Government to Congress for enactment and appropriation, which is then voted during the summer. Development co-operation funds are requested and appropriated in the form of different accounts, often with their own distinct purposes and management and reporting requirements.

Aid Targets

The United States does not have an ODA/GNI target.

Planning at operational level

Each government agency has its individual approach, which ranges from single-year planning and reporting systems to multi-year compacts (in the case of the MCC) with an agreed disbursement schedule, based on performance. For USAID and State Department annual operational plans are prepared in response to Congressional appropriations, These provide a detailed overview of all the resources available for implementation in-country.

There is no list of priority countries shared by all agencies. The government's *foreign assistance framework* organises and prioritises strategic and budgetary planning for the State Department and USAID among various categories of countries and global interests. The MCC has a transparent, empirical rating of countries, grouped by income, carried out annually. Countries meeting the criteria are eligible for the development of multi-year compacts.

Availability of forward information

- For all agencies under the Foreign Assistance Act of 1961 (except MCC), a given year's development co-operation budget request, including information on country allocations, is available in February.
- Until recently, forward information at country-level has been available for ODA managed by USAID (Strategic Objective Grant Agreements).
- Multi-year funding and disbursement schedules are included in the MCC compacts with partner countries.

UNITED STATES

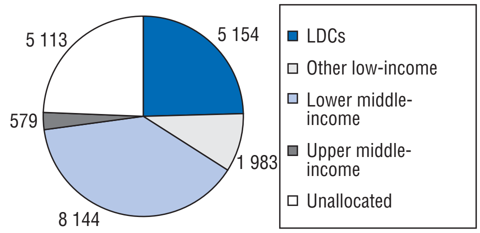
Gross bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	23 532	21 787	-7.4%
Constant (2006 USD m)	23 532	21 231	-9.8%
ODA/GNI	0.18%	0.16%	
Bilateral share	90%	87%	

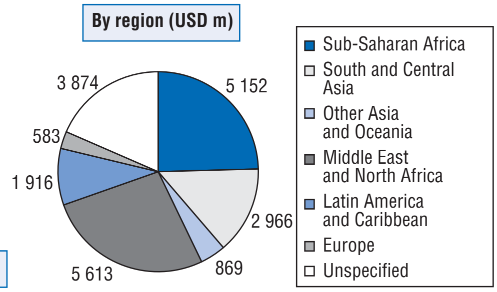
Top ten recipients of gross ODA (USD million)	
1 Iraq	4 266
2 Afghanistan	1 459
3 Sudan	725
4 Colombia	562
5 Egypt	541
6 Nigeria	514
7 Congo, Dem. Rep.	486
8 Pakistan	465
9 Ethiopia	344
10 Kenya	304

By income group (USD m)

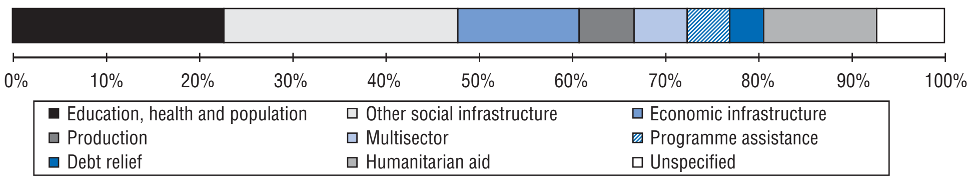
Clockwise from top



By region (USD m)



By sector



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Managing Aid
Practices of DAC Member Countries

ANNEX B

OECD DAC Statistics: A Brief Introduction

As part of its core task of monitoring its members' aid efforts, the Development Assistance Committee has mandated its Secretariat in the OECD's Development Co-operation Directorate to collect data on aid flows. To the extent possible, this includes flows from non-DAC bilateral donors, and from multilateral donors. The data collection is the only reliable source of internationally comparable data on aid.

The DAC Working Party on Statistics reviews the operation of the data collection system. Statistical policy questions are usually decided by the DAC, which may request advice from the Working Party.

This note describes the main features of data collection.

Coverage

DAC statistics are designed to measure international resource flows which promote the development and welfare of developing countries. Their design has been influenced:

- On a *technical* level, mainly by conventions used in balance of payments statistics.
- On a *policy* level, mainly by DAC members' desire to show, on a comparable basis, the full extent of their national effort in promoting development.

Exclusions

The following are considered to have insufficient development potential to qualify for inclusion in DAC statistics:

- Loans repayable within one year.
- Grants and loans for military purposes.
- Transfer payments (*e.g.* pensions, workers' remittances) to private individuals.

Flows originating in recipient countries, for example investments by their nationals in donor countries, are also ignored. However, recipient countries' loan repayments, and repatriations of capital to the donor country, are deducted to arrive at net flows from the donor.

Returns on capital to the donor country, including investment returns and interest payments, are not taken into account in the calculation of net *flows*, which is the commonly used measure of effort. However, data are sought on interest payments, and where these are provided they may be deducted from net flows to arrive at net *transfers*.

Stages of measurement

Flows can be measured either at the time they are firmly agreed (**commitments**) or at the time of the actual international transfer of funds (**disbursements**). Disbursements may be measured either **gross**, *i.e.* in the full amount of capital transfers to the recipient over a given period, or **net**, *i.e.* deducting repayments of loan principal over the same period. The usual measure of donor aid effort is **net disbursements of official development assistance** (see below).

Types of flow

Flows can come either from the private sector or the official sector, and can be either at market terms or at concessional terms.

Data are collected on the following broad categories:

- ***Official development assistance (ODA).*** Grants and concessional loans for development and welfare purposes from the government sector of a donor country to a developing country or multilateral agency active in development. A loan is considered sufficiently concessional to be included in ODA if it has a grant element* of at least 25%, calculated at a 10% discount rate. ODA includes the costs to the donor of project and programme aid, technical co-operation, forgiveness of debts not already reported as ODA, food and emergency aid, and associated administrative expenses.
- ***Other official flows (OOF).*** Consists of: *i)* grants or loans from the government sector not specifically directed to development or welfare purposes (*e.g.* those given for commercial reasons); and *ii)* loans from the government sector which are for development and welfare, but which are not sufficiently concessional to qualify as ODA.
- ***Private flows at market terms.*** Flows for commercial reasons from the private sector of a donor country. Includes foreign direct investment, bank loans, and the purchase of developing country bonds or securities by companies or individuals in donor countries.
- ***Private grants.*** Funds from non-government organisations for development or welfare purposes.

Data collection methods

DAC Questionnaire. A set of eight statistical tables completed annually from July to September by DAC members, who report the amount and destination of their flows in the previous year. Detailed information is collected regarding the destination, form, terms, sector and tying status of official flows. A simplified form of the questionnaire is completed by multilateral agencies and some non-DAC donors. There is also a one-page Advance Questionnaire on Main DAC Aggregates completed by DAC members each April to give early data on their flows.

Creditor Reporting System (CRS). A system for reporting individual official transactions (both ODA and other official flows) relevant to development. Reports are received directly from participating official agencies, including bilateral and multilateral aid agencies, development lending institutions and export credit agencies. Follow up

* The grant element is measured as the difference between the face value of a loan and the present value, calculated at a discount rate of 10%, of the service payments to be made by the borrower during the lifetime of the loan, expressed as a percentage of the face value.

reports on the disbursement and repayment status of loans allow the Secretariat to calculate the debt burden of developing countries.

Publications

There are three main print publications of DAC statistics:

- ***Development Co-operation Report***. This annual report, particularly the statistical annex, gives detailed data on flows to developing countries, concentrating on DAC members' aid efforts.
- ***Geographic Distribution of Financial Flows to Developing Countries.*** This annual report shows the resources flowing into developing countries, by source and type of flow.
- ***Development Aid at a Glance: Statistics by Region.*** This annual report provides tables and charts on global development aid and aid to the five continents by donor, recipient and sector, along with a short analysis.

All these publications are also available in electronic format, and access to the DAC and CRS databases is freely available by registering at *www.oecd.org/dac/stats*.

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ANNEX C

Official Development Assistance 2007

Table C.1. **DAC Members' Net Official Development Assistance in 2007**

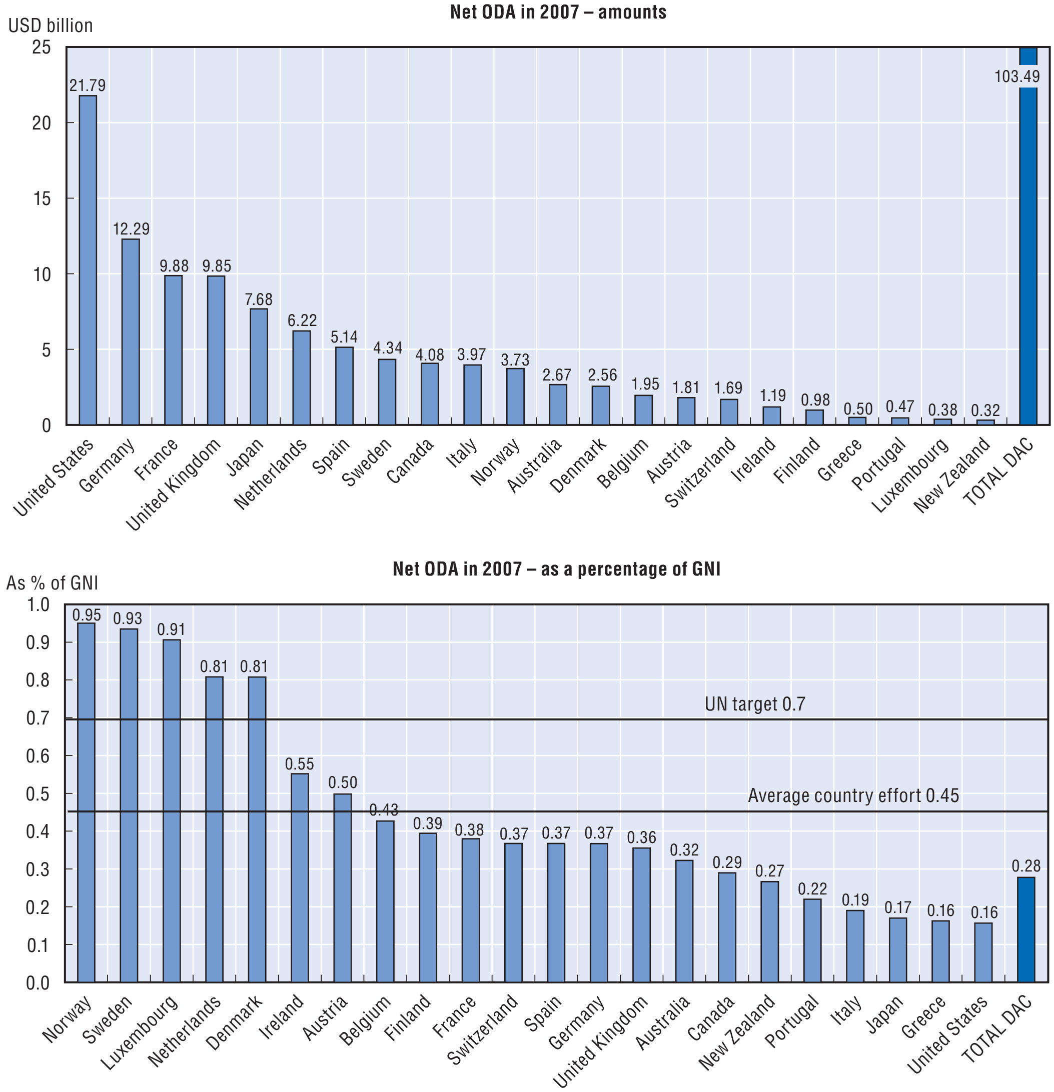
	2007		2006		2007	
	ODA USD million current	ODA/GNI %	ODA USD million current	ODA/GNI %	ODA USD million (1)	Percent change 2006 to 2007 (1)
					At 2006 prices and exchange rates	
Australia	**2 669**	**0.32**	2 123	0.30	2 317	9.1
Austria	**1 808**	**0.50**	1 498	0.47	1 622	8.3
Belgium	**1 953**	**0.43**	1 978	0.50	1 756	-11.2
Canada	**4 080**	**0.29**	3 684	0.29	3 729	1.2
Denmark	**2 562**	**0.81**	2 236	0.80	2 301	2.9
Finland	**981**	**0.39**	834	0.40	887	6.4
France	**9 884**	**0.38**	10 601	0.47	8 867	-16.4
Germany	**12 291**	**0.37**	10 435	0.36	11 069	6.1
Greece	**501**	**0.16**	424	0.17	446	5.3
Ireland	**1 192**	**0.55**	1 022	0.54	1 070	4.8
Italy	**3 971**	**0.19**	3 641	0.20	3 547	-2.6
Japan	**7 679**	**0.17**	11 136	0.25	7 812	-29.8
Luxembourg	**376**	**0.91**	291	0.90	334	15.0
Netherlands	**6 224**	**0.81**	5 452	0.81	5 629	3.2
New Zealand	**320**	**0.27**	259	0.27	272	5.1
Norway	**3 728**	**0.95**	2 954	0.89	3 350	13.4
Portugal	**471**	**0.22**	396	0.21	420	5.9
Spain	**5 140**	**0.37**	3 814	0.32	4 566	19.7
Sweden	**4 339**	**0.93**	3 955	1.02	3 857	-2.5
Switzerland	**1 689**	**0.37**	1 646	0.39	1 605	-2.5
United Kingdom	**9 849**	**0.36**	12 459	0.51	8 774	-29.6
United States	**21 787**	**0.16**	23 532	0.18	21 231	-9.8
TOTAL DAC	**103 491**	**0.28**	104 370	0.31	95 462	-8.5
Average Country Effort		**0.45**		0.46		
Memo Items:						
EC	11 774		10 245		10 559	3.1
DAC-EU countries	61 540	0.39	59 035	0.43	55 147	-6.6
G7 countries	69 539	0.23	75 487	0.27	65 029	-13.9
Non-G7 countries	33 952	0.51	28 882	0.51	30 433	5.4
Non-DAC OECD Countries						
Czech Republic	179	0.11	161	0.12	155	-3.5
Hungary	103	0.08	149	0.13	85	-42.9
Iceland	48	0.27	41	0.27	42	0.4
Korea	699	0.07	455	0.05	677	48.6
Poland	363	0.09	297	0.09	312	5.2
Slovak Republic	67	0.09	55	0.10	55	0.1
Turkey	602	0.09	714	0.18	502	-29.8

(1) Taking account of both inflation and exchange rate movements.

Note: The data are standardised on a calendar year basis for all donors, and so may differ from fiscal year data available in countries' budget documents.

Source: (2009), Development Co-operation Report 2009, OECD.

Figure C.1. **DAC Members' Net Official Development Assistance in 2007**



Source: (2009), *Development Co-operation Report 2009*, OECD.

Table C.2. **Share of Debt Relief Grants in DAC Members' Net Official Development Assistance**

	2007		
	ODA USD million current	**of which: Debt relief grants**	**Percent change 2006 to 2007 [a] Without debt relief grants**
Australia	2 669	292	11.8
Austria	1 808	925	6.9
Belgium	1 953	185	0.5
Canada	4 080	15	8.5
Denmark	2 562	123	3.2
Finland	981	-	6.4
France	9 884	1 485	5.1
Germany	12 291	2 867	10.0
Greece	501	-	5.3
Ireland	1 192	-	4.8
Italy	3 971	570	48.5
Japan	7 679	1 576	-23.7
Luxembourg	376	-	15.0
Netherlands	6 224	392	2.6
New Zealand	320	-	5.1
Norway	3 728	61	12.4
Portugal	471	1	5.9
Spain	5 140	243	31.4
Sweden	4 339	74	3.5
Switzerland	1 689	64	-0.3
United Kingdom	9 849	70	-2.7
United States	21 787	40	-3.4
TOTAL DAC	**103 491**	**8 983**	**2.0**
Memo Items:			
EC	11 774	-	3.1
DAC-EU countries	61 540	6 934	7.7
G7 countries	69 539	6 623	-0.8
Non-G7 countries	33 952	2 360	8.5

a) Taking account of both inflation and exchange rate movements.

Source: (2009), Development Co-operation Report 2009, OECD.

Table C.3. **DAC Members' Gross Official Development Assistance in 2007**

	2007 ODA USD million current	2006 ODA USD million current	2007 ODA USD million (1) At 2006 prices and exchange rates	Percent change 2006 to 2007 (1)
Australia	**2 669**	**2 123**	2 317	9.1
Austria	**1 837**	**1 510**	1 648	9.1
Belgium	**2 032**	**2 047**	1 828	-10.7
Canada	**4 119**	**3 730**	3 766	1.0
Denmark	**2 666**	**2 315**	2 394	3.4
Finland	**981**	**838**	887	5.9
France	**11 498**	**12 764**	10 315	-19.2
Germany	**13 687**	**12 049**	12 326	2.3
Greece	**501**	**424**	446	5.3
Ireland	**1 192**	**1 022**	1 070	4.8
Italy	**4 290**	**4 003**	3 832	-4.3
Japan	**13 566**	**17 064**	13 801	-19.1
Luxembourg	**376**	**291**	334	15.0
Netherlands	**6 620**	**5 889**	5 986	1.7
New Zealand	**320**	**259**	272	5.1
Norway	**3 728**	**2 954**	3 350	13.4
Portugal	**477**	**402**	425	5.7
Spain	**5 442**	**4 160**	4 834	16.2
Sweden	**4 339**	**3 955**	3 857	-2.5
Switzerland	**1 696**	**1 657**	1 611	-2.8
United Kingdom	**11 621**	**13 075**	10 354	-20.8
United States	**22 691**	**24 532**	22 111	-9.9
TOTAL DAC	**116 346**	**117 061**	107 766	-7.9
Memo Items:				
EC	12 225	10 678	10 963	2.7
DAC-EU countries	67 558	64 743	60 538	-6.5
G7 countries	81 472	87 216	76 505	-12.3
Non-G7 countries	34 874	29 845	31 261	4.7

(1) Taking account of both inflation and exchange rate movements.

Source: OECD, "Aid Targets Slipping out of Reach?", November 2008, *www.oecd.org/dataoecd/47/25/41724314.pdf*.

Table C.4. **ODA recipients**

Effective for reporting on 2008, 2009 and 2010 flows

Least Developed Countries	**Other Low Income Countries** (per capita GNI < $935 in 2007)	**Lower Middle Income Countries and Territories** (per capita GNI $936-$3 705 in 2007)	**Upper Middle Income Countries and Territories** (per capita GNI $3 706-$11 455 in 2007)
Afghanistan	Côte d'Ivoire	Albania	*Anguilla
Angola	Ghana	Algeria	Antigua and Barbuda[1]
Bangladesh	Kenya	Armenia	Argentina
Benin	Korea, Dem.Rep.	Azerbaijan	Barbados
Bhutan	Kyrgyz Rep.	Bolivia	Belarus
Burkina Faso	Nigeria	Bosnia and Herzegovina	Belize
Burundi	Pakistan	Cameroon	Botswana
Cambodia	Papua New Guinea	Cape Verde	Brazil
Central African Rep.	Tajikistan	China	Chile
Chad	Uzbekistan	Colombia	Cook Islands
Comoros	Viet Nam	Congo, Rep.	Costa Rica
Congo, Dem. Rep.	Zimbabwe	Cuba	Croatia
Djibouti		Dominican Republic	Dominica
Equatorial Guinea		Ecuador	Fiji
Eritrea		Egypt	Gabon
Ethiopia		El Salvador	Grenada
Gambia		Georgia	Kazakhstan
Guinea		Guatemala	Lebanon
Guinea-Bissau		Guyana	Libya
Haiti		Honduras	Malaysia
Kiribati		India	Mauritius
Laos		Indonesia	*Mayotte
Lesotho		Iran	Mexico
Liberia		Iraq	Montenegro
Madagascar		Jamaica	*Montserrat
Malawi		Jordan	Nauru
Maldives		Marshall Islands	Oman
Mali		Micronesia, Fed. States	Palau
Mauritania		Moldova	Panama
Mozambique		Mongolia	Serbia[3]
Myanmar		Morocco	Seychelles
Nepal		Namibia	South Africa
Niger		Nicaragua	*St. Helena
Rwanda		Niue	St. Kitts-Nevis
Samoa		Palestinian Adm. Areas	St. Lucia
Sao Tome and Principe		Paraguay	St. Vincent and Grenadines
Senegal		Peru	Suriname
Sierra Leone		Philippines	Trinidad and Tobago[2]
Solomon Islands		Sri Lanka	Turkey
Somalia		Swaziland	Uruguay
Sudan		Syria	Venezuela
Tanzania		Thailand	
Timor-Leste		The Former Yugoslav Republic of Macedonia	
Togo		*Tokelau	
Tuvalu		Tonga	
Uganda		Tunisia	
Vanuatu		Turkmenistan	
Yemen		Ukraine	
Zambia		*Wallis and Futuna	

*Territory.

(1) Antigua & Barbuda exceeded the high income country threshold in 2007. In accordance with the DAC rules for revision of this List, it will graduate from the List in 2011 if it remains a high income country until 2010.

(2) Trinidad and Tobago exceeded the high income country threshold in 2006 and 2007. In accordance with the DAC rules for revision of this List, it will graduate from the List in 2011 if it remains a high income country until 2010.

(3) At present aid to Kosovo is recorded under aid to Serbia. Kosovo will be listed separately if and when it is recognised by the UN.

As of April 2008, the **Heavily Indebted Poor Countries (HIPCs)** are : Afghanistan, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo (Dem. Rep.), Congo (Rep.), Côte d'Ivoire, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kyrgyz Republic, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda and Zambia.

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ANNEX D

Principles and Good Practice of Humanitarian Donorship

Objectives and definition of humanitarian action

The objectives of humanitarian action are to save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters, as well as to prevent and strengthen preparedness for the occurrence of such situations.

Humanitarian action should be guided by the humanitarian principles of:

- *humanity*, meaning the centrality of saving human lives and alleviating suffering wherever it is found;
- *impartiality*, meaning the implementation of actions solely on the basis of need, without discrimination between or within affected populations;
- *neutrality*, meaning that humanitarian action must not favour any side in an armed conflict or other dispute where such action is carried out; and
- *independence*, meaning the autonomy of humanitarian objectives from the political, economic, military or other objectives that any actor may hold with regard to areas where humanitarian action is being implemented.

Humanitarian action includes the protection of civilians and those no longer taking part in hostilities, and the provision of food, water and sanitation, shelter, health services and other items of assistance, undertaken for the benefit of affected people and to facilitate the return to normal lives and livelihoods.

General principles

- Respect and promote the implementation of international humanitarian law, refugee law and human rights.
- While reaffirming the primary responsibility of states for the victims of humanitarian emergencies within their own borders, strive to ensure flexible and timely funding, on the basis of the collective obligation of striving to meet humanitarian needs.
- Allocate humanitarian funding in proportion to needs and on the basis of needs assessments.
- Request implementing humanitarian organisations to ensure, to the greatest possible extent, adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response.

- Strengthen the capacity of affected countries and local communities to prevent, prepare for, mitigate and respond to humanitarian crises, with the goal of ensuring that governments and local communities are better able to meet their responsibilities and co-ordinate effectively with humanitarian partners.
- Provide humanitarian assistance in ways that are supportive of recovery and long-term development, striving to ensure support, where appropriate, to the maintenance and return of sustainable livelihoods and transitions from humanitarian relief to recovery and development activities.
- Support and promote the central and unique role of the United Nations in providing leadership and co-ordination of international humanitarian action, the special role of the International Committee of the Red Cross, and the vital role of the United Nations, the International Red Cross and Red Crescent Movement and non-governmental organisations in implementing humanitarian action.

Good practices in donor financing, management and accountability

Funding

- Strive to ensure that funding of humanitarian action in new crises does not adversely affect the meeting of needs in ongoing crises.
- Recognising the necessity of dynamic and flexible response to changing needs in humanitarian crises, strive to ensure predictability and flexibility in funding to United Nations agencies, funds and programmes and to other key humanitarian organisations
- While stressing the importance of transparent and strategic priority-setting and financial planning by implementing organisations, explore the possibility of reducing, or enhancing the flexibility of, earmarking, and of introducing longer-term funding arrangements.
- Contribute responsibly, and on the basis of burden-sharing, to United Nations Consolidated Inter-Agency Appeals and to International Red Cross and Red Crescent Movement appeals, and actively support the formulation of Common Humanitarian Action Plans (CHAP) as the primary instrument for strategic planning, prioritisation and co-ordination in complex emergencies.

Promoting standards and enhancing implementation

- Request that implementing humanitarian organisations fully adhere to good practice and are committed to promoting accountability, efficiency and effectiveness in implementing humanitarian action.
- Promote the use of Inter-Agency Standing Committee guidelines and principles on humanitarian activities, the Guiding Principles on Internal Displacement and the 1994 Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organisations (NGOs) in Disaster Relief.
- Maintain readiness to offer support to the implementation of humanitarian action, including the facilitation of safe humanitarian access.
- Support mechanisms for contingency planning by humanitarian organisations, including, as appropriate, allocation of funding, to strengthen capacities for response.
- Affirm the primary position of civilian organisations in implementing humanitarian action, particularly in areas affected by armed conflict. In situations where military

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capacity and assets are used to support the implementation of humanitarian action, ensure that such use is in conformity with international humanitarian law and humanitarian principles, and recognises the leading role of humanitarian organisations.

- Support the implementation of the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies.

Learning and accountability

- Support learning and accountability initiatives for the effective and efficient implementation of humanitarian action.
- Encourage regular evaluations of international responses to humanitarian crises, including assessments of donor performance.
- Ensure a high degree of accuracy, timeliness, and transparency in donor reporting on official humanitarian assistance spending, and encourage the development of standardised formats for such reporting.

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ANNEX E

*Millennium Development Goals and Targets**

Goal 1. Eradicate extreme poverty and hunger

- Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.
- Achieve full and productive employment and decent work for all, including women and young people.
- Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2. Achieve universal primary education

- Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3. Promote gender equality and empower women

- Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

Goal 4. Reduce child mortality

- Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5. Improve maternal health

- Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
- Achieve, by 2015, universal access to reproductive health.

Goal 6. Combat HIV/AIDS, malaria and other diseases

- Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
- Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it.
- Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

* *http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Indicators/OfficialList.htm.*

Goal 7. Ensure environmental sustainability

- Integrate the principles of sustainable development into country policies and programmes and reverse the losses of environmental resources.
- Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.
- Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation.
- By 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8. Develop a Global Partnership for Development

- Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.
- Address the special needs of the least developed countries.
- Address the special needs of landlocked countries and small island developing states.
- Deal comprehensively with the debt problems of developing countries through national and international measures to make debt sustainable in the long term.
- In co-operation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
- In co-operation with the private sector, make available the benefits of new technologies, especially information and communications.

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Better Aid

Managing Aid

PRACTICES OF DAC MEMBER COUNTRIES

The donor community is committed to increasing aid and to working with partners to make aid more effective. Donors are held accountable for the way they manage aid and the development results they achieve. They want to see more partner country ownership, greater use of partner country systems, and work better together. This involves decentralising responsibility, concentrating efforts, managing for results, creating new systems, changing staff profiles, and building capacity in donor and partner countries.

But just how do we achieve all this? There are many questions, and even more answers. *Managing Aid* offers many of these answers, outlining what individual donors are doing to fulfil their development co-operation ambitions and their part of the international agreements – reached in Paris in 2005 (Paris Declaration) and Accra in 2008 (Accra Agenda for Action) – to make aid more effective.

This book surveys the practices of the 23 members that make up the OECD Development Assistance Committee. In doing so, it seeks to offer inspiration to aid managers and practitioners – new and experienced – who are interested in continuously improving the way donors and partners work together. The lessons learned should enable them to make greater strides towards their shared goal: help partner countries to implement their own strategies to reduce poverty and give their populations a better chance in life.

The full text of this book is available on line via these links:
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