

**AN OVERVIEW OF  
PUBLIC DEVELOPMENT AID SYSTEMS  
IN THE EUROPEAN UNION**

from a study carried out by Viktoria Hildenwall, consultant

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## INTRODUCTION

This report was launched at the beginning of August 2005 and finalised in February 2006. The aim was to update the data held by the Agence Française de Développement (AFD) regarding a number of bilateral donors within the European Union. The interest expressed by these donors in having access to similar data, however, led to the decision to widen the project to **encompass all 25 EU Member States** and the **European Commission**, and to share the results in **one comprehensive and bilingual report**.

The EU (the Member States together with the Commission) is the world's largest provider of Overseas Development Assistance (ODA). In 2004, total ODA from the EU amounted to **€34.827 million**, representing **52% of the world's total**. Underlying this report is a belief that **greater common knowledge of national ODA systems** within the EU should enable more effective collaboration through complementarity and more effective use of donor comparative advantage.

The **objective** of this report is thus, to provide an **introduction** to the international development co-operation systems in each of the 25 EU Member States and the European Commission. In contrast to the OECD DAC Peer Reviews that provide in-depth analysis on several aspects of ODA systems, the present study concentrates on highlighting the broad characteristics of these systems. Also, unlike the EU Donor Atlas, the study is not based exclusively on figures and statistics. Instead, it is the product of a close dialogue with representatives from each country as well as extensive secondary research into published sources.

In seeking to provide a **brief outline** of the main characteristics of EU ODA systems, each country study highlights the key issues of:

- **Institutional organisation** – decision making, policy setting and co-ordinating entities and implementing bodies;

- **Aid volume and apportioning** – total Official Development Assistance (ODA) and its apportionment between bilateral and multilateral aid;<sup>1</sup>
- **National strategy for international development co-operation** – main objectives and their institutionalisation through development legislation, strategies and policies;
- **Aid modalities** – projects, programmes and budgetary aid;
- **Sectors and countries of intervention** – selection and apportioning of aid; and
- **Collaboration** – with national NGOs, other bilateral donors or multilateral donors.

Each study also provides **contact details** and references for further information.

The **methodology** of this report was to assemble and review public information provided by each donor in the form of annual reports and other pertinent documents. Another important source of information is the *OECD DAC Peer Reviews*. In the majority of cases, information obtained from meetings with country representatives to the European Union in Brussels complemented these reports. **Contact with Ministries and implementation agencies** in the various countries has been regular and their interest and willingness to contribute to the study were very encouraging. Before finalisation, each study was **verified and validated** by the respective country.

Beyond providing information in an easy-to-access format, the report aims to form a basis for further reflection and study. In the spirit of the Paris Declaration on Aid Effectiveness, which aims at the better harmonisation, alignment and management of aid, this work hopefully will serve to inspire discussions on fruitful avenues for collaboration between European donors and on different ways of harmonising their disparate practices.

This type of study obviously requires regular updates and adaptation. Proposals and suggestions from readers that would improve or increase the practicality of this report are very welcome. Though this report is the product of a collaborative effort by a great number of individuals and country representatives, the editors, of course, take full responsibility for any errors or omissions in its content.

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<sup>1</sup> All figures are stated in Euros. When certain figures were provided in USD, they were converted according to the exchange rate used by the OECD DAC for 2004: **1 USD = 0.805 EUR**.

## Contributors

(Perm rep = Permanent Representation to the EU; MFA = Ministry of Foreign Affairs)

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## ABBREVIATIONS

<b>ACP</b>	Africa, Caribbean, Pacific
<b>CAP</b>	Common Agriculture Policy (European)
<b>CARDS</b>	Community Assistance for Reconstruction, Development and Stabilisation
<b>CIDA</b>	Canadian International Development Agency
<b>DFID</b>	UK Department for International Development
<b>ECHO</b>	European Community Humanitarian Office
<b>EDF</b>	European Development Fund
<b>ERP</b>	Economic Reconstruction Program
<b>FAO</b>	Food and Agriculture Organisation
<b>GNI</b>	Gross National Income
<b>ICRC</b>	International Committee of the Red Cross
<b>IFAD</b>	International Fund for Agricultural Development
<b>IMF</b>	International Monetary Fund
<b>IOM</b>	International Organization for Migration
<b>ITU</b>	International Telecommunications Union
<b>LDC</b>	Least Developed Countries
<b>LIC</b>	Low Income Countries
<b>MAPS</b>	Multi-Annual Programme Scheme ( <i>Irish Aid</i> )
<b>MDG</b>	Millennium Development Goal
<b>NEPAD</b>	New Partnerships for African Development
<b>NGO</b>	Non Governmental Organisation
<b>NGDO</b>	Non Governmental Development Organisation
<b>OECD DAC</b>	Organisation for Economic Co-operation and Development – Development Assistance Committee
<b>OA</b>	Official Assistance
<b>OCHA</b>	Office for the Co-ordination of Humanitarian Affairs (UN)
<b>ODA</b>	Official Development Assistance
<b>OHCHR</b>	Office of the United Nations High Commissioner for Human Rights
<b>UNAIDS</b>	Joint United Nations Programme on HIV/AIDS
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNFPA</b>	United Nations Population Fund
<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>UNIDO</b>	United Nations Industry Development Organization
<b>UNO</b>	United Nations Organization
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organization

# AUSTRIA

## Ministry for Foreign Affairs

### Austrian Development Agency (ADA)

*Most recent OECD DAC Peer Review: 2004*

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## 1. INSTITUTIONAL ORGANISATION

The Austrian Federal Ministry for Foreign Affairs (MFA) and, in particular, its Department for Development Co-operation and Co-operation with Eastern Europe (ADC) sets Austria's development policy and is responsible for drawing up strategies and programmes. The Department also conducts a dialogue with partner countries and participates in international donor co-ordination (of the EU, UN, OECD, etc...). It is accountable for the coherence of all official activities related to development policy within Austria.

The Austrian Development Agency (ADA) carries out ADC's operational tasks. ADA is responsible for implementing about 700 projects in ADC partner countries as well as administering the budget earmarked for bilateral ADC programmes.

The ADA was created in January 2004 and is a limited liability company subject to the *Austrian Federal Act on Companies with Limited Liability*. The Austrian federal government is the sole founder and owner of the ADA. The owner's interests *vis-à-vis* the ADA are represented by the Austrian Ministry for Foreign Affairs.

The ADA works closely with Austrian NGOs, companies, international organisations and other bodies as a partner in the implementation of development projects. On behalf of ADC, the Austrian Development Agency also co-operates with governments of partner countries and other donor countries. Since July 2005, in order to facilitate the access of domestic organisations and companies to EU-financed development projects, the ADA has been represented by a contact in Brussels.

## **Human Resources**

MFA: The MFA currently employs 35 staff members in the Department for Development Co-operation and Co-operation with Eastern Europe.

ADA: A Managing Director is head of 70 staff members in Vienna and 20 delegates and 60 local staff to 14 co-ordination offices in the most important partner countries. These offices form part of local Austrian embassies.

## **2. BUDGETARY EVOLUTION AND APPORTIONING**

### **2.1 Aid Volume**

In 2004, Austria spent €545 million (0.23% of GNI) on ODA, which represents an increase in real terms of 19.6% from 2003.

Further increases will permit Austria to meet its commitment to raise ODA to 0.51% of GNI by 2010.

Sources of funding for Austrian ODA (2004) include:

- MFA/ADA (20%);
- Federal Ministry for Education, Science and Culture (10%);
- Federal Ministry of the Interior (8%);
- Federal Ministry for Defence (2%);
- Federal Ministry for Agriculture, Forestry, Environment and Water Management (1%);
- Federal Ministry of Finance (57%);
- Other Ministries (1%); and
- “Länder” and municipalities (1%).<sup>1</sup>

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, bilateral aid represented 52% of all ODA (€283 million). 0.66% of all ODA was allocated to programme aid, 19.36% to technical co-operation and 13.6% to debt relief actions.<sup>2</sup>

Debt relief and student costs excluded, main recipients of the ADC's bilateral aid (via the ADA) are priority regions as well as partner countries in the South and in south Eastern Europe (see priority and partner countries below).<sup>3</sup>

In 2004, Austria spent 53.61% of its ODA on social infrastructure and services, 3.53% on business infrastructure and services, 10.97% on production sectors, 18.93% on multisectoral measures, 3.45% on emergency and distress relief, and 9.50% on other unspecified sectors.

#### *Multilateral Aid*

Austria supports multilateral organisations through direct contributions and programmes as well as through the implementation of joint projects. In 2004, Austria spent €261.67 million on



multilateral development co-operation, of which €21.08 million went to the United Nations, €76.84 million to international financial institutions and €160.86 million to the EU.

### **2.3    *Financing Instruments***

All of Austrian ODA is allocated in the form of grants. Loans have been of minor significance in Austrian ODA in the last years. There have been no new commitments for some time and flows from old loans are diminishing. Start-up credits and MFA financial aid loans will not be continued. There is a possibility that ERP-loans will be committed though it is highly likely that this will remain an exceptional measure. New Framework II export credits continue to be committed and are reported to the OECD as Other Official Flows.

## **3.     NATIONAL ODA STRATEGY**

Austrian development co-operation received a new legal basis with the introduction, in 2002, of the Law on Development Co-operation<sup>4</sup> (modified in 2003). Its objective is the promotion of sustainable economic and social development.

This legislation states that Austrian assistance should have three objectives:

- Combating poverty in developing countries by promoting economic and social development;
- Safeguarding peace and promoting human security, particularly by promoting democracy, rule of law, human rights and good governance; and
- Preserving the environment and protecting the natural resources that form the basis for sustainable development.

Any measure or intervention adopted must take into consideration the following principles:

- The aims of the respective governments and populations in the developing countries, with regard to the speed and kind of development process in question and their right to choose their priorities;
- The integration of measures to the socio-cultural environment, with specific attention being paid to cultural aspects and the use of appropriate technology;
- Equality between men and women; and
- In a suitable manner, the needs of children and people with disabilities.

The Three-Year Programme 2005–2007 outlines the Austrian priorities in Development Co-operation, including the commitment to achieve the MDGs and to further increase its development assistance.<sup>5</sup>

### ***Harmonisation and Coherence***

The Austrian Development Co-operation (ADC) will undertake to implement the principles on aid effectiveness (ownership, harmonisation, alignment, managing for results and mutual accountability) on the basis of a joint action plan (MFA and ADA). The principles of the Paris Declaration are to be integrated into the Strategic Three-Year Programme 2006-2008 and

will guide ADC development policy. They also serve as starting points for new country programmes with partner countries and future co-operation with multilateral organisations.

## **4. AID MODALITIES/IMPLEMENTATION STRATEGY**

ADC's assistance mainly consists of projects implemented by NGOs or private companies. In the future, Austria is planning to spend some additional financial resources on budget support.

### **4.1 Sector Focus**

To ensure the efficiency of its programmes and provide the necessary capacities, Austria concentrates on a limited number of long-term sectoral/thematic areas that correspond to the needs of partner states, as well as to the goals and principles of Austrian development policy. These are also in line with the country's potential for co-operation.

ADC focuses on the following sectors:<sup>6</sup>

- Water and sanitation;
- Education, training, and science and research for development;
- Rural development;
- Energy;
- Conflict prevention and solution, responsible governance and the rule of law, development of democratic structures, decentralisation, strengthening of human rights and human safety; and
- Business and employment, development of small and medium-sized enterprises.

By improving the basic conditions such as the rule of law, education, and an efficient financial system and infrastructure, ADC seeks to promote private business activities and, in parallel, to strengthen overall the private sector. Therefore, it also supports the establishment of micro, small and medium-sized enterprises (SME) and participates in micro-financing programmes and multilateral investment promotion programmes.

In particular, business partnerships (private-private) and development partnerships (public-private) are considered useful instruments to promote the transfer of know-how and technology as well as employment, thereby having structural and poverty-reducing effects.

### **4.2 Geographic Focus**

Based on the guidelines of the OECD Development Assistance Committee (DAC), the ADC has been focusing on partner countries in six priority regions for the past ten years.

Priority\* and partner countries:

<b>Central America:</b>	Nicaragua*, Guatemala, El Salvador
<b>West Africa/Sahel:</b>	Cape Verde*, Burkina Faso*, Senegal
<b>East Africa/The Great Lakes:</b>	Ethiopia*, Uganda*, Kenya, Burundi, Tanzania, Rwanda
<b>Southern Africa:</b>	Mozambique*, Zimbabwe, Namibia, Republic of South Africa

<b>The Himalayas/Hindu Kush:</b>	Bhutan*, Nepal, Pakistan
<b>South-Eastern Europe:</b>	Albania*, Bosnia-Herzegovina*, Croatia*, Macedonia*, Serbia-Montenegro incl. Kosovo*
<b>Other priority countries:</b>	Palestinian Autonomous Territories, Moldova
<b>Special programmes:</b>	Afghanistan, Iraq, Western Sahara

In order to ensure an effective dialogue with all partners, 14 ADC co-ordination and liaison offices were set up and incorporated into Austria's diplomatic missions.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

Around 50% of bilateral aid from the Ministry of Foreign Affairs is implemented by NGOs. The major co-financing scheme for NGOs disburses about €10 million annually, mainly under framework agreements with nine of the largest NGOs. Preference is given to project proposals in Austrian priority countries. The organisation AGEZ<sup>7</sup> regroups 29 Austrian NGOs.

### **5.2 Bilateral Donors**

Austria aims at strengthening co-operation especially with new EU Member States. A recent agreement with the MFA of the Slovak Republic makes arrangements for co-financing projects in third countries as well as capacity building.

### **5.3 Multilateral Donors**

Austria is a member of all the international finance institutions (World Bank, International Monetary Fund (IMF), regional development banks and the International Fund for Agricultural Development) and in the main organs of the United Nations System.

## **6. MOVING FORWARD**

With its support both of the Millennium Declaration of September 2000 and statements made by the EU on development financing, Austria has committed to further increasing its development assistance. By 2015, the EU budgets for development assistance should reach the 0.7% mark. Austria is making steady progress with respect to this goal. With a predicted ODA level of 0.43% Austria will not only attain, but far exceed the goal of 0.33% set by the European Council of Barcelona, to which Austria committed to achieving by 2006.

In order to handle these additional funds effectively, organisational capacities in the MFA and ADA, as well as in the local co-ordination offices will need to be expanded. New modalities such as sector and budget aid will be considered. The principles of geographic and thematic concentration and coherence are gaining in importance, as one of the primary objectives will be to improve not only the quantity but also the quality of aid.

<sup>1</sup> Repartition in 2004.

<sup>2</sup> Facts and Figures, Austrian ODA 2004:

[http://www.aussenministerium.at/upmedia/1871\\_facts\\_and\\_figures\\_2004.pdf](http://www.aussenministerium.at/upmedia/1871_facts_and_figures_2004.pdf)

<sup>3</sup> Disbursements 2002-2004 in € million.

Region	2002		2003		2004	
	€ mil.	%	€ mil.	%	€ mil.	%
Europe	8.39	11.87	8.96	13.35	12.27	16.84
<i>of which: South-Eastern Europe</i>	8.16	11.54	8.76	13.05	11.70	16.06
Africa	27.73	39.24	27.61	41.14	31.41	43.12
Asia	13.59	19.23	11.34	16.89	10.21	14.02
America	10.39	14.70	9.47	14.10	11.45	15.72
Oceania*	0.50	0.70	0.47	0.70	0.50	0.68
<b>Total allocated by continent/country</b>	<b>60.60</b>	<b>85.74</b>	<b>57.84</b>	<b>86.18</b>	<b>65.84</b>	<b>90.39</b>
<b>Total global/transregional measures**</b>	<b>10.08</b>	<b>14.26</b>	<b>9.28</b>	<b>13.82</b>	<b>7.00</b>	<b>9.61</b>
<b>ADC total (ODA)</b>	<b>70.68</b>	<b>100.00</b>	<b>67.12</b>	<b>100.00</b>	<b>72.84</b>	<b>100.00</b>

Source: ADC Statistics

\* Papua New Guinea

\*\* incl. measures undertaken in Austria

<sup>4</sup> The Law on Development Co-operation:

[http://www.aussenministerium.at/up-media/269\\_joint\\_act.pdf](http://www.aussenministerium.at/up-media/269_joint_act.pdf)

<sup>5</sup> *Three-Year Programme 2005–2007 on Austrian Development Policy.*

[http://www.aussenministerium.at/up-media/2204\\_3\\_year\\_programme2005\\_07.pdf](http://www.aussenministerium.at/up-media/2204_3_year_programme2005_07.pdf)

<sup>6</sup> According to the *Three-Year Programme 2005–2007 for Austrian Development Policy.*

<sup>7</sup> AGEZ: <http://www.oneworld.at/agez/>

## **BELGIUM**

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*Most recent OECD DAC Peer Review: 2005*

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## **1. INSTITUTIONAL ORGANISATION**

The Directorate General for Development Co-operation (DGDC), within the Federal Department of Foreign Affairs, Foreign Trade and Development Co-operation (FPSFA), is responsible for the execution of co-operation activities (policy-making and strategic planning, and identifying co-operation programmes and activities) under the Minister for Development Co-operation.

The DGDC manages – directly or indirectly – around 60% of Belgian ODA. The Federal Public Service for Financing Affairs is also significant in its role managing country-to-country loans and contributions to international organisations, totalling an amount representing 10% of ODA.

The DGDC has five operational directorates<sup>1</sup> and four support services<sup>2</sup> reporting directly to the Director General.

The Regions and Communities, the Provinces and a large number of communities also carry out development activities. Although development co-operation primarily remains the responsibility of the federal government (handling 95% of all ODA), discussions regarding the “defederalisation” of development co-operation, *i.e.* transferring certain aspects of development to the regional entities, are ongoing. Such a move however, as the OECD DAC has noted, risks reducing the effectiveness, relevance and coherence of aid.<sup>3</sup>

The implementing agency is the Belgian Technical Co-operation (BTC). Created in 1998, it is a public-law company with social purposes and has the exclusive authority to formulate and implement Belgian bilateral development co-operation. Around one-third of the aid volume

entrusted to the DGDC is managed by BTC, which also performs other public service tasks, such as exploratory studies for new projects, expert survey and assessment missions, and co-ordinating emergency and rehabilitation aid. Furthermore, BTC implements projects on behalf of international bodies such as the European Union and the World Bank.

Certain tensions have been acknowledged between the DGDC and BTC, in particular concerning the division of labour and their respective institutional mandates. As noted by the OECD DAC, important efforts have been devoted to defining the roles of the two institutions and improving the effectiveness and quality of the partnership. These efforts should entail: i) an increase in BTC's capacity for action so that there are no hold-ups in aid disbursements (which are set to increase); and, ii) improved conditions governing aid delivery.<sup>4</sup>

Around 190 agents work on development co-operation within the DGDC while BTC employs 108 staff at its Brussels headquarters. In addition, BTC has 26 local representations and 159 expatriates in partner countries, including 126 technical assistants. The regional offices are also staffed by 100 local employees and there are 2 000 people employed on projects.

The most recent addition to Belgium's co-operation efforts is the BIO, the Belgian Investment Corporation for Developing Countries,<sup>5</sup> created in late 2001. Its mission is to contribute to the development of the private sector in developing countries by providing long-term financing under market conditions to local micro, small and medium-sized enterprises.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, Belgian Official Development Assistance amounted to almost €1.2 billion (0.41% of GNI). This represented a significant decline over 2003, when ODA was €1.6 billion (0.61% of GNI), though the figure included the cancellation of the debt of the Democratic Republic of Congo. In 2003, debt relief, as such, represented 40% of total ODA.

Belgium committed to increasing its ODA to 0.7% of GNI by 2010. This commitment was given a legal framework in a 1999 law (passed in 2002). Belgium is thus in line with the EU target that Member States allocate 0.33% of GNI to ODA by 2006. It is also ahead of the further EU target that ODA reach 0.51% by 2010 and 0.7% by 2015.

A framework document has been drawn up to help meet this commitment. Since once-off debt forgiveness accounts for a significant proportion of the recent increase in ODA, it is considered imperative that new budgetary resources and/or financing be discovered.<sup>6</sup>

In 2003, 99.1% of the aid allocated to the LDCs was untied. Belgium supports the untying principle and it complies with DAC recommendations on this count.<sup>7</sup> Likewise, the food aid it distributes through the World Food Programme (WFP) is also untied.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

Around 61% of all Belgian ODA is distributed bilaterally through two channels; direct bilateral co-operation and indirect co-operation. The former – also referred to as “government co-

operation” – encompasses various forms of aid including projects, training programmes, technical assistance, economic co-operation and debt relief. This is managed by federal institutions and the DGDC is usually the lead actor. In contrast, indirect bilateral co-operation is comprised of programmes co-financed by the DGDC but prepared and implemented by other organisations, including recognised NGOs, universities and scientific establishments and specialised associations focused on building human resource capabilities in the developing world.

In 2004, DGDC allocated €136 million for direct bilateral co-operation and €176 million for indirect bilateral co-operation.<sup>8</sup>

More than half of Belgian aid goes to the least developed countries (LDCs) and priority is given to Central Africa, which received more than 60% of the bilateral aid disbursed by the country in 2002–2003.

The ten principal recipients of ODA/OA in 2004 were the Democratic Republic of Congo, Tanzania, Serbia-Montenegro, Cameroon, the Ivory Coast, Rwanda, Burundi, Bolivia, Burkina Faso and Vietnam.

#### *Multilateral Aid*

In 2004, €324 million was allocated for multilateral co-operation, of which €92 million was contributed to the European Development Fund. Twelve priority organisations receive the majority of this funding.<sup>9</sup>

### **2.3 Financing Instruments**

To a great extent, Belgian development assistance is disbursed in the form of grants (98%).

## **3. NATIONAL ODA STRATEGY**

The main purpose of Belgian development actions is, as stated in the Law on Development Co-operation of 25th May 1999,<sup>10</sup> to achieve sustainable human development by fighting poverty through partnerships and in compliance with the development criteria defined by the OECD DAC.<sup>11</sup>

This legislation also lays out the principle of geographic and sectoral concentration. Thus, the country's direct bilateral ODA targets 18 countries<sup>12</sup> and five sectors.<sup>13</sup>

In addition to placing the Millennium Development Goals at the heart of the country's development role, in October 2004 a policy paper<sup>14</sup> produced by the Minister for Development Co-operation establishes two further strategic priorities:

- Streamlining procedures for greater effectiveness; and
- Improving continuity and coherence (including coherence between migration, international trade and security policy).

Five years after the Millennium Declaration and following the example of other donors, an assessment was carried out on the country's progress towards achieving the eighth MDG of

building a "global partnership for development".<sup>15</sup> The report produced determined that the country is in line with the MDG objectives; both by directing the greater portion of ODA to the least developed countries (LDCs), as well as in the five sectors targeted for intervention by the 1999 legislation.

Work towards the MDG remains to be done however, as a 2004 policy paper pointed out. It acknowledged that too little attention is paid to the fight against HIV/AIDS, malaria and other poverty-linked diseases. Equally, work towards children's rights, gender equality and access to potable water must be strengthened.

There is a growing recognition in the country that gradually increasing ODA – while necessary – will pose a challenge. In July 2004, the Belgian Parliament argued in support of the so-called Tobin Tax, which imposes a global tax on international financial transactions (the Tobin-Spahn proposal). If adopted internationally, it is expected to double the fund of ODA. With the Tobin Tax being passed through parliament on 19 November 2004, Belgium became the first country with a legal framework for implementing the necessary tax recovery system. However, such a system will not start to operate until the other Euro-zone countries also introduce a Tobin Tax.<sup>16</sup>

### **3.1 Harmonisation and Coherence**

Policy coherence is rising on the Belgian development agenda. Consultation mechanisms established within the FPSFA and between federal public services have improved co-ordination – particularly between the diplomatic and defence departments – even though, as noted by the OECD DAC, much of the consultation takes place on an *ad hoc* basis. In view of this the DAC has recommended that Belgium strengthen its inter-ministerial information and co-ordination mechanisms.<sup>17</sup>

Many actors implicated in the delivery of Belgian aid (in addition to the BTC, these include numerous NGOs and Belgian associations as well as unions, universities, research institutions, towns and communes) operate in distinct ways. While this enables the country to be flexible, it risks diminishing the coherence and impact of Belgium aid.

The DGCD has been charged with defining a coherent development policy, which must have two clear objectives: i) contributing to the coherence of European policy on poverty reduction; and, ii) increasing the coherence of policies within the government and between federal entities dealing with development issues.

The importance of policy coherence becomes particularly clear in terms of Belgian relations with the Democratic Republic of Congo. There, institutional weakness combined with the illegal exploitation of natural resources, has provoked instability and insecurity. It is clear that any development co-operation strategy that hopes to be both comprehensive and effective must take into account political, economic and trade factors. The DAC Review has also recommended that Belgium continue its efforts to improve the comportment of Belgian companies with business interests in the DRC.<sup>18</sup>

## **4. AID MODALITIES/IMPLEMENTATION STRATEGIES**



Belgium has historically provided project-based aid. Efforts have been made recently to develop a broader approach and a three-year pilot programme was set up to allocate between 15-20% of bilateral aid in the form of general budgetary aid. An initial framework of budgetary aid criteria was approved in March 2005. Other forms of co-operation and delivering aid have been explored including, for example, the possibility of trilateral co-operation.

Partnership is the guiding principle of all development projects. The multi-annual framework and budget are fixed through negotiations between the governments of Belgian and the recipient country, while project definition and implementation are agreed collaboratively by recipient country representatives, the Belgian government and the BTC.

In 2004, in the spirit of the Paris Declaration, the DGDC established a special working group to serve as an internal consultant on new forms of assistance. A principle of co-management has been adopted reflecting Belgium's aims. At the time of writing (December 2005) however, a formal strategy on aid effectiveness aimed at implementing the Declaration remains under consideration.

#### **4.1 Sector Focus**

Through the 1999 Development Law, the government has limited intervention to the following five sectors:

- Basic healthcare;
- Education and training;
- Agriculture and food security;
- Basic infrastructure; and
- Conflict prevention and community building, including support for respect for human dignity, human rights and fundamental freedoms.

The legislation further states that Belgian development efforts should take three broad issues into account: gender equality, respect for the environment and social economy. A fourth issue was recently added to these, namely, the fight against HIV/AIDS.

Sectoral concentration is only partial however. The policy of concentrating on these areas does not apply to indirect aid, and in 2004 only 62% of direct bilateral co-operation was directed towards the defined sectors.

#### **4.2 Geographic Focus**

In order to increase effectiveness and focus, a decision has been taken to reduce the number of partner countries from 25 to 18. Again, this policy of concentration only concerns government aid. The list of partner countries was drawn up in November 2003 and includes:

<b>Africa:</b>	Algeria, Benin, Burundi, Democratic Republic of Congo, Mali, Morocco, Mozambique, Niger, Uganda, Rwanda, Senegal, Tanzania, South Africa and Palestinian Autonomous Territories
<b>Latin America:</b>	Bolivia, Ecuador and Peru
<b>Asia:</b>	Vietnam

These countries were selected for a number of defined criteria. Chief priority was given to Central Africa, then the quality of development co-operation as well as Belgium's contribution to aid efforts was assessed over the last five years. The quality of existing projects in each country and the quality of the political dialogue with each country were also taken into account.<sup>19</sup>

The concentration of government-led projects is increasing significantly. In 2002-03, five recipients accounted for 64% of all bilateral aid, up from 34% in 1997-98. The OECD argues that this concentration should be maintained and that given the size and importance of indirect aid, efforts should be made to investigate the possibility of increasing its geographic focus.<sup>20</sup>

## **5. PARTNERSHIPS**

### **5.1 NGOs**

Belgian NGOs play an important role in advocating for development as well as informing and mobilising support.

In 2004, €95 million was allocated for co-financing NGO actions. The DGDC works with 135 recognised NGOs, subsidising up to 85% of their activities. Each of these submit both multi-annual programmes and annual action plans. In 2004, DGDC evaluated 87 plans covering more than 1 500 development projects in 85 countries. An external evaluation in 2004 concluded that a more clearly defined policy for financing these NGOs is needed. Guidelines for the intended reforms have been drafted and new rules will be partly operational from 2006 and fully operational by 2007.<sup>21</sup>

### **5.2 Bilateral Donors**

Belgium has been active in co-ordinating and harmonising the international community's efforts in the DRC and Morocco. In 2004, Belgium launched four roundtable discussions with partner countries in which bilateral and multilateral donors as well as development NGOs participated. For the DRC, these discussions focused on the key sectors for development: i) agriculture; ii) health; iii) education; and, iv) basic infrastructure. Each roundtable resulted in a declaration that set out the commitments undertaken by the parties and in the creation of a surveying committee. While these declarations constituted the first step toward a bilateral sector approach, a formal strategy for aid efficiency remains lacking.

In 2004, Belgium collaborated with AFD in two countries: Mozambique and the DRC. In 2003, a common project was implemented in Tanzania.

### **5.3 Multilateral Donors**

Information regarding Belgian activities in multilateral development initiatives is contained in two DGDC reference documents: the so-called yellow and green books.<sup>22</sup> The yellow book gives an overview of DGDC's contributions to international organisations, as well as a concise description of its partners and the mechanisms through which co-operation takes

place. The green book lists Belgian official financial contributions to multilateral development organisations.

More than two-thirds of the Belgian multilateral budget is made up of obligatory contributions that fall within the framework of international agreements to which the country has adhered.

## **6. MOVING FORWARD**

Belgium has subscribed to the Millennium Development Goals as well as to the Paris Declaration and is committed to adapting its system of awarding ODA to these frameworks. Reforms have been introduced and measures taken with a view to bringing the country into line with these international efforts.

Important efforts have also been made to clarify internal confusion regarding such things as the division of labour between the DGDC and the BTC. It is expected that this will enable the country to focus its international development efforts much more in the future.

While Belgian aid has historically been awarded on a project-based approach, new measures have been taken to broaden efforts through new aid modalities and via closer collaboration with bilateral donors. Specific sectors are now targeted for development aid, and budgetary support programmes are increasing. Individual projects continue to receive some attention however, as the Belgian authorities acknowledge that not all issues can be addressed through the new aid modalities.

A key challenge for Belgium development efforts in the future will be to further concentrate on identified sectors and regions. Equally, direct and indirect bilateral aid efforts must be brought into line with each other in order to increase effectiveness and focus. Given the commitment to substantially increase the volume of Belgian ODA in line with EU objectives, effectiveness and focus will become imperative.

<sup>1</sup> These are responsible for the following areas: government programmes, special programmes, non-governmental programmes, multilateral and European programmes and sensitisation programmes.

<sup>2</sup> Secretariat and general affairs, policy support, follow-up, evaluation and statistics, and budget and internal control.

<sup>3</sup> *OECD DAC Peer Review Belgium (2005): Main Findings and Recommendations*, p. 3.

<sup>4</sup> *OECD DAC Peer Review Belgium (2005)*, p. 15.

<sup>5</sup> (BIO) Belgian Investment Corporation for Developing Countries: [www.b-i-o.be](http://www.b-i-o.be).

<sup>6</sup> *OECD DAC Peer Review Belgium (2005): Main Findings and Recommendations*, p. 4.

<sup>7</sup> *DAC Recommendation on Untying International Development Assistance to the Least Developed Countries*. <http://www.oecd.org/dataoecd/14/56/1885476.pdf>

<sup>8</sup>

### **Belgian Official Development Assistance (ODA) TOTAL (EUR)**

#### **DGDC**

• Government co-operation	136 462 558
• Non-governmental co-operation	176 747 933
• Multilateral co-operation	321 261 764
• Belgian Survival Fund	19 999 523
• State loans (DGDC as of 2004)	22 706 037
• Interest subsidies (DGDC as of 2004)	6 992 181
• Awareness raising in Belgium (by DGDC)	6 956 617
• Other	319 147
• BIO	29 796 925
<b>TOTAL DGDC</b>	<b>721 242 925</b>
<b>Foreign Affairs (excl. DGDC)</b>	<b>51 645 483</b>
<b>Administrative costs Foreign Affairs (incl. DGDC)</b>	<b>29 578 291</b>
<b>Government aid – other sources</b>	<b>375 353 139</b>
<b>TOTAL GOVERNMENT AID</b>	<b>€1 177 819 598</b> (0.41%/GNI)

<sup>9</sup> World Bank, UNDP, UNFPA, UNICEF, WHO, UNAIDS, Global Funds, OCHA, ICRC, FAO, GCEAI and UNEP.

<sup>10</sup> [http://www.dgdc.be/en/dgdc/policy\\_documents/index.html](http://www.dgdc.be/en/dgdc/policy_documents/index.html)

<sup>11</sup> DAC Criteria for Evaluating Development Assistance:  
[http://www.oecd.org/document/22/0,2340,en\\_21571361\\_34047972\\_2086550\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/22/0,2340,en_21571361_34047972_2086550_1_1_1_1,00.html)

<sup>12</sup> Despite the Law of 25 May 1999 restricting the maximum number of priority countries to 25 (Art. 6.1).

<sup>13</sup> Law of 25 May 1999, Art. 7.1.

<sup>14</sup> *Policy Outline for the Development Co-operation Department*:  
[http://www.dgdc.be/en/the\\_minister/political\\_note/index.html](http://www.dgdc.be/en/the_minister/political_note/index.html)

<sup>15</sup> *Global Partnership for Development, Millennium development goal 8, First progress report by Belgium 2004*: [http://www.dgdc.be/documents/en/topics/mdg/report\\_mdg8\\_eng.pdf](http://www.dgdc.be/documents/en/topics/mdg/report_mdg8_eng.pdf)

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<sup>16</sup> *Global Partnership for Development, Millennium development goal 8, First progress report by Belgium 2004*, p. 12.

<sup>17</sup> *OECD DAC Peer Review Belgium (2005)*, p. 14.

<sup>18</sup> *OECD DAC Peer Review Belgium (2005): Findings and Recommendations*, p. 35 - 38.

<sup>19</sup> *OECD DAC Peer Review Belgium (2005)*, p. 29.

<sup>20</sup> *OECD DAC Peer Review Belgium (2005)* p. 13.

<sup>21</sup> *DGDC Annual Report 2004*, p. 15.

<sup>22</sup> These documents can be consulted at [www.dgdc.be](http://www.dgdc.be).

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## **1. INSTITUTIONAL ORGANISATION**

The ODA policy framework recently introduced in Cyprus retains a high degree of centralisation in decision making though it allows for more decentralised aid delivery.

It is driven by a co-ordination body (CB) led by the Minister of Foreign Affairs (MFA) and including the Minister of Finance and the Permanent Secretary of the Planning Bureau. The CB is responsible for setting development targets – regional, sectoral and quantitative – aimed at meeting international obligations and national priorities.

A second body, headed by the Permanent Secretary of the Ministry of Foreign Affairs and comprised of representatives of the Ministries of Finance, Commerce, Industry and Tourism, Agriculture, Natural Resources and Environment, Labour and Social Insurance, Education and Culture and the Planning Bureau, as well as representatives of the civil society, acts as a consultant to the CB.

The Planning Bureau is responsible for both administering and implementing the decisions of the CB, while the MFA is both the international representative of the country and is responsible for the publication of the official development assistance policy.

With policy-making highly centralised, Cypriot ODA is aligned with the limitations of the national budget priorities (ensured by the Minister of Finance's participation in the CB). At the same time, the governmental and civil society players that participate in the implementation phase are also consulted in defining policy.

## **2. BUDGETARY EVOLUTION AND APPORTIONING**

### **2.1 Aid Volume**

In 2004 Cyprus allocated €4.2 million in ODA and it is estimated that this will rise slightly in 2005. This amount represents 0.04% of GNI.

### **2.2 Apportionment**

There is a strong focus on multilateral assistance with 70% of the budget assigned to international organisations, 16% to humanitarian assistance, 12% to technical assistance and 2% to pharmaceuticals and medical supplies.

Cyprus currently contributes to around 200 organisations. An effort is being undertaken, however, to streamline these contributions to a smaller number of organisations, focusing particularly on the UNDP, UNIDO, FAO and UNFPA.

Technical assistance provided by the country is concentrated on education scholarships to nationals of selected countries. These scholarships focus on the fields of forestry, business administration and hotel management as well as management of small and medium size enterprises.

The Cypriot government has decided to increase the ODA budget by €1-2 million annually over the next four years.

### **2.3 Financing Instruments**

Cyprus does not allocate ODA in non-grant forms.

## **3. NATIONAL ODA STRATEGY**

Like many of the new EU Member States, Cyprus has evolved from being an aid recipient to an aid donor during the last decades.

In 1994, a Technical Assistance Scheme for Foreign Countries was launched aimed at sharing Cypriot knowledge and expertise in economic transition and development. Choice of aid recipients takes into account both development needs and the prospects for fostering business and other bilateral relations. The scheme is managed by the Planning Bureau and it is currently being adjusted in order to shift focus to implementing the Millennium Development Goals.

The more recent *Medium-Term Strategy for Official Development Assistance 2006 – 2010* describes the government's medium-term aims. Its chief measures include:

- *Targets and priorities of Cypriot development assistance*

The focus will shift from emphasising the creation of a favourable business environment with the partner country to the promotion of the Millennium Development Goals. In this, Cyprus should make every effort to use its comparative advantage, notably, its experience in economic reconstruction after the 1974 Turkish invasion.

- *Underlying principles of development aid*

The key considerations in decisions regarding Cypriot ODA are: concentration on a small number of countries and sectors, retaining centralised decision making, short-run use of existing delivery mechanisms, increasing public awareness, securing stability of aid financing and policy continuity.

#### **4. AID MODALITIES/INTERVENTION STRATEGY**

The strategy also outlines the forms of international co-operation that should be used to achieve more effective and efficient aid. As the country has no experience in large-scale aid delivery, the established delivery mechanisms of multilateral donors will be used. Alliances with other more experienced countries will also be considered as an alternative. In the long run, Cyprus plans to establish its own aid delivery structure, to be built in line with EU guidelines.

##### **4.1 Sector Focus**

Priority sectors are infrastructure development, social services, and the environment.

##### **4.2 Geographic Focus**

Given the country's resource limitations, it is imperative that Cyprus limit its ODA assistance to a few countries. Assistance will thus concentrate on five countries for which more comprehensive assistance programmes will be implemented, and 14 countries in which smaller-scale projects will be executed.

*Programme Countries:* These countries are chosen according to criteria laid out by the government. The needs identified in these countries are also such that Cyprus possesses the means to address them.

The five programme countries are: Egypt, Mali, Lesotho, Yemen and the Palestinian Autonomous Territories.

*Project Countries:* Project countries fulfil some of the criteria set by the government and/or are among the Least Developed Countries.

For the first year of the Medium-Term Strategy the project countries are: Armenia, Bangladesh, Bosnia-Herzegovina, East Timor, Georgia, Gambia, Iran, Kyrgyzstan, Moldova, Pakistan, Sudan, Sri Lanka, Tajikistan and Uzbekistan.



## **5. PARTNERSHIPS**

### **5.1 NGOs**

For the time being, Cyprus does not co-operate with national NGOs in implementing projects in other countries. The government anticipates starting to do so once a legal framework regulating such co-operation has been established.

### **5.2 Bilateral Donors**

A number of EU Member States are in the process of being approached to act as partners with Cyprus in implementing projects in the five programme countries mentioned above.

## **6. MOVING FORWARD**

There are several challenges ahead of the country in terms of international development aid. First among these is to increase awareness and knowledge of development assistance, both within the ministries as well as in the broader public.

As an emerging donor, Cyprus is in the first stages of engaging in development assistance. As such, it lacks capacity to establish an administrative infrastructure that could undertake projects independently. It was therefore decided that the country would be most effective in delivering aid through the following methods:

- Trilateral partnerships: though difficulties are envisaged in terms of managing co-operation between the donors and partners;
- Partnerships with international organisations such as UNDP or UNIDO; and
- Delegating projects by working with an EU Member State active in the targeted country.

Cyprus has initiated discussions with Ireland with a view to co-operating in the delivery of a project in Lesotho, where Ireland already has a substantial presence as an aid donor. Other EU Member States will also be contacted about co-operating on projects in other programme countries (*i.e.* Palestine Authority, Egypt, Yemen and Mali) over the next five years.

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## **1. INSTITUTIONAL ORGANISATION**

The Department of Development Co-operation within the Ministry of Foreign Affairs is responsible for Czech international development. It acts as a co-ordinator, chairing regular inter-ministerial meetings that bring together the nine separate ministries entrusted with planning and implementing development projects.

Since 2001, the Development Centre<sup>1</sup> at the Institute of International Relations<sup>2</sup> acts as the department's advisory body. There are presently approximately 20 people working on development employed in the Ministry of Foreign Affairs and the Development Centre.

The Department of Development Co-operation is responsible for:

- Preparing conceptual documents related to foreign development assistance;
- Submitting an annual aid plan and an annual evaluation report to the government;
- Statistical reporting and providing development assistance information in the Czech Republic; and
- Co-ordinating other ministries responsible for development assistance.

The Development Centre is responsible for:

- Assessing proposals for country strategies and long-term programmes;
- Co-operating with relevant ministries on project planning and evaluation;
- Co-operating with Czech implementing institutions (advisory services);
- Co-operating with development agencies in other donor countries;
- Organising development training (project cycle management); and
- Co-ordinating development research in international development assistance.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

Czech ODA has increased significantly during the last five years to reach €87 million in 2004, which represents 0.11% of GNI.

### **2.2 Apportionment of ODA**

Bilateral assistance in 2004 was €51.6 million, which represents 58.2% of all ODA.

### **2.3 Financing Instruments**

The Czech Republic prefers to provide grants rather than loans.<sup>3</sup> In certain bilateral aid projects however, soft loans are sometimes offered. A newly approved document, *Supporting Exports by Providing Long-term Government Loans under Advantageous Conditions*, forms the basis for these loans and is in line with OECD principles.

## **3. NATIONAL ODA STRATEGY**

By the end of 2001, national strategy was summarised in a policy document that was presented to the government by the Minister for Foreign Affairs. Entitled *The Concept of the Czech Republic Foreign Aid Programme for the 2002 – 2007 Period*, the document aimed at defining the country's development objectives, principles and priorities by territory and sector.<sup>4</sup> It also establishes the organisational and financial framework for the medium-term improvement of the development aid delivery system. Thus, it covers the aims, priorities, instruments, organisation and financing of Czech international development aid.

In 2004 and 2005, vigorous reforms of the Czech development system continued, particularly linked to accession into the European Union. The principal goals of this were defined in the policy document: *Principles of the International Development Co-operation after the Accession of the Czech Republic to the European Union*.<sup>5</sup> Approved by the government in 2004, this document outlines EU development assistance policy and highlights how Czech development assistance will be affected by accession into the EU in terms of its legal, financial, institutional and organisational features.

With this new development policy, the Czech Republic is in line with the international community and the Millennium Development Goals. The overall objective is to reduce poverty in less-developed parts of the world by adopting a multi-dimensional approach. Thus development assistance should be based on the principles of partnership, efficiency and transparency.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

For the greater part, Czech bilateral aid takes the form of projects. It is intended that co-operation be based on the development strategy of the partner country. Planning takes a "next year + 2" approach, whereby the framework is set for the coming three years, though

detailed planning is limited to the first year. *The Medium-Term Financial Outlook of Czech ODA*, prepared by the MFA together with the Ministry of Finance, should ensure the continuity and growth of development assistance in the coming years.

#### **4.1 Sector Focus**

Assistance is concentrated on sectors in which the Czech Republic has comparative advantage. This includes: health care, education, energy production and selected areas of engineering and environmental protection.<sup>6</sup>

#### **4.2 Geographic Focus**

In 2001, the Czech government launched an assessment and evaluation of its foreign aid programme for the 1995 – 2000 period. Attention was thus drawn to the excessively wide geographic zone scheduled to receive aid, the lack of any clearly defined territorial priorities and the overly-broad sector targeting.

The resulting *Concept of the Czech Republic Foreign Aid Programme for the 2002 – 2007 Period*, established that the following criteria must be taken into consideration when selecting a country for intervention:

- Level of social and economic development, *i.e.* urgency of action;
- State of political and diplomatic relations between the country and the Czech Republic, including historic and commercial relations and future prospects for both;
- Level of democracy, respect of rule of law, economic capacity to absorb aid;
- Presence of a Czech embassy or other international agencies needed to implement the project; and
- Degree of co-ordination of activities of other aid-providing countries and international agencies.

As mentioned above, assistance must also be focused on sectors in which the Czech Republic has some comparative advantage.

The current objective is to focus on longer-term projects with a restricted number of countries. Eight priority countries were decided with the new strategy. These are:

- Angola, Zambia, Vietnam, Mongolia, Yemen, Moldavia, Bosnia-Herzegovina, and Serbia-Montenegro.

Iraq and Afghanistan were selected as medium-term countries, provided that these countries co-operate in eliminating security risks.

The selection of these priority countries does not, however, imply the eradication of individual foreign aid projects in other countries. These may continue provided that they meet the requirements of territorial or sector priority set out in the 2004 document.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

An important part of the Czech bilateral foreign-aid strategy is the joint financing of foreign aid projects with NGOs. Up to 100% of funding for projects implemented by NGOs may be provided through the foreign aid budget. A general condition for receiving state grants is that the project must be in line with national development assistance policy.

NGOs participate in 26% of all development projects executed by the Czech Republic.

### **5.2 Universities**

The first development studies programme was started in 2003 at Palacky University in Olomouc and sectoral academic sub-programmes are run at three other universities.

Furthermore, a summer school on Development Co-operation and Humanitarian Assistance is organised annually in Olomouc.

### **5.3 Bilateral Donors**

The Czech Republic participates in the Canadian International Development Agency (CIDA) capacity building programme, as well as the Official Development Assistance for Central Europe (ODACE) programme.<sup>7</sup> Furthermore, the Czech Republic has collaborated with both the Netherlands and Luxembourg in trilateral development projects. This experience was positive and there is significant interest in pursuing partnerships with other long-standing donor countries. A number of projects to this effect are being developed, though none have yet been implemented.

### **5.4 Multilateral Donors**

In addition to mandatory contributions to international organisations (e.g. UN organisations, the World Bank and the International Monetary Fund), the Czech Republic makes selective contributions on a voluntary basis through various agencies. These are mostly for specific purposes.

## **6. MOVING FORWARD**

As of January 2006, no decision has been taken concerning the establishment of an independent development agency. Regular co-ordination meetings have helped the nine different ministries charged with implementing different development projects to reach a consensus regarding harmonisation and alignment. As it stands, the system is relatively effective and it enables exchange on themes of mutual interest.

The presence of a Czech embassy in each of the priority countries gives insight into both how development funds are used and what results they achieve. At the time of writing, there were no ODA specialists employed in the embassies, but it is envisaged that such posts will be established. In the meantime, the diplomats carry out development-related tasks.

Both the ministries involved with development, as well as the Czech public, favour an increase in ODA.

There is also a general willingness to accept the importance of donor co-ordination and alignment as per the Paris Declaration on Aid Effectiveness. However, the Czech Republic has been signalling hesitation concerning participation in budgetary support and sector-wide approaches. The preference in the country is for bilateral co-operation, which it intends to undertake in the near future. This is considered as the best way for the Czech Republic to strengthen its institutional organisation, its credibility towards the public and its visibility. There is also concern within the government that by collaborating with other donors, control over how the aid is used might be lost. A bilateral approach would also ensure that full control is retained over both financial contributions and results. It is nonetheless recognised that effective collaboration is an advantage for recipient countries. Once its institutional organisation is strengthened, the Czech Republic foresees more extensive participation in donor discussions, exchanges and, eventually, partnerships.

With some experience in the development field, the Czech Republic is now focusing on making its aid delivery system more coherent and better structured. Public awareness on ODA related issues also remains crucial. When these objectives are achieved, the Czech Republic will be in a better position to contribute to discussions and participate in the international donor community.

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<sup>1</sup> *The Development Centre*: [http://www.rozvojovestredisko.cz/about\\_en.php](http://www.rozvojovestredisko.cz/about_en.php)

<sup>2</sup> *The Institute of International Relations*: <http://www.iir.cz>

<sup>3</sup> *The Concept of the Czech Republic Foreign Aid Programme for the 2002 – 2007 Period*, <http://www.mzv.cz/servis/soubor.asp?id=1560>, p. 6.

<sup>4</sup> In collaboration with other Ministries.

<sup>5</sup> *Principles of the International Development Co-operation after the Accession of the Czech Republic to the European Union*: <http://www.mzv.cz/wwwo/mzv/default.asp?id=8834&ido=7594&idj=2&amb=1>

<sup>6</sup> *The Concept of the Czech Republic Foreign Aid Programme for the 2002 – 2007 Period*, p.7.

<sup>7</sup> For further information, see <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/JUD-5414725-P9P>

## DENMARK

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## 1. INSTITUTIONAL ORGANISATION

Responsibility of the Danish development aid is confined to the South Group of the Ministry of Foreign Affairs.<sup>2</sup> A highly decentralised implementation structure exists in which embassies are given overall responsibility for execution and administration. Rather than being an independent implementation agency, Danida refers to the MFA and South Group's development co-operation programme. It acts as a sort of brand mark for Danish development activities.

During the past several years, a separate Minister for Development has held responsibility for all issues regarding development. Only in unusual instances has the Minister for Foreign Affairs been responsible for development.

A state secretary heads the South Group. Two deputy state secretaries are responsible for all bilateral and multilateral aid. There are 12 departments in the group.<sup>1</sup> These are not only responsible for development policy, but also for all policy concerning Africa, Latin America, Asia and the Middle East. They are also responsible for relations with international organisations such as the UN and internal EU issues pertaining to development co-operation. For the most part, the implementation of development aid is decentralised to Danish embassies. Strategy – both in terms of country and themes – remains centralised.

External consulting bodies have been established to provide specific expertise. Their missions are defined by legislation and their members are appointed by the Ministry of Foreign Affairs. There are several such bodies, including the International Development Co-operation Council, which reports to the minister on development-related questions and examines the country strategies and new sector programmes. Lastly, a research council acts

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<sup>2</sup> There are two additional administrative departments in the Ministry of Foreign Affairs: the North Group and the Export Council.



as an advisor to the ministry and approves fund allocations to development co-operation activities.

In 2004, Danida employed 284 people at its Copenhagen headquarters, and 149 people at Danish diplomatic missions. Locals are employed at the embassies to administer parts of the development projects.

The Danish institutional development system is both co-ordinated and effective though, it risks appearing somewhat monolithic.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, ODA was €1 640 million, representing 0.85% of GNI. In the coming years, the Danish government has decided to keep ODA to a proportion of GNI on the level of 0.80%.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, bilateral aid accounted for 59% of all ODA and benefited Africa (58.8%), Asia (31.9%) and Latin America (9.3%). The five main country recipients in 2004 were Tanzania (9.3%), Vietnam (7.1%), Mozambique (6.6%), Uganda (6.2%) and Ghana (5.8%).

#### *Multilateral Aid*

Multilateral aid represented 41% of all ODA in 2004. The UN was the main recipient (receiving half), followed by the World Bank and the regional development banks.

### **2.3 Financing Instruments**

Danish ODA is to the greatest extent (98%) allocated in the form of grants but other financing instruments, such as concessionary credits<sup>2</sup> and guarantees are also used.

The aim of guarantees is to facilitate the financing of private infrastructure.

## **3. NATIONAL ODA STRATEGY**

With its point of departure being the Act on International Development Co-operation<sup>3</sup> (adopted in 1998 and partially modified in 2002), the Partnership 2000<sup>4</sup> establishes the main objectives of Danish development policy. This applies to both bilateral and multilateral co-operation.

The central elements of this policy are:

- Poverty reduction as the principal aim;
- The partner country's development strategy must constitute the basis for all collaboration: the partner country should always remain the *owner* of the project;
- All development assistance must be based on long-term partnership;

- Assistance should be focused on a small number of countries and sectors. In multilateral co-operation, priority should be given to organisations working effectively and conforming with Danish policies; and
- Three broad issues should be systematically taken into account: gender equality, the environment and democratisation and human rights.

The document *Globalisation – Progress through Partnership* presents the government's development policy priorities and economic framework for 2006 – 2010.<sup>5</sup> It is based on the government platform (*regeringsgrundlag*) of February 2005 and further develops the development policy stance set out in previous years with the policy papers, *A World of Difference* (2003)<sup>6</sup> and *Security, Growth – Development* (2004).<sup>7</sup>

This most recent document states that the government will focus on the following issues in the coming years.<sup>8</sup>

- Targeted efforts to promote the MDGs, especially in Africa;
- Increased focus on promoting economic growth, as a way out of poverty;
- More targeted and focused development assistance to obtain maximum value for money;
- Security and development, aimed at having a strong Danish voice;
- Strengthened environmental efforts as a prerequisite for sustainable development;
- Better climate with emphasis on global solutions;
- Human rights and democracy; and
- Regional coherence home and abroad.

In 2004, Denmark reported on its progress in working towards the MDGs.<sup>9</sup>

In April 2005, the Danish Minister for Development published a new strategy for the country's efforts towards fighting HIV/AIDS internationally.<sup>10</sup>

#### **4. AID MODALITIES/INTERVENTION STRATEGY**

Danish ODA is allocated through a variety of means. The method employed in each country depends on the robustness of its national policy for poverty reduction, the role of civil society and the quality of public-sector management.

Bilateral aid is primarily distributed through sector programmes. In 2004, these accounted for 55% of bilateral development assistance. In order to optimise impact, five-year strategies for these programmes are developed in collaboration with the partner country authorities. In addition to governmental bodies, both the private sector and civil society of the partner country participate in the strategy development process.

Several factors are assessed in formulating these five-year strategies. Primary importance is given to the country's level of development and history of co-operation with Denmark. The amount of aid previously allocated and the aims and objectives of activities in each sector are also laid out. Each strategy will also include directives aimed at harmonising activity with other donors and aligning actions to the national poverty reduction strategy and

administrative framework. Once formulated, Danish experts – NGOs, consultants and the private sector – are invited to comment on the strategy. Thereafter, it is presented to Danida's administrative council and then must be approved by parliament.

#### **4.1 Sector Focus**

The country's chief focus is on social infrastructure. In 2004, 46.9% of the bilateral aid was allocated to this sector, broken down into the sub-sectors of:

- Education (8.2%)
- Health (9.5%)
- Administration and civil society (16.2%)

Economic infrastructure received 17.3% of bilateral ODA, with transport being the chief sub-sector (receiving 9.3% of the bilateral ODA). In the same year, the production sector accounted for 12.5% of all bilateral ODA, with priority going to the sub-sector of agriculture (receiving 8.4%).

The objective of Danish aid is to ensure that critical investments are made in the poorest countries, particularly in the fields of education and health. Other priority areas are water and sanitation, and the environment. Equally, the development of the private sector is considered crucial to building a stable economic basis for combating poverty.

#### **4.2 Geographic Focus**

The repartition of ODA is decided on the basis of very precise criteria. Countries are selected through a well-developed framework of selection criteria. These include:

- Country needs and quality of the development plan;
- Projects already executed by donors and the country's absorption capacity;
- The country's ability to promote sustainable development;
- Capacity of the country to guarantee respect for human rights;
- Views on gender equality;
- Former outcome of Danish assistance in the country; and
- Existence of possible benefits for Danish companies and employment opportunities in Denmark.

The compatibility of the last condition (which could be considered as tied aid) with the policy of Partnership 2000 – and more widely with general international discussions on aid harmonisation and alignment – has been questioned by the OECD.<sup>11</sup> The country has defended its position by pointing out that this criterion is considered only once the first six have been fully satisfied.

In 2005, Denmark's partner countries were:

- **Africa:** Benin, Burkina Faso, Egypt (to be phased out in 2008), Ghana, Kenya, Mozambique, Tanzania, Uganda and Zambia
- **Asia:** Bangladesh, Bhutan, Nepal and Vietnam
- **Latin America:** Bolivia and Nicaragua

At the beginning of 2006, Mali was selected as a new partner country. Furthermore, a more limited form of collaboration has been put in place in a certain number of other countries.<sup>12</sup> These are mostly post-conflict countries (Afghanistan, Sudan and South Africa) and ones in need of environmental assistance (Thailand, Cambodia and Indonesia).

## **5. PARTNERSHIPS**

### **5.1 NGOs and other Danish actors**

The *Partnership 2000* strategy has established some guidelines concerning Danida's collaboration with Danish NGOs active in the field of development co-operation and humanitarian assistance.

It states that the main objective in supporting NGOs is the promotion of democracy and the fight against poverty through the construction of an active civil society. Details of how the government co-operates with Danish NGOs operating in developing countries is set out in a 2001 policy document: *Strategy for Danish Support to Civil Society in Developing Countries – Including Co-operation with Danish NGOs*.<sup>13</sup> Six large NGOs have concluded a four-year agreement with the MFA with a view to carrying out specific development activities. These organisations and their activities are evaluated regularly by the MFA.

In 2004, Denmark transferred €8.9 million (1% of all ODA) to help Danish NGOs run specific programmes. It contributed even more to NGOs charged with administering government aid programmes.

### **5.2 Bilateral Donors**

With the UK, the Netherlands, Ireland and the Scandinavian countries, Denmark participates in the Nordic+ Group. These countries devised a joint action plan to provide effective aid through donor harmonisation and alignment.<sup>14</sup>

Denmark has experience both in leading donor collaborations and in participating as a “sleeping partner”. It currently co-operates with Norway and Canada both of which share similar approaches and outlooks.

### **5.3 Multilateral Donors**

The *Partnership 2000* sets out the guidelines concerning the channelling of Danish aid through multilateral organisations. It specifies that priority should be given to organisations demonstrating both effectiveness and efficiency in programmes that are aligned with the Danish development criteria. The World Bank, UNDP and UNICEF are among the key partners.

### **5.4 The European Union**

Denmark has been active in EU discussions concerning the report *Aid Co-ordination, Harmonisation and Alignment: The contribution of the EU* of the *ad hoc* working party on harmonisation.

## **6. MOVING FORWARD**

With a highly concentrated system for managing ODA, in the coming years Denmark will strengthen its efforts in the fields of education, health and water and sanitation.

The importance of harmonisation and alignment has been underlined in a number of different strategy documents.

Denmark has experience in taking different roles in donor collaborations and is interested in working with European donors outside the Nordic+ Group. France is considered as a possible collaborator given the two countries' shared sector expertise and involvement with the same partner countries.

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<sup>1</sup> The seven geographic departments of the South Group are: (i) South Africa; (ii) east, west and central Africa; (iii) Asia; (iv) South East Asia; (v) the Middle East; (vi) Latin America; and, (vii) North Africa.

<sup>2</sup> Concessionary credits by way of subventions (with a grant element ranging from 25-80%) are provided to countries authorised by the OECD (income per person lower than USD2 995, *i.e.* the LDCs and MICs).

<sup>3</sup> *Act on International Development Co-operation*,  
<http://www.um.dk/en/menu/DevelopmentPolicy/DanishDevelopmentPolicy/ActOnInternationalDevelopmentCooperation/>

<sup>4</sup> *Denmark's Development Policy – Strategy, Partnership 2000*,  
<http://www.um.dk/Publikationer/Danida/English/DanishDevelopmentCooperation/DenmarksDevelopmentPolicyStrategy/index.asp>

<sup>5</sup> *Globalisation – Progress through Partnership*,  
<http://www.um.dk/NR/ronlyres/A8318B35-D44F-407E-B090-70249E59F842/0/globalisationengelsk.pdf>

<sup>6</sup> *A World of Difference*, 2003,  
[http://www.um.dk/NR/ronlyres/3BC1A939-5420-4A64-A968-565602AC309E/0/a\\_world\\_of\\_difference.pdf](http://www.um.dk/NR/ronlyres/3BC1A939-5420-4A64-A968-565602AC309E/0/a_world_of_difference.pdf)

<sup>7</sup> *Stability, Growth – Development*, 2005,  
<http://www.um.dk/NR/ronlyres/C1EF2855-A885-49B8-96A0-5D3AC7B22912/0/SecurityGrowthDevelopment.pdf>

<sup>8</sup> *Ibid.*, 6.

<sup>9</sup> *Goal 8: Establishing a Global Partnership*, UNDP Denmark MDG Report 2003.

<sup>10</sup> *Denmark's New Strategy for Supporting the International Fight against HIV/AIDS*:  
<http://www.um.dk/en/menu/DevelopmentPolicy/DanishDevelopmentPolicy/HIVAIDSNewDanishPolicy/>

<sup>11</sup> *OECD DAC Peer Review Denmark 2003*, p. 18.

<sup>12</sup> These countries include: Eritrea, South Africa, Nigeria, Afghanistan, India, Sri Lanka, Gaza and Iraq.

<sup>13</sup> *Strategy for Danish Support to Civil Society in Developing Countries - Including Co-operation with the Danish NGOs* (2001):  
[http://www.una.dk/ffd/Godk\\_Nord\\_Regeringer/Strategy\\_for\\_Danish\\_Support.htm](http://www.una.dk/ffd/Godk_Nord_Regeringer/Strategy_for_Danish_Support.htm)

<sup>14</sup> *Joint Action Plan for Effective Aid Delivery through Harmonisation and Alignment of Donor Practice*:  
<http://amq.um.dk/en>

## ESTONIA

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## 1. INSTITUTIONAL ORGANISATION

Empowered by the *Government of the Republic Act*, the Ministry of Foreign Affairs is responsible for Estonia's development co-operation in terms of policy planning and implementation. In 2001, a separate Development Co-operation Division was established within the MFA's External Economics and Development Co-operation Department.

A policy document entitled *Procedure for the Provision of Development Assistance and Humanitarian Aid*<sup>1</sup> outlines Estonian development co-operation. Since 2004, the MFA has had a separate budget for development co-operation and humanitarian aid. Other governmental agencies may however implement – and finance – specific projects and activities that are considered to fall within the scope of their competencies.

Estonia is currently without an independent implementation agency. Projects can be implemented by NGOs, ministries, other governmental institutions and legally empowered individuals. Once a project proposal has been submitted and approved by the MFA, a contract detailing obligations and responsibilities is drawn up.

In 2003, an inter-ministerial commission for evaluating project proposals – the Development Co-operation Commission – was established. The Commission is led by the MFA with representatives from the Ministry of Finance, the Ministry of Economic Affairs and Communications and the Ministry of Internal Affairs. Representatives from other ministries are invited to attend if the projects under discussion relate to them.

After the Commission has evaluated a proposal, it must be approved by the Foreign Minister before a contract can be signed.

The Development Co-operation Division is headed by a director and employs four people with diplomatic status. An additional person responsible for development co-operation issues is also positioned at the Estonian Representation to the European Union.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

Estonia was first listed as a donor country in the 1999 OECD Development Assistance Committee's (DAC) report. Since then the country reports annually to the DAC. A budget line for development co-operation was first established in 1998.

In 2004, €6.6 million was disbursed in development co-operation activities (reported to the OECD DAC). This represents 0.08% of GNI. Of this, ODA accounted for €3.95 million (0.05% of GNI). The total sum for official assistance (to benefit countries in transition, as opposed to developing countries) in 2004 was €2.7 million.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

Bilateral aid accounted for 13% of ODA in 2004, of which 15% was channelled through NGOs based on project proposals and taking into account the partner needs.<sup>2</sup>

#### *Multilateral Aid*

In 2004, 87% of ODA was provided multilaterally, the majority of this accounted for Estonia's contribution to the EC budget for external assistance. The remaining multilateral assistance is channelled primarily through the UN system (UNICEF, UNDP, UNHCR, UNFPA, OCHA) but also to other organisations such as the ICRC.

### **2.3 Financing Instruments**

All of Estonian ODA is disbursed in the form of grants.

## **3. NATIONAL ODA STRATEGY**

Estonian objectives and priorities for development co-operation policy are outlined in the *Principles of Estonian Development Co-operation*,<sup>3</sup> approved by *Riigikogu* (parliament) in January 2003. This succeeded the policy document, *Principles of Development Co-operation for the Years 1999-2000*.

The updated document states Estonia's continuous support for countries and regions striving to achieve consistent economic and social development. As an integral part of Estonian foreign policy, development co-operation is directed towards ensuring peace, democracy, the observance of human rights, economic and social stability and the eradication of poverty in accordance with internationally approved principles of sustainable development. Estonia observes the UN Millennium Declaration and the principles for humanitarian and development aid established by international organisations, including the UN, the OECD and the EU. Estonia grounds its assistance on the principle that the main responsibility for development primarily lies with the developing countries themselves.

The medium-term strategy for Estonian development co-operation and humanitarian aid for 2006-2009 was being prepared at the time of writing. In December 2005, consultations with



national stakeholders were held and a draft of the strategy was made available on the MFA's website for public consultation. Comments were then being analysed on the basis of which the draft would be amended.

This strategy sets out the primary goals, priority countries and sectors of Estonian development co-operation. It also states the priorities for bilateral and multilateral aid. Issues related to co-operating with other donors and national NGOs are also treated as well as increasing public awareness.

#### **4. AID MODALITIES/INTERVENTION STRATEGY**

Bilateral aid from Estonia is disbursed in the form of projects.

##### **4.1 Sector Focus**

According to the draft of *Estonian Development Co-operation and Humanitarian Aid for 2006-2009*, the main objective of Estonia's development co-operation will be poverty reduction.

The sectors for intervention will be:

- Education, information and civil society, trade policy and regulations, and environment protection.

As Estonia has been successful in building its democratic society, it has some expertise and is willing to share its knowledge and experiences in reforming with other interested countries, mainly the Commonwealth of Independent States and Balkan countries.

Estonian NGOs also possess certain expertise in issues related to indigenous people; it was therefore decided to redouble efforts in this domain.

##### **4.2 Geographic Focus**

The priority partner countries are:

- Georgia, Ukraine, Moldova and Afghanistan.

Estonia's focus is to share with its partner countries the experience it has gained in areas such as reforming the national healthcare system, introducing technology into government administration and leading negotiations for accession to the WTO. The aim of these development reforms is to ensure long-term stability and continuous development in the partner country.

##### **4.3 Humanitarian Aid**

In past years, humanitarian aid provided by Estonia has focused on relieving war refugees and supplying emergency assistance following natural disasters. Estonia has supported war refugees by helping meet their basic needs in Sudan, Iraq, Kosovo, Chechnya and Afghanistan. Furthermore, Estonia has given support to earthquake victims in Pakistan,

South East Asia, Iran, Turkey and India, and has assisted in mitigating the effects of floods in Poland and the Czech Republic as well as the famine in Georgia.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

Estonian NGOs play an important role in bilateral development co-operation. The principal partner of the government in development-related matters is the Estonian Development Co-operation Roundtable,<sup>4</sup> which brings together development NGOs.

The e-Governance Academy (eGA) is one of several organisations involved in implementing Estonian development co-operation projects.<sup>5</sup> eGA is a non-governmental, non-profit organisation that was founded in December 2002 with the aim of fostering and transferring knowledge about e-governance, e-democracy and the development of civil society. The NGO is a joint initiative of the Government of Estonia, the Open Society Institute (OSI) and the Regional Support Centre of the UNDP.<sup>6</sup>

### **5.2 *Bilateral and Multilateral Donors***

Estonia has implemented an increasing number of trilateral projects. These have taken place in co-operation with Canada (for the Ukraine) and with the United Kingdom (supporting Ukraine, Moldova, Uzbekistan). A number of new projects with Sweden and Finland are scheduled to start in 2006. The project with Finland, which involves close co-operation with Estonia, is designed to train Georgian law enforcement officials. Two projects are being prepared with Sweden: building capacity at a training centre for penitentiary and probation officers in Georgia, and developing a rescue service in Armenia.

## **6. MOVING FORWARD**

Estonia is becoming increasingly active in the international development community, particularly through new opportunities stemming from EU membership. In order to make the most of these, Estonia is devoting considerable effort to strengthening its international development co-operation system by adopting legislative reform and reinforcing its implementation framework. Though discussions regarding the creation an independent implementation agency are ongoing, for the time being, this is not considered a priority.

In the near future, Estonia intends to pay specific attention to raising public awareness of its development co-operation. Another important focus is to reinforce partnerships with the civil society organisations that play a significant role both in policy formulation and project implementation.

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<sup>1</sup> *Procedures for the Provision of Development Assistance and Humanitarian Aid, 2003*, <http://web-static.vm.ee/static/failid/377/Procedure.pdf>

<sup>2</sup> An overview of Estonian bilateral development co-operation projects can be found at: [http://www.vm.ee/eng/kat\\_178/3463.html](http://www.vm.ee/eng/kat_178/3463.html)

<sup>3</sup> *Principles of Estonian Development Co-operation, 2003*, [http://www.vm.ee/eng/kat\\_178/3815.html](http://www.vm.ee/eng/kat_178/3815.html)

<sup>4</sup> The Estonian Development Co-operation Roundtable, AKÜ, acts as a national platform for development NGOs in Estonia. AKÜ disseminates development news, facilitates participation in seminars, trainings and field studies, and co-operates with similar networks in Europe. For further information see: <http://www.emy.ee/eng/>

<sup>5</sup> The e-Governance Academy: <http://www.ega.ee/>

<sup>6</sup> The Estonian government is widely perceived as being among the most IT-savvy in Europe. The majority of government business is conducted electronically. A paperless culture has been adopted throughout the government administration, from small public agencies to the council of ministers. Electronic documentation has replaced paper in preparations for cabinet sessions, during which ministers review new legislation, make comments and vote electronically using computer terminals.

**The European Community**  
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## **1. EU INSTITUTIONAL FRAMEWORK FOR DEVELOPMENT CO-OPERATION**

The European Union (the European Community together with the Member States) accounts for 55% of global ODA. The European Community alone is responsible for around one-fifth of all ODA within the European Union, or 10% of the world's total. Thus, the European Community is the third most important ODA donor in the world (after the United States and Japan) and the second in terms of humanitarian assistance.

According to Article 177 of the Treaty of Nice, the Community development co-operation policy – complementary to the policies pursued by the Member States – should foster:<sup>1</sup>

- Sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- Smooth and gradual integration of the developing countries into the world economy;
- A campaign against poverty in the developing countries.

The Commission is charged with managing the European Community's development co-operation. Since May 2000, it has reformed the management of its external assistance in order to improve significantly the quality and responsiveness of project management; to reduce substantially the time taken to implement approved projects; to ensure financial, technical and contractual management procedures in line with the highest international standards of propriety and accountability; and to improve the impact and visibility of European Union co-operation and development aid.

The DG External Relations (also known as DG RELEX)<sup>2</sup> contributes in helping the European Council formulate an effective and coherent external relations policy for the EU. DG

Development<sup>3</sup> works to initiate and formulate the European Community's development policy for all developing countries.

Other Directorates are also involved in external assistance, including DG Enlargement,<sup>4</sup> which is charged with external relations and assistance with acceding countries, candidate countries and other countries from the Western Balkans, and DG ECHO,<sup>5</sup> responsible for humanitarian assistance.

The European Investment Bank (EIB) is the European Union's financing institution and it contributes to development co-operation policy by implementing financial components of agreements concluded under European development aid and co-operation policies (e.g. the Investment Facility under the 9th European Development Fund).

Lastly, the mission of the EuropeAid Co-operation Office (AidCo) is to implement the external aid instruments of the European Commission, funded by the European Community budget and the European Development Fund. EuropeAid reports to the Commissioner responsible for External Relations and European Neighbourhood Policy.

## **EuropeAid**

### **1.1 Mission**

The EuropeAid Co-operation Office was formally created on 1 January 2001. It unites all expertise in project and programme design and management in a single organisation.

The Office is responsible for all phases of the project cycle (identification and appraisal of projects and programmes, preparation of financing decisions, implementation and monitoring, evaluation of projects and programmes) for delivering assistance to third countries.<sup>6</sup>

Multi-annual programming of external assistance is the responsibility of DG Development (African, Caribbean and Pacific Countries) and DG External Relations (rest of the world). An evaluation department within EuropeAid assesses the results of regional and sector policies, programmes and programming performance, while the multi-annual evaluation plan is defined by DG Relex, DG Development and EuropeAid together.

### **1.2 Institutional Organisation**

In 2001, EuropeAid began working towards devolving external assistance management to the European Commission Delegations. This reform established what subsequently became a guiding principle for EuropeAid: Anything that can be better managed and decided on the spot, close to what is happening on the ground, should not be managed or decided in Brussels.

In its 2002 review of the European Community in 2002, the DAC Peer Review<sup>7</sup> recommended that the implementation of the aid programme be improved in order to increase country ownership of projects. It recommended that this take place by delegating authority further to field-level and by providing more personnel to country offices.

By end 2005, this devolution was complete. The 77 Delegations devolved include:

- 4 in Europe / Caucasus / Central Asia;<sup>8</sup>
- 10 in Mediterranean;<sup>9</sup>
- 37 in Africa;<sup>10</sup>
- 15 in Latin America and the Caribbean;<sup>11</sup> and
- 11 in Asia and in the Pacific.<sup>12</sup>

At this time, 80% of EuropeAid's portfolio was managed by these delegations.

The chief responsibilities of the EuropeAid headquarters are now to:

- Ensure the establishment of co-operation with countries and regions, and ensure coherence;
- Develop thematic and technical know-how and guidance;
- Manage non-decentralised projects/programmes;
- Support the delegations in decentralised projects/programmes; and
- Ensure control.

Devolution also entailed an increase in staff managing external aid (+46%), particularly in the delegations (+171%), and an attendant decrease in the EuropeAid workforce from 1 400 in 2001 to 960 in 2005.

In March 2005, EuropeAid was reorganised for greater efficiency and to enhance the quality of its programmes. Quality Support Groups, established to screen projects before financing decisions are taken, have reviewed a large proportion of the commitments made in 2005. A specific directorate was set up to provide operational guidance and quality support.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

EU development co-operation programmes are partly financed through the EU regular budget, and partly through Member State contributions to the European Development Fund (EDF). In 2004, the EC budget committed more than €7.2 billion while EDF committed €2.6 billion. EuropeAid managed 70% of these resources.<sup>13</sup>

In 2005, the amounts committed for the various programmes managed by EuropeAid were as follows:

- |  |   |
|--|---|
| • <b>Africa, Caribbean, Pacific:</b>     | €3 511 million (+33% from 2004)             |
| • <b>Middle East/Mediterranean:</b>      | €1 075 million (+7% from 2004)              |
| • <b>Asia:</b>                           | €834 million (+37% from 2004)               |
| • <b>Eastern Europe (TACIS):</b>         | €515 million (+2% from 2004)                |
| • <b>Latin America:</b>                  | €329 million (+5% from 2004)                |
| • <b>South Africa:</b>                   | €155 million (+15% from 2004) <sup>14</sup> |
| • <b>Thematic programmes and others:</b> | €1 090 million (+5%)                        |

In total in 2004, the European Community committed €7 538 million for ODA to Part I developing countries and €2 272 million for OA to Part II transitional countries. Of this, EuropeAid managed €6 308 million of all ODA and €440 million of all OA.<sup>15</sup>

### **3. DEVELOPMENT CO-OPERATION STRATEGY**

#### **3.1 Framework Documents**

One of the main objectives of the 2000 institutional reform was to strengthen the strategic dimension of assistance. Closely linked to this was a focus on the eradication of poverty. In 2000, a *Declaration on the European Community's Development Policy*, defining strategic objectives and emphasising the primacy of poverty eradication, was adopted by the Council and the Commission.<sup>16</sup> Though the Millennium Development Declaration is not explicitly mentioned (due to the over-lapping timing of these two documents) the declaration is in line with the MDGs, and these are used as a benchmark for all of the Commission's poverty eradication actions. In close collaboration with the EU Member States and international organisations such as the World Bank, UNDP and the OECD DAC, ten key indicators have been identified to measure progress towards the MDGs.<sup>17</sup>

Following the 2000 Declaration, the *Joint Statement on the European Development Consensus on Development* was adopted by the Commission, the Council and the European Parliament in 2005.<sup>18</sup> This reaffirms the primary objective of poverty eradication as well as the general commitment to ownership and partnership, delivering more and better aid and promoting policy coherence for development. This document replaces the 2000 Declaration.

#### **3.2 Objectives for 2006**

The key development objectives for 2006 in the framework of *External Projection Linked to Solidarity* have been set out in the Commission's *2006 Annual Policy Strategy*.<sup>19</sup>

These include:

- Elaborating new policy guidelines on support for human rights and democratisation;
- Contributing to the follow-up of key initiatives on development notably on financing, coherence, Africa and international public goods as a result of the G8 Summit and the High Level Plenary Meeting on Millennium Development Goals;
- Reinforcing the Commission's response capacity to humanitarian disasters and strengthen its disaster prevention and preparedness strategy, and addressing the EU contribution to the Global Health Fund for AIDS/HIV, Malaria and Tuberculosis; and
- Achieving progress in negotiations in climate change (under the *Framework Convention on Climate Change*) and on bio-diversity (*Convention on Biological Diversity* and *Convention on Trade in Endangered Species* (CITES)).

#### **3.3 Harmonisation and Policy Coherence**

The *Country and Regional Strategy Papers* have become a central mechanism for strengthening policy coherence with other Community policies and for co-ordination with the Member States.<sup>20</sup>

An Inter-service Quality Support Group (IQSG)<sup>21</sup> brings together the Directorates General of the so-called RELEX Family (RELEX, Development, Enlargement and AidCo) and fosters coherence between assistance programmes, EC development policy and the beneficiaries' development strategies.

The system of Inter-Service Consultations (ISCs) provides an opportunity for the RELEX Family to review the initiatives of other Directorates General before they are finalised. With new trade agreements with third countries, Sustainable Impact Assessments (SIA) are conducted. These cover the three dimensions of sustainable development – economic, social and environmental – and involve a consultation with stakeholders.

#### **4. AID MODALITIES**

According to the 2005 joint statement,<sup>22</sup> implementation of European Community development co-operation is necessarily country or region-specific, tailor-made to each partner country or region and based on the country's own needs, strategies, priorities and assets.

Development assistance can be provided through different forms that can be complementary (project aid, sector programme support, sector and general budget support, humanitarian aid and assistance in crisis prevention, support to and via the civil society, approximation of norms, standards and legislation, etc.) according to what will work best in each country.

A *Project Cycle Management Manual* was approved in 2004<sup>23</sup> clarifying the main implications of EC Development Policy with regard to the choice of aid delivery modes (projects, sector policy support programmes and/or budgetary support).

For measuring programme performance, a system based on Results Oriented Monitoring (ROM) is used. Ratings cover Relevance, Efficiency, Effectiveness, Impact and Sustainability.

##### **4.1 Sector Focus**

In the 2005 joint statement, the sectors of European Community intervention are fixed. Responding to the needs expressed by partner countries, the Community will be active primarily in the following areas:

- Trade and regional integration;
- The environment and the sustainable management of natural resources;
- Infrastructure, communications and transport;
- Water and energy;
- Rural development, territorial planning, agriculture and food security;
- Governance, democracy, human rights and support for economic and institutional reforms;
- Conflict prevention and fragile states;
- Human development; and
- Social cohesion and employment.



It is noted that some of these issues touch on general principles applicable to all initiatives and as such, demand a multisectoral response.

Furthermore, the Community will reinforce its efforts to bring transversal issues such as the promotion of human rights, gender equality, democracy, good governance, children's rights and indigenous peoples, environmental sustainability and combating HIV/AIDS into the mainstream. These issues are objectives in themselves as well as vital factors in strengthening the impact and sustainability of co-operation.

### ***Thematic Intervention Programmes***

Thematic programmes are established to achieve policy objectives that are not geographically limited and where the goal cannot be fully obtained through country and regional programmes.

Among 15 current programmes, the most important are the following:

- **Democracy and human rights (EIDHR)**

The activities of the EIDHR cover two areas:

- Development and consolidation of democracy and the rule of law, and respect for human rights and fundamental freedoms; and,
- Support for the activities of international criminal tribunals and the International Criminal Court.

- **Co-financing with NGOs**

NGO co-financing complements the main funding instruments for development co-operation of the EC. The requirements set for co-financing projects have been criticised however, in particular by NGOs in the new EU Member States, for being set too high in relation to both previous experience and project budgets.

- **Food security**

The purpose of the programme is to implement an innovative food security policy to bring assistance to developing countries facing food deficit problems linked to poverty. The programme is particularly active in post-crisis situations in implementing the link that must exist between relief, rehabilitation and development (LRRD).

- **Environment and forests**

The environment programme aims at supporting developing countries in their efforts to integrate the environmental dimension into their development process. The objective of the forest programme is to support the conservation and sustainable management of tropical forests and other forests in these countries.

- **Antipersonnel landmines**

The main objective is to assist countries that suffer from the consequences of landmines and to restore the conditions necessary for their economic and social development.

- **Gender**

The objective is to promote gender equality in development co-operation through policy and legal commitments.

- **Health**

The programme supports interventions dealing with poverty-related diseases and sexual and reproductive health programmes in developing countries through two thematic areas:

- Reproductive and sexual health and connected rights;
- Poverty related diseases: HIV/AIDS, malaria and tuberculosis.

In 2005, €1.1 billion was committed for the thematic programmes.

#### **4.2 Geographic Programmes**

The following geographic programmes exist:

- *Africa, Caribbean and Pacific (ACP) countries financed by the EDF (European Development Fund)*<sup>24</sup>

Relations between the European Union and the African, Caribbean and Pacific (ACP) states are a particularly important aspect of the EU development co-operation policy and external actions. The *Cotonou Agreement* that applies to the region<sup>25</sup> is based on five pillars: poverty reduction, policy dialogue, civil society participation, economic and trade co-operation, and the reformation of financial co-operation.

The co-operation is funded through the EDF, financed by direct contributions from each Member State (rather than through the general budget of the EC). The amount of each of these is fixed through negotiations held every five years.

In 2005, €3.5 billion was committed by the EC (managed by EuropeAid) to the ACP.<sup>26</sup>

- *The South Mediterranean, Near and Middle East countries (MEDA)*<sup>27</sup>

A Euro-Mediterranean partnership was set out through the 1995 *Barcelona Declaration* with the purpose of establishing a common Euro-Mediterranean area of peace and stability based on fundamental principles including respect for human rights and democracy (political and security partnership).

The *MEDA II* constitutes the second phase of the partnership for the 2000 – 2006 period. Its objectives are to offer technical and financial support to accompany the reform of economic and social structures in Mediterranean partner countries.

In 2005, €1.1 billion was committed by the EC (managed by EuropeAid) to the MEDA countries.

- *Eastern Europe and Central Asia (TACIS)*<sup>28</sup>

The TACIS programme supports the process of transition to market economies and democratic societies in the East European, Caucasus and Central Asia countries.

In 2005, €515 million was committed by the EC (managed by EuropeAid) to the TACIS countries.

- *The Asia and Latin America (ALA)*

Established in 1976, the co-operation between the EU and the ALA countries consists in financial and technical co-operation focused on the poor people in the region and on economic co-operation based on mutual interests.

In 2005, €1.2 billion was committed by the EU (managed by EuropeAid) to countries in Latin America and Asia.<sup>29</sup>

- *South Africa (SA)*

The South Africa programme was allocated €155 million in 2005.

#### **4.3 Summary: Sectoral and Geographic Apportionment**

The geographic breakdown of ODA in 2004 was:

- 38% to Africa (€2 910 million of which €2 654 million managed by EuropeAid);
- 18% to Asia (€1 357 million of which €1 148 million managed by EuropeAid);
- 16% to non specified developing countries (€1 172 million of which €756 million managed by EuropeAid);
- 13% to Europe (€996 million of which €683 million managed by EuropeAid);
- 8% to Latin America (€609 million of which €574 million managed by EuropeAid);
- 6% to ODA eligible countries (€441 million all managed by EuropeAid); and
- 1% to Oceania (€52 million of which €52 million managed by EuropeAid).

In 2004, the sector repartition of ODA was:

- 44% to infrastructure and social services (€3 292.73 million of which €2 964.15 million managed by EuropeAid);
- 11% to infrastructure and economic services (€810.70 million of which €801.90 million managed by EuropeAid);
- 6% to the production sector (€444.65 million of which €420.22 million managed by EuropeAid);
- 12% to multi-sectors (€924.57 million of which €904.51 million managed by EuropeAid),
- 12% to commodity aid and general programme assistance (€890.20 million of which €808.70 million managed by EuropeAid);
- Less than 1% to actions related to debt (€4.52 million of which €4.52 million managed by EuropeAid);
- 9% to emergency assistance (€683.98 million of which €205.83 million managed by EuropeAid); and
- 6% to unallocated/unspecified/others (€486.96 million of which €198.17 million managed by EuropeAid).

## **5. PARTNERSHIPS**

In several statements and documents, the EU has committed to promoting co-ordinating, harmonisation, complementarity and alignment. This affects the Community and the Member States (through the Treaty of Nice), the EU's own development efforts (through the European Consensus on Development) and donor co-ordination (Paris Declaration). The 2005 joint

statement asserts that the best way to ensure complementarity is to respond to partner countries' priorities at both the country and region levels. It further states that the EU will capitalise on the experience of new Member States (in such domains as transition management) and help strengthen the role of these countries as new donors.

## **6. MOVING FORWARD**

An agreement on the EU Financial Perspective 2007-2013 was reached by the European Council at the European Summit on 16 December 2005.<sup>30</sup>

EU spending is thus expected to total 1.045% of European GDP, down from 1.09% in the previous period (2000-2006). The total budget for external policy areas will be €50.010 billion, supplemented by the 10<sup>th</sup> European Development Fund (€22.682 billion for the 2008-2013 period).

This decision clears the way for a series of discussions concerning how EU External Relations instruments will be organised in the future. The Commission has proposed a drastic simplification of the instruments, driven by the need to facilitate coherence and consistency of external actions, and to achieve more with the resources available.

At this stage (negotiations between the Council, the European Parliament and the Commission are ongoing), the new organisation will have the following framework:

- Four geographic instruments directly support European external policies:
  - The pre-accession policy (candidate countries and other countries from the Western Balkans): The Pre-accession Instrument (IPA)
  - The neighbourhood policy: The European Neighbourhood and Partnership Instrument (ENPI)
  - The development policy (Asia, Latin America and South Africa) and co-operation with industrialised countries: The Development Co-operation and Economic Co-operation Instrument (DCECI)
  - The development policy (Africa, Caribbean and the Pacific): The 10<sup>th</sup> European Development Fund
- Three thematic instruments designed to respond to crisis situations, whether:
  - Political: The Instrument for Stability
  - Humanitarian: The Humanitarian Aid Instrument
  - Financial: The Macro Financial Assistance Instrument
  - Nuclear Assistance

As part of this reform, on 25 January 2006 the Commission approved seven new thematic programmes regrouping the 15 current thematic programmes to be implemented through the IPA, ENPI or DCECI Instruments. With the EU country and regional programmes, the new thematic programmes will form the backbone of the Commission's external co-operation activities from 2007 onwards.

The programmes approved include: human rights and democracy, “Investing in People”, environment and sustainable management of natural resources including energy, food security, non-state actors in development, migration and asylum and, lastly, co-operation with industrialised countries.

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<sup>1</sup> Article 177 of the *Treaty of Nice*.

<sup>2</sup> DG RELEX: [http://europa.eu.int/comm/external\\_relations/index.htm](http://europa.eu.int/comm/external_relations/index.htm)

<sup>3</sup> DG Development: [http://europa.eu.int/comm/development/index\\_en.htm](http://europa.eu.int/comm/development/index_en.htm)

<sup>4</sup> DG Enlargement: <http://europa.eu.int/comm/enlargement/>

<sup>5</sup> DG Echo: [http://europa.eu.int/comm/echo/presentation/index\\_en.htm](http://europa.eu.int/comm/echo/presentation/index_en.htm)

<sup>6</sup> With the exception of pre-accession assistance, humanitarian aid, micro-finance assistance, Common and Foreign Security Policy and the EDF Investment Facility as managed by the European Investment Bank. As of 2005, assistance to the Western Balkans is no longer part of EuropeAid's portfolio.

<sup>7</sup> *OECD DAC Peer Review the European Community 2002*.

<sup>8</sup> Georgia, Kazakhstan, Russia, Ukraine.

<sup>9</sup> Algeria, the West Bank and Gaza, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey.

<sup>10</sup> South Africa, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Côte d'Ivoire, Eritrea, Ethiopia, Gabon, Ghana, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Niger, Nigeria, Papua New Guinea, Uganda, Central African Republic, Guinea, Democratic Republic of Congo, Rwanda, Senegal, Sierra Leone, Sudan, Tanzania, Chad, Zambia, Zimbabwe.

<sup>11</sup> Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Guyana, Haiti, Jamaica, Mexico, Nicaragua, Peru, Dominican Republic, Uruguay, Venezuela.

<sup>12</sup> Afghanistan, Bangladesh, China, Fiji, India, Indonesia, Pakistan, Philippines, Thailand, Vietnam.

<sup>13</sup> *Annual Report 2005 on the European Community's Development Policy and the Implementation of External Assistance in 2004*, p. 137.

<sup>14</sup> This includes a €18 million accounting correction (regularisation).

<sup>15</sup> *Annual Report 2005 on the European Community's Development Policy and the Implementation of External Assistance in 2004*, p. 138, table 7.6.

<sup>16</sup> *Declaration by the Council and the Commission on the European Community's Development Policy*, ref 13458/00 of 16.11.2000.

<sup>17</sup> 1) Proportion of the population below USD1 a day; 2) Prevalence of child malnutrition (underweight children) under 5 years of age; 3) Net enrolment ratio in primary education; 4) Primary completion rate; 5) Ratio of girls to boys in primary, secondary and tertiary education; 6) Under 5 mortality rate; 7) Proportion of 1-year old children immunised against measles; 8) Proportion of births attended by skilled personnel; 9) HIV prevalence among 15 – 24 year old pregnant women; 10) Proportion of the population with sustainable access to an improved water source.

<sup>18</sup> *Joint Statement by the Council and the Representatives of the Governments of the Member States Meeting within the Council, the European Parliament and the Commission: The European Consensus on Development*, ref 14820/05, November 2005.

<sup>19</sup> *2006 Annual Policy Strategy*, COM(2005) 73 final  
[http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2005/com2005\\_0073en01.pdf](http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2005/com2005_0073en01.pdf)

<sup>20</sup> Country and Region Strategy Papers: [http://europa.eu.int/comm/external\\_relations/sp/](http://europa.eu.int/comm/external_relations/sp/)

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<sup>21</sup> Interservice Quality Support Group (IQSG):

[http://europa.eu.int/comm/external\\_relations/reform/intro/qsgi.htm](http://europa.eu.int/comm/external_relations/reform/intro/qsgi.htm)

<sup>22</sup> *The European Consensus on Development, 2005*, Ch. 2: "A Differentiated Approach Depending on Contexts and Needs".

<sup>23</sup> *The Project Cycle Management Manual 2004*,

[http://europa.eu.int/comm/europeaid/qsm/index\\_en.htm](http://europa.eu.int/comm/europeaid/qsm/index_en.htm)

<sup>24</sup> ACP programme and EDF: [http://europa.eu.int/comm/europeaid/projects/edf\\_en.htm](http://europa.eu.int/comm/europeaid/projects/edf_en.htm)

<sup>25</sup> *The Cotonou Agreement*, [http://europa.eu.int/comm/development/body/cotonou/index\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/index_en.htm)

<sup>26</sup> *Annual Report 2005 on the European Community's Development Policy and the Implementation of External Assistance in 2004*, p. 14.

<sup>27</sup> The MEDA programme: [http://europa.eu.int/comm/europeaid/projects/med/foreword\\_en.htm](http://europa.eu.int/comm/europeaid/projects/med/foreword_en.htm)

<sup>28</sup> Eastern Europe and Central Asia, TACIS:

[http://europa.eu.int/comm/europeaid/projects/tacis/index\\_en.htm](http://europa.eu.int/comm/europeaid/projects/tacis/index_en.htm)

<sup>29</sup> *Annual Report 2005 on the European Community's Development Policy and the Implementation of External Assistance in 2004* p. 14.

<sup>30</sup> *The Financial Perspective 2007 – 2013*:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/misc/87677.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/misc/87677.pdf)

## FINLAND

### Ministry of Foreign Affairs Department for Development Policy

*Most recent OECD DAC Peer Review: 2003*

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## 1. INSTITUTIONAL ORGANISATION

The administration of Finnish development co-operation assistance is the responsibility of the Ministry of Foreign Affairs.

The number of ministers sharing responsibilities in the sphere of foreign affairs has varied from two to four over the last ten years. There are currently three ministers within the MFA. One of these has dual responsibility as the Minister for External Trade and International Development Co-operation.

The Department for Development Policy, headed by a director general, has primary responsibility for issues related to development co-operation.<sup>1</sup> Several other MFA services play an important role in the elaboration and implementation of aid policy, in particular the regional departments<sup>2</sup> and the Global Affairs Department.<sup>3</sup>

In 2003, a Committee for Development Policy was created to review and evaluate development co-operation and the implementation of the Government *Resolution for Development Policy*, approved by the Parliament in February 2004.

The number of employees in the Development Policy Department and other MFA departments working on international development co-operation issues reached 160 in 2002. Around 50 overseas representations also participate in administering Finnish ODA. In the majority of cases, these representations have one or two agents in the diplomatic services specifically working on these issues.

It is the government's perspective that having trade and development co-operation policy under the responsibility of one Minister ensures coherence between trade activities and the implementation of ODA.



## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

The economic crisis that Finland experienced due to the collapse of its commercial exchanges with the ex-USSR in the beginning of the 1990s resulted in a reduction in the proportion of its budget going to ODA. It thus allocated just 0.3% of GNI to ODA expenses in 1994. In comparison, a few years earlier ODA reached 0.8% of GNI.

With the return of growth and given a strong government commitment, aid volume in 2004 reached €527 million, which represented 0.35% of GNI.<sup>4</sup> Budgetary provisions foresee an ODA of 0.44% of GNI by 2007 and of 0.7% by 2010.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, bilateral aid represented 55% of all ODA and benefited countries in Sub-Saharan Africa (€89 million), in Asia (€50 million) and in Latin America (€22 million). In 2004, the five main recipients of Finnish ODA were Mozambique (€18 million), Tanzania (€11 million), Afghanistan (€10.5 million), South Africa (€8.9 million) and Namibia (€8 million).

#### *Multilateral Aid*

Multilateral aid represented 45% of all ODA in 2004. The EU was the main recipient, followed by the UN system and the World Bank.

### **2.3 Financing Instruments**

Effectively, all Finnish ODA (99.3%) is allocated in the form of grants.

The Finnish aid instruments include also concessional loans. These are subsidised export credits. The credits are provided by financial institutions and the interest payments are covered from the ODA budget. Concessional loans may be provided to certain eligible (OECD-criteria) recipient countries (with an income per person of less than USD 2 995). The credits are regulated by OECD consensus regulations. They are guaranteed by the national export agency and are in most cases also linked to Finnish supply of material.

Finnfund is a Finnish development finance company that provides long-term risk capital for profitable projects in developing countries and transition economies outside the EU. The projects financed involve a Finnish interest.

## **3. NATIONAL ODA STRATEGY**

The new *Government Resolution on Development Policy*,<sup>5</sup> approved in February 2004, positions the Finnish development policy in accordance with the Millennium Development Goals and defines the implementation of the MDGs by Finland in the framework of its international commitments. Three objectives have been established:

- A more coherent policy (on bilateral as well as on multilateral levels);

- An increased aid volume and more effective allocation (such effectiveness can be achieved e.g. by limiting the number of partner countries and the sectors of intervention); and
- The development of partnerships and collaborations with exterior actors, both Finnish and foreign.

The main objective with the new policy is poverty reduction. To achieve this objective, Finland emphasises the importance of an environment that encourages the development of trade and investments; the reinforcement of democracy, the respect of human rights and good governance; as well as peace and security.

### **3.1 Evaluation**

Finland recently underwent an evaluation of its development assistance with the purpose of determining in which regions the country should focus its future collaborations. Colleagues from five developing countries were asked to perform this evaluation. Their recommendation was that the country should examine its own situation. Finland has itself undergone an important transformation from a poor country affected by wars to one of the best performing countries in the world.

The advice was not to transfer methods used in Finland, but to use the experiences gained as part of a dialogue. For example: even when it could not truly afford to do so, Finland maintained its investment in basic education. With the strengthening of society that ensued, this proved to be a wise investment. Likewise the promotion of gender equality has over the long term constituted the basis for a fair and sustainable society structure.

The country approaches the MDGs with the same spirit. It is widely believed that a pre-condition for any successful MDG approach is the existence of a transparent government system. Therefore, Finland chooses to make the “fight against corruption” a central issue in its activities, since it constitutes the basis for any successful approach in the other fields.

Finland produced a report on its contribution for achieving the MDGs in 2004.<sup>6</sup> As stated by this report, Finland should use its particular experience in transforming itself from a poor country to a highly advanced nation in its development co-operation.

### **3.2 Harmonisation**

Having had a development policy that argued for a degree of flexibility in the national aid programme, the country has been making important efforts to reinforce the coherency and alignment of its aid implementation.

The National Plan for Harmonisation (that finds its inspiration in the OECD *Document on Good Practices: Harmonising Aid for Reinforcing its Efficiency*) was established in June 2004.<sup>7</sup> Finland is committed to the objectives of the Paris Declaration and does not perceive that the possible loss of visibility in donor collaborations is a problem.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

The major form of intervention for Finland is projects. This approach is however about to change and efforts are being made to increase programme aid, sector programmes and budgetary support.

In line with its new policy, Finland assures that its interventions are channelled to projects managed by the partner country and that they are based on a global analysis of the situation and the needs of the recipient country. The partner countries remain responsible *vis-à-vis* its citizens for the implementation of the project, which should have economic growth and the reduction of poverty as its objectives.

With the new national policy, the need of a review of existing intervention strategies and administrative procedures has become evident. To respond to this, some guidelines on budgetary support in Finland's development co-operation were established in June 2004.<sup>8</sup>

Furthermore, the establishment of guidelines for negotiating co-operation agreements with partner countries and for the administration of bilateral projects are envisaged. Finally, the system for budgetary planning is being reviewed with the objective of increasing the predictability of Finnish allocations.

### **4.1 Sector Focus**

The sector distribution of bilateral aid is oriented towards social infrastructure, which is seen as the most effective target for ensuring an impact on the poorest populations. Furthermore, Finland seeks to capitalise on its own transformation experience in defining its axes for development co-operation interventions.

The sectors for intervention are:

- Education, health and populations (22%);
- Other social infrastructure (27%);
- Economic infrastructure and services (5%);
- Production (8%);
- Multi-sector (15%);
- Programme assistance (3%);
- Humanitarian aid (12%); and
- Non-specified (12%).

As mentioned above, the fight against corruption has been made the centre of Finnish development co-operation policy. The transversal themes in the implementation of Finnish development co-operation are:

- Promotion of the rights and status of women and girls, and promotion of gender and social equality;
- Promotion of the rights of groups that are easily marginalised, particularly those of children, the disabled, indigenous peoples and ethnic minorities, and promotion of equal participation opportunities for them; and
- Consideration of environmental issues.

## **4.2 Geographic Focus**

The geographic repartition of aid is not founded on a particular strategy. In the *OECD DAC Peer Review 2003*, Finland was criticised for a too wide dispersion of its aid (around 80 countries benefited from assistance in 2003).<sup>9</sup>

Finland has therefore decided to phase out its aid to middle-income countries (like Egypt, Namibia and Peru) in order to strengthen its influence and its efficiency in other countries. Eight partner countries have been chosen with which long-term co-operation is to be developed:

<b>Africa:</b>	Ethiopia, Kenya, Mozambique, Zambia and Tanzania
<b>Asia:</b>	Vietnam and Nepal
<b>Latin America:</b>	Nicaragua

Finland's policy states that a maximum of three sectors can be addressed in the same partner country. In addition, direct budget support can be provided.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

The NGO department of the Ministry of Foreign Affairs supports projects managed by Finnish NGOs in developing countries and, to a certain degree, operations managed by international NGOs. In the 2004 budget, €44 million was distributed through NGOs, equalling 10.8% of total aid.

NGOs receiving financing must be completely Finnish. Through a partnership agreement signed in 2003, approximately half of the government's aid allocated through NGOs was channelled to partner NGOs.<sup>10</sup>

### **5.2 Bilateral Donors**

With the UK, the Netherlands, Ireland and the Scandinavian countries, Finland participates in the Nordic+ Group. A joint action plan has been elaborated between these countries, to provide effective aid through donor harmonisation and alignment.

Collaborations with other donors have been established in the field however track records on these are, as is the case for most other donors, not available.

### **5.3 Multilateral Donors**

Finland plans to reinforce its multilateral collaboration. In this framework, partnership programmes with financing institutions and the UN will be focused on the sectors where Finland can contribute its experience.

### **5.4 The European Union**

With the new policy, Finland plans on making a more important contribution to EU development co-operation and a specific strategy for this contribution was elaborated in 2004.

## **6. MOVING FORWARD**

In real terms, Finland's aid volume is slightly more than a quarter of Danish aid and 20% of Swedish aid. A new development policy underlining the importance of collaborations with other development aid actors was put in place in 2004 and an important increase of aid volume is forecast for the coming years.

Finnish actions are oriented towards social infrastructure and services. Great emphasis is placed on policy coherence and the links between trade and development. New co-operation instruments are also initiated. The latest is a business partner programme that promotes economic development in partner countries by facilitating investment and business-to-business linkages.

A challenge in the years to come will be to raise the public awareness of development co-operation. This is seen as a long-term project of high importance.

In line with its new commitments and policy directions, Finland should be interested in developing collaborations with other donors with experience in common sectors and countries.

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<sup>1</sup> The fields of competence of the Development Policy Department are:

- policies;
- operational, financial, statistic and notification planning and follow-up;
- quality control and elaboration of guidelines;
- research;
- evaluation and internal control;
- international agreements, preparation of legal texts and other legal questions;
- support to international and national NGOs;
- internal and external information and communication, in particular library service;
- questions related to the EU and the OECD;
- recruitment and training of Finnish specialists for international organisations; and
- FINNFUND and policies concerning credits.

<sup>2</sup> The geographic departments are responsible for administering and planning co-operation activities with partner countries, not only in the field of development but also in the field of foreign affairs, trade and culture.

<sup>3</sup> The Global Affairs Department, established in 2003, is responsible for relations with the UN and the multilateral banks, the environment and human rights as well as for humanitarian aid. An important objective of the department is to reinforce co-operation between different ministries and to meet emerging problems linked to globalisation.

<sup>4</sup> In 2003, the aid volume reached USD 558 million, representing 0.35% of GNI.

<sup>5</sup> *The Government Resolution on Development Policy, 2004*,  
[http://global.finland.fi/english/publications/pdf/dev\\_policy2004.pdf](http://global.finland.fi/english/publications/pdf/dev_policy2004.pdf)

<sup>6</sup> *Finland's report on the Millennium Development Goals*,  
[http://global.finland.fi/english/publications/pdf/mdg\\_report.pdf](http://global.finland.fi/english/publications/pdf/mdg_report.pdf)

<sup>7</sup> *National Plan for Harmonisation, 2004*, <http://www.oecd.org/dataoecd/52/53/33666840.pdf>

<sup>8</sup> Budget support co-operation in Finland's development co-operation, 2004,  
<http://global.finland.fi/english/publications/pdf/budgetsupport04.pdf>

<sup>9</sup> [http://www.oecd.org/departement/0,2688,en\\_2649\\_33721\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,2688,en_2649_33721_1_1_1_1_1,00.html)

<sup>10</sup> The partner organisations are Fida (previously the Finnish Free Foreign Mission), Free Church Aid, the International Solidarity Foundation, FinnChurch Aid, the Trade Union Solidarity Centre of Finland, the Finnish Evangelical Lutheran Mission, the Finnish Red Cross and World Vision and Plan Finland Foundation.

## FRANCE

**Ministry for Foreign Affairs  
General Directorate for International Co-operation and Development**

**Ministry for Economy, Finance and Industry  
General Directorate for Treasury and Economic Policy**

**French Development Agency**

*Most recent DAC Peer Review: 2004*

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## **1. INSTITUTIONAL ORGANISATION**

The Inter-ministerial Committee for International Co-operation and Development (CICID - *Le Comité Interministériel de la Coopération Internationale et du Développement*) was created in 1998 and is the inter-ministerial co-ordinating body for development co-operation. Chaired by the Prime Minister, it is composed of 12 ministers directly concerned with development co-operation issues. The director general of AFD is also a member and other ministers may also participate on specific questions in their interest.

With the progressive implementation of a constitutional bylaw on budget reform, the *Loi organique relative aux lois de finances* – LOLF since 2001, the budgetary architecture has undergone in-depth changes. Since 2006, government policies are translated into “missions”. The development co-operation policy is thus enclosed in the inter-ministerial mission “Official Development Assistance”. This is set out in two programmes: “Solidarity with the developing countries”, under the responsibility of the MFA, and “Economic and financial development co-operation”, under the responsibility of the MINEFI (missions are subsequently divided into “actions”). The Minister of Development Co-operation has primary responsibility for the inter-ministerial mission.

The Ministry for Foreign Affairs (General Directorate for International Co-operation and Development - DGCID) and the Ministry for Economy, Finance and Industry (General Directorate for Treasury and Economic Policy – DGTPE) jointly hold the permanent secretariat of the CICID.

Under the authority of the Minister for Foreign Affairs, the Ministry for Development Co-operation holds primary responsibility for development co-operation. He or she co-ordinates the different actors in French co-operation, monitors forecasts and regularly communicates the results of qualitative and quantitative studies to the President of the Republic and the government. The Minister for Development Co-operation also presides over the Strategic Orientation and Programming Conference that was created by CICID in 2004 to co-ordinate the activities of the different ministries in official development assistance issues.

The CICID defines the orientations of France's international co-operation and development aid. It determines the Priority Solidarity Zone (ZSP) that sets out the countries on which French co-operation will concentrate. It also sets out France's international co-operation and development aid policies in all aspects, covering both bilateral and multilateral aid. Furthermore, the CICID is responsible for the follow-up and evaluation of development aid projects in terms of objectives and instruments used.

#### ***General Directorate for International Co-operation and Development - DGCID***

The DGCID is responsible for translating the main policies related to development aid and cultural and scientific co-operation into operational strategies. The DGCID is thus in charge of overseeing the implementation of three priorities:

- Reinforcing France's contribution to international solidarity. The French policies in this respect are guided by three main directions: to give more, to give better and to give in priority to those that need it the most;
- Animating a cultural dialogue, by promoting the French language, supporting a French presence in international debates, promoting French artistic productions as well as supporting the French presence in the communication sector; and
- Increasing the attractiveness of the French territory to students and researchers. Two objectives guide the French policy in this respect: make France the leading country in Europe for exchange students, and, consolidate the country's standing in international research.

The DGCID intervenes in the following sectors: support for the rule of law, state reform, institutional and financial governance, support for French-speaking communities and the teaching of French, scientific and cultural co-operation, higher training and education, and research.

#### ***General Directorate for Treasury and Economic Policy – DGTPE***

At the MINEFI, the General Directorate for Treasury and Economic Policy (DGTPE) bears responsibility for ODA. The directorate is responsible for macroeconomic and financial aid (including questions related to debt relief, and the promotion of investment, export financing, and monetary and financial co-operation with the countries belonging to the Franc zone) and for managing economic and financial relations with developing countries and countries in transition. The DGTPE is also responsible for managing contributions to international funds



and for monitoring the activities of the development banks (including sitting on boards of directors).<sup>1</sup>

### ***The French Development Agency - AFD***

The French Development Agency (AFD) is the main operator of French bilateral ODA. Initially the *Caisse Centrale de la France Libre*, created in London in 1941 by General Charles de Gaulle, then *Caisse Centrale de Coopération Economique*, it became, in 1992, the CFD (*Caisse Française de Développement*) and was then transformed into the French Development Agency (*Agence Française de Développement* - AFD) in 1998.

AFD is an industrial and commercial public institution (*Etablissement Public à caractère Industriel et Commercial – EPIC*), acting under the Ministry of Foreign Affairs and the MINEFI. In financial terms, AFD is a specialised finance institution – that is, a credit institution fulfilling a permanent mission of public interest. AFD has a double role: as banker and as an agency implementing development projects. It allocates both loans (78.8% of its contributions in 2004) and grants (21.2%).

The agency includes an operational division with five geographical departments, four technical service departments<sup>2</sup> and one strategy directorate.<sup>3</sup> Furthermore, the AFD has a majority-owned subsidiary, PROPARCO (*Société de Promotion et de Participation pour la Coopération Economique*), specialised in supporting the private sector, and a training department – the CEFEB (*Centre d'études financières, économiques et bancaires*).

AFD is responsible for operations in their totality, from the development of a sector policy in a given country to the realisation of programmes and projects in the seven following sectors: agriculture and rural development, health, primary education, professional training, environment, private sector, infrastructure and urban development.

### ***The High Council of International Co-operation (Le Haut Conseil de la co-opération internationale - HCCI)***

The High Council of International Co-operation – HCCI was created on in February 1999 to encourage regular dialogue between the different actors within international co-operation and solidarity and for improving public awareness. The creation of HCPI springs from the belief that, besides elected public institutions, civil society organisations should have a voice in different aspects of international co-operation. Its mission thus makes it an integral part of a democratic society.

In the field, the following bodies exist: the Cultural Co-operation and Action Services (SCAC),<sup>4</sup> AFD resident offices, the international centres or institutes for research on development (IRD) and the International Co-operation and Agronomic Research Centre (CIRAD).

### ***Human Resources***

In 2004, DGCID had a staff of around 560 at headquarters of which approximately 440 were assigned to ODA activities. Staff at the other ministries assigned to ODA activities, in particular within MINEFI, amounts to around 70. AFD has a staff of around 1 250. Approximately 700 of these are positioned at the headquarters and the rest are based

overseas. The agency has a network of 42 field offices of which eight are in the DOM-TOM (French overseas departments and territories).<sup>5</sup>

## **2. EVOLUTION AND DISTRIBUTION OF THE BUDGET**

### **2.1 Aid Volume**

France's net ODA increased by 4.3% in real terms between 2003 and 2004, reaching €6 820 million. The ODA/GNI ratio remained constant however at 0.41%. France is committed to reaching the UN target of 0.7% by 2012 with an interim target of 0.5% by 2007.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, bilateral assistance represented 66% of total ODA. French development co-operation is essentially concentrated in Africa (almost 70%) and the five main beneficiaries (debt relief excluded) in 2004 were: Morocco (€189.45 million), Algeria (€140.49 million), Senegal (€124.21 million), Tunisia (€113.79 million) and Vietnam (€85.95 million).<sup>6</sup>

Grants are the predominant form of French bilateral aid, accounting for 41% of ODA, followed by debt relief (24%). Net loans have a negative value (€18 million), meaning that reimbursements exceed the flow of new lending. As defined by the CAD, "grants" are a heterogeneous mix of commonly accepted development assistance such as project and programme aid (sector aid and general budgetary support) and more debatable expenses such as refugee assistance costs and schooling costs.

French aid is, to a large extent, allocated in the form of projects even though, thanks to Debt Relief and Development Contracts ("C2D"),<sup>7</sup> a programme approach is on the rise.

#### *Multilateral Aid*

Multilateral aid is principally allocated via the European Union (€1.5 billion) the World Bank (€318 million) and the regional development banks (€132 million).

### **2.3 Financing Instruments**

In 2004, around 15% of total ODA was allocated in the form of loans.

As a specialised finance institution, AFD uses a wide range of financial products, suited to the diversity of operations it finances in the different regions. Project financing takes the form of subsidies, loans and guarantees and focuses on three areas; financing public authorities, aid for social housing and planning and private sector aid. For projects in these sectors, concessional loans may also be made.

## **3. NATIONAL ODA STRATEGY**

According to the CICID, the two priorities of French ODA in the years to come will be: i) the New Partnership for Africa's Development (NEPAD); and, ii) sustainable development in which poverty reduction is an integral part.

In 2002, a White Paper on development co-operation entitled, *French Development Co-operation Policy Today: Towards a Globalisation of Solidarity* was drafted by the MFA and the MINEFI.<sup>8</sup> It states that the principal objective of aid is the reduction of poverty in the framework of sustainable development and defines three axes on which France should concentrate its efforts:

- Acting internationally for a world of greater equality;
- Affirming Europe as a major actor in development co-operation; and
- Fostering innovation through French co-operation.

In the *OECD DAC Peer Review 2004*, it was remarked that this document had not been widely diffused and that its outcome was uncertain.<sup>9</sup> It was therefore recommended that a reference document be drawn up setting out the strategic orientation of the French development co-operation system. Multi-annual planning, in which objectives in terms of performance indicators are clearly defined, and geographic and sector priorities and implementation methods and repartition of tasks are set was also urged.

Due to new regulations for presenting the state budget arising from the *Loi organique relative aux lois de finances* – LOLF, in autumn 2005, the government presented to parliament a so-called “transversal policy document” entitled “French Policy in Favour of Development”.<sup>10</sup> This document delegates the Minister for Development Co-operation as lead minister in development issues. It is, in part, a response to a DAC recommendation as it presents a comprehensive overview of French development co-operation by compiling all budgetary and extra budgetary resources committed to aid. The document also lists and describes current development co-operation programmes,<sup>11</sup> explaining their strategy and objectives as well as evaluation measures.

The part “Strategy, Objectives and Evaluation Measures” is divided into three objectives:

- Implementing the MDGs;
- Promoting development through French ideas and know-how;
- Managing official development assistance in an effective manner.

Twelve specific objectives are set out, with result indicators for each.

### **3.1 Strategy in Relation to the Paris Declaration**

In 2004, France put in place two types of instruments in order to reinforce the strategy and efficiency of its ODA.

The first is the *Documents Cadre de Partenariat, DCP* (Framework Partnership Documents)<sup>12</sup> that were established for 30 partner countries. Their aim is to assure better strategic piloting of development assistance, and to reinforce dialogue with partner countries.<sup>13</sup>

The principles of the DCP are the following:

- Alignment with the priorities of the partner country;
- Consultation with the civil society and the NGOs;

- Complementarity between donors;
- Integration of all French actors in the country;
- Aid concentration;
- Increased predictability of aid.

It is envisaged that by summer 2006, DCPs will cover the entire *zone de solidarité prioritaire*.<sup>14</sup>

The five-year DCPs also define the priority sectors for action in line with the partner country government framework strategy on poverty reduction and with the country strategies established by the European Commission. These documents should therefore enable France to participate in local donor harmonisation efforts.

The second instrument implemented by France is the Sector Strategies.<sup>15</sup> These focus on the following sectors: education, health and the fight against HIV/AIDS, water and sanitation, agriculture and food health, protection for the environment and biodiversity, infrastructure development in Sub-Saharan Africa and private-sector development.

Guided by these country and sector strategies established by the ministries, the AFD develops operational strategies based on a Country Intervention Framework (CIP – *Cadre d'Intervention Pays*) and a Sector Intervention Framework (CIS – *Cadre d'Intervention Sectoriel*).

The CICID's objectives are adapted to the particularities of each region. Two strategies are under preparation for areas where the MDGs are not the principal objective of aid: the first concerns emerging countries and the second, the Mediterranean zone.

### **3.2 Policy Coherence**

One of France's central concerns is to promote globalisation with a human face, based on democratic principles and social equality. The President of the Republic launched several initiatives aimed at integrating African countries into the global economy.

However, the commitments of France concerning policy coherence have not been explicitly endorsed in the form of a policy declaration stating that coherence is an objective in all government actions.

In the OECD DAC Review, it was recommended that France "mobilise the expertise and analytic capacities available within the administration, and consider creating a co-ordination unit, for example within the CICID, with specific responsibilities for policy coherence."<sup>16</sup>

## **4. AID MODALITIES**

### **4.1 Sector Focus**

Infrastructure and social services are the most important component of French bilateral ODA, accounting for 35% of total bilateral aid in 2004. This sector covers a rather heterogeneous number of expenditures related to services and infrastructure: 22% to education, 4% to

health, 3% to water access and sanitation, 4% to lodging, employment and other, and 2% to support for public administration and civil society.

The economic infrastructure sector represents 6% of total ODA commitments, the production sector 4% and the multi-sector 8%. ODA not classifiable by sector (food aid, emergency matters, debt relief operations, administrative costs, NGO contributions, general budgetary support and the payment balance) represents 47% of total ODA.

The overriding objective of reducing poverty and contributing to the attainment of the MDGs by 2015 has been further divided into six sectors (the nomenclature of which differs from that of the OECD DAC). France will concentrate the main part of its efforts on the following:<sup>17</sup>

- Education;
- Water and sanitation;
- Health and the fight against AIDS/HIV;
- Agriculture and food aid;
- Development of infrastructures in Sub-Saharan Africa; and
- Protection of the environment and biodiversity.

## 4.2 Geographic Focus

Africa continues to be France's priority region, receiving approximately two-thirds of its bilateral aid, principally directed towards achieving the Millennium Development Goals. In May 2005, the CICID committed to directing additional aid to the Least Developed Countries (LDC) with a view to allocating 0.15% of GNI to this group of countries in 2012.

The Priority Zone for Solidarity (Zone de Solidarité Prioritaire - ZSP)<sup>18</sup> was established to reinforce the efficiency and concentration of French aid. Of the 54 countries listed, many are LDCs, deprived of access to the capital market. They are:

- **Middle East:** Lebanon, Palestinian Autonomous Territories, Yemen
- **North Africa:** Algeria, Morocco, Tunisia
- **Sub-Saharan Africa and Indian Ocean:** South Africa, Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central Africa, Comoros, Congo, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, Gabon, Ghana, Gambia, Guinea, Guinea-Bissau, Equatorial Guinea, Kenya, Liberia, Madagascar, Mali, Mauritania, Mozambique, Namibia, Niger, Nigeria, Uganda, DR of Congo, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Sudan, Tanzania, Chad, Togo, Zimbabwe
- **Indochina:** Cambodia, Laos, Vietnam
- **The Caribbean:** Cuba, Haiti, Dominican Republic
- **Latin America:** Suriname
- **The Pacific:** Vanuatu

As mentioned above, the CICID states an intention to extend the DCP to cover all these countries by summer 2006.

Furthermore, the priority zone of the Mediterranean will be reaffirmed in both French and EU co-operation policy. The next CICID (in late spring 2006) will approve a French strategy for

the Mediterranean, taking account of the Mediterranean sustainable development strategy that should soon be adopted.

## **5. COLLABORATIONS**

### **5.1 NGOs**

In 2004, around €28 million of all ODA was channelled through NGDOs.

The NGDOs make an essential contribution to implementing France's international co-operation policy. This was acknowledged in the CICID 2005 decision to double the proportion of development assistance directed through this channel in the five years leading up to 2009.

A closer dialogue is envisaged (in particular encouraged by the HCCI), whereby the NGDOs will be more closely involved in formulating, implementing and monitoring the national development policy. This should enable French NGDOs to take a greater role in international public discussions. The authorities will increase their support both in project management, particularly multilateral projects, and in ISO professional certifications with a view to improving the effectiveness of development interventions.

### **5.2 Bilateral Donors**

The MFA maintains close relations with Germany and the UK on questions related to development co-operation. Regular consultations are also held with Sweden and the Netherlands. Since January 2006, France has established a closer relationship with Spain. It is envisaged that collaboration between these two countries would be mutually beneficial, given Spain's experience in Latin America, and that of France in Sub-Saharan Africa.

The AFD, for its part, co-operates closely with the German KfW Bank Group (through regular meetings and staff exchanges) and with the DFID (UK development department). It also consults regularly with Sweden and the Netherlands while contacts with Spain, Italy and Greece have been recently strengthened.

### **5.3 Multilateral Donors**

Multilateral initiatives usually fall within the two ministerial programmes that were put in place within the framework of the "development aid" inter-ministerial mission. In the LOLF, an important place is devoted to multilateral donors.

In the European context, multilateral aid consists of contributions to the EDF and European Commission general budget devoted to development assistance. These contributions represented 64% of French multilateral aid in 2004, or 22% of its total aid. This preponderance for European aid may be partly explained by its more than proportional contribution to EDF; France accounts for 24.3% of EDF resources (above its quota, which is around 17%).

The second category of multilateral ODA is contributions to development banks. In 2004, 5% of total ODA went to the World Bank and 2% to the regional development banks.

France's contributions to the United Nations represent the smallest category of its multilateral aid, at just 2% of total ODA in 2004 (of which 16% went to UNDP, 3% to the WFP, 9% to UNICEF and 7% to UNHCR).

Furthermore, multilateral funds account for a growing part of aid (€250 million in 2005 went to the global funds for the fight against HIV/AIDS, malaria and tuberculosis.)

## **6. MOVING FORWARD**

A number of recent measures have placed France's development assistance into more clearly defined strategic framework.

This new approach has also underlined the importance of reinforcing co-ordination between France and other bilateral and multilateral donors, in particular with the EU, and in the general framework of aid harmonisation envisaged by the Paris Declaration. A CICID-driven action plan for the implementation of the commitments established by the Paris Declaration was drafted and finalised in spring 2006. This plan contains three priorities: aid predictability, complementarity and modes for action (resources, human resources and procedures).

Future challenges that the French international development system has set itself comprise in "giving more and better". France is committed to reaching an ODA/GNI ratio of 0.7% by 2012 and to strengthening its development co-operation system further, for more efficient aid delivery.

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<sup>1</sup> *OECD DAC Peer Review France 2004*, p. 21.

<sup>2</sup> Technical service departments: i) rural development, environment and natural resources; ii) regional planning and urban development; iii) human development, and iv) the finance sector, structured financing and support to the private sector.

<sup>3</sup> The Strategy Direction contains six departments.

<sup>4</sup> The SCAC acts on behalf of the MFA and has a network of 79 French cultural centres, 147 Alliances Françaises and 21 research centres.

<sup>5</sup> The AFD network is spread throughout:

- **West Africa:** Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali, Mauritania, Niger, Senegal, Togo;
- **Central and Southern Africa, Indian Ocean:** South Africa, Cameroon, Comoros, DR of Congo, Djibouti, Gabon, Kenya, Madagascar, Mozambique, Chad;
- **Mediterranean:** Algeria, Lebanon, Morocco, Palestinian Autonomous Territories, Tunisia, Turkey;
- **French Overseas Territories:** Guadeloupe, Guiana, Reunion, Martinique, Mayotte, New Caledonia, Polynesia, Saint Pierre and Miquelon, Wallis and Futuna; and
- **Asia, Caribbean Islands, South America:** Cambodia, China, Laos, Dominican Republic, Thailand, and Vietnam.

<sup>6</sup> *Les Notes de Jeudi, Nr 48, 15 décembre 2005: Chiffres définitifs de l'APD française en 2004 – prévisions pour 2005 et 2006.*

<sup>7</sup> The C2D are three-year contracts between the French government and the beneficiary government. They are signed when the country in question has reached a specific level of the PPTE Initiative. The C2D programming is the joint responsibility of the MFA and the MINEFI. The AFD ensures their implementation.

<sup>8</sup> [http://www.diplomatie.gouv.fr/fr/actions-france\\_830/economie-mondiale\\_901/une-mondialisation-plus-solidaire\\_3029/index.html](http://www.diplomatie.gouv.fr/fr/actions-france_830/economie-mondiale_901/une-mondialisation-plus-solidaire_3029/index.html)

<sup>9</sup> *OECD DAC Peer Review France 2004*, p. 22.

<sup>10</sup> *Politique Française en faveur de développement:* <http://www.diplomatie.gouv.fr/fr/IMG/pdf/DPTapd-2.pdf>

<sup>11</sup> The programmes are:

- Solidarity with developing countries;
- Economic and financial development aid;
- The French abroad and foreigners in France;
- AFD loans to support economic and social development in foreign states;
- Loans to foreign emerging states to facilitate infrastructure projects;
- Loans to foreign states to consolidate French-held debt;
- State guarantees;
- Resource and environmental management research;
- Higher training and university research;
- Implementation and support of sanitary and social policies; and
- Implementation and guiding environmental policies and sustainable development.

<sup>12</sup> *Documents Cadre de Partenariats (DCP):* [http://www.diplomatie.gouv.fr/fr/IMG/pdf/Note\\_35-2.pdf](http://www.diplomatie.gouv.fr/fr/IMG/pdf/Note_35-2.pdf)

<sup>13</sup> The countries concerned are: Morocco, Côte d'Ivoire, Senegal, Tunisia, Algeria, Mali, Vietnam, Burkina Faso, Benin, Cameroon, Madagascar, Niger, Chad, Lebanon, Djibouti, Cambodia, Guinea, Togo, Central African Republic, Mozambique, Mauritania, South Africa, Palestinian Autonomous Territories, Haiti, Laos, Democratic Republic of Congo, Comoros, Nigeria, Ethiopia, and, Angola.



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<sup>14</sup> *Zone de Solidarité Prioritaire (ZSP)*: [http://www.diplomatie.gouv.fr/fr/thematiques\\_830/aide-au-developpement\\_1060/politique-francaise\\_3024/instruments-aide\\_2639/fonds-solidarite-prioritaire-fsp\\_2640/zone-solidarite-prioritaire\\_2904/6119.html](http://www.diplomatie.gouv.fr/fr/thematiques_830/aide-au-developpement_1060/politique-francaise_3024/instruments-aide_2639/fonds-solidarite-prioritaire-fsp_2640/zone-solidarite-prioritaire_2904/6119.html)

<sup>15</sup> Sectoral strategies: [http://www.diplomatie.gouv.fr/fr/actions-france\\_830/aide-au-developpement\\_1060/politique-francaise\\_3024/strategies-gouvernementales\\_5156/strategies-sectorielles-cicid\\_4570/index.html](http://www.diplomatie.gouv.fr/fr/actions-france_830/aide-au-developpement_1060/politique-francaise_3024/strategies-gouvernementales_5156/strategies-sectorielles-cicid_4570/index.html)

<sup>16</sup> *OECD DAC Peer Review France 2004*, p. 54.

<sup>17</sup> *CICID, 20 July 2004, Report on Conclusions*,  
[http://www.minefi.gouv.fr/directions\\_services/dgtpe/cicid/communiqués/cicid\\_040720.pdf](http://www.minefi.gouv.fr/directions_services/dgtpe/cicid/communiqués/cicid_040720.pdf)

<sup>18</sup> The Priority Zone partnerships: <http://www.diplomatie.gouv.fr/solidarite/fsp/zone.html>

## GERMANY

### The Federal Ministry for Economic Co-operation and Development (BMZ)

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#### KfW Development Bank

*Most recent OECD DAC Peer Review: 2005*

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BMZ

## 1. INSTITUTIONAL ORGANISATION

Since 1961, the core of the German development co-operation system is the Federal Ministry for Economic Co-operation and Development (BMZ, *Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung*). It plays a central policy-making role. A substantive part of the German total gross ODA (about 54%) is channelled through BMZ and then reallocated to the implementing agencies, civil societies and multilateral organisations. Two other German ministries are also involved in the allocation of ODA: the Ministry of Foreign Affairs, responsible for humanitarian aid together with the BMZ (corresponding to around 4% of gross ODA) and the Ministry of Finance, through Germany's contribution to the EU and debt relief actions.

Of the around 590 staff in BMZ headquarters, approximately 80% are located in Bonn and 20% in Berlin. At the level of field operations, German embassies are expected to have at least one Economic Development Officer who handles local development co-operation.

Bilateral co-operation relies mainly on two implementing entities: the Agency for Technical Co-operation, GTZ (*Deutsche Gesellschaft für Technische Zusammenarbeit*) and the KfW development bank (*Entwicklungsbank*).

The BMZ commissions the implementing entities to carry out development-policy projects on behalf of the German government. The tasks of these organisations include:

- Implementing financial and technical co-operation projects
- Preparing and seconding German experts and volunteers
- Professional upgrading of specialists and executives from partner countries.

The GTZ is a government-owned corporation, created in 1975. Some 900 full-time staff are located in its Eschborn headquarters and another 8 000 field staff are in 131 countries and 66 offices overseas. About 9% of total German ODA is implemented by GTZ, which is responsible for technical co-operation with the partner countries.

Since 2003, the KfW Development Bank is a branch of the KfW Banking Group, created in 1960. The KfW is responsible for financial co-operation and manages the largest share of German ODA (18%). Around 370 staff work in the headquarters in Frankfurt while 24 people work in the field, collaborating with 80 local experts to operate 46 field offices.

KfW's profile has changed significantly in recent years. From traditionally focusing on project-based loans, it is now responsible for substantial grant funds. In 2004, KfW received €1.30 billion from the BMZ budget, of which around half was in the form of grants.

The DEG (*Deutsche Investitions und Entwicklungsgesellschaft mbH*), a subsidiary of KfW Banking Group, is a finance and consulting corporation for German development policy. Its aim is to promote growth in developing and transition countries through private sector development.

Finally, the Länder, being in charge of higher education, are executing 9% of gross ODA.

The German Development Service (DED) specialises in preparing and seconding volunteers, while Capacity Building International, Germany (InWEnt) (*Internationale Weiterbildung und Entwicklung gemeinnützige GmbH*) specialises in further training and upgrading. A number of implementing organisations specialised in particular fields also exist, including the Federal Institute for Geosciences and Natural Resources (BGR) or the Federal Institute of Physics and Metrology (PTB).

The large number of implementing organisations or front-line organisations is a characteristic of German development co-operation. The individual organisations have highly specialised skills and co-operate closely in their work in partner countries.

In the *OECD DAC Peer Review Germany 2005*, the increasingly artificial distinction made in the German system between “technical” and “financial” co-operation was highlighted as leading, at times, to diffuse missions and agreements with the recipient government. To respond to this, the BMZ has introduced joint strategies attempting to provide a more co-ordinated working environment. In certain partner countries, country teams have been

created with representatives from the BMZ, the GTZ and the KfW, which has permitted a unified approach and is regarded as the best solution to remedy the current situation.

The co-operation measures agreed upon in the “government-to-government agreements” form one pillar of German development co-operation with partner countries. The second pillar consists of the activities proposed and implemented by non-governmental organisations – for example, by church, political foundations and by a very large number of other NGOs. Government funding also goes to support this form of German development co-operation with partner countries. Responsibility for the implementation of the projects, however, lies in the hands of the NGOs. Despite the government grants, they remain fully independent.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, Germany ranked as fifth (after the United States, Japan, France and the United Kingdom) in terms of net ODA volume, allocating €6 billion (representing 0.28% of GNI). ODA has increased constantly in recent years. An important share of the recent ODA growth is attributable to the process of debt cancellation in the context of the Heavily Indebted Poor Countries (HIPC) Initiative.

In the coalition agreement of the new government formed after the federal elections in September 2005, Germany’s long-standing commitment to reaching the UN ODA/GNI target of 0.7% by 2015 was reaffirmed. An intermediate step will be to reach 0.51% by 2010, which would imply an ODA level of €12.5 billion or a 106% increase in real terms over 2004. The commitment will be met through increased budgetary resources and debt relief, as well as resources mobilised through new and innovative financing mechanisms. As noted by the *OECD DAC Review*, an ODA growth implementation plan should be required to achieve the commitments undertaken.<sup>1</sup>

Technical co-operation is the most important channel, representing 28% of gross ODA in 2004.

### **2.2 Apportionment of ODA**

Around two-thirds of Germany’s gross ODA has traditionally been allocated bilaterally. However due to an important contribution to the World Bank in 2004, the multilateral share was higher than usual, representing 42% of total ODA and hence leaving 58% to bilateral ODA. Africa was the main recipient (receiving 34% of bilateral ODA), followed by Asia (32%), Latin America (22%), Europe (7%) and the Middle East (5%).

Around 20% of total gross ODA, or 60% of multilateral aid, is comprised by Germany’s contribution to the European Community. Furthermore, Germany is a strong supporter of the World Bank Group as the third largest contributor (after the United States and Japan) to the 13th Replenishment of the International Development Association (IDA). Contributions to the UN agencies are the smallest category of multilateral ODA, with no specific preference pattern; the top recipient agencies are the UNDP, WHO, WFP, FAO, UNFPA and UNO.

## **2.3    *Financing Instruments***

As a matter of policy, least developed countries (LDCs) receive only grants. Other developing countries may receive concessional loans with IDA terms (for low income countries) and standard terms (for other countries). For specific areas, grants are provided to all developing countries. In 2004, around 8% of total ODA was allocated in non-grant allocations.

## **3.     NATIONAL ODA STRATEGY**

The aim of German development policy is to reduce poverty worldwide, to build peace, to preserve the environment and to promote equitable forms of globalisation. German development policy takes its cue here from the shared goals of the international community: the Millennium Declaration and the eight Millennium Development Goals (MDGs) derived from it, the Monterrey Consensus and the Johannesburg Plan of Implementation.

In Germany, development policy is seen as global structural policy. It creates the framework for development co-operation to take place and addresses the task of structure building at three levels of action: internationally, in Germany's partner countries and in Germany itself.

Germany adopted the inter-ministerial *Programme of Action 2015 on Poverty Reduction – A Global Responsibility* in 2001. Poverty reduction being the highest-level task, the document is based on a broad understanding of poverty, defined not only in terms of low income but also in terms of deprivation, vulnerability, injustice and lack of prospects. The ten priority areas for action as listed in the *Programme of Action* are:

- Boosting the economy and enhancing the active participation of the poor;
- Realising the right to food and implementing agrarian reforms;
- Creating fair trade opportunities for the developing countries;
- Reducing debt – financing development;
- Guaranteeing basic social services – strengthening social protection;
- Ensuring access to vital resources – fostering an intact environment;
- Realising human rights – respecting core labour standards;
- Fostering gender equality;
- Ensuring the participation of the poor – strengthening good governance; and
- Resolving conflict peacefully – fostering human security and disarmament.

On the basis of this programme, an internal monitoring and time-bound implementation plan was agreed in 2004.

The first of the ten priority areas for action in the Programme, “boosting the economy and enhancing the active participation of the poor” reflects Germany’s recognition of the importance for the poor to participate in and benefit from economic growth. An important instrument for German development co-operation is Public Private Partnership (PPP) programmes. In these, DEG is the most important actor executing more than 80% of Germany’s overall portfolio for PPPs.

In January 2005, *Germany's Contribution to Achieving the Millennium Development Goals*<sup>2</sup> was published, setting out Germany's perspective on the MDGs and realigning its development policy and instruments.

### **3.1 Harmonisation**

Germany supports developing countries in preparing and implementing effective country-led poverty reduction strategies by promoting participation of parliaments and civil society and encouraging decentralisation in PRSP implementation and monitoring.

In 2005, BMZ reviewed its selection criteria in terms of interventions on the basis of the Paris Declaration. Its operational approach regarding the MDGs is linked to its strategy on harmonisation and alignment and set down in the strategy document, *Enhanced Aid Effectiveness: Focusing German Development Co-operation on the Millennium Development Goals: Implementing the Paris Declaration on Aid Effectiveness*.<sup>3</sup>

### **3.2 Policy Coherence**

Germany has been active in the field of policy coherence at the European level, for example in supporting the reform of the Common Agriculture Policy (CAP) and the world trade system to take better account of the developing countries' interests.

On a national level, a commitment to policy coherence for development among the different ministries was included in the government 1998 coalition vision statement. The concept was formalised through the *Programme of Action 2015*, which calls for a coherent approach to development. In 2004 a coherence agenda,<sup>4</sup> comprising 14 time-bound measures to improve instruments and processes for policy coherence, was endorsed by the BMZ and is now being implemented.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

Germany's aid has evolved from being project-based to becoming mainly programme-based. Official development co-operation is founded on agreements between the governments of the partner countries and the German government. In the case where the partner country has developed a Poverty Reduction Strategy Paper (PRSP), supporting this strategy is the focus of all German activities in that country. Agreements are also reached regarding the volume of financial co-operation and the technical co-operation measures commissioned by the Federal Republic.

An increase in the assistance being delivered through programme-based approaches is planned, BMZ having recently declared that up to 50% of Germany's co-operation in sub-Saharan Africa will be undertaken by means of programme-oriented joint financing (including budget support), if conditions in the partner countries are favourable.

Committed to enhancing aid effectiveness, Germany has undertaken a number of pilot efforts to modernise its aid system, including renewing its attention to field-based German co-ordination, or more flexible use of delivery modalities. In terms of visibility of its development co-operation activities, Germany is trying to find an appropriate mix between visible projects and budgetary support activities.

#### **4.1 Sector Focus**

Bilateral aid is focused on social infrastructure and services, education, water supply and sanitation, and government and civil society. Education remains the most important sector supported through German development co-operation (18% of total bilateral ODA), however about 70% of the aid to the education sector consists in student bursaries delivered to students from developing countries (generally provided by the Länder). Germany is one of the few DAC members to include this into its ODA.

Other important areas for intervention are: protection of the environment; human rights (democracy, participation, good governance); health (in particular the fight against HIV/AIDS), and food security.

In 2003-2004 around 40% of total ODA was allocated to the social infrastructure and services sector, 16% to the economic infrastructure and services sector (with the main distribution being to the energy sector – allocated 8%), and 4% to the production sector. Debt relief actions represented 19% of total ODA.

#### **4.2 Geographic Focus**

Germany has traditionally put a strong focus on middle-income countries, with China, India, Indonesia, Egypt and Turkey as its main recipients. There is no stated preference for a specific category of countries and the German government considers co-operation with economically more advanced countries vital for achieving the MDGs, in particular in view of protection of the (global) environment and management of natural resources.

German aid is nevertheless becoming more concentrated on LDCs. Germany is committed to the UN target of 0.15% of ODA/GNI for LDCs and reached the level of 0.10% in 2003. However, in comparison with the DAC average of 36%, Germany's share of disbursements to LDCs was lower, representing 23% in 2004. Broadly speaking, Germany underlines that the right balance has to be struck between LDCs and LICs (low-income countries), taking into account that the absorption capacity of the country is very important for finding this balance.

Geographical concentration has been a focus in Germany's bilateral co-operation since 1998, when the list of co-operation countries was reduced from 120 to 70. "Priority countries" are distinguished from "partner countries" in the sense that up to three priority areas may be focused upon in priority countries while only one priority area is targeted in partner countries.

In 2003, priority countries and partner countries received respectively about 73% and 19% of total bilateral ODA. The remaining 8% of bilateral ODA was however disbursed to more than 60 countries.

The list of co-operation countries now includes 84 countries, once transformation countries have been counted, most of them ODA eligible. BMZ has however initiated a review of the country list in light of emerging aid effectiveness challenges. It will reduce the number of countries to 60 in the coming years.

A group of “anchor countries” has recently been identified as key partners for achieving the objective of poverty reduction, peace-building and an equitable globalisation process. Due to their economic weight and political influence, these anchor countries play a growing role in shaping international policies in their respective regions and also in a global context.

**Germany ODA Recipients  
(Anchor Countries in bold)**

<b>Europe</b>	
<i>Priority countries:</i>	<b>Turkey</b> (until 2007-2008), North Africa and Middle East
<i>Priority countries:</i>	Egypt, Morocco, Palestine, Palestinian Autonomous Territories, Yemen
<i>Partner countries:</i>	Algeria, Jordan, Syria, Tunisia
<b>Sub-Saharan Africa</b>	
<i>Priority countries:</i>	Benin, Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Namibia, Rwanda, Senegal, <b>South Africa</b> , Tanzania, Uganda, Zambia
<i>Partner countries:</i>	Burundi, Chad, Côte d'Ivoire, Eritrea, Guinea, Lesotho, Madagascar, Mauritania, Niger, <b>Nigeria</b>
<i>Potential co-operation countries:</i>	Angola, Democratic Republic of Congo, Sierra Leone, Sudan, Togo, Zimbabwe
<b>Asia</b>	
<i>Priority countries:</i>	Afghanistan, Bangladesh, Cambodia, <b>China</b> , <b>India</b> , <b>Indonesia</b> , Nepal, <b>Pakistan</b> , Philippines, Vietnam
<i>Partner countries:</i>	Laos, Mongolia, Sri Lanka, <b>Thailand</b> , East Timor
<i>Potential co-operation countries:</i>	<b>Iran</b> , Myanmar
<b>Latin America</b>	
<i>Priority countries:</i>	Bolivia, El Salvador, Honduras, Nicaragua, Peru
<i>Partner countries:</i>	<b>Brazil</b> , Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, <b>Mexico</b> , Paraguay
<i>Potential co-operation countries:</i>	Haiti
<b>Central and Eastern Europe + New Independent States of the Former Soviet Union</b>	
<i>Priority countries:</i>	Georgia
<i>Partner countries:</i>	Armenia, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan
<i>Special status (not ODA eligible):</i>	Belarus <sup>3</sup> , <b>Russia</b> , Ukraine
<b>Southern Europe</b>	
<i>Priority countries:</i>	Albania, Bosnia-Herzegovina, Macedonia
<i>Partner countries:</i>	Serbia-Montenegro (incl. Kosovo), Bulgaria (2006), Croatia (2009), Romania (2006) (the three latest not ODA eligible)
<i>Special status:</i>	Moldova

<sup>3</sup> Belarus and Ukraine will be ODA eligible from 2006, if it becomes an approved member of the DAC list of Aid Recipients is forthcoming.



## **5. PARTNERSHIPS**

### **5.1 NGOs**

Co-operation with NGOs has played an increasingly important role in Germany's development co-operation activities in recent years. As a share of the BMZ budget, NGO funding has increased from 9% to 12% between 1998 and 2005.

The *Verband Entwicklungspolitik Deutscher Nichtregierungsorganisationen e.V.*<sup>5</sup> VENRO (Association of German development non-governmental organisations) acts as a NGO platform with some 100 German NGOs active in the field of development.

To be eligible for state subsidies, NGOs must meet the following criteria:

- The organisation must be a non-profit body based in Germany;
- It must have relevant technical and administrative competencies/skills;
- It must have experience in co-operating with effective, non-profit partner organisations in developing countries;
- The project proposed must make a direct contribution to improving the economic and/or social situation of poor sections of the population, or must help improve the human rights situation; and
- The NGO itself must contribute a minimum of 25% of the project costs.

### **5.2 Bilateral Donors**

Germany has established close relations with the French development co-operation system, in particular through exchanges and common projects between the KfW and Agence Française de Développement. The UK is another important collaborator.

Collaborations with the New Member States have not been considered since the financial involvement that these could propose is too low. Instead, Germany has offered seminars to these countries in order to share its experience on different development co-operation issues.

### **5.3 Multilateral Donors**

As a member of many international organisations, the Federal Republic of Germany both supports these organisations financially and is actively involved in elaborating their strategies, designing their programmes, and achieving their goals. BMZ sits on the supervisory and decision-making bodies of financing institutions such as the World Bank and a number of regional banks.<sup>6</sup> It is also involved in the United Nations and its specialised agencies, funds and programmes. International NGOs are supported as well by the Federal Republic of Germany.

### **5.4 PPPs**

By using its financial and technical resources the private sector makes an important contribution to sustainable poverty reduction. BMZ is making increasing use of Public-Private Partnerships (PPP) with a view to reducing poverty. Development co-operation and private

companies forge these partnerships to achieve projects that are beneficial in development terms and, at the same time, profitable for the companies involved.

## **6. MOVING FORWARD**

Germany has put important efforts into responding to the international agenda and is committed to working towards achieving the MDGs as well as to improving the quality of aid in line with the Paris Declaration. Further adjustments to Germany's aid delivery will probably be required in order to respond to current development challenges.

A main challenge for Germany's development co-operation in the near future will be managing the increase of ODA in accordance with commitments taken.

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<sup>1</sup> OECD DAC Peer Review Germany 2005, Ch. 2.4.

<sup>2</sup> Germany's Contribution to achieving the Millennium Development Goals,  
<http://www.bmz.de/en/service/infothek/fach/materialien/materialie141.pdf>

<sup>3</sup> Enhanced Aid Effectiveness: Focusing German Development Cooperation on the Millennium Development Goals: Implementing the Paris Declaration on Aid Effectiveness:  
[http://www.bmz.de/en/service/infothek/fach/spezial/spezial129/spezial129\\_90pdf.pdf](http://www.bmz.de/en/service/infothek/fach/spezial/spezial129/spezial129_90pdf.pdf)

<sup>5</sup> VENRO, the association of German development non-governmental organisations,  
<http://www.venro.org>

<sup>6</sup> The BMZ is primarily responsible for co-operation between the Federal Republic of Germany and the Inter-American Development Bank (IDA), the Asian Development Bank (ADB), the African Development Bank (AfDB) and the Caribbean Development Bank (CDB). The Federal Ministry of Finance is responsible for co-operation with the European Bank for Reconstruction and Development (EBRD).

## **GREECE**

### **Ministry of Foreign Affairs**

#### **International Development Co-operation Department - Hellenic Aid**

*Most recent OECD DAC Peer Review: 2002*

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## **1. INSTITUTIONAL ORGANISATION**

The International Development Co-operation Department (YDAS), otherwise known as Hellenic Aid, was created by Law 2731/99 in 1999. It began functioning in 2000 with the *Presidential Decree on the Organisation, Staffing and Operation of Hellenic Aid*. Hellenic Aid is an independent department of the Ministry of Foreign Affairs and has equal standing as other directorates general operating directly under the Minister of Foreign Affairs. Hellenic Aid manages both development co-operation resources, which are registered for this purpose in the MFA budget, and resources or donations from other ministries, organisations and public or private agencies, either domestic or foreign.<sup>1</sup>

Hellenic Aid has broad responsibility for Greek development co-operation. It is responsible for designing and implementing the national development strategy including delivering humanitarian and development aid through NGOs and civil society organisations, for co-ordinating, supervising and monitoring all development assistance activities, and participating in international development forums including the EU, OECD/DAC, UN institutions, and others.

Hellenic Aid was created with a view to co-ordinating and regularising Greece's development aid activities, within the broader objective of building partnerships with donors and increasing development collaboration with the EU and other multilateral institutions.

In 2003, 130 people were employed on development co-operation issues at headquarters.

Field offices in developing countries operate from Greek embassies. "Development Officers" with responsibility for development co-operation issues are appointed from embassy personnel. There is limited decision-making power in field offices as the system is highly centralised and important decisions are taken at headquarters. A separate Development Co-operation Field Office however, will be established in Sri Lanka to co-ordinate and supervise the Greek contributions to the country's reconstruction.

Hellenic Aid has six divisions: humanitarian aid; restructuring, rehabilitation and development aid; geographic policies and strategic planning; NGOs; development education and evaluation; and technical assistance and administrative services.

The NGO Division is responsible for reinforcing existing and newly created NGOs. It is also in charge of developing voluntary services within the civil society and among NGOs working in development co-operation. Furthermore, Hellenic Aid supports education programmes on development co-operation themes and intends to reinforce public knowledge about key issues of international development co-operation.

Greece became the 23rd member of DAC in December 1999.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 *Aid Volume***

Greece was, until 1985, an ODA recipient.

Greece's bilateral and multilateral ODA has increased constantly since the 1990s. In 2004, Greek ODA reached €365 million, which is a 13.6% increase in real terms from 2003. Expressed in percentage of GNI, ODA was 0.23%.

Greece has committed to reaching ODA of 0.33% of GNI by 2006.

### **2.2 *Apportionment of ODA***

#### ***Bilateral Aid***

In 2002, bilateral aid represented 39% of total ODA. In 2004, the bilateral share had increased to 65% of total ODA. Albania, Serbia-Montenegro, Bosnia-Herzegovina, Former

Yugoslav Republic of Macedonia (FYROM), Afghanistan and Iraq were the main recipients of Greek aid, which, in the future, is scheduled to shift to supporting LDCs.

#### *Multilateral Aid*

In 2004, multilateral aid accounted for 35% of ODA, of which the main part constitutes EU contributions.

### **2.3    *Financing Instruments***

All Greek aid takes the form of grants.

### 3. NATIONAL ODA STRATEGY

The ***Strategic Plan for Hellenic Aid 2002 – 2006*** as the key strategy document is based on four key commitments:<sup>2</sup>

- Priority accorded to helping victims in emergency situations, alleviating poverty, ensuring sustainability, empowering the disadvantaged, supporting human rights, democracy and the rule of law, and fostering understanding between cultures;
- Strengthening development partnerships: Hellenic Aid works with partners in order to achieve common long-term goals. It has committed to creating new partnerships and strengthening existing ones with three levels of partners: national civil society partners; international partners, specifically the European Union; and with developing country partners;
- Improving effectiveness: To improve impact, quality and efficiency, structures and processes are used to provide incentives for improving performance, acting creatively and overcoming bureaucratic procedures and attitudes. Further emphasis is placed on increasing effectiveness and rapid response in providing relief to victims of emergencies; and
- Better reporting of results to the Greek public: A commitment has been made to demonstrating results and widely sharing evaluations. Programmes that build development awareness are also supported.

The **Greek Plan for Economic Reconstruction of the Balkans** (GPERB/HIPERB)<sup>3</sup> is a key element of the *Strategic Plan for Hellenic Aid 2002 – 2006*. It has been allocated resources of €550 million over a five-year period.

This programme brings together for the first time a number of isolated development aid initiatives within a larger framework with an integrated development aid policy.

Six countries benefit from this initiative:

- Serbia Montenegro, Bulgaria, Romania, FYROM, Albania and Bosnia-Herzegovina.

The main elements of the programme are:

- Concentration of activities on four sectors: social infrastructure, economic infrastructure, the production sector, and reinforcement of institutions and professional training;
- Including the private sector in both financing and implementation of projects;
- Furthering and reinforcing international co-operation; and
- Making better use of NGO competencies.

It also foresees concentration of efforts on a smaller number of more significant projects in which Greece has comparative advantage. New initiatives will also be launched in favour of the least developed countries, in particular those in Sub-Saharan Africa and Afghanistan. These will concentrate on social and economic infrastructure and the production sectors.

The ***Hellenic Aid Action Plan for Co-ordination and Harmonisation of Development Co-operation Policy***<sup>4</sup> was elaborated in November 2004. This document acknowledges the importance of partnerships, local ownership and broad participation. The primary aim of the

Plan is to support Greek efforts towards meeting the MDGs, particularly poverty eradication by enhancing the effectiveness of its development co-operation and by further strengthening collaboration with partner countries.<sup>5</sup>

#### **4. AID MODALITIES**

Most Greek aid is project-based. The MFA and the Ministry of Economy have, however, allocated programme aid to Bulgaria and Ukraine.

Until now, Greece has neither contributed to nor participated in any co-financing arrangements, sector investment programmes or sector support mechanisms.<sup>6</sup>

The intention in the future is, however, to adopt a programme approach, regrouping several isolated projects into a more integrated and strategic framework and eventually participating in sector investment programmes.

##### **4.1 Sector Focus**

Bilateral activities are concentrated on economic development, social progress, promotion of peace, human rights and political stability, transversal questions (in particular gender equality and protection of the environment), humanitarian assistance and food aid.

The main sectors for interventions are:<sup>7</sup>

- Basic and secondary education and vocational training;
- Basic health infrastructure;
- Micro-credit and income generation;
- Water supply and sanitation;
- Environment, energy and agriculture;
- Institution building and support for democratisation and human rights;
- Human trafficking; and
- Culture.

##### **4.2 Geographic Focus**

Under the GPERB programme the priority partner countries are: Serbia-Montenegro, Bulgaria, Romania, FYROM, Albania and Bosnia-Herzegovina.

In 2004, other priority countries for development co-operation were:

- The Black Sea area: Georgia and Armenia;
- The Middle East: Turkey, Syria, Lebanon, Palestinian Autonomous Territories, Jordan, Iraq and Afghanistan;
- Sub-Saharan Africa: Ethiopia, Eritrea and Sudan.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

In certain cases if the project is located in a partner country, co-financing supplied to NGOs may be as much as 75% of the programme budget. Humanitarian aid projects executed by NGOs may be entirely underwritten by ODA.

In 2004, the amount of ODA contributed to NGOs conducting activities on behalf of the government was €17.1 million.

### **5.2 *Bilateral and Multilateral Donors***

Greece has collaborated with six other donors in financing and executing development co-operation activities in Albania. Efforts are being made to increase the effectiveness of ODA grants by participating in multilateral activities but also by finding the balance between bilateral and multilateral activities that will bring about the best results for recipient partners. In this respect, combined bilateral and multilateral aid can increase the complementarity of activities, and further information, expertise, and human and financial capital.

With the aim of increasing effectiveness, Hellenic Aid also participates in multi-bilateral aid. Some of the multilateral activities of Hellenic Aid in 2004 were implemented in co-operation with UNICEF, UNHCR, WFP, FAO, UNESCO, UNOCHA, ICRC, IOM, ECOWAS, etc.

### **5.3 *The European Union***

Greece participates in various co-ordinating mechanisms of the European Union. It has collaborated, for instance, with the EU Civil Service Commission in reforming the Albanian customs service.<sup>8</sup>

## **6. MOVING FORWARD**

Moving forward, Greece's primary goal will be to further increase the aid effectiveness of its Development Co-operation Policy by enhancing ownership, alignment, co-ordination, harmonisation and managing development results. In this regard, two issues are key, namely the development of specific development programmes for priority countries and co-operation with multilateral and bilateral donors.



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<sup>1</sup> The establishment of Hellenic Aid: [old.mfa.gr/english/foreign\\_policy/cooperation/creation.html](http://old.mfa.gr/english/foreign_policy/cooperation/creation.html)

<sup>2</sup> *OECD DAC Peer Review Greece 2002*, p. 35.

<sup>3</sup> *Hellenic Plan for the Economic Reconstruction of the Balkans (HIPERB)*:  
[http://old.mfa.gr/english/foreign\\_policy/hiperb/](http://old.mfa.gr/english/foreign_policy/hiperb/)

<sup>4</sup> *Hellenic Aid Action Plan for Co-ordination and Harmonisation of Development Co-operation Policy*, 2004: <http://www.oecd.org/dataoecd/43/35/33981897.pdf>

<sup>5</sup> *Hellenic Aid Action Plan for Co-ordination and Harmonisation of Development Co-operation Policy*, 2004, p. 3.

<sup>6</sup> *OECD DAC Peer Review Greece 2002*.

<sup>7</sup> *Hellenic Aid Action Plan for Co-ordination and Harmonisation of Development Co-operation Policy*, 2004, p. 5.

<sup>8</sup> *Idem*.

## **HUNGARY**

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## **1. INSTITUTIONAL ORGANISATION**

The Hungarian development assistance programme was launched in 2003 with the MFA as the primary co-ordinating agency. Because the first fund for development assistance was allocated before a structure or programmes were in place to absorb it, these funds were allocated to the UNDP (via a trust fund established for one year) and used to fund technical expertise from Hungary to existing UNDP projects. Serbia-Montenegro was the first main beneficiary.

In November 2002, a department in charge of International Development Co-operation (IDC) activities was established within the MFA.

A government decree adopted in June 2003 extended the foreign minister's mandate to include international development co-operation activities, and created an Inter-departmental Committee (IC) responsible for co-ordinating and outlining the main thrust of development co-operation activities. It also sets geographical and sectoral priorities. A Civil Advisory Board for International Development Co-operation, consisting of representatives of the Ministry of Foreign Affairs, political parties, trade unions, employers' associations, the academic community, NGOs and individual experts was also established, assisting the Inter-departmental Committee in its activities.

In June 2004, the MFA signed a co-operation contract with HUN-IDA, a non-profit institution, to implement IDCD-projects

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, Hungary disbursed approximately €44.2 million for development, amounting to 0.06% of GNI.

The Hungarian government will endeavour to increase its ODA/GNI ratio in the coming years; however the result will depend on the health of the state budget.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, 37% of ODA was channelled to bilateral projects.

#### *Multilateral Aid*

The EU received the largest part of Hungary's multilateral assistance, followed by the multilateral organisations.

### **2.3 Financing Instruments**

Hungarian development assistance takes the form of concessional credits with grant elements and debt cancellation or conversion. Grants are the most common form of financing.

## **3. NATIONAL ODA STRATEGY**

The Hungarian Government approved and adopted the *Concept Paper* for Hungary's new development co-operation in July 2001.<sup>1</sup> Hungary's principal development goals are poverty reduction and sharing experiences on transition. While respecting the principles of the OECD and EU development strategy, Hungary also bases its international development co-operation on national interests. The strategy stipulates that development partnerships are to be formed with countries:

- That are important to Hungary's foreign and security policy and international trade relations (regional stability, geographical proximity, traditional and active foreign relations, extensive social and political contacts, well-founded economic and commercial structures etc.); and
- That are well known to Hungarian social and economic actors (knowledge of local characteristics and needs, command of languages).

The importance of establishing institutional capacity to deliver development assistance is acknowledged in the Hungarian ODA strategy, although it is not considered that an agency is yet required.

## **4. AID MODALITIES**

To the greatest extent, Hungarian aid is project-based.

### **4.1 Sector Focus**

Hungary's development assistance will primarily focus on areas in which Hungary has comparative advantage. Specific emphasis is given to the following areas:

- Sharing views and experiences on Hungarian transition;
- Knowledge transfer, and knowledge-based assistance;
- Promoting education, training of experts and technicians;
- Developing health services;
- Agriculture;
- Contributing to water management and development of water resources, planning and technical advice;
- Developing general infrastructure; and
- Providing technical advice on environmental protection.

### **4.2 Geographic Focus**

The Hungarian aid strategy gives special priority to neighbouring countries given a shared interest in regional stability and development. Through the *Stability Pact for South Eastern Europe*,<sup>2</sup> Hungary committed to assisting the region as first priority, then partner countries in the Western Balkans and the CIS.

The geographical focus on Hungarian development interventions is widening however, in line with the European Community objectives. Thus a number of partner countries have been chosen from the LDC group, in addition to ones in the Far East selected on the strength of long-standing bilateral relations and contacts.

There are thus four groups of partner countries:

- Strategic partners: Serbia-Montenegro, Bosnia-Herzegovina, Vietnam, Palestine Authority; (receiving 60% of the 2004 ODA budget)
- Other partner countries: Macedonia, Moldova, China, Mongolia, Kyrgyzstan, Ukraine; (accounting for 20% of commitments)
- Least developed countries (LDCs): Ethiopia, Yemen, Cambodia, Laos; (7%)
- International commitments: Afghanistan, Iraq. (6%)

The remaining 4% of the aid budget is allocated to humanitarian aid.

## **5. COLLABORATIONS**

### **5.1 NGOs**

In 2003, the MFA opened a regular dialogue with the representatives of NGOs and private-sector organisations. The Hungarian Association of NGOs for Development and Humanitarian Aid (HAND)<sup>3</sup> was created the same year.

HAND's mission is to contribute to the formulation of an effective, transparent and sustainable development co-operation policy by capitalising on the long professional experience of its member organisations. In this, HAND partners with a number of Hungarian governmental bodies.

### **5.2 Bilateral Donors**

Hungary collaborates with the Canadian International Development Agency (CIDA) in the framework of the ODACE (Official Development Assistance for Central Europe) programme, which provides post-graduate training for international development assistance professionals.

In conjunction with the Viségrad countries (Czech Republic, Hungary, Poland and Slovakia), Hungary is also making efforts to increase the effectiveness and harmonisation of its development assistance and co-operation programme.

### **5.3 The European Union**

Hungary has also been participating actively in the European Council's Working Party on Harmonisation to increase the co-ordination and coherence of European development co-operation. It has used the resources of the CARDS programme to involve the Hungarian business sector in the reconstruction of the Western Balkans.

## **6. MOVING FORWARD**

Accession into the European Union implies that Hungary's development co-operation system will change fundamentally. Challenges and tasks for the near future include:

- Setting-up and implementing an international development co-operation policy that conforms to OECD and EU principles and guidelines;
- Becoming an active participant in the EU external aid system;
- Promoting the Hungarian political will to increase ODA; and
- Improving capabilities within the Department for International Development Co-operation, among staff of Hungarian embassies in partner countries and with different Hungarian stakeholders.

Technical aspects of these challenges and tasks include:

- Creating a monitoring, evaluation and quality control system;
- Compiling a database of Hungarian companies, NGOs, academic institutions and experts involved in executing Hungarian ODA; and

- Preparing a Hungarian International Development Co-operation law in order to:
  - Begin multi-annual planning;
  - Secure stable financing for development co-operation;
  - Build a flexible structure for project implementation;
  - Determine a reliable reporting system;
  - Strengthen co-ordination and explore trilateral projects.

Great efforts will be necessary to meet the quantitative and qualitative requirements. The Hungarian government appears ready to make these efforts, though the country's capabilities are the greatest constraint.

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<sup>1</sup> [http://www.mfa.gov.hu/kum/en/bal/foreign\\_policy/international\\_development/idc.htm](http://www.mfa.gov.hu/kum/en/bal/foreign_policy/international_development/idc.htm)

<sup>2</sup> <http://www.stabilitypact.org>

<sup>3</sup> <http://www.hand.org.hu>

## **IRELAND**

### **Ministry for Foreign Affairs**

#### **Development Co-operation Ireland (DCI) - Irish Aid**

*Most recent OECD DAC Peer Review: 2003*

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## **1. INSTITUTIONAL ORGANISATION**

Responsibility for Ireland's foreign policy lies with the Minister of Foreign Affairs, assisted by two ministers of state. The first is responsible for European affairs and the second for development co-operation and human rights. The latter has the main responsibility for Ireland's development co-operation programme, managing around three-quarters of Irish ODA allocations.

The Development Co-operation Directorate is (one of ten MFA directorates) responsible for the Development Co-operation Ireland Programme, renamed Irish Aid in February 2006. The directorate manages implementation and co-ordination of all aspects of Irish relations with its six partner countries in Africa.

Led by a minister and a director general, the directorate is comprised of the following sections: corporate development and decentralisation; multilateral aid – United Nations; multilateral aid – European Union; civil society; public information and development education; evaluation and audit; and an advisory board. Four additional sections (programme countries I;<sup>1</sup> programme countries II;<sup>2</sup> emergency and recovery multilateral assistance; and technical support) are under the responsibility of a special deputy director general.

In 2003, 282 people were employed by Irish Aid of which 152 (29 expatriates and 123 local employees) were posted at Irish diplomatic representations in countries with which Ireland maintains close co-operation.

Expansion of Irish Aid led to the establishment of more formal mechanisms for promoting dialogue, co-ordinating and exchanging information within the department.



A decentralisation decision taken by the government will result in 123 Irish Aid positions currently based in Dublin being relocated to Limerick during the first quarter of 2007. To date, only 117 applications have been received for these positions. Of these, 31 applicants are from within the Department of Foreign Affairs, 19 of whom are currently working in DCI, either in Dublin or in aid missions overseas.<sup>3</sup>

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, Irish ODA reached €489 million. This is a 6% increase in real terms in comparison with 2003; however as a percentage of GNI, Irish ODA remained stable since 2003 at 0.39%.

Ireland committed to increasing ODA to 0.5% of GNI by 2007 (three years ahead of the EU target of 2010) and 0.7% of GNI by 2012.<sup>4</sup>

In contrast with many other donors, Irish ODA has always been untied.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, bilateral aid represented around 70% of total ODA (€342 million) and mostly benefited Irish partner countries (all African). Bilateral aid was distributed with €8.9 million devoted to technical co-operation, €0.8 million to food aid, €21 million to humanitarian aid, €60 million as contributions to NGOs, and €21 million spent in administrative costs.

#### *Multilateral Aid*

Multilateral aid constitutes around 30% of total ODA (€147 million). In 2004, the EU received €75 million, the United Nations received €32 million and the World Bank €16 million.

Contributions to the UN have focused on key UN partner agencies, including the UNDP, UNICEF, UNHCR, OHCHR, UNFPA, UNAIDS and WHO.

### **2.3 Financing Instruments**

All Irish ODA is allocated in the form of grants.

## **3. NATIONAL ODA STRATEGY**

The Irish experience of colonisation, poverty, famine and mass emigration are the foundation of a long tradition of solidarity with the poor. Public awareness about development co-operation issues is high and participation among the population in development activities is widespread.

Development co-operation is an integral and important part of Ireland's broader foreign policy. A 1996 White Paper entitled, *Challenges and Opportunities Abroad*<sup>5</sup> states the guiding principles of Ireland's foreign relations. It also identifies poverty reduction as the

primary objective of Irish development co-operation, in addition to three other key objectives including:

- Fostering democracy, respect for human rights, gender and social equality and protection for the environment;
- Responding promptly to emergencies and humanitarian disasters; and
- Contributing to building civil society and social solidarity.

Commitments undertaken through this document have been reaffirmed in several other documents.

In 2005, a White Paper on Ireland's official programme of Overseas Development Assistance was written.<sup>6</sup> This aimed to elaborate the future directions of Irish ODA.

All of DCI's policies and activities are measured against their contribution to the reduction of poverty and against the progress they achieve towards the development targets set by the international community.

The *Report on Ireland's Contribution to Reaching the Millennium Development Goals*<sup>7</sup> outlines the country's approach for achieving the MDGs.

#### **4. AID MODALITIES/INTERVENTION STRATEGY**

The DCI use a wide range of different aid modalities, including technical assistance, isolated projects, area-based programmes, sector-wide approaches and budgetary support. Today, the main part of assistance to its partner countries is disbursed in the form of area-based programmes, sector-wide approaches and budgetary support. These three instruments are considered to be complementary and mutually reinforcing.<sup>8</sup>

Area-based programmes are established in five of Ireland's partner countries: Ethiopia, Mozambique, Uganda, Tanzania and Zambia. These are complete and co-ordinated programmes, lead by the local governments with the objective of maximising the use of local capacities by working with local NGOs.

Having participated actively in the debate on best practice in the use of new aid modalities, Ireland's experience of budget support highlights the instrument's advantages and disadvantages. Future use of this and other modalities will be based on the experience gained and the ongoing debate on best practice.

In general, Ireland supports its partner countries in their will to develop by underlining that all change must come from the country itself and can never be imposed. An intervention strategy with the government of the partner country is established in conjunction with the DCI, adapted to the country conditions and in line with the will expressed by the government. Collaboration and mutual responsibilities of DCI and the partner country are fundamental.

#### **4.1 Sector Focus**

Infrastructure and social services constitute the most important areas for intervention, absorbing almost two-thirds of bilateral ODA. This is higher than other DAC members devote to this sector (one-third).

Within the social services area, education is the most important sector (representing 14% of the total aid budget in 2005), basic health (20% of total aid budget), the fight against HIV/AIDS (10% of total aid budget) and humanitarian aid and recovery assistance (6–8% of total aid budget).

Ireland is prioritising HIV/AIDS in its development co-operation assistance and has taken the commitment to spend €100 million on the fight against HIV/AIDS, malaria and tuberculosis. In 2003, the government entered into a partnership with the Clinton Foundation under its AIDS Initiative. The partnership forms a key component of Ireland's overall commitment, which advocates for the implementation of sustainable resources and policies and for improved co-ordination and planning.

#### **4.2 Geographic Focus**

Ireland's main partner countries are:

- Ethiopia, Lesotho, Mozambique, Uganda, Tanzania, Zambia, East Timor and Vietnam.

Due to the geographic proximity of its African partner countries, Ireland has been able to adopt a regional approach by paying particular attention to questions of special concern in these regions.

Bilateral assistance is also allocated to the following countries for specific projects:

- Zimbabwe, South Africa, Eastern Balkans, Eastern Europe and the Palestinian Autonomous Territories.

Furthermore, assistance is given to more than 30 LDCs through specific financing schemes.

With the increase of ODA in the years to come, the number of partner countries is likely to rise.

### **5. COLLABORATIONS**

#### **5.1 NGOs**

Ireland disburses between 15–20% of its ODA on co-financing projects with NGOs each year. An “NGO co-financing scheme” exists aimed at supporting the work of Irish NGOs active in development co-operation. In 2003, a Multi-Annual Programming Scheme (MAPS) was established. Through this scheme the government provided financing of €117 million over a three-year period (from 2003 to 2005) for supporting NGO-lead long-term development co-operation projects.<sup>9</sup>

## **5.2 Bilateral Donors**

In the 2003 *OECD DAC Peer Review Ireland*, it was noted that Irish efforts to co-operate and co-ordinate with other donors in specific fields is reinforcing the collective impact of its assistance, despite the country being a smaller donor.<sup>10</sup>

Ireland collaborates with the Nordic+ Group on the basis of a shared vision and understanding of development co-operation with the members in this group.

Other forms of collaboration and exchange between Ireland and other donors include mentoring programmes offered to EU New Members to share knowledge and experience on managing development co-operation issues.

## **5.3 Multilateral Donors**

In 2004, DCI participated in a co-financing project with the African Capacity Building Foundation (ACBF), Association for the Development of Education in Africa (ADEA), Consultative Group on International Agriculture Research (CGIAR), International Institute of Education Planning (IIEP), International Fund for Agriculture Development (IFAD), International Labour Organisation (ILO) and the African Management Services Company (AMSCO).<sup>11</sup>

## **5.4 The European Union**

Ireland placed importance on development co-operation questions during its presidency of the European Union and has put particular efforts into reinforcing the institutional capacities of the ten New Member States to act as donors.

# **6. MOVING FORWARD**

With its experience of a wide range of different aid modalities and its clearly-elaborated ODA strategy, Ireland is committed to the issue of harmonising donor practices.

Ireland supports the Paris Declaration but it places particular emphasis on the need for a country-focused donor-wide approach.

Future challenges for Ireland will be to achieve the ODA it has committed to reaching. Another challenge concerns the decision to decentralise the Irish Aid workforce. It implies a risk that some important human resources will be lost in terms of experts.

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<sup>1</sup> Programme countries I: Ethiopia, Zambia, Zimbabwe, South Africa and Lesotho.

<sup>2</sup> Programme countries II: Uganda, Mozambique and Tanzania. Vietnam, Laos, Cambodia and East Timor.

<sup>3</sup> Information taken from: [http://www.dci.gov.ie/about\\_decentralisation.asp](http://www.dci.gov.ie/about_decentralisation.asp)

<sup>4</sup> Statement on the announcement of a new date for reaching the UN target of 0.7% of GNI, 14 September 2005: <http://foreignaffairs.gov.ie/information/display.asp?ID=1842>

<sup>5</sup> *Ireland White Paper: Challenges and Opportunities Abroad*, 1996:  
<http://foreignaffairs.gov.ie/information/publications/whitepaper/default.asp>

<sup>6</sup> Information on the *White Paper on Development Policy* can be found at:  
[http://www.dci.gov.ie/about\\_white\\_paper.asp](http://www.dci.gov.ie/about_white_paper.asp)

<sup>7</sup> *Report on Ireland's Contribution to Reaching the Millennium Development Goals*:  
<http://www.dci.gov.ie/Uploads/Ireland's%20MDG%20Report%20Final.doc>

<sup>8</sup> *OECD DAC Peer Review Ireland 2003*, p. 70.

<sup>9</sup> Information concerning Irish NGOs active in the field of development co-operation:  
[http://www.dci.gov.ie/partners\\_civil.asp](http://www.dci.gov.ie/partners_civil.asp)

<sup>10</sup> *OECD DAC Peer Review Ireland 2003*, Ch. 6.

<sup>11</sup> DCI: *Annual Report 2004*, p. 44.

**ITALY**  
**Ministry for Foreign Affairs**

Directorate General for Development Co-operation

*Most recent OECD DAC Peer Review: 2004*

*Please note that no response having been obtained from the DG for Development Co-operation, any errors or omissions in the following section are the author's responsibility*

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**1. INSTITUTIONAL ORGANISATION**

In accordance with Law 49/1987, the Directorate General for Development Co-operation of the Ministry of Foreign Affairs (DGCS)<sup>1</sup> has overall responsibility for Italian development co-operation. Co-ordination of the aid system is handled by two bodies: the CIPE (*Comitato Interministeriale per la Programmazione Economica*) which co-ordinates policy among ministries active in development co-operation; and, the Steering Committee for Development Co-operation, which is responsible for project approval and a range of other development co-operation tasks.

The MFA is directly responsible for some 27% of Italian ODA while around 51% is jointly managed with the Ministry of Economy and Finance. Other ministries, such as the agricultural, interior, environment, productive activities and justice also play a small role in managing ODA.

Around 1% of Italian ODA is decentralised and hence executed by regional authorities. This has been a subject of recent discussion, as the 2000 constitutional reform did not properly define the regions' role in relation to development co-operation. A proposed definition is, however, being discussed.<sup>2</sup>

Human resource management is a longstanding problem in Italian development co-operation. The DGCS, with 448 employees in 2003, is understaffed and has little capacity to expand its bilateral programming in consequence.

The organisation of the Italian ODA system has been criticised by the OECD DAC. The DGCS is, for instance, both responsible for international development questions and for cultural affairs, consular activities and for the fight against terrorism, which concern 12 out of 13 general directorates. The 2004 DAC Review concludes that virtually no progress has

been made in this regard since the 2000 Review, which made some strong recommendations.<sup>3</sup>

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

ODA represented 0.15% (€1 981 million) of GNI in 2004. This was the lowest share of GNI among the DAC EU member countries. In 2003, ODA reached 0.17% of GNI however in real terms ODA was lower, amounting to €1 960 million.

Debt relief has in recent years served as an important instrument for increasing ODA and represented around 50% of the total ODA in 2003. In 2002, Italy cancelled<sup>4</sup> a total of €793 million of developing country debt and “converted”<sup>5</sup> another €441 million into development activities.

In 2002, Italy committed to increasing ODA to 0.33% of GNI by 2006. This would imply an estimated 113% increase in real ODA (€2.2 billion) over the 2004 level and would be the largest increase of any DAC EU member. The prospects of fulfilling this commitment, however, are small since the debt relief programmes that played a central role in increasing ODA during recent years are coming to an end in 2006.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

The bilateral share of all aid was 28% (€555 million) in 2004, down from 44% (€1 046 million) in 2003.

Sub-Saharan Africa received 61% of Italian bilateral ODA, followed by North Africa/Middle East with 11%.

#### *Multilateral Aid*

Multilateral aid accounted for 72% of all ODA in 2004.

Among the DAC EU members and in proportion to their size, Italy makes the greatest use of multilateral channels. Although a strong tradition of close co-operation exists with multilaterals, the DAC noted that the criteria used to guide ODA allocations to these institutions do not appear to be part of a longer-term strategic system.<sup>6</sup>

The EU is the principal recipient of Italian ODA. Italy contributes 13.6% of the community budget for external aid and 12.5% of the 9th European Fund for Development.

### **2.3 Financing Instruments**

The majority of Italian ODA is disbursed in the form of grants while 5% is assigned in a small number of development loans.

### **3. NATIONAL ODA STRATEGY**

Poverty reduction has traditionally been a principal focus of Italy's development co-operation. With the strategy document Poverty Reduction Guidelines<sup>7</sup> elaborated in 1999, it became the main concern. The guidelines identify four objectives of aid:

- Promoting an institutional environment favourable to poverty reduction by improving governance and public sector management and encouraging democratic participation;
- Encouraging political and administrative decentralisation and the role of local communities in development processes;
- Combining an integrated local development approach with sector approaches; and
- Operating in co-operation with all stakeholders of "*Sistema Italia*"<sup>8</sup> and other donors in the programming, implementation and monitoring phases of the process.

While detailed regarding management issues, the legal framework for Italian development co-operation – Law 49/1987 – fails to treat essential policy and strategy questions. The law sets out a detailed operational framework for a specific programme, but crucially leaves the general principles of development co-operation in the field open.<sup>9</sup> Lacking this clarity, aid is increasingly influenced by the necessity of reacting to crises or by short-term initiatives.

Despite a general commitment to work towards the MDGs, no policy statement or strategic framework exist to achieve such a commitment.

#### **3.1 Co-ordination and Policy Coherence**

Italy faces major obstacles when it comes to strengthening its policy coherence. Domestic interests whose objectives do not always coincide with those of poverty reduction often come into play. Italy does not have a specific statement on development policy coherence.

### **4. AID MODALITIES/INTERVENTION STRATEGY**

Italy has not been active in international discussions on aid efficiency and is not devoting efforts to promoting donor harmonisation and alignment. In general, the country remains wary of new types of collaboration between European donors. Appointing one donor as the leader of a common project, from the Italian perspective, signifies that the EU is not unified and that too many opposing notions exist. It prefers in the interest of unity, that the Commission take the lead.

#### **4.1 Sector Focus**

Debt relief was allocated more than half of bilateral ODA in 2003. Other priority sectors for Italian interventions are humanitarian assistance, private sector development, the fight against HIV/AIDS, tuberculosis and malaria, and gender equality.

The ODA allocated to humanitarian assistance has been increasing constantly during the last years. Besides applying the principles of impartiality and non-discrimination, Italy is strongly committed to ownership in its humanitarian assistance.



Development of the private sector has traditionally been a priority. Italy has a comparative advantage in supporting the private sector of developing countries due to its experience in the development of small and medium-sized enterprises. Its action in the field can be divided into three groups: commodity aid and credit lines to SMEs; support to Italian foreign direct investment (FDI) for the creation of joint ventures; and capacity-building mainly in the form of technical assistance, technology transfer and training. Potential for comprehensive Italian action in the field of private sector development would appear to exist but again, a strategy with specific objectives and implementation mechanisms is lacking.

In the fight against HIV/AIDS, tuberculosis and malaria, Africa receives more than 80% of the Italian aid in this sector. The assistance is mainly allocated through NGOs, the Italian National Health Institute and multilaterals. Between 2000 and 2003 Italy disbursed €204 million and committed to giving a further €300million by 2006.

Gender equality has been a transversal theme since 1989 with a focus on governmental programmes (the role of women in political dialogue and post-conflict situations). The DGCS recently published a manual on *Gender in Emergencies* for humanitarian actions.

Finally, the issue of migration is of particular interest for Italian international development co-operation and should be expanded in the years to come.

## **4.2 Geographic Focus**

The targeted countries have shifted rapidly over the years.<sup>10</sup> The choice of these countries is not based on any specific criteria, and the OCDE DAC has encouraged the DGCS to explore the potential of developing a strategically driven approach, complete with a transparent exit strategy.<sup>11</sup>

Africa was the first recipient of bilateral assistance from Italy in 2003 (63% to Sub-Saharan Africa and 9% to North Africa), followed by Asia (10%), America (7%), the Middle East (6%) and Europe (5%). The choice of recipient countries and their budget levels are not, however, based on specific criteria or a performance-driven process.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

Italian NGOs are very active in the field of development and are an increasingly important partner for the DGCS.<sup>12</sup> The majority are organised into three different groups, the FOCSIV (which is Roman Catholic), the CIPSI (which is on the political left) and the COCIS (which insists on partnerships and use of local NGOs). These groups are united in a national platform, Associazione ONG Italiane, which permits policy dialogue and negotiations on issues of common interest with the DGCS and European Institutions. Italian development NGOs (171 in 2003) are characterised by their small size and strong dependence on public support.

In 2004, the government contributed €36.2 million to NGO projects.

## **6. MOVING FORWARD**

It is commonly judged that the commitments taken by Italy to increase ODA will be difficult to reach given that debt relief operations, which have accounted for an important proportion of ODA in recent years, will end in 2006.

Italian comparative advantages, such as private sector development and managing migration, could potentially become best practice examples for other donors, but they must first be better structured and focused. Budgetary constraints and the Italian public debt appear to be serious restraints for the establishment of a more ambitious and visible Italian ODA system.

<sup>1</sup> Functional distribution of responsibilities within the DGCS:

Office I:	Policy analysis, planning and statistical information
Office II:	Relationship with international organisations and the EU
Offices III, IV and V:	Negotiations with partner countries
Office VI:	Emergency operations and food aid
Office VII:	Relationship with Italian NGOs
Office VIII:	Relationships with IFIs
Office IX:	Training and scholarships in Italy
Office X:	Legal affairs
Office XI:	Procurement
Office XII:	Personnel
Office XIII:	Gender, minors and handicapped
UTC:	Technical advice, project identification, formulation, appraisal, monitoring and evaluation
Quality control:	Secretariat and technical evaluation unit

<sup>2</sup> *OECD DAC Peer Review Italy 2004*, p. 45.

<sup>3</sup> *OECD DAC Peer Review Italy 2004: Main Findings and Recommendations*.

<sup>4</sup> Benin, Bolivia, Cameroon, Chad, Ethiopia, Ghana, Guinea Conakry, Malawi, Mali, Mauritania, Mozambique, Sierra Leone, Tanzania, Uganda. (*OECD DAC Peer Review Italy 2004*, p. 24.)

<sup>5</sup> Algeria, Ecuador, Egypt, Jordan, Morocco, Peru. (*Ibid.*, p. 24.)

<sup>6</sup> *OECD DAC Peer Review Italy 2004* p. 23.

<sup>7</sup> Italian co-operation guidelines on poverty reduction:  
[http://www.esteri.it/eng/4\\_28\\_66\\_71\\_52\\_37\\_13\\_2.asp](http://www.esteri.it/eng/4_28_66_71_52_37_13_2.asp)

<sup>8</sup> *Sistema Italia* is a system of collaboration and co-ordination uniting all Italian official and non-governmental development institutions in order to increase efficiency.

<sup>9</sup> *OECD DAC Peer Review Italy 2004* p. 17; Art. 7, Law 49 of 1987.

<sup>10</sup> Top ten recipients of bilateral ODA (% share):

1991 - 1992		1996 - 97		2002 - 2003	
Albania	10	Malta	6	Mozambique	21
Mozambique	9	Uganda	6	Congo Dem. Rep.	20
Tunisia	7	Bosnia-Herzegovina	5	Tanzania	6
China	6	Ethiopia	5	Ethiopia	4
Argentina	6	Jordan	4	Tunisia	3
Morocco	6	Albania	4	Guinea Bissau	3
Egypt	5	Nicaragua	4	Afghanistan	3
Tanzania	4	Mozambique	4	China	3
Ethiopia	3	Argentina	4	Palestinian Adm. Areas	3
Ex-Yugoslavia	2	Congo Dem. Rep.	4	Albania	2
<b>Total top ten % share</b>	<b>46</b>	<b>Total top ten % share</b>	<b>46</b>	<b>Total top ten % share</b>	<b>69</b>

<sup>11</sup> *OECD DAC Peer Review Italy 2004*, p. 25.

<sup>12</sup> NGO Acknowledgement of Qualification: [http://www.esteri.it/eng/4\\_28\\_66\\_75\\_247.asp](http://www.esteri.it/eng/4_28_66_75_247.asp)

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## **1. INSTITUTIONAL ORGANISATION**

The Ministry of Foreign Affairs is the central institution formulating the Development Co-operation Policy and coordinating development co-operation activities.

It is staffed by nine people, and consists of two divisions: the Multilateral Co-operation Policy Division and the Bilateral Assistance Co-ordination Division (which deals with bilateral/trilateral ODA).

In 2003, the Consultative Council in Development Co-operation Policy Issues was established, which includes line ministries, municipalities, non-governmental actors, and representatives of the academic and private sectors. The Consultative Council is a forum for discussing development co-operation priorities and strategies, as well as a forum for exchanging relevant information among stakeholders.

In 2005, a Development Co-operation Board was created, which consists of high-level officials from the Ministry of Foreign Affairs, Ministry of Finance, Ministry of Regional Development and Local Government, Ministry of Economics as well as State Chancellery. It is the decision-making body regarding approval for financing of development co-operation activities.

The creation of an implementing agency is a long-term objective, though it is not a priority in the coming years. With bilateral co-operation increasing, the responsibilities of Latvian diplomats positioned in partner countries will be extended to allow them to manage commitments.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, Latvia's ODA was €6.7 million, representing 0.06% of GNI. The important increase of ODA was due to Latvia's accession to the EU and its contribution to the EU budget, which could be partly reported as development assistance.

In 2003 and 2004 Latvia did not have a specific budget line for development co-operation and humanitarian aid, but it supported development co-operation projects on an *ad hoc* basis (that is, from the budgets of line ministries and other institutions).

A budget for development co-operation was first introduced into the MFA budget in 2005 and amounted to 170 650 USD. This increased to 256 000 USD in 2006.

Since it does not have bilateral lending arrangements with its priority countries, Latvia has not engaged in any debt relief activities.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, the bilateral assistance (representing 3% of total ODA) was mainly directed towards countries in South and Central Asia (Georgia, Uzbekistan, and Kazakhstan), Moldova and the Balkan countries (Bosnia-Herzegovina, Croatia, Albania) as *ad hoc* technical assistance. In addition, and in collaboration with UNDP Latvia, the Ministry of Foreign Affairs supported a technical assistance project in Iraq. Latvia also provided humanitarian assistance to Iran following the earthquake in Bam.

#### *Multilateral Aid*

In 2004, almost 97% of Latvia's ODA was disbursed through multilateral channels – including the EC, UN agencies (UNESCO, UNO, UNEP, UN Framework Convention Convention on Climate Change, FAO etc.), IMF, International Bank for Reconstruction and Development, and IOM.

### **2.3 Financing Instruments**

From 2006, Latvian bilateral development assistance will be disbursed in the form of grants. In October 2005 the Cabinet of Ministers adopted the *Regulation on the Introduction, Management, Monitoring and Control of Grant Programmes for Implementing of the Development Co-operation Policy* (Regulation No. 807. of 25.10.2005). This document sets the grant procedure used for the implementation of bilateral/trilateral development aid.

## **3. NATIONAL ODA STRATEGY**

The *Basic Principles for the Development Co-operation Policy of the Republic of Latvia*,<sup>1</sup> (approved by the Cabinet of Ministers, Order No. 107 of 19.02.2003) states that the CIS<sup>2</sup> and Balkan regions are the priority for Latvian development co-operation, based on close

historical and cultural ties with these countries. The fundamental principles of the development co-operation policy are in line with the objectives of the Latvian foreign policy and the Millennium Declaration.

Latvian development co-operation has the following five principles:

- Political - implementing the objectives of Latvian foreign policy by working in the European economic and political structures, and building relationships with neighbouring countries;
- National administration - transferring Latvian experience gained in the reform and integration processes into international organisations through technical assistance projects;
- Economic - transferring Latvian experience in reforming to a market economy through development co-operation projects;
- Humanitarian – eliminating the effects of natural and other catastrophes; and
- Educational – presenting Latvian history and culture thus expanding the level of information on Latvia worldwide.

Continuing the work started in 2005, the *Development Co-operation Policy Plan for 2006*,<sup>3</sup> (approved by the Cabinet of Ministers Order No. 771 of 30.11.2005) sets out the following priorities:

- Implementing bilateral and trilateral co-operation projects; and
- Carrying out public information activities focusing on objectives, priorities and Latvia's activities in order to build public awareness and support for development co-operation.

In order to attain these bilateral and trilateral co-operation objectives, Latvian experts are offered to other countries as consultants on economic and political transition processes. Similarly, seminars and study visits will be offered to representatives of recipient countries in Latvia and support will be extended to state, local government, private sector and NGO projects in the priority areas set out in the *Development Co-operation Policy Plan for 2006*.

A *Programme for Development Co-operation Policy 2006 – 2010* was adopted by the Cabinet of Ministers in February 2006 as well as a *Concept for Increase of ODA 2006 – 2010*.

A Law on Development Co-operation will be under elaboration until end 2006.

#### **4. AID MODALITIES/INTERVENTION STRATEGY**

Latvia's bilateral assistance is implemented in the form of projects. For the time being, this is seen as the optimal mode.

Country strategy papers have been drawn up for Moldova and Georgia defining the strategies for intervention, which are based on the areas of Latvia's comparative advantage together with the needs of the priority countries.

#### **4.1 Sector Focus**

The *Development Co-operation Policy Plan for 2006* sets out Latvia's principles for sharing its reform experiences with transition and developing countries. The principles define areas of assistance as follows:

- Support for state administration, local government, defence system reform processes, and the European and transatlantic integration process;
- Promotion of the development of democratic and civil society; and
- Education, culture, social development, health, and environmental protection.

#### **4.2 Geographic Focus**

The *Basic Principles for the Development Co-operation Policy of the Republic of Latvia* defines the priority regions for Latvian co-operation (the CIS and Balkan regions).

The *Development Co-operation Policy Plan for 2005*,<sup>4</sup> (approved by the Cabinet of Ministers, Order No. 594 of 31.08.2004) identified five specific priority countries: Georgia, Moldova, Ukraine, Uzbekistan and Belarus. In practice however, projects were largely restricted to two countries: Moldova and Georgia.<sup>5</sup>

Given the limited financial resources, and in order to increase the impact of assistance the *Development Co-operation Policy Plan for 2006* stresses the necessity of concentrating on a smaller number of co-operation countries. In consequence, Moldova and Georgia were identified as priority countries, chosen on the basis of established contacts, direction of foreign policy, and the wish of these countries to co-operate with Latvia. The size and status of these countries as developing countries were also taken into account. Limited activities in Belarus will also be assisted.

Projects in other CIS and Balkan countries may also be assisted however, based on the expressed needs of the respective countries. For Latvia, intervention in Africa is not currently a priority due to the lack of historical links and experience though it might be considered in the longer term.

### **5. PARTNERSHIPS**

#### **5.1 NGOs**

In 2004, the Latvian NGDO Platform (LAPAS) was established. It is an important partner of the MFA in aid implementation. There are currently 23 member organisations in LAPAS. Its principal aim is to create an environment favourable for Latvian NGOs and to provide opportunities for development co-operation at national and international levels.

In October 2005, the LAPAS organised a Latvian and Georgian NGO forum on the subject of "Moving Towards the EU" with the goal of implementing common development co-operation projects in 2006.

## **5.2 Bilateral Donors**

In 2005, in co-operation with other donors such as the Canadian International Development Agency (CIDA) and Moldova UNDP, Latvia carried out two projects in Moldova:

- *Support to the Republic of Moldova for Capacity Building of the National Administration with regard to Reforms of the Penitentiary System and Institutions* (Latvia and CIDA – support for Moldova). The objective was to decrease the number of detainees, to stimulate initiatives regarding improvements in the legislation system in accordance with the *European Convention on Human Rights*, and to improve the management, personnel and training policy of the prison administration of the Republic of Moldova.
- *Provision of Support to the Republic of Moldova for Capacity Building of the National Administration in the Areas of State Border Security, Border Guarding and Control, as well as Surveillance of Foreigners* (Latvia, CIDA and Moldova UNDP for Moldova). The goal of this project was to transfer Latvian Border Guard experience and to provide recommendations to Moldova in order to enhance the capacity and professionalism of the State Border Guard of Moldova.

In addition to the mentioned two projects, the Latvian Parliament has collaborated with the Swedish International Development Agency (SIDA) for providing assistance to the parliament of Moldova.

## **5.3 Multilateral Donors**

In 2004, Latvia contributed financial resources (mainly membership fees) to different international organisations, including the EC, UN Agencies, FAO, WMO, ILO, UPU, ITU, UNESCO, UNO and IBRD.

## **6. MOVING FORWARD**

Priorities for 2006 are two of the areas outlined in the conclusions of the *Council of European Union's External Relations Council of 24 May 2005*:

- Gradually increase funding for objectives of development co-operation;
- Improve the quality and effectiveness of the assistance provided, promoting the good practice of donors, co-ordinating and harmonising their activities and improving the economic sustainability of the increased funding.

The Ministry of Foreign Affairs will continue strengthening and elaborating the normative basis and mechanisms for Latvia's development co-operation. A Law on Development Co-operation will also be drawn up.



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<sup>1</sup> The *Basic Principles for the Development Co-operation Policy of the Republic of Latvia*  
<http://www.mfa.gov.lv/en/DevelopmentCo-operation/BasicDocuments/BasicPrinciples/>

<sup>2</sup> The Commonwealth of Independent States (CIS): Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

<sup>3</sup> The *Development Co-operation Plan for 2006*  
<http://www.mfa.gov.lv/en/DevelopmentCo-operation/BasicDocuments/PolicyPlan-2006/>

<sup>4</sup> The *Development Co-operation Policy Plan for 2005*  
<http://www.mfa.gov.lv/en/DevelopmentCo-operation/BasicDocuments/PolicyPlan/>

<sup>5</sup> For all projects in 2005, see: <http://www.mfa.gov.lv/en/DevelopmentCo-operation/Projects/>

# **LITHUANIA**

## **Ministry of Foreign Affairs**

### **Department of Multilateral Relations, Development Assistance Division**

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## **1. INSTITUTIONAL ORGANISATION**

The Ministry of Foreign Affairs (MFA) is responsible for elaborating and implementing Lithuanian development assistance policy, while the Ministry of Finance is responsible for co-ordinating the policy with international organisations and allocating their contributions.

Within the MFA, the focal point for policy and co-ordination is the Development Assistance Division of the Department of Multilateral Relations. Three diplomats are employed in this department. This institutional organisation is scheduled for restructuring in the near future, with the establishment of a separate department with two divisions: multilateral co-operation and bilateral co-operation. With this reorganisation, human resources are expected to increase.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

A budget line for international co-operation was established as part of the MFA budget in 2002. Between 2002 and 2004, Lithuania's ODA has increased tenfold. The inclusion of Belarus and Ukraine on the OECD DAC list of ODA recipient countries from 2006 will result in a further increase in the coming years.

In 2004, Lithuania's ODA was €7.66 million, representing 0.0418% of GNI. A further €5.4 million was contributed as OA, with €4.64 million going to multilateral agencies and €0.79 million directly to Part II countries of the OECD DAC list.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

Around 10% of all aid was allocated through the bilateral channel in 2004.

### *Multilateral Aid*

In 2004 around 90% of total ODA was allocated multilaterally. Lithuanian multilateral aid is channelled through the EU (contributions to the EC general budget), through UN Agencies (OCHA, UNESCO) and other international organisations (WIPO, FAO, WMO, ILO, IPO, ITU, and IBRD).

## **2.3 Financing Instruments**

Lithuanian assistance is entirely provided in the form of grants and technical assistance.

## **3. NATIONAL ODA STRATEGY**

The *Concept Paper on Lithuania's Development Co-operation for the Period of 2003–2005*<sup>1</sup> was approved by the government in May 2003. The document establishes the main objectives of Lithuania's development co-operation policy, along with priority countries and regions and priority sectors. The document also underlines the importance of partnerships and identifies possible areas for co-operation.

An agreement between political parties concerning the goals of Lithuanian foreign policy for the years of 2004 – 2008 lends support to the efforts of the international community to eradicate poverty.

A new Lithuania's Government Decision on the Guidelines for Development Co-operation for the period of 2006 – 2010 was under preparation in January 2006 and expected to be approved by April 2006. This draft document explicitly states Lithuania's commitment to work towards the Millennium Development Goals, and to support the Paris Declaration and the European Consensus on Development.

The main sectors for intervention and the geographical scope of Lithuania's development policy will to the greatest extent remain unchanged. However, the draft document also refers to possible assistance to post-conflict countries (such as Afghanistan or Iraq) and to Africa (Mauritania). Having neither previous experience in development co-operation nor diplomatic representations in Africa, this is Lithuania's first initiative in this continent.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

Lithuanian bilateral assistance is purely project-based. The possibility of participating in donor collaborations of budgetary support programmes or sector approaches is not considered for the moment. Furthermore, bilateral co-operation projects are recognised as best suited for Lithuanian development assistance, since the issue of visibility is important.

### **4.1 Sector Focus**

Lithuania focuses its international development co-operation on areas where it has a comparative advantage – e.g. in reform transformations – and in-depth experience.

Priority areas for intervention are:

- Promotion of democracy and justice;
- Economic development, transport;
- Euro-integration processes;
- National security strengthening;
- Environmental protection;
- Health and social security; and
- Culture and education.

Lithuania is considering further concentration in some of these sectors in the near future, for example focusing on HIV/AIDS in the health sector.<sup>2</sup>

#### **4.2 Geographic Focus**

In the *Concept Paper on Lithuania's Development Co-operation for the Period of 2003–2005*, seven priority countries are listed:

- Belarus, Kaliningrad region, Ukraine, Moldova, South Caucasus, Afghanistan and Iraq.

Projects in 2004 included training of civil servants in Armenia and Ukraine, an equality project in Kaliningrad and study visits from Belarus and Iraq. A regional project is aimed at enhancing partnership in Northern Europe (E-PINE).<sup>3</sup>

In 2005 projects included training civil servants in Ukraine, Moldavia and Azerbaijan, fighting corruption in the Kyrgyz Republic, long-term technical assistance to Georgia and offering study visits and scholarships to Belarus citizens as well as consultations of Belarus farmers.

### **5. PARTNERSHIPS**

#### **5.1 NGOs**

A NGO platform was recently established. Some donors, like Sweden, have supported *ad hoc* activities aimed at NGOs.

There is in general a lack of awareness of development co-operation issues among the general public in Lithuania. As a result, a priority objective for 2006 is to promote awareness of development co-operation and involve NGOs in the implementation of development projects.

#### **5.2 Bilateral Donors**

As an emerging donor, Lithuania is collaborating in capacity-building programmes with CIDA through the Official Development Assistance for Central Europe (ODACE)/Baltic Initiative Programme (the ODACE programme was extended to the three Baltic States). Lithuania also has been working with CIDA to co-finance projects in Ukraine and Georgia.

Lithuania soon intends to begin executing development projects in Mauritania. In the interim, consultative discussions were held between the Lithuanian and French ministries of foreign

affairs with French representatives proposing their assistance in organising a fact-finding mission to Mauritania. In advance of this mission, the exact development project envisaged in Mauritania has yet to be clarified, though it is likely to be related to the reconstruction of hospitals.

Finally, discussions about trilateral projects with Denmark were ongoing in January 2006).

### **5.3     *Multilateral Donors***

The UNDP Office in Lithuania<sup>4</sup> has provided assistance in the form of a project for *Strengthening of Administrative Capacities in Development Assistance*. The objectives of the programme were to increase the awareness of decision makers and the public on development co-operation issues, to facilitate development co-operation activities, to build an information base to identify Lithuanian NGOs, and to facilitate NGOs and private-sector access to information.

## **6.     MOVING FORWARD**

The main challenge for Lithuanian development co-operation is to improve its administrative capacities. Increasing ODA to approach the target of 0.17% of GNI by 2010 is another important challenge.

Raising public awareness concerning development co-operation is also a priority as well as creating better relations and closer partnership with civil society organisations and bringing the private sector into development activities. The key message in this is that Lithuania has expertise (state transition) that it should use to ensure long-term stability and continuous development in recipient countries.

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<sup>1</sup> The *Development Assistance Policy for 2003 – 2005 of the Republic of Lithuania* was approved on 6 May 2003. Published in Official Gazette 2003, No. 45 – 2025.

<sup>2</sup> A conference on HIV/AIDS was organised in 2004 in Vilnius, in collaboration with the European Commission: <http://www.aids.lt/iac/>

<sup>3</sup> Information about E-PINE is to be found at: <http://www.state.gov/p/eur/rt/epine/>

<sup>4</sup> UNDP in Lithuania: <http://www.undp.lt/en/?id=166>

## **LUXEMBOURG**

### **Development Co-operation Directorate (MFA)**

#### **Luxembourg's Agency for Development Co-operation (Lux-Development)**

*Most recent OECD DAC Peer Review: 2003*

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### **1. INSTITUTIONAL ORGANISATION**

Development co-operation constitutes an important part of Luxembourg's foreign policy. The Ministry of Foreign Affairs and in particular the Minister for Development Co-operation (at the Development Co-operation Directorate) has the political responsibility for development co-operation in Luxembourg. It administers some 85% of Luxembourg's ODA, covering bilateral co-operation, co-operation with NGOs, technical assistance, humanitarian aid, and multilateral co-operation with the United Nations system and the European Development Fund. The Ministry of Finance handles co-operation with international financial institutions, representing around 12% of ODA, while other ministries (culture, health, state/communications, economy) manage a smaller amount (less than 1%) of ODA activities. An Inter-Ministerial Committee for Development Co-operation, set up under the *Development Co-operation Act of 1996*, ensures co-ordination and exchanges of information on the major orientations of development co-operation policy between various ministries (finance, economy, health etc).

Within the MFA, the Development Co-operation Directorate bears primary responsibility for ODA activities. The Political Affairs Directorate (for human rights) and the International Economic Relations Directorate (for relations with Central and East European countries) are also involved, but to a lesser degree. Approximately 25 people work on development co-operation within the MFA.

Lux-Development S.A. (the Luxembourg development agency) is a public company and employs around 60 staff.

Lux-Development is the implementing agency of the Luxembourg government's development co-operation. It was established to formulate and implement, on behalf of the MFA, projects and programmes of co-operation for development in line with the development co-operation policy laid down by the national government.

The Development Co-operation Directorate within the Ministry of Foreign Affairs and Lux-Development are two distinct entities and relations between them are regulated by a separate convention.

In order to improve the quality of its assistance, the Minister for Development Co-operation recently announced plans to reorganise the Development Co-operation Directorate.<sup>1</sup>

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

Luxembourg's ODA reached €192 million in 2004, which implied an increase in the share of GNI (from 0.81% in 2003) to 0.83%. In real terms, ODA increased by 8.2% from 2003 to 2004. Luxembourg reached the 0.7% target in 2000 and has committed to reach an ODA share of 1% of GNI in coming years.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

Bilateral aid represented around 72% of ODA in 2004 (€138 million), of which approximately €62 million was implemented by Lux-Development.

#### *Multilateral Aid*

The multilateral share reached €52 million in 2004. The main recipients were the EC (receiving €16 million), the World Bank Group (receiving €6.5 million) and the Regional Development Banks (receiving €8.9 million).

Luxembourg recently developed a new approach to multilateral co-operation, which takes account of its priorities and the DAC recommendations. This new multilateral co-operation strategy provides for greater focus and rationalisation of choices. It will primarily seek to:

- Create special relationships with international agencies that best meet Luxembourg's co-operation objectives and which offer a competitive advantage; and
- Define more effectively the priority sectors and geographical spread of Luxembourg's multilateral co-operation, taking into account the priorities of the international agenda, and particularly the Millennium Development Goals.

Luxembourg also contributes to multilateral bodies like UNICEF, UNDP and UNRWA and to other United Nations organisations – in particular those active in the field of health, such as WHO, UNFPA and UNAIDS.



### **2.3 Financing Instruments**

All of Luxembourg's ODA is distributed in the form of grants or grant-like contributions. Most is untied and project implementation relies to a great extent on local contractors.

## **3. NATIONAL ODA STRATEGY**

The *Development Co-operation Act*,<sup>2</sup> passed in 1996, sets out the general principles that underpin Luxembourg's development co-operation policy. These are:

- Sustainable economic and social development in developing countries, and especially the most disadvantaged amongst them;
- Harmonious and gradual integration into the world economy; and
- Poverty reduction.

The *Declaration on Development Co-operation and Humanitarian Assistance*<sup>3</sup> was presented to parliament by the Minister of Development Co-operation in November 2004. The Declaration confirms Luxembourg's intention to increase ODA to 1% of GNI. It also sets out four principles – to a great extent based on the recommendations made by the *OECD DAC Peer Review in 2003*<sup>4</sup> – for improving the quality of Luxembourg's development co-operation. These are:

- Geographic concentration;
- Sector concentration;
- Evaluation, and
- Closer collaboration with “the field”.

Luxembourg is making important efforts to respond to the DAC recommendations. Geographic and sector concentrations (see below) have been put in place. In 2002, an evaluation and audit unit was created to cover all government-funded co-operation activities, including contribution to the Luxembourg NGOs, and a manual on project monitoring and evaluation was drawn up.

Collaboration with and co-ordination in the field has been improved through the establishment of additional field representations in priority countries. The MFA has five regional offices whose role is act as a liaison with beneficiary governments and to identify and execute development projects. Lux-Development also has field offices to liaise and facilitate project implementation.<sup>5</sup>

Holding the presidency of the European Union during the first half of 2005, Luxembourg had the opportunity to take the lead in development co-operation issues on a European level. Its development co-operation programme<sup>6</sup> settled priority issues, of which poverty reduction was the central theme. Furthermore, the importance of policy coherence was promoted rigorously, resulting in a May 2005 EU policy that set collective targets for all EU Member States.<sup>7</sup>

The main events marking the presidency of Luxembourg were the Indian Ocean tsunami catastrophe, the EU commitment to raise ODA and the ACP countries agreement.

A report on progress towards implementing the Millennium Development Goals (MDGs)<sup>8</sup> was submitted in November 2004, restating Luxembourg's intention to integrate the MDGs in all its activities and in particular into its new generation of Indicative Co-operation Programmes (ICPs).<sup>9</sup>

### **3.1 Policy Coherence**

Luxembourg is committed to coherence, recognising that the impact of development assistance is dependent on the level of coherence with trade, agricultural, environmental and financial policies. This has been demonstrated within the country by efforts devoted to making the national trade and agricultural policies coherent.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

Traditionally, Luxembourg's development co-operation has been largely project-based. The high transaction costs and difficulties associated with assessing the impact of projects on poverty reduction led the *OECD DAC Peer Review 2003* to recommend that Luxembourg better align its projects with the strategies of partner countries.<sup>10</sup>

In order to enhance transparency and predictability and to improve management, Luxembourg's aid is now matched to the development priorities of the partner country, through Indicative Co-operation Programmes (ICPs).<sup>11</sup> Under the aegis of these multi-annual ICPs, projects are evaluated according to a number of basic principles, such as:

- Coherence: the planned activities have to be coherent with the partner country's national strategy for poverty reduction;
- Synergy: different interventions of Luxembourg in the same country must be in synergy with each other;
- Common agreement: the sectors for intervention must be defined through common agreement with the partner countries;
- Predictability: the interventions of Luxembourg must evolve in a coherent and predictability way, on a multi-annual basis;
- Evaluations: evaluation mechanisms must be put in place and must make all actors mutually responsible; and
- Resource allocation programming: resource allocations must follow joint programming.

Through the ICPs, Luxembourg development co-operation has evolved from being mainly project-based to becoming more programme-based.

Also, the fact that Luxembourg aid is untied has helped local enterprises to participate in project implementation.

#### **4.1 Sector Focus**

The principle of sector concentration has resulted in a focus on social infrastructure and services, and in particular on the following areas:

- Education, healthcare, rural development and water and sanitation.

Around 80% of bilateral aid is allocated to these sectors. According to the *Declaration on Development Co-operation and Humanitarian Assistance*, in the coming years Luxembourg will concentrate on a specific field within each of these sectors, e.g. in the education sector, the focus will be on professional training.<sup>12</sup>

Luxembourg is also focusing its efforts on a number of transversal issues (gender equality, partnerships) that should be pursued through all of its programmes and projects.

In 2005, two topics were given particular attention: micro-finance and HIV/AIDS.

Furthermore, Luxembourg is particularly attentive to knowledge transfer and developing human capabilities to increase the ownership of the partner country.

#### **4.2 Geographic Focus**

Ten countries have been selected as partner countries, of which the majority are LDCs:

- **Africa:** Burkina Faso, Cape Verde, Mali, Namibia, Niger and Senegal;
- **Latin America:** El Salvador and Nicaragua;
- **Asia:** Laos and Vietnam.

These countries were selected on the basis of OECD DAC recommendations and on the UNDP *Annual Report on Human Development*. No national criteria exist, however, for selecting partner countries.

This geographic concentration does not exclude interventions in a series of “project countries”, including among others:

- **Africa:** Burundi, Morocco, Rwanda, (São Tomé and Príncipe), and Tunisia;
- **Latin America:** Ecuador and Peru;
- **Asia:** China;
- **Europe:** Albania and the Federal Republic of Yugoslavia.

### **5. PARTNERSHIPS**

#### **5.1 NGOs**

More than 77 Luxembourg NGOs are active in the field of development co-operation and the government acknowledges their competencies. The *Cercle de Coopération des ONG Luxembourgeois*,<sup>13</sup> which brings together the vast majority of approved NGOs, is the ministry's main partner. It has a permanent secretariat and in partnership with the Ministry, it runs a Technical Assistance Office (TAO) and a North-South Education Service (NSES).<sup>14</sup> Furthermore, a working group between the ministry and the NGOs has been established.

Disbursements represented about 12% of total ODA in 2004. 77 Luxembourg NGOs are entitled to state funding and can receive co-financing from the MFA of up to 75% of project cost if the project is located in one of the partner countries. Moreover, the government has entered into partnership with 12 Luxembourg NGOs.<sup>15</sup>

## **5.2 Other Donors**

Luxembourg has initiated a trilateral project with the Czech Republic in Mali.

## **6. MOVING FORWARD**

Luxembourg is a committed actor in development co-operation activities and has to a large part honoured commitments taken in different international forums. Great attention is paid to the recommendations of *OECD DAC Peer Reviews* and for Luxembourg these constitute guidelines for further developing and improving its development co-operation system.

Most recently this has resulted in strengthened sector and country concentrations and increased presence in the field.

Luxembourg attained an ODA of 0.7% of GNI by 2000 and has taken the commitment to reach 1% of GNI in coming years. The country also stresses the importance of not only increasing the quantity of aid but also its quality.

Committed to the Millennium Development Goals and the Paris Declaration, Luxembourg is currently (December 2005) examining the type of aid modality that can best take into account the principle of ownership in project and programme implementation.

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<sup>1</sup> *Declaration on Development Co-operation and Humanitarian Assistance*, 2004 (in French), p. 19:  
<http://www.mae.lu/images/biblio/biblio-146-749.pdf>

<sup>2</sup> *Development Co-operation Act*, 1996, (in French): <http://www.mae.lu/images/biblio/biblio-140-603.pdf>

<sup>3</sup> *Declaration on Development Co-operation and Humanitarian Assistance*, 2004 (In French):  
<http://www.mae.lu/images/biblio/biblio-146-749.pdf>

<sup>4</sup> *OECD DAC Peer Review Luxembourg 2003*.

<sup>5</sup> The regional offices are: Managua (responsible for Nicaragua, El Salvador, Ecuador), Praia (Cape Verde and Senegal), Ouagadougou (Burkina Faso, Mali and Niger) and Windhoek (Namibia and South Africa).

<sup>6</sup> Luxembourg Presidency 2005 – Development Co-operation Programme,  
[http://www.eu2005.lu/en/presidence/priorites\\_et\\_pgm/priorites/progdevcopEN.pdf](http://www.eu2005.lu/en/presidence/priorites_et_pgm/priorites/progdevcopEN.pdf)

<sup>7</sup> COM (2005) 132 "Accélérer les progrès vers la réalisation des OMD - la contribution européenne";  
COM (2005) 133 "Accélérer les progrès vers la réalisation des OMD - financer le développement";  
COM (2005) 134 "Accélérer les progrès vers la réalisation des OMD - financer le développement-  
cohérence des politique en faveur du développement".

<sup>8</sup> *Rapport National du Grand-Duché de Luxembourg sur la Mise en Oeuvre des Objectifs Millénaires de Nations-Unis*, 2004 (In French) <http://www.mae.lu/images/biblio/biblio-180-763.pdf>

<sup>9</sup> *Rapport National du Grand-Duché de Luxembourg sur la Mise en Oeuvre des Objectifs Millénaires de Nations-Unis*, 2004, p. 39.

<sup>10</sup> *OECD DAC Peer Review Luxembourg 2003: Main Findings and Recommendations*, Recommendation i).

<sup>11</sup> *Rapport National du Grand-Duché de Luxembourg sur la Mise en Oeuvre des Objectifs Millénaires de Nations-Unis*, 2004, p. 11.

<sup>12</sup> *Declaration on Development Co-operation and Humanitarian Assistance*, 2004, p. 17.

<sup>13</sup> *Le Cercle de coopération*, [http://www.cercle.lu/article.php3?id\\_article=729](http://www.cercle.lu/article.php3?id_article=729)

<sup>14</sup> The Technical Assistance Office assists NGOs, particularly via training courses on project management. It advises NGOs in order to facilitate the preparation of their requests for co-financing. The TAO has been in operation since 2002, and its activities were evaluated for the first time in 2003. The recommendations from that evaluation were incorporated into the new agreement signed between the ministry and the Circle of NGOs. That evaluation also verified its actual usefulness for NGOs. The TAO should ultimately enable Luxembourg NGOs to be in a better position to strengthen their partnership with NGOs in the South, who are playing an increasingly important role in development. This was also emphasised by the *Cotonou Convention*.

The North-South Education Service continues to implement a service for supporting development education, which should benefit pupils and students in primary and secondary education in Luxembourg, as well as their teachers. It supplements and facilitates work by NGOs on development education and awareness-raising activities among the general population. The MFA has increased its support for these activities over recent years.

<sup>15</sup> The 12 NGDOs with whom the Luxembourg government has constructed partnerships include:  
Cercle de coopération des ONG-D luxembourgeoises  
Appui au Développement Autonome: <http://www.microfinance.lu>  
Comité luxembourgeois pour l'UNICEF  
Croix-Rouge luxembourgeoise  
Fondation Caritas Luxembourg

## **MALTA**

### **Ministry for Foreign Affairs**

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## **1. INSTITUTIONAL ORGANISATION**

Since 2003, the Development Policy Unit within the Ministry of Foreign Affairs has held primary responsibility for Maltese development assistance. It is staffed by three people, one head of unit and two desk officers.

An Inter-Ministerial Committee, also set up in 2003, is chaired by the Development Policy Unit. Representatives from each ministry are briefed about current issues in the field of development co-operation. Furthermore, a reporting system for ODA was recently implemented. The Development Policy Unit has given the ministries' representatives specific guidelines about reporting expenditures as ODA.

Furthermore, an advisory committee was set up in the aftermath of the Indian Ocean tsunami disaster, with the mission of evaluating NGO reports and monitoring aid effectiveness. There has been some discussion about institutionalising this committee.

A restructuring of the MFA is ongoing implying a redefined mission for the Development Policy Unit. It will be finalised during the first six months of 2006.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

Malta's first budget line for development co-operation was in 2005.

In 2003, Malta's ODA constituted 0.12% of GNI. This increased to 0.18% of GNI in 2004, representing €7 million. In 2005, ODA will probably reach 0.2% of GNI. This increase is, however, mainly attributable to debt cancellations and it is expected that ODA will recede to a level of 0.17 – 0.18%. Malta intends to increase its ODA commitments in accordance with the country's economic and financial circumstances.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, 3.32% of all ODA was allocated for bilateral assistance. Aid from Malta has always been awarded on a one-off and *ad hoc* basis, mainly as a response to natural disasters. The possibility of engaging in bilateral aid programming with specific countries is under consideration.

#### *Multilateral Aid*

Malta's multilateral aid is channelled mostly through the United Nations system. Commonwealth organisations such as the Commonwealth Foundation, the Commonwealth Fund for Technical Co-operation and the Commonwealth Third Country Programme are also important channels for multilateral aid.

### **2.3 Financing Instruments**

For the time being, Malta's bilateral assistance will be disbursed in the form of grants

## **3. NATIONAL ODA STRATEGY**

In January 2006, the Development Policy Unit was in the process of reviewing a national plan for delivering assistance to developing countries, particularly to Sub-Saharan Africa. This draft policy was being elaborated in close collaboration with the NGDO Platform.

Malta supports the Paris Declaration and recognises the importance of harmonisation and alignment for improving aid effectiveness. Greater importance is placed on maximising aid impact rather than striving for a real term increase of ODA. Once Malta has more experience with bilateral co-operation, policy co-ordination and harmonisation with other donors should be strengthened.

### **3.1 Sector Focus**

In accordance with international commitments, poverty reduction is the main objective of Maltese development co-operation. This issue has gained further significance with the realisation that poverty is the root cause of illegal immigration.

Malta possesses comparative advantage in Information and Communications Technology (ICTs), particularly in e-governance and bridging the digital divide.<sup>1</sup>

Other areas of comparative advantage include:

- Education, health, water management (desalinisation), maritime law,<sup>2</sup> research on ageing<sup>3</sup> and capacity-building initiatives.

The Mediterranean Academy of Diplomatic Studies (MEDAC)<sup>4</sup> and the DiploFoundation<sup>5</sup> are co-operative ventures between Switzerland and Malta. The DiploFoundation is a non-profit organisation that works to assist all countries, particularly those with limited human and financial resources, to participate meaningfully in international affairs.

### **3.2 Geographic Focus**

The selection criteria for the choice of priority countries are being decided. The southern Mediterranean is the main region for Maltese interventions, followed by Africa and South Asia.

Malta responded quickly to the 2004 Indian Ocean tsunami disaster by sending supplies and human resources under the Malta Humanitarian Mission.<sup>6</sup>

## **4. PARTNERSHIPS**

### **4.1 NGOs**

The Maltese NGDO development platform, created in 2001, is the co-coordinating body of ten NGOs involved in humanitarian and development aid projects, locally and abroad. These include Kopin, SOS Malta, Third World Group, Fair Trade Co-operative, VLM, JRS and Share Foundation, amongst others.<sup>7</sup>

### **4.2 Bilateral Donors**

Malta has no experience in collaborating with other bilateral donors.

## **5. MOVING FORWARD**

Primarily due to its accession into the European Union Malta has restructured its development co-operation. ODA has increased over the last years and efforts will be made to maintain ODA at 0.17% of GNI.

Sincere efforts are being made to establish an institutional organisation that allows for an effective allocation of ODA. This is regarded a primary priority. Malta's comparative advantages in ICTs, health, education, water management (desalinisation), maritime law and research on ageing will be put forward in future exchanges and collaborations with other European donors.



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<sup>1</sup> The Commonwealth Network of Information Technology for Development (COMNET-IT), <http://www.comnet-it.org/index.html>: COMNET-IT's mission is the dissemination of good policy and practice in the application of ICT for development. Particular areas of focus are national and sector strategies for e-government.

<sup>2</sup> The International Maritime Law Institute (IMLI), <http://www.imli.org/>

<sup>3</sup> The International Institute for Ageing, INIA, website: <http://www.inia.org.mt/>

<sup>4</sup> The Mediterranean Academy of Diplomatic Studies (MEDAC), <http://home.um.edu.mt/medac/>

<sup>5</sup> DiploFoundation, <http://www.diplomacy.edu/>

<sup>6</sup> The Maltese public responded by collecting around €8 million in emergency aid, which was sent to Sri Lanka.

<sup>7</sup> The Maltese NGDO Platform: [http://www.geocities.com/kopinmalta/maltese\\_ngdo\\_platform.htm](http://www.geocities.com/kopinmalta/maltese_ngdo_platform.htm)

## NETHERLANDS

### MinBuza

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*Most recent OECD DAC Peer Review: 2001*

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### 1. INSTITUTIONAL ORGANISATION

The Minister of Development Co-operation heads Dutch development co-operation. As such, the Minister relies on staff from the “two-headed” Ministry of Foreign Affairs (MinBuza), which deals with both foreign affairs and development co-operation. In order to assure coherence, almost 80% of total ODA is managed by the MFA.

Within the MFA, the Directorate General for International Co-operation (DGIC) is responsible for development policy in terms of co-ordination, implementation, and funding. An important DGIC focus is coherence between Dutch and EU policy on developing countries. Other directorate generals are, to a certain extent, also involved in the management of ODA (e.g. the Ministry of Defence and Justice/Asylum). A Policy Coherence Unit at the Ministry for Foreign Affairs is in charge of policy coherence between the different ministries intervening in ODA issues.

MinBuza directly manages budgetary aid, humanitarian aid and transversal programmes for peace as well as certain government support programmes. All other assistance is delegated, including project implementation, which has been decentralised to NGOs.

Two agencies active in ODA issues are attached to MinBuza: the FMO (Netherlands Development Finance Company)<sup>1</sup> and the CBI (Centre for Promotion of Imports from Developing countries).<sup>2</sup>

The SNV (Dutch Organisation for Development)<sup>3</sup> manages Dutch technical assistance and may also intervene as an operator in development projects. Since January 2002, the SNV is no longer attached to MinBuza. However, in the framework of a five-year programme (2002 –

2006), MinBuza allocates an annual subsidy to SNV. The organisation has around 700 technical advisers in 26 countries of which more than half are in Africa. SNV also collaborates with other actors, like the European Commission, the World Bank and IFAD (International Fund for Agriculture Development). Furthermore, SNV manages its own autonomous programmes.

Based upon the *2004 Annual Social Report*, the MFA had approximately 5 300 personnel (2 000 Dutch staff and 3 300 local staff) both in The Hague and in Dutch embassies and representations abroad. There are approximately 500 people working with development co-operation issues within the ministry, assisted by around 1 500 staff in embassies and representations abroad. This does not include SNV staff.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, total ODA amounted to €3 384 million, representing 0.73% of GNI. This was a decrease of 4.5% in real terms compared to 2003, when total ODA reached €3,516 million, representing 0.8% of GNI.

Dutch annual ODA is benchmarked against a fixed percentage of GNI, which means that ODA automatically increases when the national economy grows. At the same time, it requires the ODA management system to be flexible in order to be capable of coping with a sudden increase in ODA volume.

In 2004, 86.8% of bilateral ODA, excluding technical co-operation and administrative costs, was untied, while 2.2% was partly untied.

The Netherlands allocated 6.4% of its total ODA to debt relief operations in 2004, which is far below the DAC countries average of 13.6%.

### **2.2 Apportionment of ODA**

Bilateral aid represented around 64% of Dutch ODA in 2004. The ten main recipient countries were the Democratic Republic of Congo, Ghana, Iraq, Tanzania, India, Afghanistan, India, Uganda, Bangladesh and Ethiopia.

The main recipients of Dutch multilateral aid were the United Nations system followed by the EC and the World Bank Group.

### **2.3 Financing Instruments**

All of Dutch ODA is disbursed in the form of grants.

### 3. NATIONAL ODA STRATEGY

A national ODA strategy was established in October 2003 through the policy memorandum document *Mutual Interests Mutual Responsibilities: Dutch Development Co-operation en Route to 2015*.

The main policy priorities settled by this memorandum are:

- **Concentration:** Dutch development co-operation will concentrate on a restricted number of sectors and the number of bilateral partner countries has been reduced from 49 to 36. The number of sectors in each country will be restricted to a maximum of three.
- **Results-driven assistance:** Results and accountability should be the driving forces behind Dutch development co-operation. In January 2004, a new appraisal system and assessment framework was introduced for country and sector policies.
- **Partnerships:** Partnerships will be sought with citizens, private enterprises, knowledge and research institutes, civil society organisations and government authorities, where substance and harmonisation should be at the fore.
- **Bilateral policy:** long-term bilateral relationships have been/will be entered into with the 36 partner countries where the private sector and civil society organisations will be more closely involved.
- **Regional policy:** A regional approach in the Horn of Africa and the Great Lakes region has been established. Active support will also to be given to African initiatives for peace and development such as NEPAD, ECOWAS, IGAD and SADC. A partnership with the region's leading donors and the European Union is scheduled in the Balkans.
- **Integrated policy:** An integrated policy combining issues of diplomacy, political dialogue, security policy, trade, market access and development co-operation is of importance for sustainable development.
- **Stability Fund:** Established and managed by the MFA and the Minister for Development Co-operation, the Stability Fund enables rapid decisions on the release of money for activities to promote peace, security and development in developing countries;
- **Coherence:** The Netherlands' leading position in the international development policy coherence index will be maintained;
- **AIDS/reproductive health:** Political commitment will be strengthened at all levels and the use of existing resources for treatment and prevention will be improved;
- **Multilateral organisations:** The Netherlands will maintain its position as a key donor to those UN agencies and international funding institutions that are seen to be making a tangible contribution to its policy goals (focus on the MDGs, quality and effectiveness and results).

The Netherlands is committed to the MDGs and, in order to be fully transparent and accountable, reports on its performance to the international community. The MDG 8: Establishing a Global Partnership for Development is taken as an indicator of the Netherlands' progress given that MDG 8 is considered an input that helps developing countries to reach MDGs 1 to 7.

### **3.1 Harmonisation**

By limiting the number of partner countries and enhancing the quality of aid to these countries, the Netherlands has made important efforts to increase its aid effectiveness. Furthermore, complementarity is sought by generating added value through co-operation with other donor agencies. The Netherlands belongs to a group of active partners promoting a transition from project to programme-based approaches such as SWAPs and budget support in alignment with the PRSP.<sup>4</sup>

### **3.2 Co-ordination and Policy Coherence**

The Netherlands is advanced in policy coherence and is working to further improve the coherence in its own policies, as well as European and international policies. The Policy Coherence Unit has undertaken several initiatives to improve networking in EU Member States on these issues. Efforts have also been devoted to creating a group of EU and OECD Member States that could take the lead in moving coherent development co-operation policies higher onto the international agenda. The government is also planning to call for international agreements about donor reporting of progress towards reaching MDG 8.<sup>5</sup>

## **4 AID MODALITIES/INTERVENTION STRATEGY<sup>6</sup>**

The Netherlands is strongly in favour of budgetary support, which is considered the best way of supporting a developing country and for placing the donor and recipient on a more equal footing.

Furthering the transition from project to programme approaches (like SWAPS and budgetary support), the Netherlands has ceased launching development projects, as their impact has been judged to be too weak.

Because contractual obligations to phase out and finish ongoing commitments exist however, projects are still being implemented although no new ones will be undertaken.

The ministry is disposed of three different channels for allocating assistance:

- Pure budgetary support: ODA is directly granted to the benefiting countries' governments. This aid modality is favoured wherever there is sufficient local management capacity;
- The multilateral channel: ODA is allocated for multilateral aid through the United Nations, the European Union and the Bretton Woods Institutions; and
- The private and mixed structure channel: ODA is confined to private and mixed structures, including co-financing organisations and the Dutch Association for Development (SNV).

## **4.1 Sector Focus**

Intervention has focused on the following sectors:

- Education;
- Reproductive health;
- Combating HIV/AIDS; and
- Environment and water.

The number of sectors for intervention in each partner country should be limited to two (three being the maximum).

The present government plans to spend 15% of total ODA on education, concentrating on literacy, primary education and basic vocational training. It intends to maintain and if possible extend its activities in the partner countries in consultation with partner governments and other donors, aimed at increasing the number of silent partnerships in the education sector with likeminded donors in other countries.

In terms of reproductive health, the Netherlands aims to generate more political commitment for reproductive health and rights, and to focus more sharply on the need to implement and fund the Cairo Agenda,<sup>7</sup> in collaboration with partner countries, likeminded donors, NGOs and the UNFPA.

Expenditure on AIDS, tuberculosis and malaria prevention strategies in 2007 will be twice that of 2002. The Netherlands has formulated seven action points<sup>8</sup> to support and consolidate processes at the country level and is working with the United States on public-private partnerships in the fight against HIV/AIDS.

Finally, the Netherlands will seek to intensify co-operation with partner countries in the environment sector, devoting more attention to capacity-building, compiling environmental action plans, integrating ecological sustainability into other sectors and providing support for civil society organisations to help lobbying, research and model projects.

## **4.2 Geographic Focus**

To avoid wide dispersion, Dutch aid is concentrated on 36 countries of which 15 are African. These include:

Afghanistan	Ethiopia*	Pakistan
Albania	Georgia	Palestinian Autonomous Territories
Armenia	Ghana*	Rwanda*
Bangladesh*	Guatemala	Senegal
Benin*	Indonesia*	South Africa*
Bolivia*	Kenya	Sri Lanka*
Bosnia-Herzegovina	Macedonia (FYROM)*	Suriname*
Burkina Faso*	Mali*	Tanzania*
Cape Verde	Moldova	Uganda*
Colombia	Mongolia	Vietnam*
Egypt	Mozambique*	Yemen*
Eritrea*	Nicaragua*	Zambia*

The countries marked with an asterisk (\*) are the original intensive bilateral development partners. These still receive the bulk of Dutch bilateral aid.

The Netherlands has established long-term partnerships with these countries founded on basic principles such as the promotion of good governance and the respect for human rights.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

Around 20% of all ODA is implemented by NGOs. The use of NGOs (and in particular five core NGOs that receive around 10% of total ODA) permits the Netherlands to intervene in countries where political instability hinders all direct collaboration. After recommendations from the DAC in the last Peer Review,<sup>9</sup> the Dutch authorities have made efforts to improve the NGO selection procedure and base it on criteria of performance, efficiency and transparency.

In 2003, the government introduced a grant scheme, the *Theme-based Co-financing Programme* (TMF), which acknowledges the special role played by NGOs in development co-operation.

The government has initiated a dialogue with civil society organisations to elaborate a clear strategy for the role of civil society in international co-operation, based on the principle of partnership. The government will also consider how both its own and NGO efforts to improve policy coherence can become mutually reinforcing.

### **5.2 Bilateral Donors**

The Netherlands is a member of the Nordic+ Group, which was founded by the Utstein Group of female development co-operation ministers from Sweden, the UK, Germany, Norway and the Netherlands.

The Netherlands wants to increase donor co-ordination and bring it closer to harmonisation. Harmonisation processes are taking place in various countries, with the Netherlands frequently playing a leading role. In the short term, the Netherlands expects to make the most progress with the Nordic+ countries (Denmark, Finland, Ireland, Norway, Sweden and the UK), since these donors share common perspectives on harmonisation. A crucial first step was to integrate national harmonisation plans. The second step is the *Harmonisation in Practice* approach, by which the Nordic+ Group aims at harmonisation at the partner country level.<sup>10</sup>

MOPAN (Multilateral Organisations Performance Assessment Network) is a select group of likeminded donor countries (Austria, Canada, Denmark, Finland, the Netherlands, Norway, Sweden, Switzerland, and the UK). Its primary objective is to jointly review the functioning of multilateral organisations at the partner-country level.

Finally, the Netherlands has collaborated in the field with several bilateral donors (e.g. Sweden, Denmark and the UK).

## **6. MOVING FORWARD**

Committed to the MDGs as well as to the Paris Declaration, the Netherlands participates actively in international discussions about promoting the transition from project to programme-based interventions. Contrary to certain other donors that perceive the loss of visibility in budgetary support as problematic, there is a general public awareness concerning development co-operation issues in the Netherlands permitting policy-makers to focus on aid results.

An important challenge for the Netherlands will be to collaborate with the European Community and bilateral donors to implement agreed policies. This is particularly true in terms of the Paris Declaration necessitating increased exchange between the Netherlands and other bilateral donors.



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<sup>1</sup> The Netherlands Development Finance Company (FMO) supports the private sector in developing countries and emerging markets in Asia, Africa, Latin America and Central and Eastern Europe through loans, participations, guarantees and other investment promotion activities. The goal is to contribute to structural and sustainable economic growth in these countries and, together with the private sector, obtain healthy returns. These returns make FMO a valuable risk partner. FMO builds bridges between entrepreneurs and capital, locally as well as across frontiers. ([www.fmo.nl](http://www.fmo.nl))

<sup>2</sup> The CBI's mission is to contribute to the economic development of developing countries by strengthening the competitiveness of their companies on the EU market. CBI considers social values and compliance with environmental regulations to be an integral part of its policy and activities. ([www.cbi.nl](http://www.cbi.nl))

<sup>3</sup> <http://www.snvworld.org/public>

<sup>4</sup> *Millennium Development Goal 8: Developing a Global Partnership for Development*, p. 43.

<sup>5</sup> *Mutual Interests, Mutual Responsibilities - Dutch Development Co-operation en Route to 2015*, p. 22.

<sup>6</sup> More information and documents on policies and instruments of the Dutch development Co-operation can be found on : <http://www.minbuza.nl>

<sup>7</sup> The 1994 International Conference on Population and Development (ICPD) in Cairo:  
<http://www.un.org/popin/icpd2.htm>.

<sup>8</sup> The seven action points of the document are (*Mutual Interests, Mutual Responsibilities - Dutch Development Co-operation en Route to 2015*, p. 31:

1. To generate political commitment;
2. To press for a stronger UNAIDS, especially at country level;
3. Policy consultations to urge Dutch civil society to pursue a coherent policy on HIV/AIDS;
4. To improve co-operation with the business sector;
5. To invest in preventive technologies;
6. To bring about effective reproductive and sexual healthcare services; and
7. To improve the consistency and coherence of foreign policy.

<sup>9</sup> *OECD DAC Development Co-operation Review 2001*.

<sup>10</sup> *Joint Action Plan for Effective Aid Delivery through Harmonisation and Alignment of Donor Practices*: <http://www.oecd.org/dataoecd/30/10/30216580.pdf>

## **POLAND**

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### **1. INSTITUTIONAL ORGANISATION**

Polish development co-operation is highly decentralised among a number of different institutions, including the Ministries of Foreign Affairs (MFA) (responsible for development policy planning and programming, grant-funded bilateral assistance and training projects, humanitarian aid and aid contributions to UN institutions), Finance (mainly in charge of financial assistance to developing countries, including preferential credits and debt relief), Education and Health, as well as some agencies and non-governmental organisations.

The Department of Development Co-operation in the MFA, is the centre of the Polish ODA system, and was partly reorganised in September 2005.

The department, in which nine people work, deals with the conceptual guidelines of Poland's development co-operation, as well as with the practical supervision of foreign assistance projects and programmes. These projects and programmes are implemented either by the ministry itself or, more frequently, by non-governmental organisations acting on its behalf using public funds specifically allocated for the purpose. Polish embassies and representations in international organisations are also involved in implementing projects.

The MFA aid projects are financed from a special budget line with funds put at the disposal of implementing institutions by the Minister of Finance.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, Polish ODA increased more than fourfold over 2003 and reached €95 million, representing 0.05% of GNI. The ODA/GNI in 2003 was 0.013%.<sup>2</sup>

The government has committed to increasing ODA to 0.1% of GDP, *i.e.* about €185 million by 2006. In May 2005, an official declaration on reaching the 0.17% ODA/GNI target by 2010 was adopted.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, bilateral ODA was €20 million, the main recipients being Ethiopia, Serbia-Montenegro, China, Kazakhstan and Vietnam. Most of the Official Aid (OA) was directed to Russia, Ukraine, Belarus and Lithuania.

#### *Multilateral Aid*

In 2004, €75 million (78.8% of all ODA) was channelled through multilateral institutions, mainly through the European Union budget following Poland's accession to the EU on the 1 May 2004.

### **2.3 Financing Instruments**

Aid is delivered through a variety of instruments include tied and untied preferential government credits, and linked financing, combining aid credits with commercial financing (limited by the capacity of Poland's financial sector).

Other instruments of financial aid will also be put in place, including debt conversion, co-financing projects (mainly for technical assistance) proposed by NGOs or the embassies in developing countries, and contributions to multilateral aid institutions. Poland is also considering introducing new modalities of aid delivery in 2006 or 2007, including general budget support and sector-wide approaches.

## **3. NATIONAL ODA STRATEGY**

On joining the European Union, Poland committed to increasing development assistance. In 2003, the government adopted a *Strategy for Poland's Development Co-operation*,<sup>3</sup> outlining the main objectives, principles and priorities of development policy, as well as the institutional mechanisms of foreign aid delivery.

In coming years, Poland intends to integrate into its development policy the goals and principles elaborated by the international community, including the Millennium Development Goals. In the short term, poverty eradication through partnership, ownership, and mutual engagement has been made the focus of Poland's development co-operation strategy.

Poland's development activities are mainly aimed at:

- Supporting post-war rehabilitation;
- Enhancing human rights;
- Promoting human capacity building;
- Strengthening the institutional capacity building of local government; and
- Reinforcing democratisation, civil society, education and healthcare systems.

Following the 2004 increase in ODA, Poland intends on extending the scope of its bilateral aid activities. A new ODA strategy for 2006 – 2010 is currently being elaborated by the MFA. The strategy will describe the main directions, priority sectors and modalities of aid delivery, including general budget support and sector-wide approaches. The new strategy will also contain provisions for adjusting the Polish ODA programme to the principles of effective aid, as outlined in the Paris Declaration.

#### **4. AID MODALITIES/INTERVENTION STRATEGY**

Polish bilateral aid is mainly allocated in the form of projects.

The strategy for development aid stipulates that all interventions should be based on partnership, ownership and mutual responsibility. The strategy furthermore states that procedures based on EU and OECD standards will be applied in the planning, implementing, monitoring and evaluating of aid projects.

On the completion of a project, it is evaluated according to impact, stated goals, methods employed and difficulties and limitations encountered.

##### **4.1 Sector Focus**

The strategy is also to direct aid to fields where the needs of the recipient states are the greatest and where Polish public institutions and NGOs have a comparative advantage. The following sectors will thus be the focus:

- Health protection;
- Education and science;
- Access to potable water;
- Protection of the environment;
- Consolidation of local structures, support for democratic institutions and systemic transformation; and
- Improvement of public administration efficiency, development of cross-border co-operation and sector restructuring.

In particular, Poland has specific experience in the sphere of systematic transformation, reform of state institutions and the economic system.

Humanitarian assistance programmes constitute an important part of Polish development activities.

## 4.2 Geographic Focus

Geographic priority is given to:

- Developing countries with which Poland maintains political, economic and cultural relations at a significant level;
- Countries implementing systemic transformations, particularly in Eastern and southeast Europe; and
- Developing and transforming countries with large populations of Polish origin.

Countries in transition predominate in terms of the number of assistance programmes, delivered mainly by NGOs. In 2003 the first *Annual Plan* for development assistance was approved by the MFA. It states the intention of focusing Polish aid on six target countries:

- Afghanistan, Angola, Georgia, Iraq, Moldova and Vietnam.

The *Annual Plan for 2004* adds the Palestinian Autonomous Territories to this list, to be joined by Ukraine in 2006.

Ten countries in Central Africa also receive a modest amount of Polish ODA. The embassies usually have substantial liberty in allocating development assistance but, due to limited technical resources, often seek collaborators in the field.

## 5. PARTNERSHIPS

### 5.1 NGOs

Poland attaches certain importance to the work of NGOs, of which 100 are involved in international projects. The “NGOs Working Abroad” group co-operates closely with the government and receives public and private support for humanitarian aid and civil society projects, specifically for countries in transition.

### 5.2 Bilateral Donors

The Canadian International Development Agency (CIDA) adopted the *Official Development Assistance for Central Europe* (ODACE) programme in November 2001.<sup>4</sup> Its goal was to assist Poland, the Czech Republic, Hungary and the Slovak Republic in the creation of human resources, institutions and mechanisms to provide development assistance to third countries. In January 2006, the Polish MFA and CIDA signed an agreement regarding trilateral co-operation in developing and transition countries. On projects in Central Africa, Poland has been collaborating in the field with other bilateral donors, such as Canada, the Netherlands and Ireland.

Poland fully supports the Paris Declaration on aid effectiveness and has expressed a willingness to further it to the utmost of its capacity. There are some hesitations in Poland regarding visibility given the country's role as a new donor and the results-oriented focus of the Paris Declaration (in which visibility is lost). Poland intends to join the OECD DAC in about 2010, though its role therein has yet to be elaborated. This, defined in collaboration with other more experienced donors, should make the most of Poland's comparative advantages.

### **5.3    *Multilateral Donors***

Poland participates – to the extent permitted by the state budget – in international debt-relief initiatives and in financing IMF and World Bank adjustment credits for the poorest countries.

For several years now, Poland has made voluntary contributions to international organisations such as WFP, *OHCHR*, UNHCR, and ICRC.

## **6.     MOVING FORWARD**

Poland's entrance as a Member State in the European Union has entailed developing a new international aid system in line with internationally set principles and objectives. The country is now attempting to become a full member of the international donor community, particularly of the OECD Development Assistance Committee.

With experience in development co-operation, notably in sharing knowledge of transformation, as it becomes more integrated into the international donor community Poland should be able to develop its aid capacity further and share this with partner countries.

In the coming years, Poland's development co-operation strategy will be further elaborated helping the country to find like-minded collaborators for common projects and programmes.

<sup>1</sup> *Poland's Development Co-operation, Annual Report 2004*,  
[http://www.msz.gov.pl/files/docs/develop\\_ang.pdf](http://www.msz.gov.pl/files/docs/develop_ang.pdf)

<sup>2</sup> Development assistance provided by Poland (millions USD)

	1998	1999	2000	2001	2002	2003
<b>ODA</b>	19	20	29	36	14	27
Bilateral	14	15	13	31	9	19
Europe	3.6	6.8	3.4	1.3	0.9	12
Africa	1.7	1.0	0.9	0.7	0.6	0.7
Americas	0.3	0.3	3.4	0.3	0.1	0.2
Asia	8	6.6	5.1	28.4	7.4	6
Multilateral	5	5.7	15.8	4.8	5.3	8.2
ODA/GDP (%)	0.01	0.01	0.02	0.02	0.007	0.013
GDP (billion USD)	158	155	164	183	189	210
<b>OA</b>	10	17	11	8	15	22

Sources: DAC/OECD, Central Statistical Office, World Bank, *Poland's Development Co-operation. Annual Report 2002*, Ministry of Foreign Affairs of the Republic of Poland.

Note: Partial figures are rounded off.

<sup>3</sup> <http://www.msz.gov.pl/docs/39/DCstrv2.doc>

## **PORTUGAL**

### **Ministry of Foreign Affairs**

#### **Portuguese Institute for Development Assistance (IPAD)**

*Most recent OECD DAC Peer Review: 2001*

*Next review planned: Spring 2006*

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## **1. INSTITUTIONAL ORGANISATION**

### **1.1 Historical Background**

Portugal was both the first European country with colonies in Africa (beginning in 1435) and the last to decolonise (following its own revolution in 1974). Towards the end of the colonial period, assistance to Portugal's provinces (colonies) weighed heavily on the national economy, which was lagging far behind other European countries. Thus Portugal exited the OECD DAC in 1974 and requested developing country status. After having narrowed the gap with its neighbours, Portugal joined the EU in 1986 and rejoined the OECD DAC in 1991.

### **1.2 Organisation**

The Ministry of Foreign Affairs is chiefly responsible for defining and conducting Portugal's development co-operation policy, receiving around 50% of the Portuguese budget for development co-operation.

In order to strengthen coherence, Portuguese co-operation has been undergoing a restructuring process in recent years.<sup>1</sup>

The Portuguese Institute for Development Assistance (IPAD) was created in January 2003 through a merger of the Portuguese Co-operation Institute (ICP) and the Portuguese Development Support Agency (APAD). It is a public institution under the responsibility of the Ministry of Foreign Affairs.



IPAD is responsible for the planning, programming, financing and evaluation of development co-operation projects. Its mandate is to promote the economic, social and cultural development of its partner countries.

Evaluation of projects is executed in a systematic manner by the Evaluation Unit within IPAD.

Private sector investment in developing countries has been transferred to the responsibility of the Ministry of Finance.

The Ministry of Finance, and in particular the General Directorate of European and International Affairs is the second most important ministry for Portuguese development co-operation. In 2001, the Ministry of Finance allocated 42% of total ODA. It is responsible for actions relating to debt relief, balance-of-payments support, investment project aid (infrastructure), technical co-operation on public financial management, participation in multilateral financial institutions and contacts with the Bretton Woods Institutions.

In 2006, there were 160 people employed at headquarters and 11 people expatriated abroad.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

The aid volume has fluctuated over the last years. The proportion of ODA to GNI gradually increased between 1998 and 2002 (with the exception of 2001 when ODA/GNI was 0.25% against the 0.26% recorded in 2000). In 2003, ODA decreased by 19.4% in real terms to €283 million, representing an ODA/GNI of 0.22%, while in 2002 this figure was 0.27%.

From 2003 to 2004, ODA increased a remarkable 188.3% in real terms and arrived at a total ODA of €830 million, representing 0.63% of GNI.

This significant increase was mainly due to an operation to restructure Angola's debt on concessional terms.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

Portugal channels the largest part of its ODA through bilateral aid, on average accounting for 67% of total ODA between 2001 and 2004. Bilateral aid represented 85% of total ODA in 2004.

In 2004, Angola received 81.98% of total bilateral ODA, Cape Verde 3.53%, East Timor 2.93%, Mozambique 2.78%, São Tomé and Príncipe 1.47% and Guinea Bissau 1.39%.

#### *Multilateral Aid*

Portugal's multilateral contributions represented between 32% and 43% of total ODA from 2001–2003, but experienced a major reduction to 15% in 2004 (again due to the exceptional debt relief in Angola). The main recipient of Portuguese multilateral ODA is the EC, receiving

around 71%, followed by the regional development banks (11%), the IMF, World Bank and WTO (8.3%) and the United Nations (6.5%).

### **2.3 Financing Instruments**

Portuguese aid is to the greatest extent (99%) allocated in the form of grants.

## **3. NATIONAL ODA STRATEGY**

The strategic guidelines for Portuguese development co-operation were first laid down in the document, *Portuguese Co-operation on the Threshold of the 21st Century*,<sup>2</sup> approved in 1999. This document was recently (end of 2005) updated by a new policy document *A Strategic Vision for Portuguese Co-operation*.<sup>3</sup> The main objectives of Portuguese co-operation are the reduction of poverty and the fight against inequalities and social exclusion in developing countries.

The government elected in 2005 has adopted the Millennium Development Goals as a reference for external policies and international co-operation. A report on Portugal's efforts for contributing to the achievement of the MDGs was published in 2004.<sup>4</sup>

As stated by *A Strategic Vision for Portuguese Co-operation*, development co-operation with Portuguese-speaking Africa will focus on the following priority subjects:

- Good governance, participation and democracy;
- Reduction of poverty and promotion of sustainable development, with a focus on the following areas: education, health, rural development, environment protection and sustainable management of natural resources, economic growth, private sector development and employment initiatives.
- Education for development.

A *National Plan for Harmonisation*<sup>5</sup> was adopted in February 2005. It sets out the international commitments Portugal has taken in regard to harmonisation and is intended to be both a reference and an operational instrument. Proposed actions are divided into three levels: between donor and partner country; between donor agencies; and, within donor systems.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

The implementation of co-operation policy is founded into two types of basic documents: the *Indicative Co-operation Programmes* (PIC) that are individually negotiated with each partner country; and the budget programme *Portuguese Co-operation Abroad* (P5).

The three-year PIC is established with partner countries with the objective of supporting and reinforcing the efforts of the local authorities. The programme is the product of the national strategy of the partner country and Portugal's priorities in development co-operation. These programmes conform with the MDGs, positioning poverty reduction at the centre of all procedures.

PICs are currently in place in all partner countries and are being implemented in the form of Annual Co-operation Programmes (PACs).

The budget programme *Portuguese Co-operation Abroad* (P5) was created in 2004 with the purpose of reinforcing the financial planning mechanisms of development co-operation. It is co-ordinated by IPAD. This programme has also brought more predictability, coherence and transparency to development co-operation.

#### **4.1 Sector Focus**

Sectors for intervention are identified with the following criteria:

- The most urgent needs of the partner country. The intervention strategy must be based on an identification of priorities set by the partner countries;
- The specific advantage that the Portuguese co-operation may bring due to its historic and, in particular, linguistic links with its partner countries; and
- The linguistic factor justifies a concentration of development assistance in the education sector while the historical links reinforce the importance of supporting the institutional framework of the partner country.

In 2001–2003, Portuguese development co-operation continued to focus its assistance on social infrastructure and services, with an average of 69% of total bilateral ODA. In 2004, this sector was allocated only 13% of bilateral ODA due to the exceptional increase in the “Action Related to Debt” sector (80% of total in 2004).

Within the social infrastructure and services sector, the leading components were government and civil society (24%), education (19%) and other social infrastructure and services (9%), followed by health (3%).

In terms of primary education initiatives, in collaboration with the ministry in charge of education in partner countries, Portugal has elaborated support programmes for education in Guinea Bissau, Cape Verde, São Tomé and Príncipe and East Timor. Portugal has also elaborated school rehabilitation programmes that involve the rebuilding school infrastructure, facilities and equipment in Portuguese-speaking countries and East Timor.

There are also close collaborations between Portuguese and partner country universities.

In terms of healthcare, interventions pursue two main strategic targets: the promotion of basic healthcare, and the fight against transmissible diseases and great endemics (HIV/AIDS, malaria and tuberculosis).

#### **4.2 Geographic Focus**

Until recently, bilateral ODA was mainly directed to the five Portuguese-speaking countries in Africa:

- Angola, Cape Verde, Guinea Bissau, Mozambique and São Tomé and Príncipe.

Since 1999, East Timor has become the single largest recipient of Portuguese ODA (except in 2004).

This concentration has its origin in the linguistic and historic links between Portugal and its partner countries, as these enable a closer relationship due to the common language, but also due to similar legal frameworks.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

Portuguese NGOs have recently taken on a more important role in the development co-operation system. A set of co-financing rules for projects has been drawn up in order to clarify the application and support process for NGO activities in the development co-operation field. The amount of co-financing allocated to NGOs has increased substantially in recent years; the budget for 2005 (€3.2 million) represented an 86% rise compared to the total co-financing approved in 2002 (€1.7 million).

### **5.2 *Bilateral Donors***

Portugal has participated in a budget support programme in Mozambique, along with other bilateral donors. It also worked in partnership with the US in a malaria control project.

### **5.3 *Multilateral Donors***

Portugal has participated in TFET – Trust Fund for East Timor – administered by the World Bank, which aims to support the reconstruction and development of East Timor. Portugal has also contributed to global trust funds such as the Global Fund to Fight AIDS, Tuberculosis and Malaria.

### **5.4 *The European Union***

Portugal is involved in the EU's PIR PALOP Programme of co-operation with African Portuguese-speaking countries in the following areas: justice, public administration and statistics.

## **6. MOVING FORWARD**

Portugal will launch a trilateral programme with the US and Angola in the justice sector. The programme will contribute to the modernisation and computerisation of Angolan Courts.

Following the directions given by the new policy strategy, Portugal will aim at closer co-ordination and complementarities in future programming. This will follow the new EU Common Framework for Drafting Country Strategy Papers to be put into practice by European bilateral donors.

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<sup>1</sup> *Portuguese Co-operation Memorandum:*

[http://www.ipad.mne.gov.pt/images/stories/publicacoes/memo2001\\_04\\_ing.pdf](http://www.ipad.mne.gov.pt/images/stories/publicacoes/memo2001_04_ing.pdf)

<sup>2</sup> *Portuguese Co-operation on the Threshold of the 21<sup>st</sup> Century* was passed by the Council of Ministers Resolution no. 43/99, dated 29 April 1999.

<sup>3</sup> *A Strategic Vision for Portuguese Co-operation*, Council of Ministers Resolution no 196/2005 of 22 December 2005. To be found (in Portuguese) at:

<http://www.ipad.mne.gov.pt/images/stories/Publicacoes/visaoestrategica.pdf>

<sup>4</sup> *Millennium Development Goals, Report from Portugal*,

<http://www.ipad.mne.gov.pt/images/stories/ODM/mdgs-Objectives-2004.pdf>

<sup>5</sup> *Harmonisation and Alignment – Portuguese Action Plan*, February 2005,

[http://www.ipad.mne.gov.pt/images/stories/APD/ha\\_actionplanfinal.pdf](http://www.ipad.mne.gov.pt/images/stories/APD/ha_actionplanfinal.pdf)

## **SLOVAKIA**

### **Ministry for Foreign Affairs**

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## **1. INSTITUTIONAL ORGANISATION**

The Slovakian Ministry of Foreign Affairs acts as the co-ordinator for ODA provided by Slovakia. The Directorate General for International Organisations and Development Co-operation (containing four different departments; the department for UN and international organisations, the department for disarmament, OECD and counter-terrorism, the department for development co-operation (SlovakAid) and the department for international economic co-operation) is one of seven directorates under the responsibility of the MFA.

The larger part of Slovak bilateral assistance is executed through the Administrative and Contracting Unit of the Trust Fund (ACU-TF), which was set up in 2003 and is part of the UNDP Regional Centre in Bratislava. The objective is, however, to transform the ACU-TU into a separate unit as an independent legal entity under the management of the MFA.

Around 20 people work in SlovakAid.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

The Slovak ODA has increased substantially during the last years, from 0.02% of GNI in 2002, to 0.05% in 2003 and 0.07% in 2004, totalling €23 million. It is projected to increase further to reach 0.1% of GNI as soon as possible.

### **2.2 Apportionment of ODA**

In 2004, €9 million of all aid (40%) was distributed through the bilateral channel.

## 2.3 *Financing Instruments*

Slovakia provides bilateral ODA mainly in the form of grants and micro grants (principally to Ukraine, Bosnia-Herzegovina).

## 3. NATIONAL ODA STRATEGY

A *Medium-Term Strategy for Official Development Assistance 2003 – 2008*<sup>1</sup> was also established in 2003. The document defines the incentives, goals and priorities of Slovak development assistance. It also outlines areas and forms for Slovakian development assistance and formulates seven strategic principles that should be respected:

- **Specialisation:** It is a long-term principle of the Slovak development assistance to focus on two or three selected programme countries and on a limited number of commodities and sectors:
- **Centralisation:** Funds and management are centralised to the MFA, while other ministries and institutions may participate in the evaluation and implementation of specific projects.
- **Programme orientation:** A programme approach is to be preferred instead of segmented assistance in forms of projects.
- **Using comparative advantages:** There should be harmonisation between the needs of the developing countries and the potential Slovakia can offer in its development assistance. Focus has to be put on the comparative advantages Slovakia possesses.
- **Co-operation with NGOs:** A broad range of entities (NGOs, universities, research institutes and private companies, individual experts and consultants) should play an important role.
- **Co-ordination with donors:** Intense co-operation with bilateral and multilateral donors is envisaged. “Trilateral projects will enable Slovakia to accede to comprehensive programmes of traditional donors in developing countries and use their infrastructure, contacts and experience.”<sup>2</sup>
- **Flexibility, transparency, public awareness:** These should apply universally and not only to development assistance.

### 3.1 *ODA National Programme*

The 2005 Official Development Assistance National Programme<sup>3</sup> is based on the *Medium-Term Strategy for Official Development Assistance 2003 - 2008* document. While the *Medium-Term Concept* defines the goals, principles, priorities and partners of Slovak development assistance, the 2005 programme lays down the forms and mechanisms for the use of funds during the year. Furthermore, the main challenges and tasks of Slovak development assistance in 2005 are set out:

- Increase in the volume of ODA;
- Improvement of reporting and co-operation with the OECD/DAC;
- Transfer of the ACU TF transformation into a separate unit;
- Intensification of public awareness efforts;
- Better programme focus;
- Drafting of a development assistance law;
- Reformation of the Slovak humanitarian system; and

- Emphasis on an active approach by Slovak representatives in EU institutions and ODA bodies.

### **3.2 Sector Focus**

The Slovak Republic has particular experience in transformation processes, itself having undergone changes in all sectors of society (political, economic, social etc.).

The priority ODA sectors have been divided into three areas:

- Developing democratic institutions and a market environment (development of market economy, changing ownership structures and reforms in the public sector);
- Infrastructure (including social infrastructure); and
- Landscaping, protection of the environment, agriculture, food safety and the use of raw materials (know-how and capacities of Slovak entities in forestation, irrigation systems, selected agricultural activities and geological research).

Furthermore, through bilateral agreements the Ministry of Education provides scholarships for foreign students while the Ministry of Defence provides technical assistance of a non-military nature for Afghanistan and Iraq (e.g. reconstruction of airports, roads, mine clearance, and training of experts for civil protection).

### **3.3 Geographic Focus**

An important element of Slovak development assistance is strict specialisation and concentration on a limited number of countries. The Slovak Republic envisages focusing its assistance on two or three programme countries and a number of project countries. In order also to ensure alignment with smaller projects, it intends to incorporate these into the programmes of larger donors and thus engage in trilateral co-operation.

Three groups of criteria have been established for the selection of partner countries:

- Political and economic criteria: coherence with the foreign policy of the Slovak Republic; possibility of using Slovak comparative advantages in the given country;
- Logistical and practical criteria: existence of Slovak Republic representation, existence of the infrastructure necessary for operation and monitoring, historic links with the Slovak Republic and traditions of co-operation, or presence of a Slovak community; and
- General criteria set out by the donor community: level of social and economic development and urgency of aid, legal state and level of democracy.

The first programme country is Serbia-Montenegro and a *Country Strategy Paper for Serbia and Montenegro*<sup>4</sup> was published in 2004. Since Serbia-Montenegro might be excluded from the recipient countries' community within a few years the Slovak Republic is currently selecting new programme countries.

Project countries include:

- Afghanistan, Albania, Bosnia-Herzegovina, Cambodia, Kazakhstan, Kenya, Kyrgyzstan, Macedonia, Mongolia, Mozambique, Sudan, Tajikistan and Uzbekistan.



## **4. COLLABORATORS**

### **4.1 NGOs**

Since the reorganisation in 2003, the involvement of NGOs active in development projects is one of the key principles of Slovak ODA. The MFA is a partner in the Slovak NGDO platform, MVRO<sup>5</sup> which, as an umbrella organisation, includes 23 entities. The platform's co-operation with the MFA is reflected in its participation in certain decision-making processes and in the preparation of strategic documents.

### **4.2 Bilateral Donors**

Collaboration with other bilateral donors concerns two different areas. The first is the use of foreign assistance in the establishment of Slovak development institutions, mechanisms and human resources. The principal partner of Slovakia in this area has been the Canadian International Development Agency (CIDA).<sup>6</sup> Another partner in this first area has been the UNDP.

The second area for bilateral donor collaboration is co-operation with other donors for specific projects and programmes in developing countries. With the new ODA strategy, Slovakia envisages becoming involved in trilateral projects with other donors, EU Member States and candidate countries with similar territorial and sector priorities. In January 2006, Slovakia signed a *Memorandum of Understanding* with Austria for a common development programme to run from 2006 to 2009 focusing on Bosnia-Herzegovina, Kenya, Mozambique, Serbia-Montenegro. It is the first agreement of this kind concluded between an old and a new EU Member State.<sup>7</sup>

Slovakia also collaborates with the Netherlands and is involved in discussions about trilateral projects with other EU Member States such as Greece, the UK and Finland, as well as with Norway, USAid, and Turkey.

### **4.3 Multilateral Donors**

The UNDP is a key multilateral partner of Slovakia in the area of ODA. It is envisaged that co-operation with other multilateral organisations will be developed.

## **5. MOVING FORWARD**

The Slovak government has put serious effort in reorganising its ODA system and considers that its new role as an EU member and as a part of the international donor community presents a challenging opportunity.

Both the *Medium-Term Strategy for Official Development Assistance 2003 – 2008* and the *2005 Official Development Assistance National Programme* underlines the importance of donor collaboration and, in particular, trilateral co-operation groupings in which Slovakia makes best use of its comparative advantages and is given the opportunity to improve itself through exchanges with more experienced donors.

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<sup>1</sup> *Medium-Term Strategy for Official Development Assistance 2003 – 2008*,  
[http://www.slovakaid.mfa.sk/en/index.php/filemanager/download/49/koncepcia\\_en.pdf](http://www.slovakaid.mfa.sk/en/index.php/filemanager/download/49/koncepcia_en.pdf)

<sup>2</sup> *Medium-Term Strategy for Official Development Assistance 2003 – 2008*, p. 7.

<sup>3</sup> *2005 Official Development Assistance National Programme*,  
<http://www.slovakaid.mfa.sk/en/index.php/article/articleview/73/1/2>

<sup>4</sup> *Country Strategy Paper for Serbia and Montenegro*,  
<http://www.slovakaid.mfa.sk/en/index.php/article/articleview/50/1/2>

<sup>5</sup> The Slovak NGDO platform, MVRO, [www.mvro.sk](http://www.mvro.sk)

<sup>6</sup> For further information, see <http://www.acdi-cida.gc.ca/CIDAWEB/webcountry.nsf>.

<sup>7</sup> *Memorandum of Understanding Between the Ministry of Foreign Affairs of the Slovak Republic and the Austrian Development Agency (ADA)*.

## **SLOVENIA**

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Department for Development Co-operation and Humanitarian Aid

### **1. INSTITUTIONAL ORGANISATION**

A range of ministries are engaged in international co-operation in Slovenia. From 2002, the Ministry of Foreign Affairs has been responsible for co-ordinating the country's international development co-operation and humanitarian assistance.

In 2004, the Department of International Development Co-operation and Humanitarian Assistance was created. The head of department is at the same time the national co-ordinator, chairing the Inter-ministerial Working Group for International Development Co-operation and Humanitarian Assistance. The latter is charged with overseeing and co-ordinating Slovenia's decentralised international development co-operation programme.

The Department for Development Co-operation and Humanitarian Aid is responsible for questions related to Slovenian ODA. Other ministries may also manage international assistance projects, partially or entirely. Since there is no specific budget line for development co-operation, activities are funded from the budgetary headings of the various ministries. Aid projects are approved by the government, while the Department of International Development co-ordinates most of Slovenia's international development assistance, including the planning and allocation of funds.

The Department of Development Co-operation and Humanitarian Aid consists of a head of department and five desk officers.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

Since international development assistance programmes are dispersed among the line ministries and financed from various budgetary headings, data collection on allocated assistance is rather complicated and risks being incomplete. According to current calculations, ODA amounted to €17.37 million (representing 0.10% of GNI) in 2004, while OA reached 0.99 million. It is estimated however, that between 10 and 15% of all activities are not registered formally, especially in the area of education, training and capacity building.<sup>1</sup>

Slovenia does not foresee any severe difficulties in increasing its ODA further in accordance with EU requirements.<sup>2</sup>

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

The objective of Slovenia is to retain bilateral assistance as the most important channel for its ODA allocations. Of total ODA and OA, the bilateral share amounted to €15.40 million in 2004.

#### *Multilateral Aid*

Of total ODA and OA, the multilateral share amounted to €1.98 million. In 2004, 4.63% of Slovenia's annual contribution to the European Union was allocated for development co-operation. After the EU, the UN system is the main recipient of Slovenian allocations, in particular the UNDP, UNICEF, UNFPA, the Global Environment Fund and WHO.

### **2.3 Financing Instruments**

Slovenian aid is mainly disbursed in the form of grants though the possibility of providing loans also exists.

## **3. NATIONAL ODA STRATEGY**

Slovenia is fully committed to the reduction of poverty through sustainable economic and social development, and to international standards and objectives such as the Millennium Development Goals.

An *International Development Co-operation Act* will enter into force in 2006. The Act will confirm Slovenia's commitment to contributing to the achievement of the Millennium Development Goals.

With this basis, a *Development Policy Strategy* – setting out priority countries and sectors as well as goals and priorities in bilateral and multilateral assistance, co-operation with other donors and with national NGOs, etc. – will also be elaborated during 2006.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

The majority of Slovenia's development co-operation is project-based assistance. In light of the international discussion on donor collaboration and the advantages of programmes over projects, in certain cases Slovenia stresses the importance of smaller projects.

Like many emerging donors, Slovenia deems it necessary to develop its bilateral assistance through a development co-operation strategy and to establish a functioning institutional organisation. It is, at this stage, too early to participate in donor collaboration for budgetary support or sector-wide approaches.

### **4.1 Sector Focus**

Slovenia will concentrate its bilateral activities in areas where it has comparative advantage. With the experience Slovenia has gained as an EU candidate country, it will offer support to countries beginning this process. Slovenia's assistance will be concentrated to the following areas:

- EU standards and accession to the EU: public administration improvement and reform;
- Trade, investment, financial institution capacity building;
- Environmental sustainability, especially integrated environmental planning and management, and agricultural and forestry management and the adoption of EU standards;
- Post-secondary education for citizens of recipient countries.

A *Centre for EU Accession Support* designed to assist countries seeking EU membership to align their rules and procedures, will begin operations in 2006.

Rehabilitation activities are an important part of Slovenian development co-operation. Other fields in which Slovenia has experience that it intends to develop is mine-clearing and treating children affected by war. Devoted to the eradication of landmines in South-East Europe and beyond, the *International Trust Fund for Demining and Mine Victims Assistance* (ITF)<sup>3</sup> was established in 1998 by the government of Slovenia. Another institution, *Together*<sup>4</sup> was also co-founded by the government, the NGO Slovene Philanthropy and the City of Ljubljana in February 2002, with the mission of protecting the psycho-social wellbeing of children affected by armed conflicts, or war terrorist attacks etc.

Slovenia also offers humanitarian assistance, which in 2004 was disbursed to South-East Asia (following the Tsunami), Iran (earthquake assistance) and Sudan (psychosocial assistance to children).

### **4.2 Geographic Focus**

Assistance is mainly directed to neighbouring countries that emerged out of former Yugoslavia and with which Slovenia traditionally has had close contacts. Assistance is mostly offered in the form of rehabilitation activities, such as infrastructure reconstruction, rebuilding destroyed and devastated institutional buildings, re-establishing governmental services, building a market economy etc.

Slovenia's bilateral development assistance is focused on five countries:

- Albania, Bosnia-Herzegovina, Serbia-Montenegro, FYR of Macedonia and Moldova.

Slovenia also plans to co-operate with Croatia and Ukraine on mutually beneficial projects.

Slovenia has no historical links and a very weak diplomatic network in Africa, with only one embassy (in Cairo). Assistance to Africa will be initiated however, but on a small scale via co-financing NGO projects on the continent (see below).

## **5. PARTNERSHIPS**

### **5.1 NGOs**

NGOs are an important component in the Slovenian development co-operation system and are estimated to implement between 8 and 15% of ODA.

Around ten Slovenian NGOs are active in development co-operation. These NGOs are invited to bid for development project contracts set by the Ministry, and may also propose projects for ministry financing. The ministry has strengthened its relations with Slovenian NGOs and encouraged the formation of a Slovenian NGO platform in 2004.

Technical assistance aimed at developing the NGO sector was provided to Slovenia under the Matra programme of the Dutch MFA from 2001 to 2004.<sup>5</sup>

Assistance to Africa will be launched through co-financing projects implemented by Slovenian NGOs and supporting scientific and academic organisations in Madagascar, Niger, Mali, Burkina Faso, Uganda, Malawi and others.

### **5.2 Bilateral Donors**

Slovenia does not collaborate directly with other bilateral donors, with the exception of co-operating with Austria on an aid programme for Iraqi children that was executed by Together. It is envisaged that aid will continue to be of a bilateral nature for the coming years.

## **6. MOVING FORWARD**

A survey entitled *Support for Development Co-operation* was carried out by the University of Ljubljana in July 2005.<sup>6</sup> The study reported that around half of the Slovenian population consider it "very important" to help people in poor countries develop, while 39% regarded it as "fairly important", 7% deemed it "not very important" and 3% considered it "not at all important".

Raising public awareness is regarded an important priority, but no definite strategy for doing so has been set. Knowledge within the ministries must first be increased, as here – as in the general public – there is confusion as to the difference between humanitarian assistance and development co-operation aid.

A second priority is to strengthen the institutional organisation for managing ODA in Slovenian ministries. Finally, a third priority is to increase ODA and to establish a framework for bilateral assistance.

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<sup>1</sup> *Slovenian International Development Co-operation 2002 – 2004*, p. 25.

<sup>2</sup> In discussion with an MFA representative.

<sup>3</sup> The International Trust Fund for Demining and Mine Victims Assistance,  
<http://www.uvi.si/eng/slovenia/publications/facts/itf/>

<sup>4</sup> Together: <http://www.ims-info.si/together/index.php>

<sup>5</sup> <http://www.humanconsultancy.com/Support%20to%20NGO%20sector%20Slovenia.pdf>

<sup>6</sup> *Slovenian International Development Co-operation 2002 – 2004*, p. 33.



## **SPAIN**

### **Ministry of Foreign Affairs and Co-operation**

#### **Spanish Agency for international Development Co-operation (AECI)**

*Most recent OECD DAC Peer Review: 2002*

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AECI Technical Office

### **1. INSTITUTIONAL ORGANISATION**

The Spanish budget for development co-operation is divided between the Ministry of Finance, the Ministry of Economy, the Ministry of Foreign Affairs and Co-operation, the autonomous communities and some local bodies, with a remainder provided by other ministries. The Ministry of Foreign Affairs and Co-operation allocates around 25% of total ODA.

Spain's agency for international co-operation (AECI) was created in 1998. AECI is a separate entity attached to the MFA through a Secretary of State for International Co-operation and for Latin America (SECIPI), acting as the agency's president. AECI is the main executor of Spanish aid, in charge of the formulation and the implementation of bilateral aid projects and programmes, either directly or in collaboration with national, international or non-governmental entities.

AECI is divided into two general geographic departments<sup>1</sup> and a cultural and scientific relations department. In addition, a special division is in charge of multilateral co-operation, transversal themes – like gender equality, good governance and the environment – as well as administration of micro-credit programmes and NGO support. Finally, a technical office is responsible for the agency's institutional relations and for administering food and humanitarian aid.

AECI has 29 technical co-operation offices, 12 cultural centres and 3 training centres in countries in which more advanced co-operation has been established.

In 2005, 838 people were working at AECI, of which 654 were based in Madrid and 184 in field representations.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

Between 1996 and 2004, Spain's ODA more than doubled. In 2004, it reached €1 962 million (representing 0.24% of GNI). This implied an increase in real terms of 9.6%, compared to 2003.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

Of all ODA in 2004, 57% was channelled through bilateral assistance, benefiting Latin American countries to the largest extent.

#### *Multilateral Aid*

Multilateral aid represented 43% of total ODA in 2004 and was allocated to the European Union (€506 million), followed by the World Bank Group (€145 million) and the regional development banks (€105 million).

### **2.3 Financing Instruments**

Allocations in the form of loans – which represented 80% of bilateral aid in 1993 – have decreased considerably and represented only 15% of total bilateral aid in 2004.

The Spanish government uses a number of different financing instruments for its development co-operation policy, including:

- The **Fund for Development Aid (FAD)**: This fund provides financial aid in the form of concessional credits as well as resources to multilateral financing institutions. The objective of the fund is twofold: development of Spanish export, and financial co-operation for development.
- The **Study of Viability Line (FEV)**: This is a co-operation financing instrument aimed at reforming economic, commercial and financial relations between Spain and benefiting countries through the promotion of SPANISH companies activities in these countries. This instrument can be used for public, private and multilateral operation projects.
- The **Concessional Micro-Credit Fund** for social development projects abroad (FCM): The implementation of micro-credit requires a Letter of Intent, that is, a specific non-financial agreement between AECI and the benefiting entity and a financing contract between the central bank and the implementing party in the recipient country.

### 3. NATIONAL ODA STRATEGY

Having benefited from aid itself until 1977, Spain's history in development co-operation activities is quite recent. It has, however, established a comprehensive aid system comprised of a law on development co-operation as well as multi-annual planning.

The *Law on International Co-operation in Matters of Development No 23/1998* (LCID) applies to activities managed by the public sector or private entities for assisting developing countries, directly or through multilateral organisations. With the main objective as poverty reduction, the law defines the following principles, objectives and priorities:<sup>2</sup>

- The principles of human rights, sustainable development, gender equality and equitable economic growth;
- Basic objectives contributing to poverty reduction, including socio-economic development, security, peace, democracy and human rights.
- Geographic priorities include Latin America, the Arab countries of North Africa and the Middle East, and other less developed countries with special cultural and historical ties with Spain; and
- Sector priorities include basic social needs, infrastructure and the productive sector, social participation, institutional strengthening, good governance, environmental protection, culture and research.

The Law also calls for coherence between different policies. Activities for promoting political, economic and cultural relations with a developing country thus must be compatible with the objective of environmental sustainability and the fight against poverty.

AECI activities are defined by the LCID and further defined through Master Plans, the most recent of which is the *Spanish Master Plan for Development Co-operation 2005 - 2008*.<sup>3</sup> These plans constitute the strategic framework for Spanish co-operation and in them geographic priorities are broken down into selected programme countries and sector priorities are clarified. The (four-year) plans are complemented by *Annual Plans for International Co-operation* (PACI).

To assure a common approach, the law prescribes regular consultations between public and regional administrations and civil society working on Spanish ODA issues.

Five sector strategies in support of the MDGs were recently finalised regarding indigenous people, health, education, gender, and culture and development. Furthermore, a report on Spain's efforts to achieve the MDGs was produced in November 2004: *Reporting to the 2005 Millennium Development Goals, Spanish International Co-operation*.

#### 3.1 Harmonisation

Since the Rome Summit on harmonisation in 2003, Spain has committed itself to annually developing a harmonisation plan for its development co-operation.

Spain supports the Paris Declaration and does not perceive loss of visibility in donor collaborations to be a risk. Spain is a relatively important donor in its countries of intervention and possesses deep experience and knowledge of these regions. This enables the country

to participate efficiently in donor collaborations, where its experience is an important comparative advantage.

#### **4. AID MODALITIES/INTERVENTION STRATEGIES**

Most of Spanish development co-operation takes the form of technical co-operation projects and programmes.

Spain programmes its activities in collaboration with partner countries essentially through joint commissions consisting of representatives from the Spanish MFA and Ministry of Finance, and representatives of the partner country.

These commissions meet once every fourth year to prepare the co-operation programme for the coming four years. This process is considered a first step for ensuring ownership of the projects by partner countries.

This procedure has been reinforced through the adoption of country strategies, including country analyses and active participation of a diversity of parties, in particular local authorities and civil society.

Sector and geographic strategies are elaborated jointly by the Spanish Co-operation Council and the commissions. In addition to the sector priorities listed above, new sector strategies will be elaborated focusing on governance, food security, humanitarian action, conflicts, security and peace, and the environment.

##### **4.1 Sector Focus**

Spain intervenes in the following sectors:

- Infrastructure and social services (with priority given to the education sector, health and other social services);
- Infrastructure and economic services (priority given to the transport and storage sector); and
- Production (priority given to the agriculture, industry and fishery sectors).

By concentrating on basic social needs, Spain focuses directly on poverty reduction. The establishment of a microfinance programme in 2001 shares the same aim.

## 4.2 Geographic Focus

The *Master Plan 2005-2008* fixes three categories of geographical areas and countries for action: priority, for special attention, and preferential.

Priority countries are those that will receive the greatest volume of Spanish co-operation resources. For each, a *Country Strategy Document* (CSD) will be drawn up. They include:

<b>Latin America:</b>	Honduras, Nicaragua, El Salvador, Guatemala, Haiti, Dominican Republic, Paraguay, Bolivia, Peru and Ecuador
<b>Maghreb, Middle and Near East:</b>	Algeria, Morocco, Mauritania, Tunisia, the Sahara Population and the Palestinian Autonomous Territories
<b>Sub-Saharan Africa:</b>	Mozambique, Angola, Namibia, Senegal and Cape Verde
<b>Asia and the Pacific:</b>	The Philippines and Vietnam

The “countries for special attention” brings together countries or regions in special circumstances. A *Special Plan of Action* (SPA) will be drawn up defining the sectors, objectives and expected results. They include:

<b>Latin America:</b>	Cuba and Colombia
<b>Middle and Near East:</b>	Iraq, Lebanon and Syria
<b>Sub-Saharan Africa:</b>	Congo, Ethiopia, Equatorial Guinea, Sudan and Guinea Bissau, Mali and Niger (since 2006)
<b>Asia and the Pacific:</b>	East Timor, Afghanistan, Cambodia, South-East Asian countries suffering the consequences of the 2004 tsunami
<b>Central and Eastern Europe</b>	Bosnia-Herzegovina and Albania

Finally, the preferential countries are the following:

<b>Latin America:</b>	Costa Rica, Brazil, Mexico, Chile, Venezuela, Panama, Argentina and Uruguay
<b>Middle and Near East:</b>	Egypt and Jordan
<b>Sub-Saharan Africa:</b>	São Tomé and Príncipe, and South Africa
<b>Asia and the Pacific:</b>	Bangladesh and China
<b>Central and Eastern Europe</b>	Medium-low income countries that are candidates for EU membership, and those which may need specific aid in the framework of the <i>South-East Europe Stability Pact</i>

The *Annual International Co-operation Plan* may reconsider the inclusion of any country in these three classifications, according to their changing circumstances.

Each *Annual Plan* will particularly emphasise regional action, bearing in mind that some matters require consideration that involves two or more countries.

Although the main objective is poverty reduction, Spain has chosen to intervene mainly in Lower Middle-Income Countries. Interventions in these countries have the objective of tackling persistent areas of poverty and consolidating the democratisation of institutional and administrative systems.

Spain is nevertheless planning to focus more on LDCs and to strengthen its intervention in Sub-Saharan Africa.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

Projects carried out by NGOs gain approval via an annual call for project proposals that facilitates planning for both AECI and for the NGOs. Furthermore, a multi-annual framework has been put in place. In addition to projects, programmes (covering a maximum of three years in a priority sector) and strategies (addressing a wide range of activities for a maximum four years and on different sectors and countries) can be co-financed.

In 2004, 28% of total ODA was allocated through NGOs.

### **5.2 Bilateral Donors**

Spain has some experience working with AFD, EIB, USAID and the EU (on urban development in Morocco).

### **5.3 Multilateral Donors**

In particular, Spain has worked with the UNDP (on reinforcing institutional capacities in Latin America) and with the ILO (on young workers in Latin America).

### **5.4 The European Union**

Spain's contributions to the EU have risen dramatically with the 10th EDF in which the Spanish contribution has increased from 5% to account for almost 8% of the total amount. Spain is seeking to demonstrate its political will to increase its presence in Sub-Saharan Africa. A clear objective exists for the country: to increase the visibility of its contribution to the EU co-operation activities, in particular by increasing the presence of Spanish people active in the EU on issues related to development co-operation.

## **6. MOVING FORWARD**

Now that Spain has a well-institutionalised development co-operation system, the country could certainly play a more important role in an international context. Spain has until now played a modest role on the international level, and has preferred to learn through the experience of others and the good practices of other donors.

Spain has a comparative advantage in assisting Latin America due to the linguistic, historic and cultural links that tie it to the region. Spain is also one of few donors that concentrate its assistance on intermediary countries, implying that it possesses a particular experience in intervening in such countries. This should be highlighted in future collaborations with the other donors.

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<sup>1</sup> The General Directorate for Co-operation with Latin America and the General Directorate for Co-operation with Africa, Asia and Eastern Europe. Previously they existed independently as the co-operation institutes (the Spanish-American Co-operation Institute and the Institute for Co-operation with the Arabic World, Mediterranean Countries and Developing Countries). They are today integrated into the Agency where they form the two geographic departments.

<sup>2</sup> *OECD DAC Peer Review Spain 2002*, p. 15.

<sup>3</sup> *Master Plan for Spanish Development Co-operation 2005 – 2008*:  
[http://www.aeci.es/ope/Publicaciones/ftp/Plan\\_Director\\_Fra.pdf](http://www.aeci.es/ope/Publicaciones/ftp/Plan_Director_Fra.pdf)



**SWEDEN**  
**Ministry for Foreign Affairs**

**Swedish International Development Co-operation Agency  
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*Most recent OECD DAC Peer Review: 2005*

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## **1. INSTITUTIONAL ORGANISATION**

The Swedish International Development Co-operation Agency (SIDA) is a public entity under the guardianship of the Ministry of Foreign Affairs and, in particular, a Minister for International Development Co-operation. Its budget is sent down by the Swedish parliament, which together with the government stipulates which countries will receive ODA. In addition to direct co-operation with individual countries, SIDA also administers the Swedish contributions to the development co-operation programmes of the UN and EU.

SIDA's work during each fiscal year is described in concrete terms in a governmental annual directive. The directive also includes a notification of the allocation that SIDA will receive for the forthcoming year.

SIDA's board is largely advisory but it is also responsible for approving the agency's annual budget proposal to the government, annual report and evaluation plans. The General Director, the head of SIDA, who is ultimately responsible for ensuring that the decisions of parliament and the government are executed, chairs the board.

SIDA has 13 departments: four geographic departments,<sup>1</sup> five sector departments<sup>2</sup> and seven administrative and policy departments.<sup>3</sup>

In recent years, the government's annual directives have been more detailed and specialised, which has permitted SIDA to implement them in an efficient manner. The agency retains a degree of flexibility in elaborating projects and uses its own expertise in implementation.

In 2004, 759 people were employed by SIDA of which 172 were posted in 50 of Sweden's diplomatic representations in principle partner countries.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

In 2004, total Swedish ODA reached €2 190 million. This places Sweden in seventh place internationally in terms of aid volume and represented 0.77% of its GNI. The budgetary provisions aim to reach an ODA/GNI of 1% in 2006. Of Sweden's total budget for development co-operation in 2004, 63% was channelled via SIDA.

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

In 2004, bilateral aid represented approximately 75% of total ODA (€1 664 million) and benefited around 110 countries, in particular African Mediterranean and Asian and thereafter, to a lesser extent, South American and European countries (outside EU).<sup>4</sup> In 2004, the five principal recipients of Swedish ODA were Tanzania, Mozambique, Afghanistan, Ethiopia and Uganda.

#### *Multilateral Aid*

Multilateral aid accounts for around 25% of total ODA. The UN is the first recipient, receiving half, followed by the World Bank and the regional development banks.

### **2.3 Financing Instruments**

The main part of ODA (98%) is allocated in the form of grants.

For certain types of projects and to certain countries, other forms of financing may be agreed, like concessionary credits, soft loans and credit lines.

Guarantees form another type of financing instrument. The objective of these is to facilitate the financing of infrastructure and private investments in the partner countries.<sup>5</sup>

Finally, conditional loans may be used to stimulate risk investments in developing countries. These loans are concessional and can be used for a wide range of projects.

## **3. NATIONAL ODA STRATEGY**

Traditionally, Sweden has focused its development activities on bilateral assistance. Increased international dialogue and exchanges, together with the global complexity of many current development co-operation issues, have called this tradition into question. This has led to a profound reorganisation of the Swedish ODA system in order to make it more efficient and capable of tackling contemporary problems.

It is in this context that the parliament, in December 2003, voted through legislation entitled *Shared Responsibilities – Sweden's Policy for Global Development*.<sup>6</sup> This law makes development assistance an inter-ministerial responsibility aiming to facilitate the realisation of the MDGs. The law has been followed-up by a *Policy for Global Development (PGD)*.<sup>7</sup>

The point of departure for the PGD is that greater attention must be paid to the global nature of sustainable development, hence the necessity for improved harmonisation in development policies.

The PDG establishes a general framework for all sector policies with the underlying purpose of contributing to a global, equitable and sustainable development in which the fight against poverty is at the centre.

Furthermore, two principles should guide the application of the PDG: respect for human rights and the particular interest of populations in the poorest countries.

With this as its framework, SIDA's work is evolving from a bilateral approach to increased use of multilateral channels for the allocation of assistance.

Sweden reported on its contribution for achieving the MDGs in 2004.

#### **4. AID MODALITIES/INTERVENTION STRATEGY**

Sweden sustains direct and long-term co-operation with a limited number of countries. Interventions in these are based on regional or national strategies, elaborated between SIDA and the partner country or regional experts. With country or regional strategies as the base, special (detailed) regional and country plans are produced, covering a period of three years.

By allocating a great part of its ODA (16%) to humanitarian assistance, Sweden reinforces the link between this and development co-operation. A humanitarian aid policy was recently introduced,<sup>8</sup> inspired by the *Good Humanitarian Donorship (GHD)* document.<sup>9</sup>

To optimise the impact of a project, six specific objectives should guide the choice of intervention modality. A project should favour:

- Economic growth;
- Economic and political independence;
- Economic and social equality;
- Democratic development of the society;
- Sustainable use of natural resources and protection of the environment; and
- Gender equality.

*SIDA at Work* (2005) is the principal document guiding SIDA's staff in the implementation of projects and programmes.<sup>10</sup>

#### **4.1 Specific Instruments**

In the framework of the new Swedish strategy, a certain number of new instruments have been put in place. This concerns in particular the Franco-Swedish initiative, the *International Taskforce for Global Public Goods*,<sup>11</sup> the *Open Trade Gate Sweden*<sup>12</sup> and – the most interesting in terms of donor collaboration – delegated co-operation.<sup>13</sup>

Through delegated co-operation<sup>14</sup> Sweden aims to develop its development country portfolio while keeping human resources to a reduced level. This intervention modality has not much been put into practice but, in line with the objective of a simplification of procedures, should offer interesting opportunities the future. The use of this instrument is also coherent with the principles set down by the PDG.

#### **4.2 Sector Focus**

The interventions of SIDA are mainly within the field of education, health, private sector development, housing, rule of law, research, infrastructure and trade.

Since the introduction of the new PGD strategy, the objective of poverty reduction should be integrated into all sectors.<sup>15</sup>

The sector distribution of bilateral aid is oriented towards social infrastructure and humanitarian assistance. Furthermore, the government is putting effort into reinforcing the importance of “new” sectors, such as “conflict prevention” and “common goods”.<sup>16</sup>

#### **4.3 Geographic Focus**

In line with the main objective of the PGD, Swedish ODA is to a great extent concentrated on the least developed countries.

Around three-quarters of bilateral ODA is allocated to the least developed countries (LDC) and low income countries (LICs). In the same framework, more than 50% of bilateral ODA benefits countries in Sub-Saharan Africa.

SIDA has traditionally allocated a large part of its bilateral ODA to around 20 countries with which long-term development co-operation has been established. The number of “long-term and substantial” recipient countries has been extended to around 30 during the last decade and covers:<sup>17</sup>

- **Africa:** Burkina Faso, Kenya, Malawi (in co-operation with Norway), Mali, Mozambique, Ethiopia, Rwanda, Tanzania, Uganda, Zambia;
- **Asia:** Afghanistan, Bangladesh, Cambodia, Kyrgyzstan, Laos, Palestinian Autonomous Territories, Sri Lanka, Tajikistan, Vietnam;
- **Latin America:** Nicaragua, Honduras, Bolivia;
- **Europe:** Albania, Bosnia-Herzegovina, Georgia, Moldova. The aid volumes to Macedonia, and Serbia-Montenegro are also high but co-operation is not long-term.

Around 90 other countries also receive more limited support. Sweden has been criticised by the OECD for not having developed a coherent policy when it comes to selecting countries for intervention.<sup>18</sup> At the time of drafting of the DAC review, a certain number of criteria were

being elaborated, however, these were for selecting long-term partner countries. These include:<sup>19</sup>

- Low-income country (LIC) status;
- The existence of a national development agenda with the fight against poverty as the main objective;
- Conformity with Swedish values;
- Policies and progress towards a democratic and anti-corrupt governance; and
- The potential of an added value through Swedish assistance.

Another category of countries receiving some Swedish assistance is the “fragile states”, considered as countries in transition. In these countries, SIDA carries out frequent evaluations in order to ensure that the assistance is withdrawn once the country no longer fulfils the “fragile” criteria.

## **5. PARTNERSHIPS**

### **5.1 *NGOs and Swedish actors***

In 2004, USD 137 million (around 5% of total ODA) was allocated to around 300 NGOs working in 100 different countries. To obtain financing from SIDA, Swedish NGOs must contribute 10% of the total budget of the planned project. The main objective is that Swedish NGOs develop direct co-operation with sister organisations in the particular country.

The difficulty of monitoring projects developed by NGOs and ensuring that they cohere with the objectives and priorities of Swedish development policies has been addressed through the PGD. A new strategy for the allocation of financing to NGOs is (February 2006) under elaboration.

### **5.2 *Bilateral Donors***

Sweden participates in the Nordic+ Group together with the other Scandinavian countries, the UK, the Netherlands and Ireland. Projects in which co-operation has been delegated have been established with Norway (NORAD) and the Netherlands (MinBuza). Sweden has also collaborated with the UK (DFID) on questions of infrastructure Public Private Partnership (PPP).

Furthermore, Sweden has participated in multi-donor budgetary assistance projects in Mozambique and collaborated with France in education projects in Burkina Faso and in Tanzania.

### **5.3 *Multilateral Donors***

The new Swedish strategy underlines that multilateral donors must enable harmonised development. Sweden actively participates in discussions on aid efficiency, co-ordination and harmonisation.

## **6. MOVING FORWARD**

The main objective of all development assistance as expressed through the PGD is the fight against poverty.

The government decision to allocate 1% of GNI to ODA implies that SIDA will be responsible for managing an increased volume of ODA, at the same time as its administrative budget decreases.

In the proposed 2006 budget, strong priority has been put on Africa. Co-operation with traditional partner countries (Tanzania, Mozambique, Ethiopia, Zambia, Uganda, Mali, Malawi and Burkina Faso) will be strengthened and the support for countries in conflict (Liberia, Somalia, Sudan, Rwanda, Burundi, RDC, Sierra Leone, Côte d'Ivoire and, perhaps, Zimbabwe) increased. Around 65% of the total budget is allocated to the first group while around 5–10% goes to the second. For the other continents, the ODA allocation will also increase though more modestly.

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<sup>1</sup> Geographic departments: Africa, Asia, Latin America and Europe.

<sup>2</sup> Sector departments: democracy and social development; infrastructure and economic co-operation; natural resources and the environment; research co-operation; co-operation with NGOs, humanitarian aid and conflict management.

<sup>3</sup> Administrative and policy departments: evaluation and internal audit; information; finance and corporate development; human resources; policy and method; field unit and environmental policy.

<sup>4</sup>

#### Geographic Repartition of Aid in 2004

Sub-Saharan Africa	38%
Asia, Mediterranean and North Africa	21%
Latin America	11%
Europe	12%
Global development programmes	18%
TOTAL	100%

<sup>5</sup> Guarantees: In industrialised countries as in developing countries, the tendency is to finance infrastructure constructions through private capital.

<sup>6</sup> *Shared Responsibilities – Sweden's Policy for Global Development:*  
<http://www.sweden.gov.se/sb/d/574/a/24520>

<sup>7</sup> *Sweden's Policy for Global Development:* <http://www.sweden.gov.se/sb/d/574/a/24520>

<sup>8</sup> *Humanitarian Aid Policy, 2004:*  
<http://www.sida.se/shared/jsp/download.jsp?f=Regeringens+skrivelse+200405+52+engelska.pdf&a=3996>

<sup>9</sup> Good Humanitarian Donorship (GHD): <http://www.goodhumanitarianandonorship.org/>

<sup>10</sup> *SIDA at Work, 2005:* [http://www.sida.se/?d=118&a=2857&language=en\\_US](http://www.sida.se/?d=118&a=2857&language=en_US)

<sup>11</sup> The International Task Force for International Global Public Goods: <http://www.gpgtaskforce.org>

<sup>12</sup> Open Trade Gate Sweden: <http://www.opentradegate.se/>

<sup>13</sup> Specific instruments:

- **The French-Swedish initiative Taskforce for Global Public Goods:** The Taskforce's mandate is to assess and prioritise international public goods, global and regional, and make recommendations to policy makers and other stakeholders on how to improve and expand their provision. See: [www.pgdtaskforce.com](http://www.pgdtaskforce.com)
- **Open Trade Gate Sweden:** The programme consists of collaboration between SIDA, the customs service, the Swedish Chamber of Commerce and other public and private organisations. It is an Internet site with information on Swedish business/trade regulations. It serves as a communication forum for business leaders in developing countries where information on export/import and trade are offered free of charge.

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<sup>14</sup> “Delegated Partnerships: How do they do it?” (OECD: DAC Peer Review Sweden 2005, p. 55)

### **Delegated Partnerships: How do they do it?**

SIDA has demonstrated an ability to implement its country development portfolios with a very small investment in staff, including the examples in Mali and Malawi noted below. This type of delegated partnership has been limited to date, but, because of Sweden’s procedural flexibility, could easily lead to much more ambitious efforts in the near term.

In **Mali**, SIDA decided in late 2000 to open a bilateral office in Bamako with only one professional for a growing programme, which began with a USD 5.5 million portfolio and now has attained USD 18 million per year. In the beginning, three initiatives were used: i) USD 5-7 million per year was invested in budget support for economic reform and poverty reduction, with the help of local colleagues from the IMF, the Netherlands and France. ii) USD 4-5 million per year was provided to the education sector programme through a delegated partnership with the Netherlands. SIDA’s Chief Controller made a special visit to The Hague to review Dutch reporting system standards and to agree upon their acceptability to handle Swedish funded programmes. An assessment of the Dutch embassy’s programme was done by Stockholm. Reporting was semi-annual and the two sides met formally on an annual basis. iii) USD 1 million per year funded a UNICEF effort in child rights and the trafficking of children. Administrative details were handled by Stockholm, while the local SIDA professional maintained dialogue at the level of Bamako. Reporting was handled directly by UNICEF.

In **Malawi**, the Ministry of Foreign Affairs and SIDA agreed to increase support to Malawi following democratic elections in 1994. At that point, SIDA’s involvement was limited to support via Swedish non-governmental programmes. In 2000, SIDA sent a special mission to elaborate a strategic approach for future Swedish development co-operation with Malawi, ultimately deciding to use a silent partner approach for the entire portfolio, which was delegated to the existing local mission of Norway. Similar to the Mali experience, the SIDA Chief Controller was dispatched to Oslo before agreeing to use of the NORAD policies, procedures and reporting systems. Sweden and Norway then agreed upon a jointly funded country programme for Malawi as well as a Sweden-Norway legal agreement concerning common operational modalities. Sweden now invests USD 12-13 million per year in the programme run by the local Norwegian embassy. It has been estimated that this approach saves Sweden USD 1.5-2 million in annual operating costs. Norway now has reciprocated with a similar partnership with Sweden in Mali.

<sup>15</sup> For example, a strategy entitled *Making Markets Work for the Poor* has been elaborated to develop the private sector and include the poor in local, regional and international economic activities.

<sup>16</sup> Conflict prevention is a priority for the government, in particular due to the (often important) link between poverty and armed conflicts.

<sup>17</sup> OECD DAC Peer Review Sweden 2005, p 26.

<sup>18</sup> Some disagreement between ASDI and the Swedish MFA regarding the choice of partner countries has undermined the selection policy. ASDI, which strives for maximum impact with minimum cost, is in favour of concentration, while the MFA seeks to distribute ODA to the greatest number of countries and often for short-term projects or in countries or sectors with direct relevance for the Swedish economy. A consensus appeared to have been reached with the PDG, which leans towards aid concentration.

<sup>19</sup> OECD DAC Peer Review Sweden 2005, p. 27.



## UNITED KINGDOM

### Ministry of Foreign Affairs

#### Department for International Development (DFID)

*OECD DAC Peer Review: 2001*

*Results of the more recent OECD DAC Peer Review: October 2005 to be presented in May 2006.*

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### 1. INSTITUTIONAL ORGANISATION

The Department for International Development (DFID) is a UK government department that manages Britain's aid to poor countries and works to eradicate extreme poverty. It was created as a separate ministry under the Labour government in 1997. Its headquarters are divided between London and East Kilbride, near Glasgow.

DFID is headed by a Secretary of State for International Development (since 2003, Hilary Benn MP) and a Parliamentary Under Secretary of State (since 2003, Gareth Thomas MP). The Permanent Secretary chairs DFID's management board which is collectively responsible to the ministers for the delivery of DFID's goals in particular the *Public Service Agreement* (PSA) (see below). The role of the management board is to:<sup>1</sup>

- Communicate the vision, role, direction and priorities of DFID to staff and other stakeholders;
- Ensure DFID's financial resources and that staff are allocated and managed efficiently;
- Monitor and improve DFID's performance; and
- Protect and enhance DFID's reputation as a highly effective international development organisation.

Following reorganisation in early 2005, DFID is now divided into three directorates containing nine divisions: the directorate for regional planning (with an Africa division, an Asia and Pacific division and a Europe, Middle East and Americas division); the directorate for policy and international;<sup>2</sup> and, the directorate for corporate performance and knowledge sharing.<sup>3</sup>

DFID is a highly decentralised organisation with 48% of its approximately 3 000 employees working abroad in field offices. It has field offices in 27 countries (12 in Africa, 8 in Asia, 8 in Latin America and the Caribbean and 3 in Eastern Europe).

UK policy on international development is set out in a series of White Papers and through the *International Development Act*. The first White Paper (1997), *Eliminating World Poverty: A Challenge for the 21<sup>st</sup> Century*<sup>4</sup> committed the UK Government to contributing towards the achievement of international development targets by 2015. This was followed by a second White Paper in 2000, *Eliminating World Poverty: Making Globalisation Work for the Poor*,<sup>5</sup> which reaffirmed the UK's commitment and also set out new challenges and opportunities for those working to reduce global poverty.

The *International Development Act*,<sup>6</sup> which came into force in 2002, gave a legal framework to UK development assistance. It makes the elimination of poverty the primary purpose of UK development assistance. Under the restrictions of the Act, aid cannot be 'tied' to the purchase of British goods or services.

DFID is due to publish a new White Paper in the summer of 2006. Building on the work of the first two strategy documents this new *White Paper on International Development* will set out what the UK government intends to do in developing countries, in the UK and internationally to translate the promises of 2005 into better lives for poor people in poor countries.

## **2. BUDGETARY EVOLUTION AND APPORTIONMENT**

### **2.1 Aid Volume**

British ODA has steadily increased during the last couple of years to reach £3 847 million in 2004, which represents 0.36% of GNI. This constitutes a 9.5% increase in real terms since 2003 when ODA reached £4 302 million, representing 0.34% of GNI. In real terms, the United Kingdom is the fourth most important ODA donor within the DAC Members (after the United States, Japan and France) coming 11th place in net ODA as a percentage of GNI.<sup>7</sup>

### **2.2 Apportionment of ODA**

#### *Bilateral Aid*

Around 50% of total British ODA was allocated through the bilateral channel in 2003/04 and takes several forms: technical assistance (35% of bilateral aid), budgetary aid (20%), project aid (15%) and humanitarian aid (14%). In 2004/05, the top ten recipients of UK bilateral aid were India, Bangladesh, Tanzania, Sudan, Afghanistan, Ghana, Ethiopia, Uganda, Malawi and Iraq (in order of rank). DFID focuses its efforts on the poorest countries around the world, and aims to spend at least 90% of its resources in low-income countries, where they judge aid to have the greatest impact.

### *Multilateral Aid*

Main recipients are the European Union (58% of multilateral aid), the World Bank (22%), the United Nations agencies (10%), and regional development banks (4%). 5% of all national ODA goes to administrative costs.

## **2.3 Financing Instruments**

The British ODA is entirely disbursed in the form of grants.

## **3. NATIONAL ODA STRATEGY**

DFID's key aims and objectives are set out in its *Public Service Agreement 2005-2008*.<sup>8</sup> DFID is currently working towards the *2003-2006 PSA*,<sup>9</sup> and beyond this period, will work towards the *2005 – 2008 PSA*.

The overall aim of the *Public Service Agreement* is: “the elimination of poverty in particular through achievement by 2015 of the Millennium Development Goals”. DFID tracks progress in reaching the MDGs. The *2003-2006 Public Service Agreement* sets out five targets that must be reached by 2006, which will help DFID in assessing whether it is on track to:

- Reduce poverty in Sub Saharan Africa;
- Reduce poverty in Asia;
- Reduce poverty in Europe, Central Africa, Latin America, the Caribbean, the Middle East and North Africa;
- Increase the impact of key multilateral agencies in reducing poverty and effective response to conflict and humanitarian crises; and
- Develop evidence-based innovative approaches to international development.

For the UN's Millennium Review Summit in September 2005, the UK prepared the report *The UK's Contribution to Achieving the Millennium Development Goals*.<sup>10</sup> The UK considers that six key factors are critical for achieving the MDGs by 2015:

- Increased financing for development;
- More effective development assistance;
- Strengthening the international enabling environment;
- Supporting weaker states;
- Africa; and
- Environment and climate change.

## **4. AID MODALITIES/INTERVENTION STRATEGY**

In 2004, DFID published a policy paper on *Poverty Reduction Budget Support* (PRBS).<sup>11</sup> The policy paper explains DFID's view that, in appropriate circumstances, PRBS is the aid instrument (as compared to sector-wide approaches (SWAPs), global funds, technical assistance, projects and policy engagements) most likely to help developing countries reduce poverty and strengthen the accountability of governments to their citizens.

DFID's PRBS reached £336 million in 2003/04 (21% of bilateral expenditure). It is planned that PRBS will increase significantly to over £600 million by 2005/06 (to 30% of bilateral aid). Decisions about whether to provide PRBS in different countries depend on a careful assessment of fiduciary risk and government capacity.

#### **4.1 Sector Focus**

The bilateral assistance of DFID was, in 2003/2004, distributed between the following sectors:

- Economic development (infrastructure, urban development, energy, promotion of the private sector): 22%
- Health (health systems, information and prevention, family planning, HIV/AIDS): 18%
- Governance (institutional capacity building, combating corruption, illegal trafficking): 16%
- Humanitarian assistance (humanitarian crises, food aid, natural catastrophes, conflicts and conflict prevention, peace-building, refugee aid): 11%
- Education (education infrastructure, primary and secondary education, teaching and research support): 11%
- Social sector: (civil society capacity-building, human rights, social protection, social lodging, alimentation and drinkable water): 8.5%
- Rural development: 7%
- Environment: (natural resources management, water, climate, biodiversity): 2%

#### **4.2 Geographic Focus**

DFID works in a number of countries around the world, with 67 overseas offices. So-called "bilateral programme countries" are those that receive significant bilateral funding from DFID. These include the "PSA focus countries" – of which 16 are African and 4 are Asian – that are used to measure progress against the 2003–2006 PSA.

**Sub-Saharan Africa:** The 16 PSA focus countries in Africa are: Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, Ghana, South Africa, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. As a group they received 89% of DFID funds for Africa in 2004/05. DFID also has other bilateral programmes in: Senegal, Gambia, Mali, Liberia, Côte d'Ivoire, Cameroon, Angola, Namibia, Lesotho, Eritrea and Somalia.

**Asia:** The four PSA focus countries in Asia are: Bangladesh, China, India and Pakistan. In 2004/05 these countries accounted for 70% of the Asia programme budget. Further bilateral work includes: Afghanistan, Myanmar, Cambodia, East Timor, Indonesia, Nepal, Sri Lanka and Vietnam and regional programmes.

**Eastern Europe and the Middle East:** At a country level, DFID concentrates its work in: Armenia, Georgia, Kyrgyz Republic, Moldova and Tajikistan. It has overseas offices and bilateral programmes in: Russia, Yemen, Egypt, Palestinian Autonomous Territories, Bulgaria, Romania, Ukraine, Iraq, Jordan, Croatia, Bosnia, Serbia-Montenegro, Albania, Macedonia, Kosovo and Kazakhstan.

**Latin America:** Brazil, Peru, Bolivia, Guyana, Nicaragua, Honduras, Belize and Jamaica.

## **5. PARTNERSHIPS**

### **5.1 NGOs**

DFID works with 160 UK-based civil society organisations, including those whose main focus is overseas development, as well as with a wider range of UK bodies, including professional, community and faith groups, trade unions and organisations in the black and ethnic communities.

To qualify for official support, UK NGOs must be registered charities.

A 26% increase in the support that the DFID provides to 18 of the major development NGOs was announced in 2005,<sup>12</sup> implying an increase from £62 million in 2004/05 to £78 million in 2005/06. The increased support will be provided under *Partnership Programme Agreements* (PPAs),<sup>13</sup> which offer strategic funding over a six-year period, on the basis of shared poverty reduction objectives.

This increase came soon after the 40% increase in DFID's Civil Society Challenge Fund.<sup>14</sup> This is DFID's central channel of support in which UK-based civil society organisations work in partnership with civil society organisations in developing countries to empower poor people to engage in decision-making.

### **5.2 Bilateral Donors**

Apart from being a member of the OECD DAC, DFID is also a member of other groups of donors, whose priorities in delivering aid are similar. The Nordic+ Group of donors (Norway, Finland, Sweden, Denmark, Iceland, The Netherlands, Ireland and the UK) for example, works closely with the Zambian government to share and improve aid management in the country.

In Rwanda, DFID's country office now provides assistance for education on behalf of SIDA, the Swedish Government's development agency. This means that the Rwandan Government deals with just one donor, and SIDA can assist Rwanda without necessitating extra administrative structures there.

DFID also collaborates with other bilateral donors at both headquarter and country level, and it is also engaged in international dialogues on harmonisation, particularly through the OECD DAC.

### **5.3 Multilateral Donors and the EU**

DFID has put important efforts into assessing and monitoring the effectiveness of the multilateral organisations that it supports. In 2004, 22 multilateral agencies were assessed using an objective, evidence-based tool, the Multilateral Effectiveness Framework (MEFF).<sup>15</sup> To complement this organisational assessment and focus more closely on implementation on a country level, DFID has also participated in a joint bilateral initiative to assess the partnership behaviour of multilaterals in ten countries. In 2004, the Multilateral Organisations Performance Assessment Network (MOPAN) assessed the performance of UNDP, FAO and

the African Development Bank. The results of these assessments are used in DFID's partnerships with multilaterals, which are framed by *Institutional Strategies*.

## **6. MOVING FORWARD**

There are both opportunities and several new challenges and constraints in the near future. Although DFID has had a continued increase in its financial resources it, along with other UK government departments is required to reduce its administrative costs, including reducing its staff by 10% between 2005 and 2008. As its programme resources increase, the challenge is to achieve greater outcomes with reduced staffing inputs.<sup>16</sup> DFID is responding to this challenge through a wide-ranging efficiency programme covering both programme and administration budgets, together with more efficient methods of work. The *Catalyst Programme* will introduce new methods of working that are designed to produce improvements in staff and corporate performance in compliance with procedures, and contribute to delivering cost savings in line with the *Efficiency Review*.

A third White Paper on International Development, which will provide a strategic framework for DFID over the next five years will be published shortly. The main focus of this will remain poverty reduction.

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<sup>1</sup> DFID *Departmental Report 2005*, p. 149. <http://www.dfid.gov.uk/pubs/files/departmental-report/2005/default.asp>

<sup>2</sup> The Policy Directorate includes: i) a Europe, trade and international financial institutions division; ii) a policy division; iii) a United Nations, conflict and humanitarian division; and, iv) a “2005 unit”.

<sup>3</sup> The Directorate for Corporate Performance and Knowledge Sharing includes: i) a finance and corporate performance division; ii) a human resources division; and iii) a knowledge and communications division.

<sup>4</sup> <http://www.dfid.gov.uk/Pubs/files/whitepaper1997.pdf>

<sup>5</sup> White Paper (2000): *Eliminating World Poverty: Making Globalisation Work for the Poor*, <http://www.dfid.gov.uk/pubs/files/whitepaper2000.pdf>

<sup>6</sup> *International Development Act*, <http://www.opsi.gov.uk/acts/acts2002/20020001.htm>

<sup>7</sup> Norway (0.87%), Denmark (0.85%), Luxembourg (0.83%), Sweden (0.78%), Netherlands (0.73%), Portugal (0.63%), France (0.41%), Switzerland (0.41%), Belgium (0.41%), Ireland (0.39%) being the ten most important donors as regards net ODA in 2004 as a percentage of GNI.

<sup>8</sup> *Public Service Agreement 2005 – 2008*, <http://www.dfid.gov.uk/pubs/files/PSA/DFID-PSA-2005-08.pdf>

<sup>9</sup> *Public Service Agreement 2003 – 2006*, <http://www.dfid.gov.uk/pubs/files/publicserviceagreement03-06.pdf>

<sup>10</sup> *The UK's Contribution to Achieving the Millennium Development Goals*, <http://www.dfid.gov.uk/pubs/files/uk-cont-mdg-report.pdf>

<sup>11</sup> DFID Policy Paper: *Poverty Reduction Budget Support*, <http://www.dfid.gov.uk/pubs/files/prbspaper.pdf>.

<sup>12</sup> DFID currently (as of January 2006) has Partnership Programme Agreements with the following organisations: Action Aid, Action on Disability in Development, International HIV/AIDS Alliance, CAFOD, CARE International, Christian Aid, Catholic Institute for International Relations (CIIR), HelpAge International, International Service, ITDG, Overseas Development Institute, Oxfam, Panos Institute, Save the Children (UK), Skillshare International, VSO, WaterAid, and WWF.

<sup>13</sup> *Partnership Programme Agreements*, <http://www.dfid.gov.uk/aboutdfid/DFIDwork/ppas/partnerprogagreements.asp>

<sup>14</sup> Civil Society Challenge Fund: [www.dfid.gov.uk/funding/civilsocietycf.asp](http://www.dfid.gov.uk/funding/civilsocietycf.asp)

<sup>15</sup> Measuring multilateral organisational effectiveness: DFID's *Assessment of Multilateral Organisational Effectiveness*, June 2005, <http://www.dfid.gov.uk/news/files/meff-faq.asp#whatis>, and The Multilateral Effectiveness Framework (MEFF) <http://www.dfid.gov.uk/pubs/files/meff-methodology.pdf>

<sup>16</sup> OECD/DAC: *Memorandum Submitted to the DAC by the DFID*, October 2005, p. 1.

## APPENDICE

### Bilateral Donors in the European Union, Institutional Structure, Aid Volume ODA/GNI, bilateral aid, non grant, human resources

Country <sup>1</sup>	Institution al structure	Separate implement ation agency	Total ODA (€M)	ODA/ GNII	% bilateral aid of ODA total	% non grant	Workforce Ministry (M) Agency(s) (A)/ Representation (+ local employees) (R)
Germany****	4	GTZ; KFW	6 064	0.28	51	8	M: 590; A: 1 270 R: 1 400 (+7 000)
Austria*	1	ADA <sup>2</sup>	545	0.23	52	0	M: 35; A: 70 R: 20(+60)
Belgium**	2	BTC	1 178	0.41	62	2	M: 190; A: 108 R: 159(+100)
Cyprus*	1	-	4	0.04	12	0	M: 2-3
Denmark***	3	DANIDA <sup>3</sup>	1 640	0.85	59	2	M: 284; R: 149
Spain**	2	AECI	1 920	0.24	57	15	M: N/A; A: 370, R: 480
Estonia*	1	-	7	0.05	13	0	M: 5
Finland***	3	--	527	0.35	55	0.7	M: 160; R: 50
France**	2	AFD	6 820	0.41	66	15	M: 650; A: 1 250 (of which R: 550)
Greece*	1	--	374	0.23	65	0	M: 130
Hungary**	2	HUN-IDA <sup>4</sup>	44	0.06	50	2	M: 10
Ireland*	1	-	489	0.39	67	0	M: 130; R: 29(+123)
Italy*	1	-	1 981	0.15	29	5	M: 450; R: 20 (+20)
Lettonie*	1	-	8	0.06	3	0	M: 9
Lithuania*	1	-	8	0.04	10	0	M: 3
Luxembourg**	2	Lux-Develop-ment	190	0.83	73	0	M: 25; A: 60 R: NA
Malta*	1	-	9	0.18	3	0	M: 3
The Netherlands***	3	--	3 384	0.73	64	0	M: 500; R: 1500
Poland*	1		95	0.05	21	2	M: 9
Portugal**	2	IPAD	830	0.63	85	1	M: 50; A: 160 R: 11
United Kingdom****	4	--	6 346	0.36	68	0	M: 1 560; R: 1 440
Czech Republic*	1	--	108	0.11	59	1	M: 20
Slovakia*	1	--	23	0.07	38	2	M: 20
Slovenia*	1	--	17	0.10	88	0	M: 6
Sweden**	2	SIDA	2 190	0.78	76	2	M: 80; A: 590 R: 172
EU	-	EuropeAid	7 006	NA	NA	0	HQ: 1 000 Delegations: 2 300

<sup>1</sup> A number of institutional frameworks might exist. As listed by the OECD DAC, *Comparison of Management Systems for Development Co-operation in OECD/DAC Members 1999* (<http://www.oecd.org/dataoecd/40/28/2094873.pdf>), these are:

1. Director/Department for international development co-operation within the ministry for foreign affairs.
2. Ministry aided by a separate implementation agency.
3. Integrated with the ministry of foreign affairs: co-operation has been grouped with foreign policy and trade in services united by region or by country.
4. Specialised ministry or organisation.



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<sup>2</sup> ADA is not an implementation agency; it administers all programmes and bilateral projects on behalf of the MFA.

<sup>3</sup> DANIDA is not independent of the ministry. Instead, it represents the operational arm of the development co-operation programme. Institutional responsibility for development aid belongs with the South Group of the MFA.

<sup>4</sup> In June 2004 the Hungarian MFA signed a co-operation contract with HUN-IDA, a non-profit institution, for the implementation of its international development co-operation projects.