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Chapter 4

Policies and Efforts of Bilateral Donors

In 2002, DAC members' aid rose by 7.2% to USD 58.3 billion, the highest real level achieved since 1992. As a share of national income, however, DAC ODA only rose from 0.22% in 2001 to 0.23% in 2002, still 0.10% below the level of ten years earlier. This chapter provides an overview of the aid strategies and programmes of all DAC members and of those other bilateral donors for which information is available.

Trends in DAC members' aid volume and programming

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As Chapters 2 and 3 explain, aid levels are recovering from all-time lows in terms of donors' national income, and further increases are expected up to 2006 (see Chapter 3, Table 3.2). In 2002, DAC members' aid rose by 7.2% to USD 58.3 billion, the highest real level achieved since 1992. As a share of national income, however, DAC ODA only rose from 0.22% in 2001 to 0.23% in 2002, still 0.10% below the level of ten years earlier.

Table 4.1 and Chart 4.1 show that thirteen of the twenty-two DAC member countries increased their real levels of ODA in 2002, and for ten of these, the rise exceeded 10%. Denmark, Luxembourg, the Netherlands, Norway and Sweden are still the only countries to meet the United Nations target of 0.7% of national income. But three other countries have now given a deadline for reaching it: Ireland by 2007, Belgium by 2010, and France by 2012 (with an interim target of 0.5% by 2007).

The United States remained the largest donor by volume in 2002, lifting its aid by 15% in real terms to USD 13.3 billion. The increase was mainly due to additional and emergency funds allocated as part of the response to the terrorist attacks of 11 September 2001, and there were also new initiatives in both health and humanitarian assistance.

Japan's ODA fell only slightly (by 1.2% in real terms), but the fall in the value of the yen reduced the US dollar value of its assistance from USD 9.8 billion to USD 9.3 billion.

As a group, EU member states provided 51% of total DAC ODA, and increased their overall ODA volume by 5.8%. France (USD 5.5 billion), having lifted its aid by USD 1.3 billion from 2001, and Germany (USD 5.3 billion) were the largest EU donors.

Major changes in aid levels from other DAC members were a 33% rise in Italy and a 31% rise in Canada, which intends to double its ODA by 2010.

Table 4.1. **DAC members' net official development assistance in 2002**

	2002		2001		Per cent change 2001 to 2002 in real terms ¹
	ODA USD m current	ODA/GNI	ODA USD m current	ODA/GNI	
Australia	989	0.26	873	0.25	4.9
Austria	520	0.26	533	0.29	-8.4
Belgium	1 072	0.43	867	0.37	14.8
Canada	2 006	0.28	1 533	0.22	31.2
Denmark	1 643	0.96	1 634	1.03	-5.8
Finland	462	0.35	389	0.32	11.5
France	5 486	0.38	4 198	0.32	22.1
Germany	5 324	0.27	4 990	0.27	-0.2
Greece	276	0.21	202	0.17	25.5
Ireland	398	0.40	287	0.33	25.7
Italy	2 332	0.20	1 627	0.15	32.6
Japan	9 283	0.23	9 847	0.23	-1.2
Luxembourg	147	0.77	139	0.76	0.2
Netherlands	3 338	0.81	3 172	0.82	-3.3
New Zealand	122	0.22	112	0.25	-1.1
Norway	1 696	0.89	1 346	0.80	12.7
Portugal	323	0.27	268	0.25	9.2
Spain	1 712	0.26	1 737	0.30	-10.3
Sweden	1 991	0.83	1 666	0.77	10.9
Switzerland	939	0.32	908	0.34	-5.0
United Kingdom	4 924	0.31	4 579	0.32	0.0
United States	13 290	0.13	11 429	0.11	15.0
TOTAL DAC	58 274	0.23	52 335	0.22	7.2
Average country effort		0.41		0.39	
<i>Memo items</i>					
1. EC	6 561		5 961		2.1
2. EU countries combined	29 949	0.35	26 288	0.33	5.8
3. G7 countries	42 646	0.20	38 202	0.18	9.2
4. Non-G7 countries	15 627	0.47	14 133	0.47	1.8
5. Korea	279	0.06	265	0.06	0.4

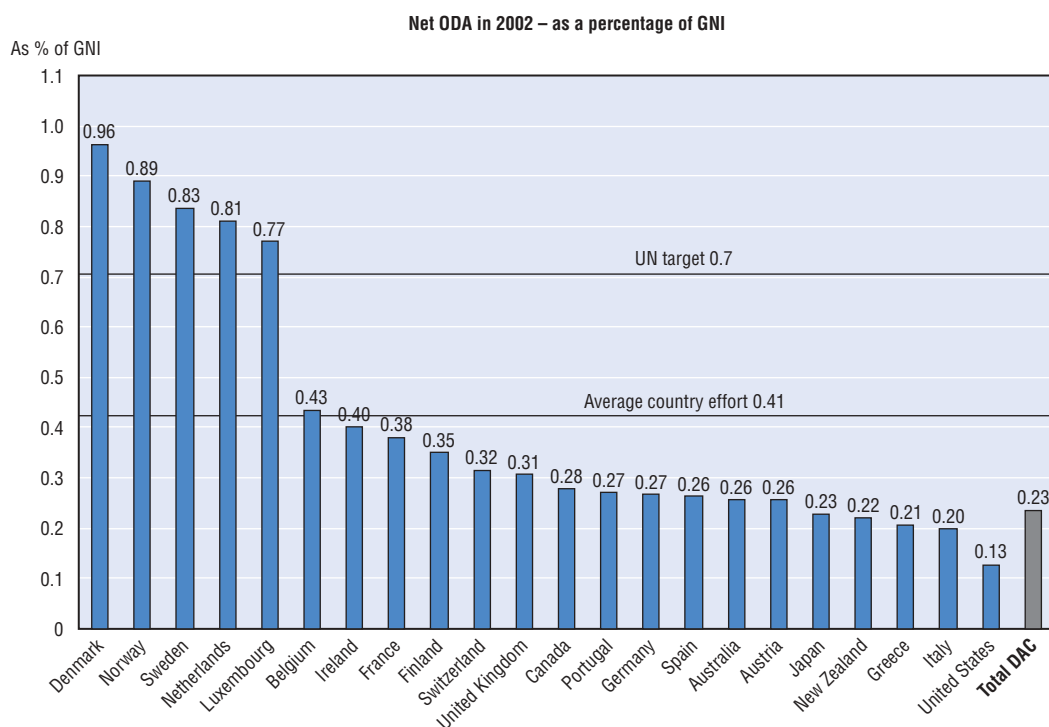
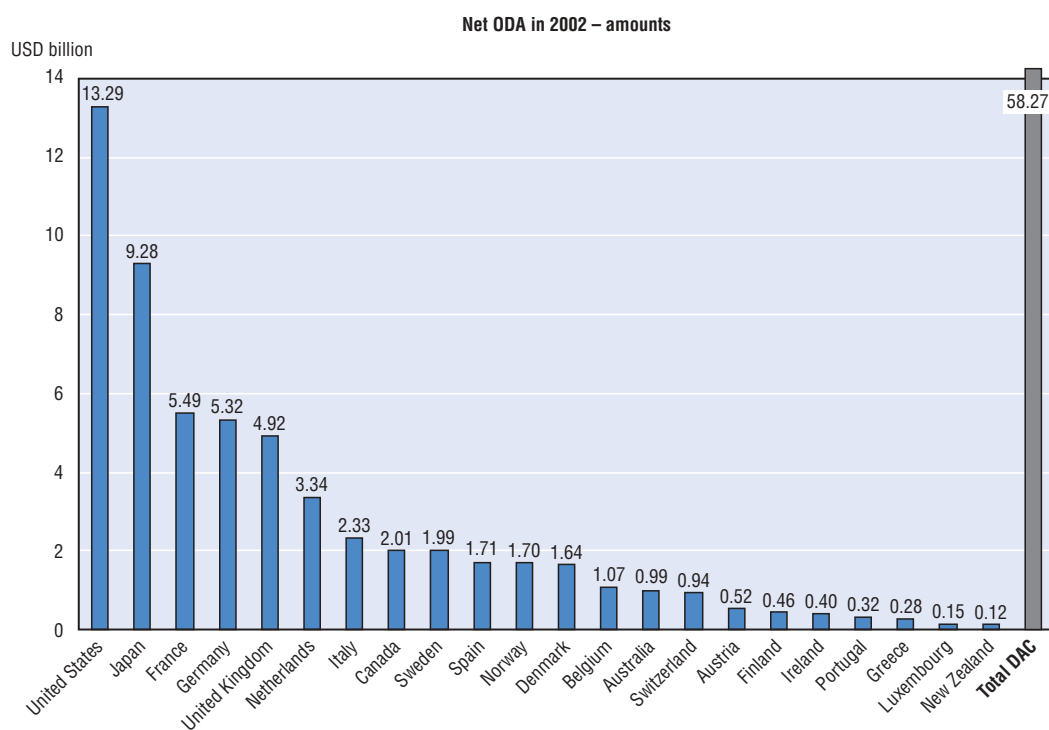
1. Taking account of both inflation and exchange rate movements.

Source: OECD.

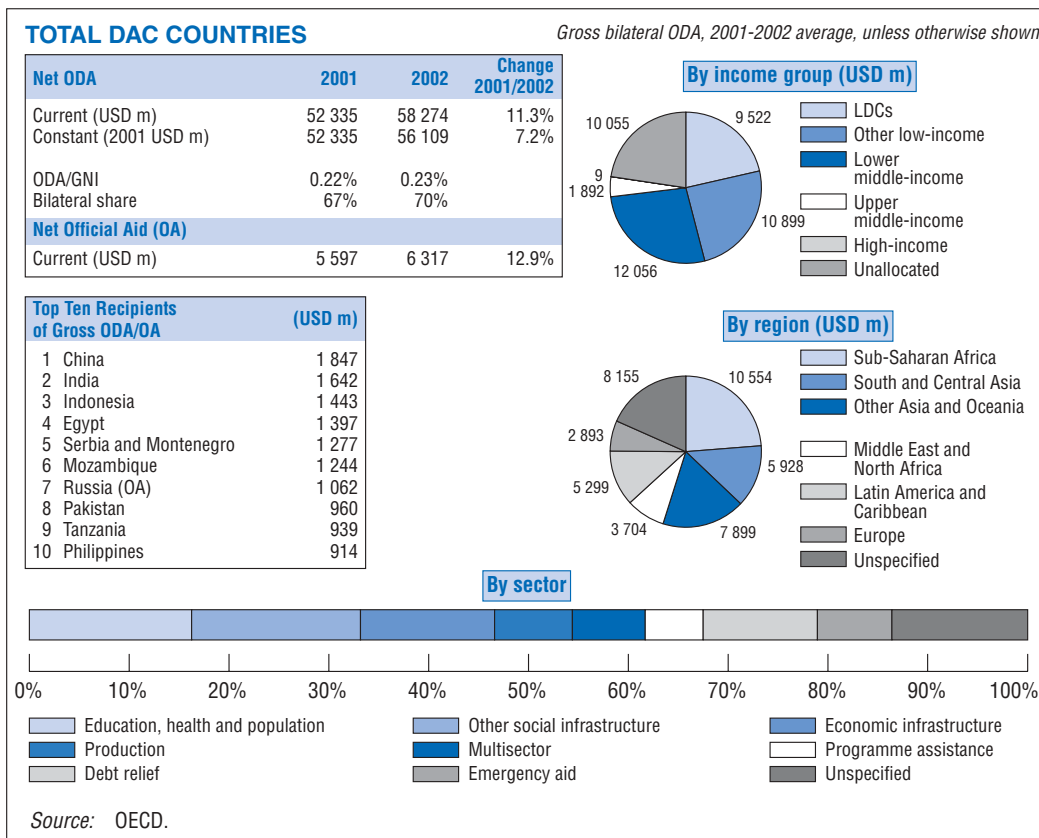
Notes on DAC members

Notes on DAC members are presented in alphabetical order and include a box on those members reviewed in 2003 (Denmark, Finland, Ireland, Japan and Luxembourg). The data on overall ODA refer to 2002, but data on aid distribution use the average from 2001-2002 for gross ODA.

Chart 4.1. Net official development assistance in 2002



Source: OECD.



Australia

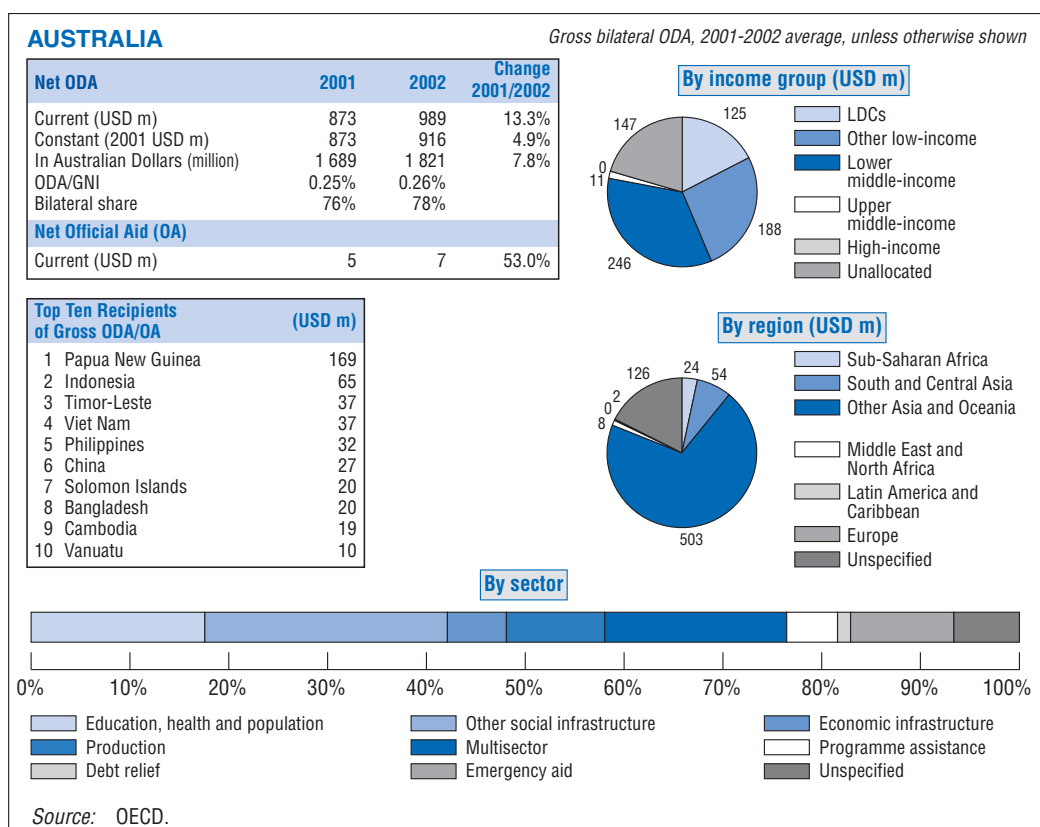
In 2002, Australian ODA disbursements totalled USD 989 million. This represented 0.26% of Australia's GNI, compared to an ODA/GNI ratio of 0.25% in 2001. Building on its 2002 policy statement "Australian Aid: Investing in Growth, Stability and Prosperity", Australia released a new white paper on foreign and trade policy in 2003, "Advancing the National Interest". These highlighted the importance of ODA for promoting good governance, human rights and development and reconfirmed the single objective of Australia's aid programme: assisting developing countries to reduce poverty and achieve sustainable development.

Partnership approaches. Australia's bilateral aid is guided by strategies developed with partner countries that are consistent with their broader development plans. To heighten responsiveness to changing local circumstances and promote stronger dialogue and interaction with partners, Australia has been devolving activity and contract management to offices in partner countries. Australia also works towards strengthening donor co-ordination and engages on a regular basis with civil society and private sector groups.

Poverty reduction policies. AusAID, the Australian aid agency, conducts poverty analyses as a critical element of the country programme strategies which guide Australia's bilateral aid programming decisions. Australia places special emphasis on good governance as the basis for successful poverty reduction and development.

Policy coherence. Given the security and other transboundary challenges facing its region, Australia considers strong coherence between its aid, foreign and trade policies to be essential. Australia supports further trade liberalisation in areas of particular interest to developing countries, especially agriculture.

Performance measurement. Australia has committed significant resources to enhance performance measurement and the feedback of lessons learnt. As well as improving the gathering and analysis of activity-level information, AusAID continues to strengthen the focus of programmes and its ability to assess achievements. The new "Knowledge Warehouse" aims to give AusAID staff better access to key lessons and policy documents but can also be accessed by public and partners through the Internet (at: <http://akwa.ausaid.gov.au/>).



Austria

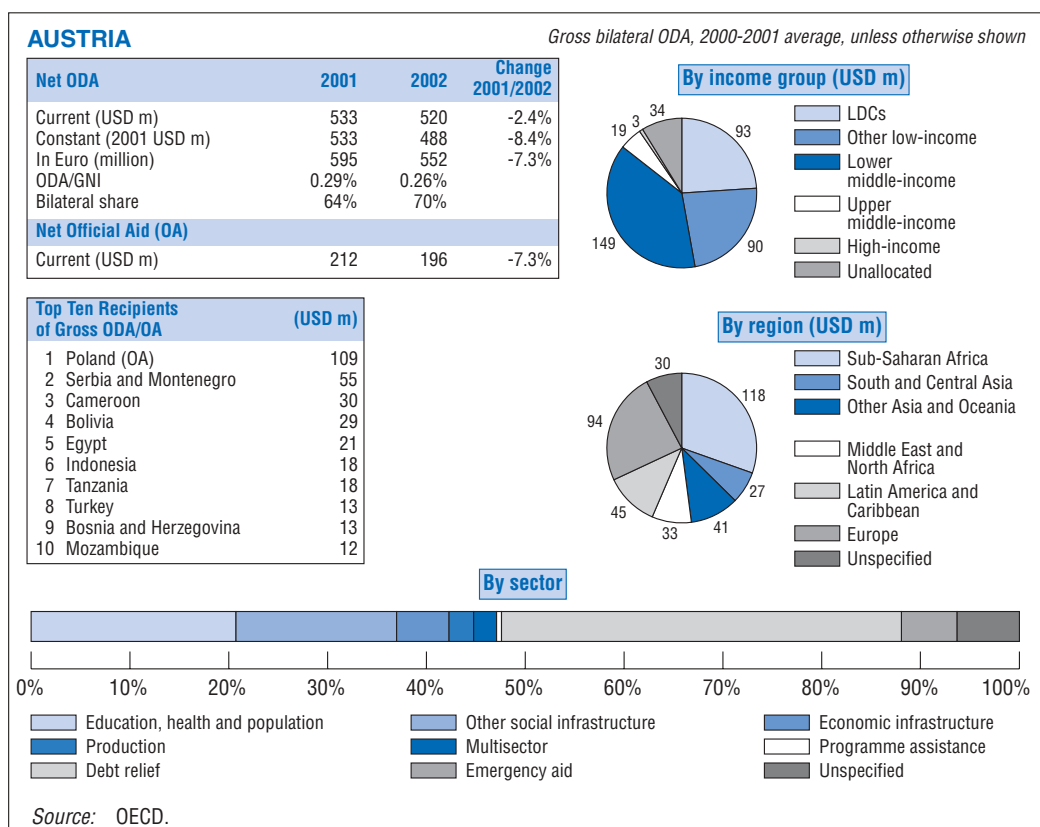
Austria's ODA decreased by 8.4% in real terms between 2001 and 2002, from USD 533 million in 2001 to USD 520 million in 2002. Its ODA/GNI ratio fell from 0.29% to 0.26%.

Partnership approaches. Austria supports decentralisation processes and engages in sector policies and priorities. Funding for NGOs has declined. The Federal Law on Development Assistance, which was passed in 2002 and revised in 2003, establishes the creation of a new executive agency for Austrian development assistance, called Austrian Development Agency (ADA) with effect from January 2004. The aim is to increase the impact of Austrian development assistance in partner countries.

Poverty reduction policies. Austria accords priority to selecting the poorest countries, especially needy regions and disadvantaged target groups. Austria considers that economic growth alone is insufficient to raise the living standards of the poor, and that equitable income distribution is needed. Austria therefore carries out targeted actions designed to reach the poor directly.

Policy coherence. Austria is yet to officially endorse the need for coherence between non-aid policies that affect developing countries and development policy. The Federal Law on Development Co-operation passed in 2002 aims at an overall, coherent Austrian development policy, with the Federal Ministry for Foreign Affairs being responsible for co-ordination and to better incorporate goals and principles for development co-operation as a guideline for all federal administrative bodies.

Performance measurement. Austria is committed to the Millennium Development Goals; incorporating them into its entire aid programme and collaborating with other bilateral and multilateral donors to realise them remain challenges. Austria's evaluation system could be substantially augmented in terms of financing, human resources, and management.



Belgium

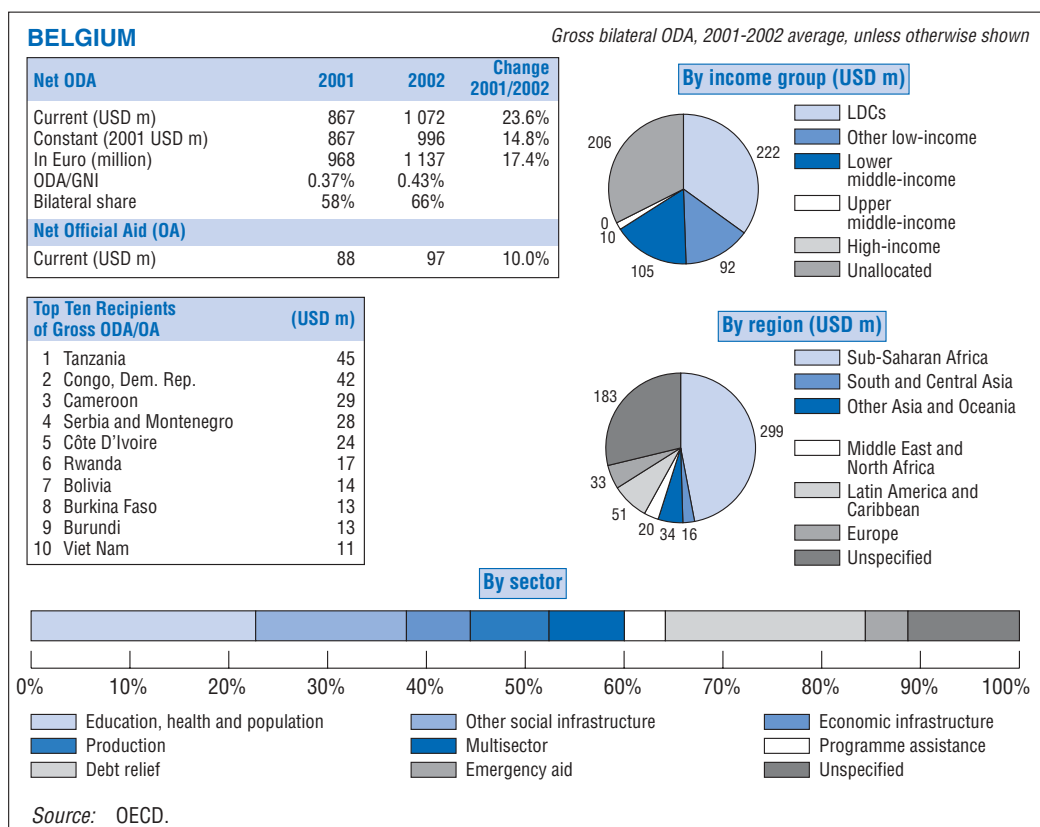
In 2002, Belgian ODA increased by 15% in real terms to reach USD 1.1 billion. Its ODA/GNI ratio rose to 0.43% from 0.37% in 2001. A majority of funds (73%) are allocated to the least developed and low-income countries, and two-thirds to sub-Saharan Africa.

Partnership approaches. Belgium encourages empowerment, or capacity building for the poorest, to promote their inclusion into democratic, poor-owned structures, and enable the poor to participate in policy, design and implementation of development programmes. It also improves the possibility of coherence between the development policies of the partner country and the co-operation policy of the donor country, each donor accepting the need to reduce its own visibility in the partnership.

Poverty reduction policies. Belgium sees combating poverty as central in its efforts to work towards sustainable development. Poverty is viewed as an unfair balance of assets, power and rights. Poverty reduction needs redistribution of power. Belgium puts special emphasis on poverty reduction in regions in conflict.

Policy coherence. Belgium has reactivated an interdepartmental working party aimed at promoting synergy between the federal ministries responsible for formulating policy affecting developing countries. A challenge lies ahead in the potential devolution to the regions of responsibility for indirect aid, which could result in a decrease in overall co-ordination of ODA. The debate is not closed on this matter. The Belgian Parliament will attempt to propose a suitable compromise in the coming months.

Performance measurement. A framework is being developed that will integrate an internal evaluation phase into all of Belgium's development co-operation activities, and an external assessor was recently appointed to perform independent evaluations.



Canada

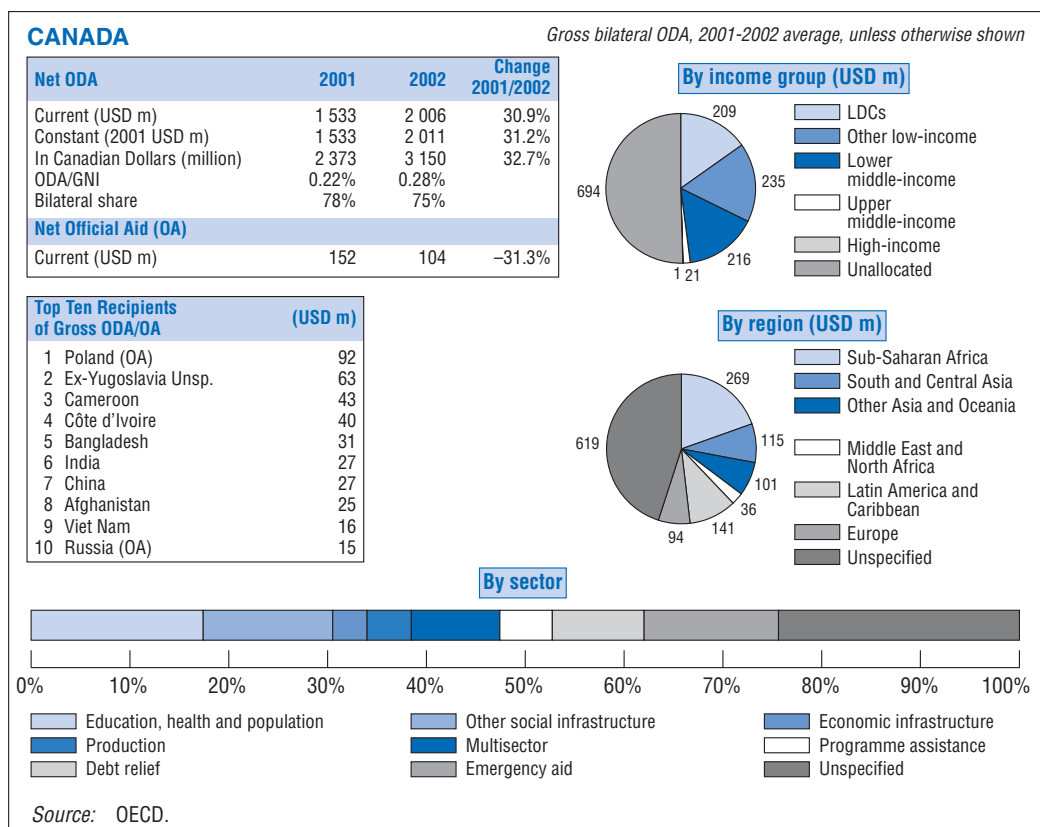
In 2002, Canada's ODA increased by 31% in real terms to USD 2 billion while its ODA/GNI ratio rose from 0.22% to 0.28%. As part of the commitments made by Canada at the Monterrey Financing for Development Conference and the Kananaskis G8 Summit, Canada committed to double its ODA by 2010.

Partnership approaches. Through the Canadian International Development Agency (CIDA), Canada places priority on responding to and supporting nationally-owned poverty reduction strategies in developing countries. The involvement of civil society is an essential element of Canada's approach to delivering ODA, and CIDA's Partnership Branch has an important role to play in this respect in supporting links between Canadian and developing country institutions and organisations.

Poverty reduction policies. Central to its initiative on strengthening the effectiveness of its co-operation programmes is CIDA's increased alignment of bilateral programming around Poverty Reduction Strategy Papers (PRSPs) in its principal partner countries. Much of Canada's ODA is allocated to basic social needs, with particular emphasis on basic education, HIV/AIDS, health and nutrition and child protection. The cross-cutting themes of gender and environment are also given high priority.

Policy coherence. CIDA is working to improve its capacity to help improve the coherence for development of Canadian government policies, most notably in the areas of trade and environment. During 2002, Canada extended duty and quota-free access to all imports from the least developed countries (except dairy products, poultry and eggs). With respect to aid untying, Canada is implementing the 2001 DAC Recommendation on Untying ODA to the Least Developed Countries and is changing its aid contracting regime to bring it into line with the Recommendation and to enhance efforts to improve the effectiveness of its aid, in keeping with its 2002 policy statement.

Performance measurement. CIDA has developed a Key Agency Results Framework to better align corporate and country/institutional priorities and to guide strategic resource allocation processes. An integrated part of this framework is performance measurement and evaluation, complete with short and long-term results indicators.



Denmark

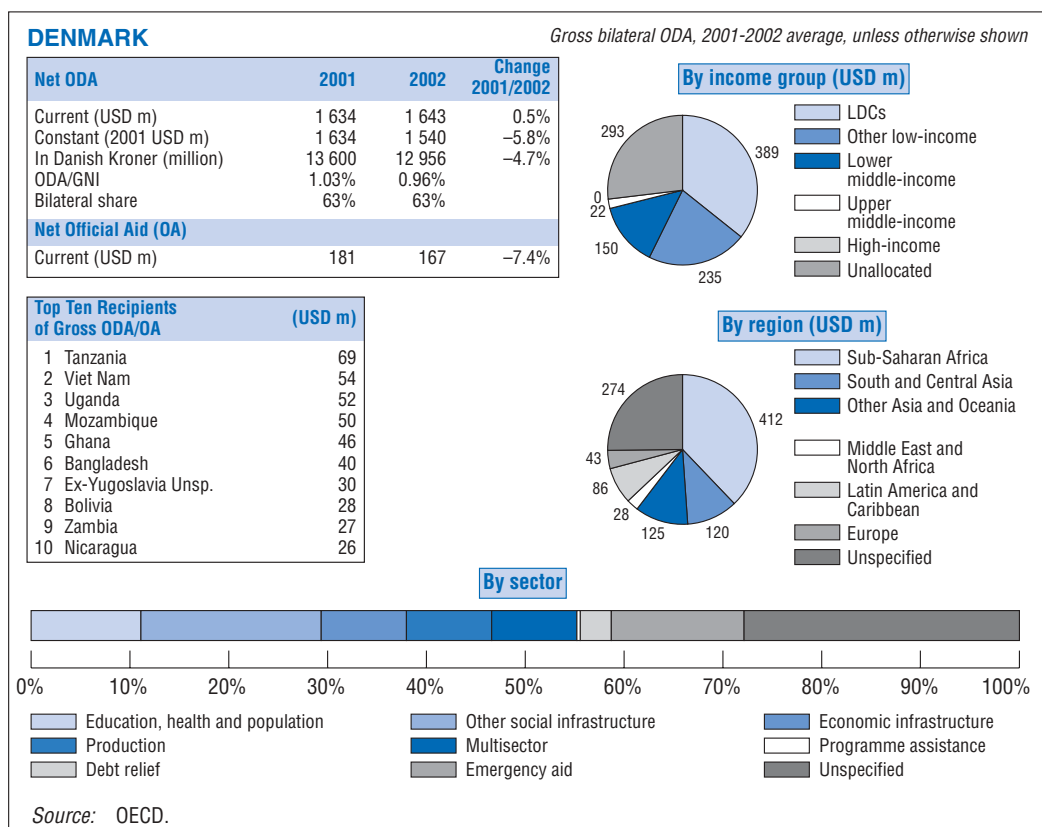
Denmark's ODA/GNI ratio remained the highest of all DAC members in 2002 at 0.96%, reflecting a volume of USD 1.6 billion. Its ODA/GNI ratio in 2001 was 1.03%. The current government has abandoned the 1% ODA/GNI target, while remaining committed to at least 0.7%. Danish geographically-allocated assistance is primarily directed to the least developed countries (49%) and other low-income countries (29%), mainly in sub-Saharan Africa (51%).

Partnership approaches. Denmark's policy *Partnership 2000* affords local partners substantial opportunities to influence strategy formulation. Denmark played a pioneering role in supporting sector programmes to encourage partnership among foreign donors and beneficiaries at the country level.

Poverty reduction policies. Poverty reduction is the overarching goal of Danish assistance with its programming focus on sectors with particular relevance to the poor, as well as strong recognition of gender issues. Denmark supports country-led poverty reduction strategies, in collaboration with other donors.

Policy coherence. Since 1991, the same regional departments within the Ministry of Foreign Affairs have dealt with development co-operation, foreign policy, and general economic relations. Denmark also considers donor co-ordination to be important for efficient aid delivery. It agrees with untying aid to the least developed countries, but also insists on the principle of "effort sharing" in untying among all donors.

Performance measurement. Danida recently launched a programme for performance management with the intent to improve the quality of its aid, improve its management, promote continuous learning and increase accountability and measurement. Denmark supports the Millennium Development Goals as a means to focus attention on impacts. Furthermore, Denmark recognises that the current interest in poverty reduction strategy, sector programming and results orientation, suggests a need for joint evaluations of combined donor efforts.



Box 4.1. DAC Peer Review of Denmark, 22 May 2003

Examiners: Luxembourg and Portugal

The 2003 Peer Review took place against the backdrop of a national political programme that sought to reduce the size of overall Danish bureaucracy and to improve its efficiency. In this context, the government has recently initiated some significant reforms in development co-operation. A new five-year strategy and budget proposal (2004-2008) will be generated, and should lay the foundation for a new consensus on aid volumes and policies. The main findings and recommendations from the peer review included:

- In order to maintain the momentum of past development co-operation leadership, Denmark was encouraged to keep development issues high on the government political agenda and seek out new approaches to broad public involvement and support. The DAC welcomed Denmark's efforts to form pro-active coalitions with other donors on issues concerning the performance of multilateral institutions.
- In 2002, Denmark announced a number of funding measures, including the decision to give up using a fixed percentage in setting the size of the ODA budget and a reduction in the 2002 ODA budget of 10%. Nevertheless, best estimates suggest that Denmark's ODA/GNI ratio could be at 0.8% to 0.9% over the next few years. The DAC encouraged Denmark to strive to maintain its current level of ODA volume.
- Political pressures are growing to use ODA in ways which promote domestic priorities. The DAC encouraged Denmark to pursue past efforts to maintain its strategy of allocating geographic and sector funds on the basis of sound development considerations in the recipient countries.
- The OECD and its members recognise that sustainable reductions in poverty in developing countries will require mutually supportive and coherent policies across a wide range of economic, social and environmental issues. As the leading advocate for development issues within the Danish system, Danida could play a stronger leadership role among Danish institutions in analysing and promoting the developmental coherence of policy decisions.
- Denmark's announcement in 2003 to untie aid with respect to procurement in other European Union member states provides a solid basis for further untying Danish ODA. Denmark was invited to revisit its approach to the implementation of the OECD Untying Recommendation and to fully comply with it.
- The DAC encouraged Danida to continue to periodically reassess and summarise its extensive experience concerning aid modalities and areas of special developmental significance so as to share them more systematically and promote a common donor understanding of issues and best practice approaches.
- Danida expects that implementation of its new decentralisation principles will be completed by 2003. Denmark's partners in the field applaud this initiative but are also quick to point out a number of potential issues that already merit greater Danida scrutiny. Danida was encouraged to undertake regular, organised and high-level tracking of its new system of decentralised co-operation. It will be important to actively demonstrate support for the staff and budget resources necessary to make decentralisation work effectively.
- Danida recently launched a programme for performance management with the intent to improve the quality of its aid, improve its management, promote continuous learning and increase accountability and measurement. The Danish experience will provide useful information for all donors and can be seen as an important "learning laboratory". Danida was encouraged to maintain close collaboration with other DAC members who are seeking to implement similarly important systems of results-based management.

European Community

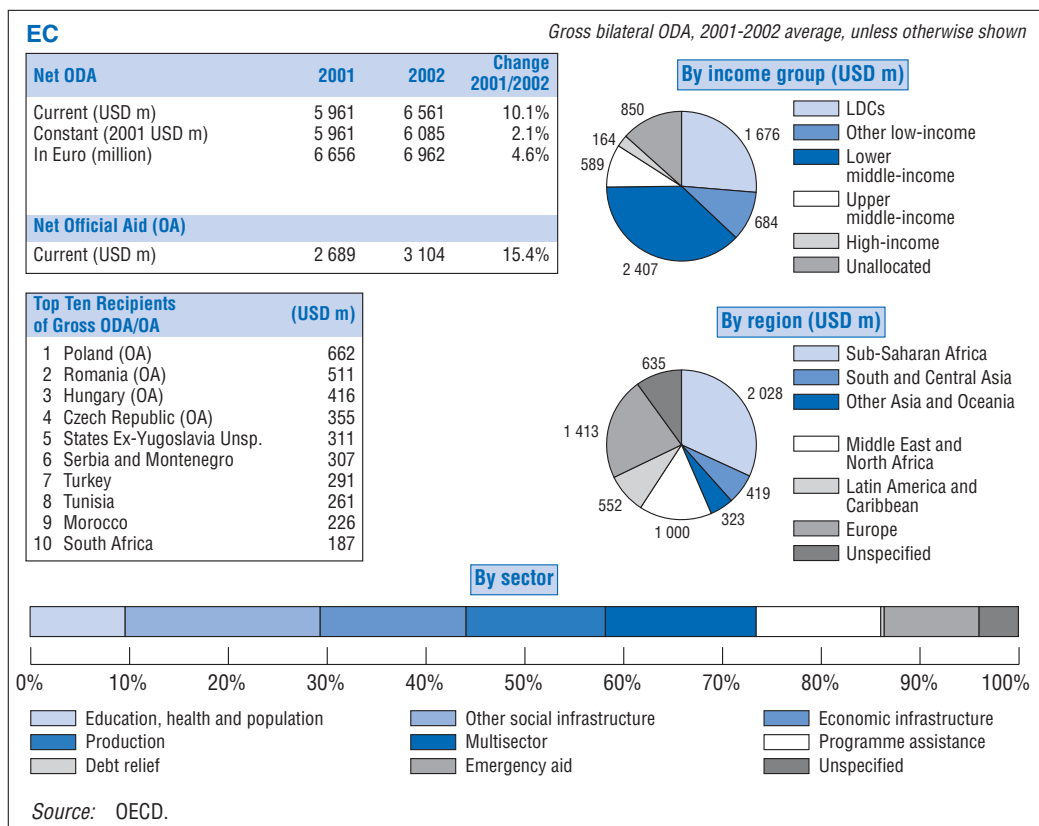
In 2002, the European Community's ODA volume was USD 6.6 billion, an increase in real terms over 2001 of 2.1%.

Partnership approaches. In June 2002, the Commission launched with member states a pilot initiative to identify pragmatic measures to help achieve progress in operational co-ordination and harmonisation at EU level. Four pilot missions were conducted in Morocco, Mozambique, Nicaragua and Viet Nam. In the framework of two Initiatives for Water/Sanitation and Energy, launched by the EU at the Conference of Johannesburg, the Commission is building partnerships, with the recipient countries, other donors, the private sector and civil society. The Commission is strengthening co-operation with UN bodies through the establishment of a Strategic Partnership, upstreaming policy dialogues in more operational way.

Poverty reduction. In African, Caribbean and Pacific (ACP) countries, EC budgetary support was more closely aligned in 2002 with Poverty Reduction Support Papers (PRSPs), helping to reduce poverty more sustainably. The new Constitutional Treaty acknowledges EU development policy as a policy in its own right with poverty eradication as the key objective.

Policy coherence. The "Everything But Arms" initiative was a major enhancement of policy coherence. Rules on coherence in the current treaty will be strongly reinforced in the new Constitutional Treaty. The EC has launched a process regarding the untying of Community aid to all developing countries and also advocating a complete untying of food aid, and food aid transport, at the international level. The Commission has proposed to integrate migration into the external policy of the Community. In May 2002, the Commission outlined proposals for a new impact assessment for all major policy proposals. It is intended to identify in advance potential economic, social and environmental impacts within and outside the EU, and as such may become a major tool for verifying coherence. Such "Extended Impact Assessments" will be carried out as of 2003 for key policy reforms, such as the Common Market Organisation for sugar, the substantial reorientation of the Common Agricultural Policy, and reform of the Community's Fisheries Partnership Agreements.

Performance measurement. To help measure its contribution towards the Millennium Development Goals and other policy objectives, the EC is developing – with its members states – a system of indicators for monitoring country performance. The amounts committed and paid have more than doubled over thirteen years. In implementing the reform programme, a series of indicators have also been developed to measure progress in the improved execution of the budget, reduction in old and dormant commitments, rationalisation of budget lines, and deconcentration to the delegations of the Commission, etc. For example, deconcentration was implemented in 21 delegations in 2001, in 26 delegations in 2002 and the remaining 30 delegations were to be covered in 2003. A regular progress report on the management of the EuropeAid Co-operation Office is presented to the Board.



Finland

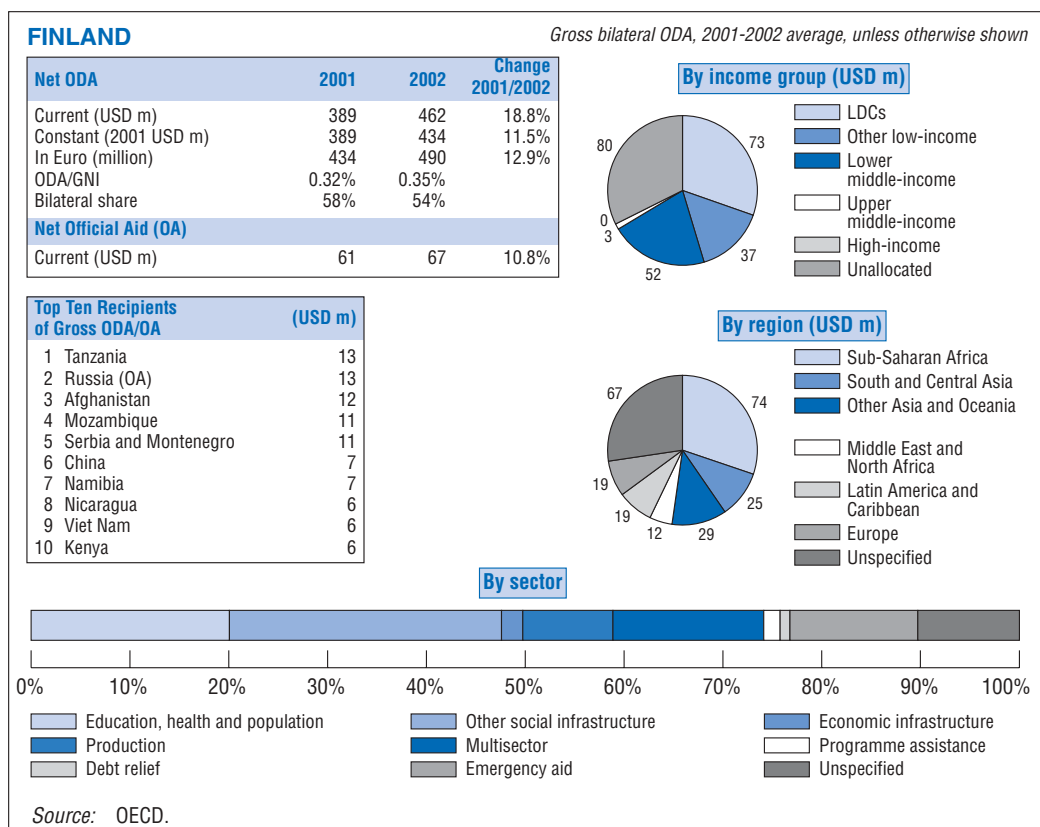
Finland's ODA increased by 12% in real terms in 2002 to reach USD 462 million. Its ODA/GNI ratio increased from 0.32% to 0.35%.

Partnership approaches. A new governmental development policy white paper was elaborated during the latter half of 2003. Its goal was to further concretise the development commitments made by Finland in recent years by setting out principles and goals for action, identifying focus areas in development substance and administration, developing new instruments and by increasing actions for aid effectiveness and policy coherence. Bilateral development co-operation is limited to long-term partner countries where Finland can exercise dialogue, premised upon commitments agreed with the partner country government. Finland participates in the formulation and implementation of sectoral programmes and poverty reduction strategies.

Poverty reduction constitutes the main objective of Finnish development co-operation. Programmes implemented in long-term partner countries undergo special scrutiny from the poverty perspective. Co-operation is carried out particularly in the areas of human rights, good governance, democracy, culture, and trade as well as sustainable development and environment. The promotion of gender equality also plays a central role.

Policy coherence. Finland strives for coherence in foreign and security policy, trade policy and development co-operation. The basis of discussion is the Millennium Development Goals. In terms of synergies within development co-operation, efforts are made to ensure that bilateral, multilateral and EU co-operation are more uniform and complementary. Finland also emphasises transparency, co-ordination, division of labour, and the need to harmonise aid management among different donors.

Performance measurement. Finland regards the Millennium Development Goals as fundamental in assessing performance. Evaluations focus on individual projects, various instruments, and country programmes. Joint donor programmes require combined evaluation efforts and capacity building of the partner countries.



Box 4.2. DAC Peer Review of Finland, 17 June 2003*Examiners: Denmark and New Zealand*

Finland's development co-operation has gone through several changes since the previous DAC Peer Review in 1998. A new white paper and an implementation plan have been issued, clarifying the objectives, priorities, instruments and country selection in Finnish aid. Policies have shifted from "flexibility" in the programme to more concentration in long-term partner countries, sectors, and international organisations to enhance effectiveness. In the new government, appointed in April 2003, the formerly separate ministerial posts for aid and trade were eliminated and a combined post of Minister for External Trade and Development Co-operation created.

In 2002, Finland's ODA/GNI ratio was 0.35% and the Finnish government has committed to an ODA/GNI ratio of 0.45% by 2007, taking into account domestic economic developments. Finland's proportion of multilateral aid in total ODA has been consistently higher than that of the total DAC average, concentrating on the UN agencies. The Finnish public is generally supportive of and more knowledgeable about the country's development co-operation than most DAC members.

The DAC recommended that Finland:

- More clearly articulate poverty reduction as the overarching objective in Finnish development co-operation and target the Millennium Development Goals in the next white paper.
- Increase ODA to reach the 0.7% ODA/GNI ratio by 2010, along an agreed commitment path.
- Focus on about ten long-term partner countries, in order to have cumulative impact and enhanced ability to influence other donors and the partner country.
- Enhance its efforts to achieve policy coherence for development, particularly by establishing a clear policy and improving analytical capacity to deal with pertinent issues.
- Consider phasing out its concessional credits scheme in line with the 1998 white paper, since the scheme's effectiveness in supporting poverty reduction is unclear.
- Augment staff capacity, both in terms of numbers and development expertise, in view of prospective substantial ODA growth and the increased attention to aid quality and effectiveness.
- Increase delegation of authority to the field and augment staff capacity in embassies for example by limiting the number of co-operating countries and sectors and augment with local expertise.
- Improve the independence and jurisdiction of the evaluation system as well as the follow-up and systematic learning mechanisms.

France

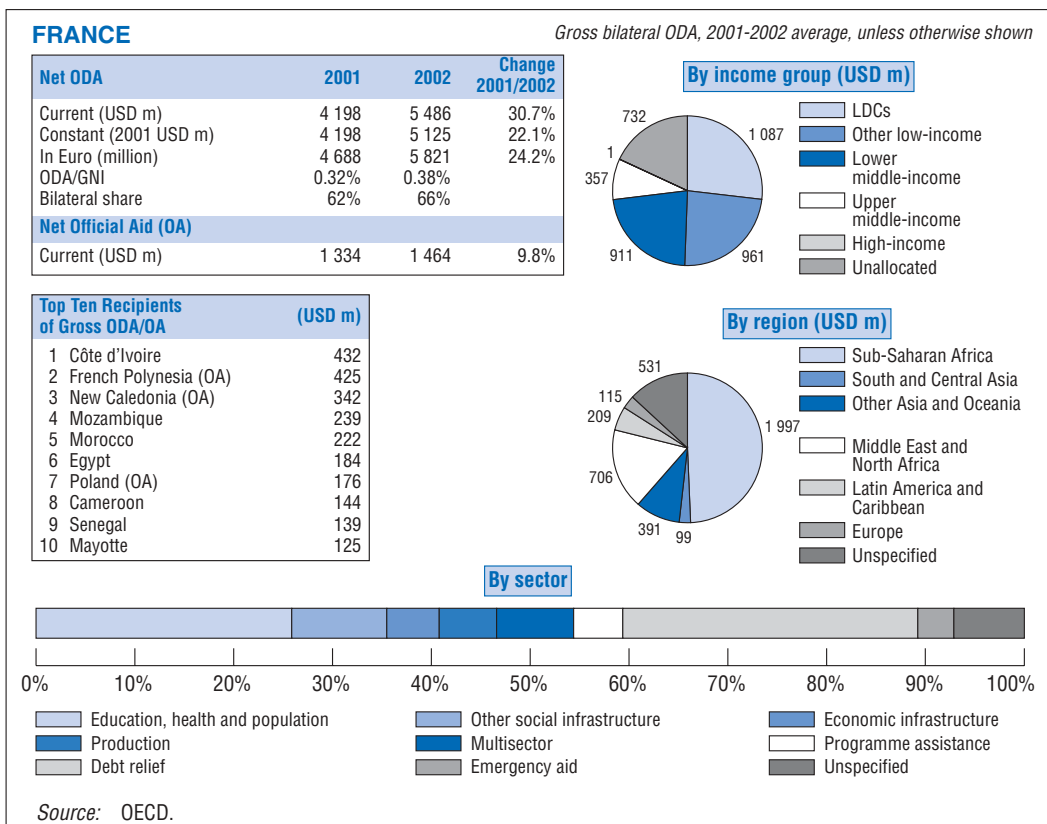
French ODA rose by 22% in real terms in 2002 to USD 5.5 billion, with its ODA/GNI ratio increasing from 0.32% to 0.38%. The trend was more pronounced for bilateral aid which rose by 30% than for multilateral aid which progressed by 9%. French aid focuses mainly on African countries (72%). In 2002, France made a commitment to increase its ODA/GNI ratio to 0.50% by 2007, and 0.70% by 2012.

Partnership approaches. Partnership is at the centre of France's development policy in support of countries from the South. France attaches special importance to development in Africa and actively encourages the NEPAD process. Its support for country-led poverty reduction strategies countries is witnessed by the systematic account taken of PRSP processes. France has also been actively involved in the launching of large mobilising programmes such as the Fast Track with respect to basic education and the AIDS Fund.

Poverty reduction policies. France's commitment to the fight against poverty has been reaffirmed on several occasions and constitutes the main thrust of the overall strategic framework elaborated by the Interministerial Committee for International Co-operation and Development (CICID) chaired by the Prime Minister. Resources available from bilateral debt relief operations are invested in aid programme tools, contracts for debt reduction and development, directed towards primary education and professional training, primary health care and the fight against AIDS, equipment and infrastructure, local development and natural resource management. Project aid and technical assistance are also being adapted to integrate the partnership dimension. France hopes moreover to develop new instruments, such as guarantees, loans that leverage private finance or catalytic investments.

Policy coherence. The coherence of France's co-operation priorities is the responsibility of the CICID on which all ministries whose actions have an impact on development are represented. In 2002, the CICID established the priorities and principal areas for French aid: implementation of the commitment to increase its ODA, support to Africa and to NEPAD, integrating the Millennium Development Goals and the concept of sustainable development into French aid instruments, and focusing its aid on five priority sectors (education, health/AIDS, infrastructure, water and agriculture).

Aid effectiveness. France is particularly actively involved in the international community's efforts to harmonise and reinforce aid effectiveness. At the High Level Forum on Harmonisation held in Rome in February 2003, France proposed that the DAC elaborate a Recommendation on the co-ordination and harmonisation of donor practices, along the lines of the Recommendation on Untying ODA to LDCs. France has set up a working group to harmonise its aid procedures. The group's conclusions were approved by the CICID at the end of 2002. The working group is in the process of finalising an action plan to strengthen aid effectiveness. This was also one of the priority themes of the French presidency of the G7/G8 in 2003.



Germany

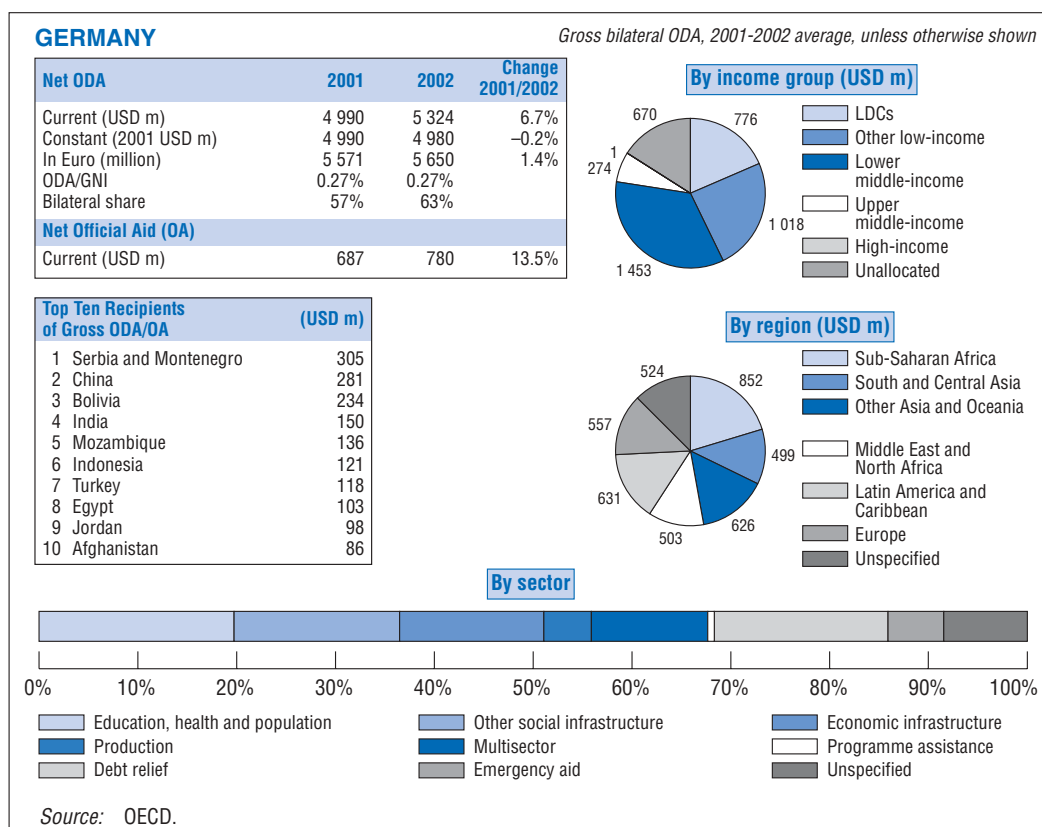
Germany's ODA was stable in 2002 at USD 5.3 billion. The ODA/GNI ratio remained at 0.27%. Germany has made a commitment to reach an ODA/GNI ratio of 0.33% by 2006.

Partnership approaches. The coalition treaty for the German government formed in October 2002 outlines a programmatic framework for German development policy, in line with the Millennium Declaration and Monterrey and Johannesburg Conferences. Reducing poverty, securing peace and shaping a just globalisation are the main orientations of this policy.

Poverty reduction policies. In April 2001, the Federal Cabinet approved the *Poverty Reduction Programme of Action 2015*, outlining the government's contribution towards implementing the UN Millennium Declaration. Implementation of this programme is now well advanced and a second operational report was expected towards the end of 2003. Furthermore, in October 2003, BMZ established a new task force in order to support the mainstreaming of the principles and goals of the Millennium Declaration in Germany's bilateral development instruments and programmes as well as to network with respective international approaches.

Policy coherence. Improving policy coherence is a central element of German development policy. The *Programme of Action 2015* makes worldwide poverty reduction a common goal of national foreign policy and constitutes a major step forward in this respect. Links between bilateral and multilateral co-operation have been improved, based on more coherent programming procedures, and have resulted in, for example, an increase in joint programme financing. In the name of coherence and the building of new alliances, a comprehensive programme for "fair trade" was launched by several federal ministries with the involvement of German industry and NGOs. Active co-ordination with the European Community is important for ensuring policy coherence – so Germany was interested in substantially reducing the European Community's trade distorting agricultural subsidies, considered to lack coherence in some fields with development co-operation policy.

Performance management. German development co-operation is working to strengthen its focus on results. The *Programme of Action 2015* established priorities. Results-oriented frameworks for financial and technical co-operation have also been developed so the reports from KfW and GTZ now compare aims with outputs and outcomes. As a follow-up to the 2001 Peer Review of Germany, BMZ and the Federal Foreign Office have maintained a dialogue on further improving performance in the field.



Greece

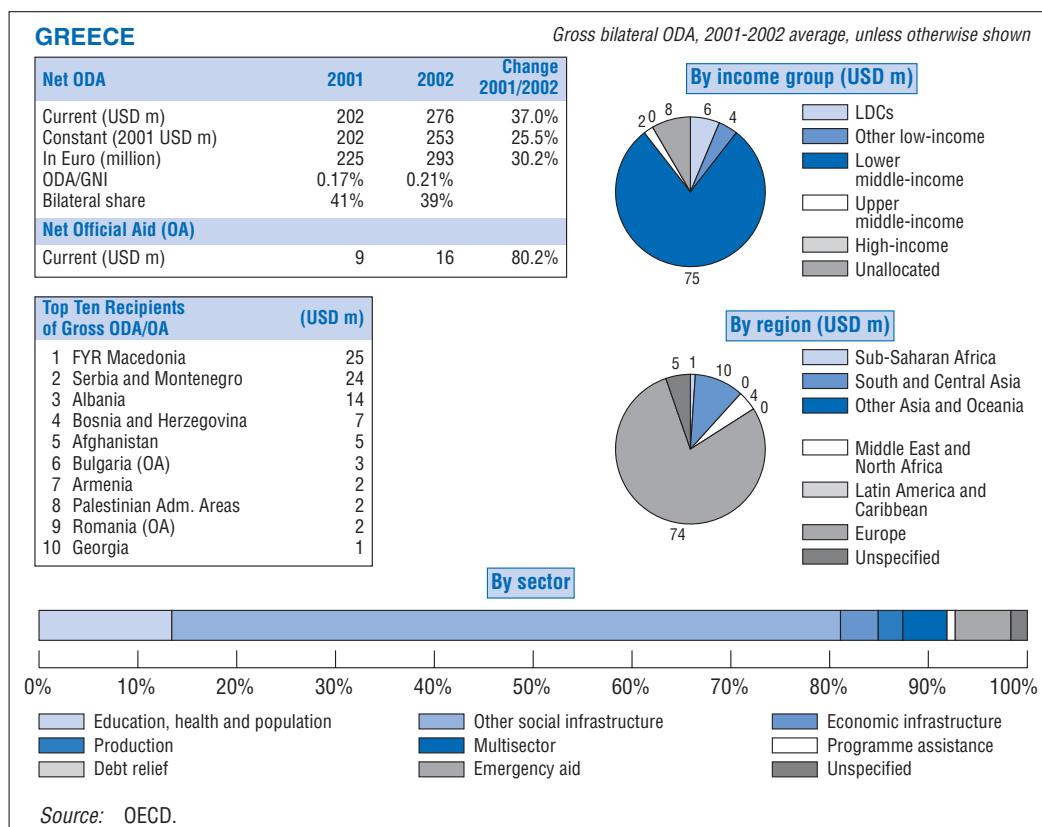
Greece's net ODA disbursements rose substantially to reach USD 276 million in 2002, mainly due to higher contributions to multilateral agencies, especially the European Community. In 2002, Greece's ODA represented 0.21% of its GNI, compared to an ODA/GNI ratio of 0.17% in 2001. Greece continues the process of consolidating management of its aid programme in the Ministry of Foreign Affairs – Hellenic Aid. A Presidential Decree in 2002 established the General Secretariat for International Economic Relations and Development Co-operation within the Ministry.

Partnership approaches. Greek development co-operation is based on a partnership approach, with development being the responsibility of recipient partners while foreign aid responds to partners' needs, as elaborated in development strategies formulated locally with involvement by a broad cross-section of society. Greece aims to encourage and support the principles of local ownership and local capacity building by concluding medium-term partnership agreements with its main partners that integrate Greek development assistance into local plans for development.

Poverty reduction policies. Greece acknowledges that poverty reduction must become the central focus of development policy. Since 2002, Greece's aid activities have been focusing more on poverty reduction and the achievement of the Millennium Development Goals. Greece intends to increase gradually its ODA to least-developed countries, in the Middle East and in Afghanistan as well as to Iraq.

Policy coherence. Greece recognises that sustainable development in poor countries requires avoiding policies that undermine other efforts to promote their development. Greece is making efforts to minimise such incoherence and is working to establish and develop the necessary mechanisms and procedures to promote greater policy coherence for development.

Performance measurement. The need for a monitoring and evaluation procedure is an integral part of Greece's six development co-operation agreements negotiated with its main bilateral partner countries in the Balkans. An annual report is prepared for each country on progress achieved.



Ireland

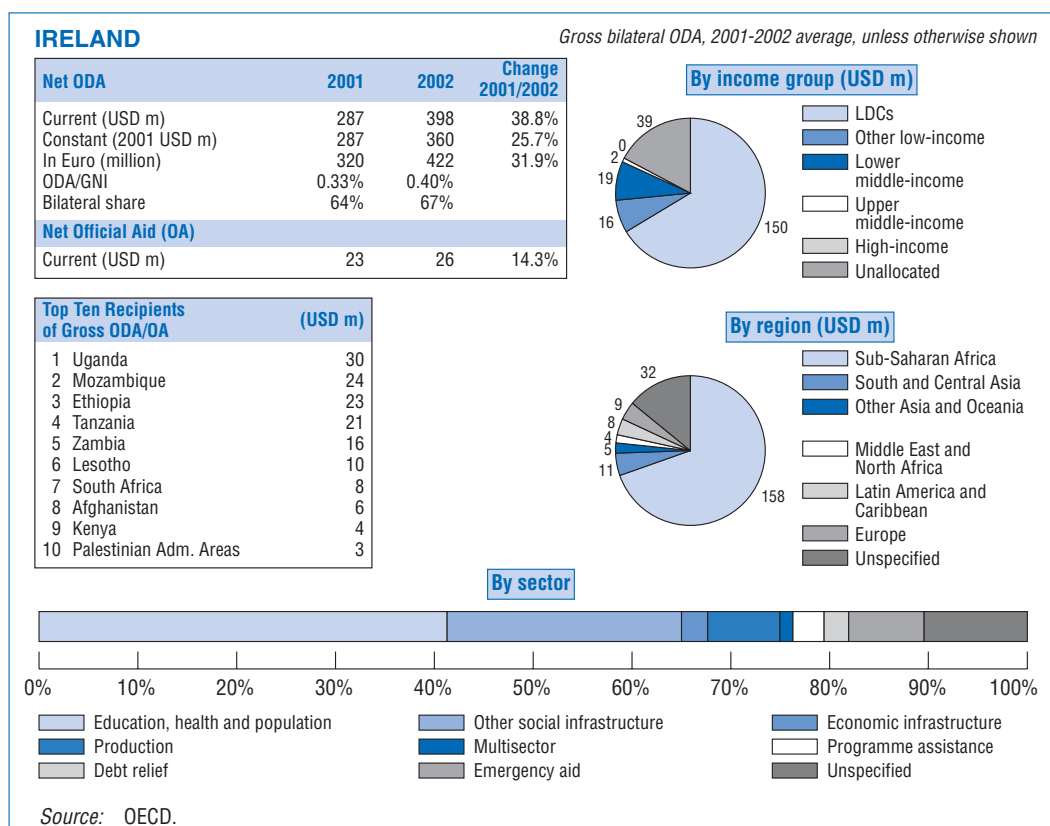
Ireland's ODA continued to expand in 2002 to reach USD 398 million, a 26% increase in real terms over its level in 2001. Expressed as a share of GNI, Ireland's ODA rose from 0.33% in 2001 to 0.40% in 2002. Ireland is committed to further increasing its ODA to reach the United Nations target of 0.7% by 2007. In 2003, Ireland changed the name of its official aid programme to Development Co-operation Ireland (DCI), to highlight the two-way "co-operative" nature of its activities.

Partnership approaches. Partnership is one of the key principles underpinning Ireland's expanding ODA programme. Partnership extends to recipient countries, the international development community and NGOs, both at home and abroad. In recent years, DCI has been entering into long-term strategic partnerships containing multi-annual funding engagements with a variety of partners.

Poverty reduction policies. Poverty reduction remains the overarching objective for the DCI programme. DCI aims to ensure that all its activities are planned with reference to the impact they are likely to have on reducing poverty and measured on a continuing basis against this objective. DCI is committed to addressing the HIV/AIDS challenge, which has had a particularly damaging impact on DCI's six programme countries in sub-Saharan Africa.

Policy coherence. The requirement of policy coherence for development is a starting point for an effective development policy. Its application, however, sometimes imposes difficult policy choices. Ireland endeavours to ensure that the development perspective is clearly highlighted and accorded full weight in decision making in all situations of competing priorities.

Performance measurement. DCI is working to enhance its results orientation and improve its capacity to measure the practical impact of its interventions on an on-going basis. Public accountability will also be strengthened through regular reports on the programme's impact on reducing poverty and its contribution towards achieving the Millennium Development Goals.



Box 4.3. DAC Peer Review of Ireland, 17 November 2003

Examiners: Belgium and Switzerland

Ireland's ODA rose dramatically during the decade 1992-2002 and is expected to continue growing, to nearly USD 1 billion. However, following the only modest budget increases allocated in 2003 and 2004, reaching the United Nations 0.7% ODA target by 2007 now implies doubling Ireland's current ODA volume in three years. To maintain quality as it repositions itself as a medium-sized donor, Ireland should plan now how it will manage and implement a USD 1 billion ODA programme.

The Development Co-operation Ireland (DCI) programme distinguishes itself by its sharp focus on poverty reduction and its commitment to partnership principles. In 2001, Ireland channelled half of its ODA to least-developed countries, the largest share among the 22 DAC member countries. Ireland's longstanding focus on health and education is now complemented by a strong commitment to addressing the HIV/AIDS pandemic, which is having a particularly negative impact in DCI's six programme countries in sub-Saharan Africa. A field visit to Tanzania to prepare for the Peer Review found that Ireland was appreciated as a collaborative partner.

Ireland has a great asset in that its main bilateral partnerships are concentrated on just seven programme countries. Ireland should continue deepening its engagement in these countries, including by engaging more with and supporting local civil society organisations and the local private sector, and bringing regional perspectives to bear on its programme. Ireland should maintain a cautious approach to designating new programme countries.

Ireland has addressed some of the critical human resource issues identified in the 1999 DAC Peer Review but should further increase DCI's staff, specialist expertise, and development management skills as its ODA volume continues to grow. There should be more opportunities for a strong development focus within career patterns in the Department of Foreign Affairs.

To build on progress made since its last Peer Review, the DAC also recommended that Ireland:

- Build public awareness and ownership of DCI's vision, achievements and challenges, to generate greater understanding and sustain public support for reaching the 0.7% target.
- Re-introduce a multi-annual agreement on ODA allocations, to provide a predictable growth path for the expected rapid and substantial growth in ODA and to help DCI get best value from its multi-annual funding agreements with main partner countries, United Nations development agencies and Irish development non-governmental organisations (NGOs).
- With its NGO partners, continue promoting more strategic approaches, greater mainstreaming of cross-cutting issues (gender, governance, HIV/AIDS and the environment) and more systematic auditing, monitoring and evaluation by NGO partners.
- Take DCI's more strategic management of emergency and recovery assistance further by developing clearer guidelines, including an exit strategy for humanitarian assistance.
- Strengthen DCI's mainstreaming of HIV/AIDS activities by recruiting additional specialists and developing a significant HIV/AIDS training programme for all staff. When up-dating its strategic framework in 2004, DCI should develop guidance on addressing gender, human rights and equity concerns in its growing access-to-treatment programmes. DCI should initiate a comprehensive evaluation of the impact of its HIV/AIDS activities.
- Consider a range of actions to enhance Ireland's institutional capacity to address the effects of government policies on developing countries; the creation of a dedicated unit responsible for assessing policy coherence for development in DCI is an important step in this regard.

Italy

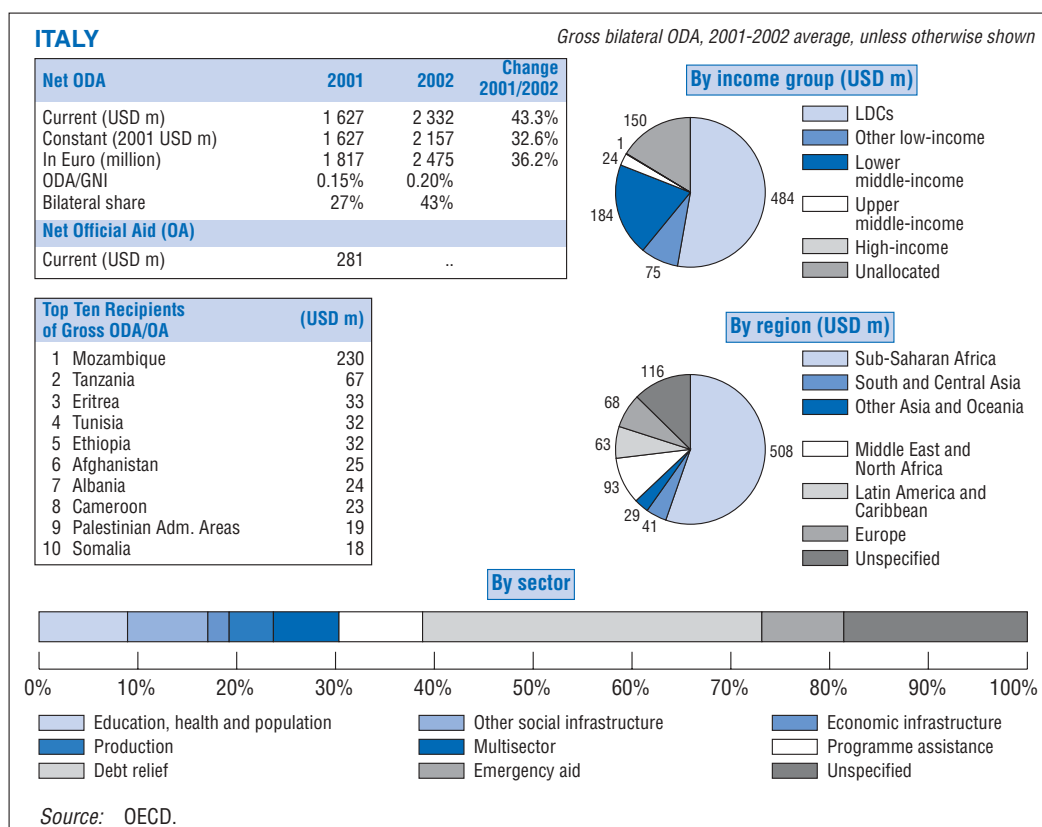
Italy's ODA volume increased by 33% in 2002 to reach USD 2.3 billion, representing an ODA/GNI ratio of 0.20%. Italy reinforced its initiative on debt reduction in 2002 by signing 12 new agreements with HIPC countries.

Partnership approaches. Development co-operation policy focuses on joint action between recipient countries and Italian partners (government, private sector, NGOs, and universities). To implement partnerships in the recipient countries more effectively, Italy is producing country-level strategies and setting up new field offices, but is hampered by a lack of staff and organisational support, as well as operational flexibility.

Poverty reduction policies. Poverty reduction is the overarching goal of Italian development co-operation. Italy outlined the approach and contents of its poverty reduction initiative around the Millennium Development Goals. The initiative uses both direct allocation of resources and debt swaps to support nationally-owned poverty reduction strategies in partner countries, with a special focus on selected sectors (health, food security, education, private sector support, micro-credit, trade).

Policy coherence. The ministries of Foreign Affairs, Foreign Trade and Treasury maintain regular contact and co-ordinate on *ad hoc* policy issues as they arise. Guidelines in numerous policy areas are periodically issued through a Steering Committee of Development Co-operation that includes these ministries.

Performance measurement. The Evaluation Group is directly accountable to the Director-General. Several actions are now underway to reinforce the quality and utility of evaluation feedback in the broader system, including improved evaluation planning and operational guidance.



Japan

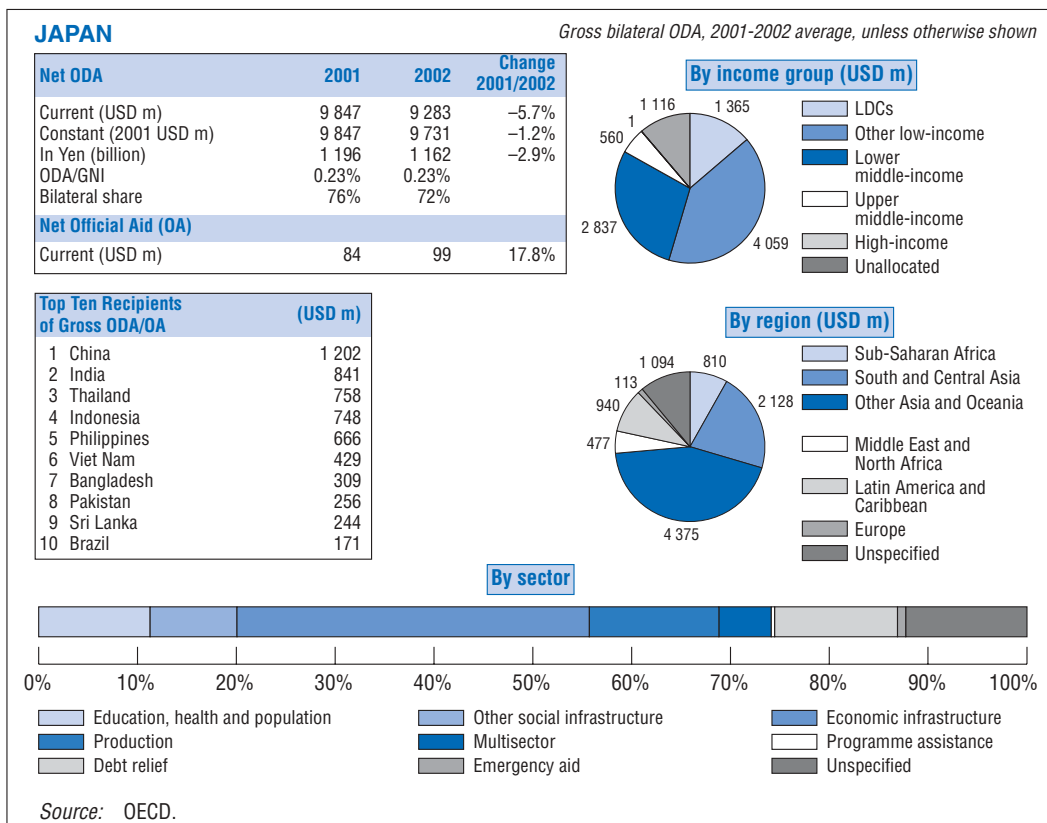
In 2002, Japan was the second largest bilateral donor, with an ODA volume of USD 9.3 billion. Its ODA/GNI ratio remained at 0.23%, ranking Japan eighteenth out of the 22 DAC member countries. Because of a difficult domestic budget situation, Japan has announced further reductions in ODA volume for fiscal year 2003.

Partnership approaches. The framework ODA Charter of 2003 underscores partnership approaches as being central to Japanese development co-operation. Japan has a regional perspective and has carried out special initiatives for Africa (TICAD – Tokyo International Conference on African Development) and for Asia (IDEA – Initiative for Development in East Asia) so as to jointly foster successful regional experiences with its partners. Japan is also now testing decentralisation of its aid administration so as to be able to better work with partners at the local level.

Poverty reduction policies. The ODA Charter of 2003 identifies poverty reduction as one of four priority issues of Japanese ODA strategy. Japanese operational emphasis on poverty is most evident at the project level. This includes a strategy for basic education (BEGIN – Basic Education for Growth Initiative), for water (Initiative for Japan's ODA on Water) and for infectious diseases (Okinawa Infectious Diseases Initiative). Japan considers that many of its large infrastructure projects also are effectively linked to poverty reduction.

Policy coherence. In 2003, Japan enhanced the terms of its GSP for least developed countries. It covered 47 LDCs and 2 287 products, including 436 from agriculture, forestry or fisheries. Japan has also promoted international environmental efforts, such as tackling the problem of illegal logging. New institutional arrangements for co-ordination between ODA-related institutions provide opportunities for enhancing policy coherence.

Performance measurement. The Japanese government is undertaking ODA reform with active participation from the public, which is demanding a more transparent, efficient, and effective ODA system. In this respect, the evaluation system is being revised, including the establishment of a performance measurement tool.



Box 4.4. DAC Peer Review of Japan, 12 December 2003*Examiners: European Community and United States*

The 2003 Peer Review highlighted the series of positive reforms in Japan's aid strategy and management. Most importantly, Japan revised its ODA Charter, incorporating new strategic priorities more in tune with current international and domestic realities, including poverty reduction, sustainable growth and the need to address global issues and peace building. It also made changes to the two leading agencies that implement its aid. The legal status of the Japan International Co-operation Agency (JICA) changed in 2003 to make this technical co-operation agency more autonomous and efficient and, in 1999, two former loan agencies were merged into the Japan Bank for International Co-operation (JBIC). Finally, the Ministry of Foreign Affairs is now legally mandated to co-ordinate the diverse and often compartmentalised implementing institutions of ODA.

Against this backdrop of reform, Japan continues to strive to align resources with its new vision of aid. Japan's net official development assistance (ODA) was USD 9.3 billion in 2002, making it the world's second largest donor. Japan was the largest aid donor for almost a decade, from 1992 to 2001, until economic pressures led the government to reduce the size of its ODA. The 2002 level represented 0.23% of Japan's Gross National Income, down from 0.31% in 1991-92. At the Monterrey conference, Japan was one of the few aid donors unable to commit to increase its level of aid.

The main findings and recommendations from the DAC Peer Review of Japan included:

- In implementing the ODA Charter, Japan should ensure that the primary objective of ODA is for the development of the recipient country and that narrower national interests do not over-ride this objective. Japan also should strive to achieve a more balanced sector portfolio, in line with ODA Charter directions, by focusing more investment in basic health and education services to reduce poverty. The DAC also suggested that Japan consider the development of a clearer policy on how it intends to focus on poor countries or poor populations within countries.
- Japan should make every effort to increase ODA levels as economic conditions improve, building broad-based public support to facilitate this.
- The Government of Japan should make a policy statement on coherence for development and seek ways to educate the public on this issue. It also was encouraged to enhance its analytical capacity on policy coherence for development and to establish a system for monitoring the environmental, social and governance aspects of its Foreign Direct Investment and of regional co-operation agreements.
- Japan should develop a government-wide approach to mainstream crosscutting issues, rather than treating them as separate sectors, particularly concerning poverty reduction as part of achieving the Millennium Development Goals.
- Institutionally, Japan should consider moving away from an instrument-based co-operation system to a more country-based approach, as well as establishing country budget envelopes. It also should consider delegating most grant management to JICA and focus its own energies on strategy, policy development and system co-ordination. Finally, Japan should replicate more broadly its organisation decentralisation pilot efforts, such as that of Viet Nam and Tanzania, with special emphasis on an effective use of a country-based, all-Japan team and strategy approach.
- More development co-operation staff are needed across the system, particularly if decentralisation is to succeed. An integrated ODA personnel policy should be established that includes planning and analysis of development staff levels and skills.
- Japan should work with the DAC on identifying concrete measures to untie progressively the use of grant funds for primary contractors in the spirit of the Recommendation on Untying ODA to the least-developed countries.

Luxembourg

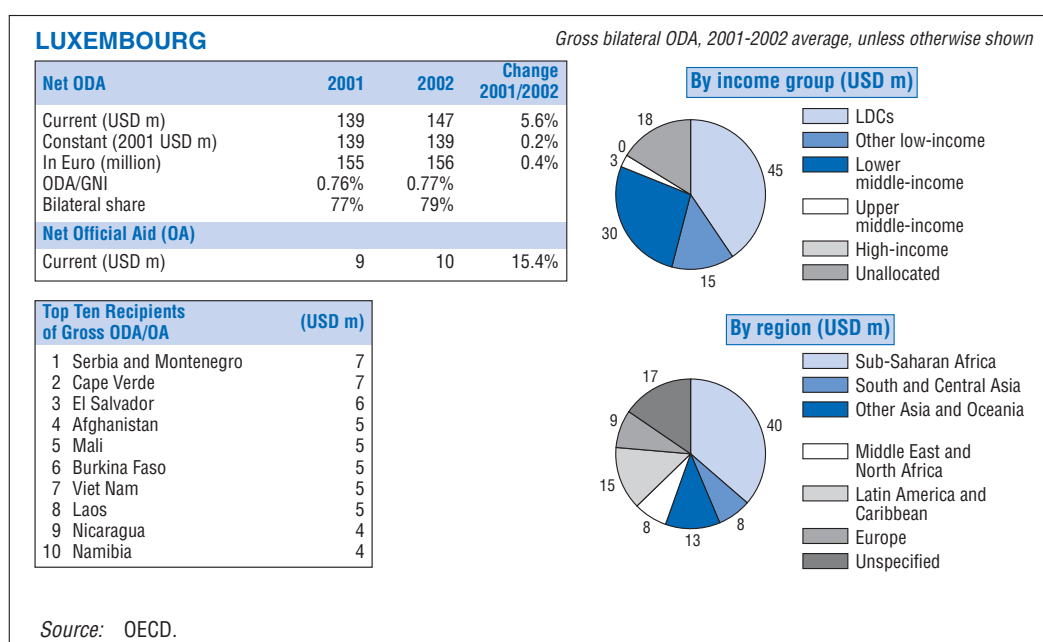
In 2002, Luxembourg's ODA volume increased slightly to USD 147 million. As a share of GNI, ODA rose from 0.76% to 0.77%. Luxembourg is committed to reach an ODA/GNI ratio of 1% by the middle of the decade. Its ODA went mainly to least developed and low-income countries.

Partnership approaches. Aid programmes are implemented in ten priority countries on the basis of indicative co-operation programmes aimed at matching Luxembourg's aid more closely with the development priorities of partner countries, enhancing transparency and predictability and improving management. Co-operation on the ground has been stepped up with the opening of offices in Senegal and Cape Verde. Multilateral co-operation is increasingly developed through "multi-bi" initiatives in priority countries.

Poverty reduction policies. Poverty reduction and sustainable development are key objectives in Luxembourg's aid programme. Luxembourg has subscribed to the Millennium Development Goals and most of its programmes place special emphasis on primary education and basic health care.

Policy coherence. Luxembourg is committed to policy coherence and is promoting a globalisation process with a human face. Most of Luxembourg's aid is already untied and project implementation relies greatly on local contractors.

Performance measurement. An "evaluation and audit" unit has been set up for all government aid initiatives, including those involving Luxembourg NGOs receiving government support.



Box 4.5. DAC Peer Review of Luxembourg, 18 March 2003

Examiners: Austria and Greece

In 2000, Luxembourg joined the group of countries which devote at least 0.7% of their GNI to ODA. Since the last DAC Peer Review in 1998, Luxembourg's ODA has grown from USD 99 million to USD 147 million in 2002, corresponding to an ODA/GNI increase from 0.65% to 0.77%. This remarkable growth in Luxembourg's ODA has been possible thanks to sustained economic growth together with solid political and public support for development co-operation. Luxembourg's ODA is made up exclusively of budget resources allocated for development co-operation in accordance with clearly defined development objectives. Since 1989, successive governments have drawn up detailed and binding schedules for the systematic increase of ODA; the current government's objective is to reach 1% by 2005.

The DAC paid tribute to Luxembourg's aid contribution and noted its orientation to poverty reduction in support of the Millennium Development Goals. More than half of Luxembourg's "target" list of ten countries fall into the least developed category and 82% of its ODA supports social infrastructure and social services: education, basic health, water supply and sanitation. Importantly, the government has taken measures to improve the quality of its aid: defining long-term programmes with target countries, deploying representatives to the field, improving collaboration with NGOs, and introducing a monitoring and evaluation system. The DAC recommended that Luxembourg:

- Continue to focus on a limited number of target countries and maintain efforts to integrate projects in programme approaches. Sectoral selectivity should also be consolidated in each target country and the number of projects be reviewed in light of transaction costs, managerial efficiency and likely impact. Luxembourg is reinforcing its support for poverty reduction – and is re-configuring its co-operation with several middle-income partner countries, concentrating on the poorest regions and requiring an increased financial contribution from the partner governments.
- Enhance policy coherence for development. Luxembourg supports developing countries' interests in numerous international forums. Its commitment to policy coherence could be backed by a more systematic approach for a better mobilisation of efforts at different levels of the government. This may require strengthening the capacity of the Ministry of Foreign Affairs to carry out the analytical work required. The mandate of the Inter-Ministerial Committee for Development Co-operation could be extended to give it a more active role in promoting debate on policy coherence for development.
- Strengthen intra government responsibilities for development. Development co-operation falls within the purview of the Ministry of Foreign Affairs. Further attention is needed regarding staffing and the nature of expertise required, notably with regard to priority sectors for Luxembourg's development co-operation. Luxembourg is establishing a number of field offices. This closer collaboration with partner countries provides opportunities for improved management and co-ordination in the field. Co-ordination between the Ministry of Foreign Affairs and Lux-development, its executing agency, could be improved taking into account the strategies of developing countries, so as to promote partnership and local ownership. Its monitoring and evaluation system could be enhanced so as to ensure that the objectives of poverty reduction and gender equality are properly taken into account throughout the entire cycle of activities.

Netherlands

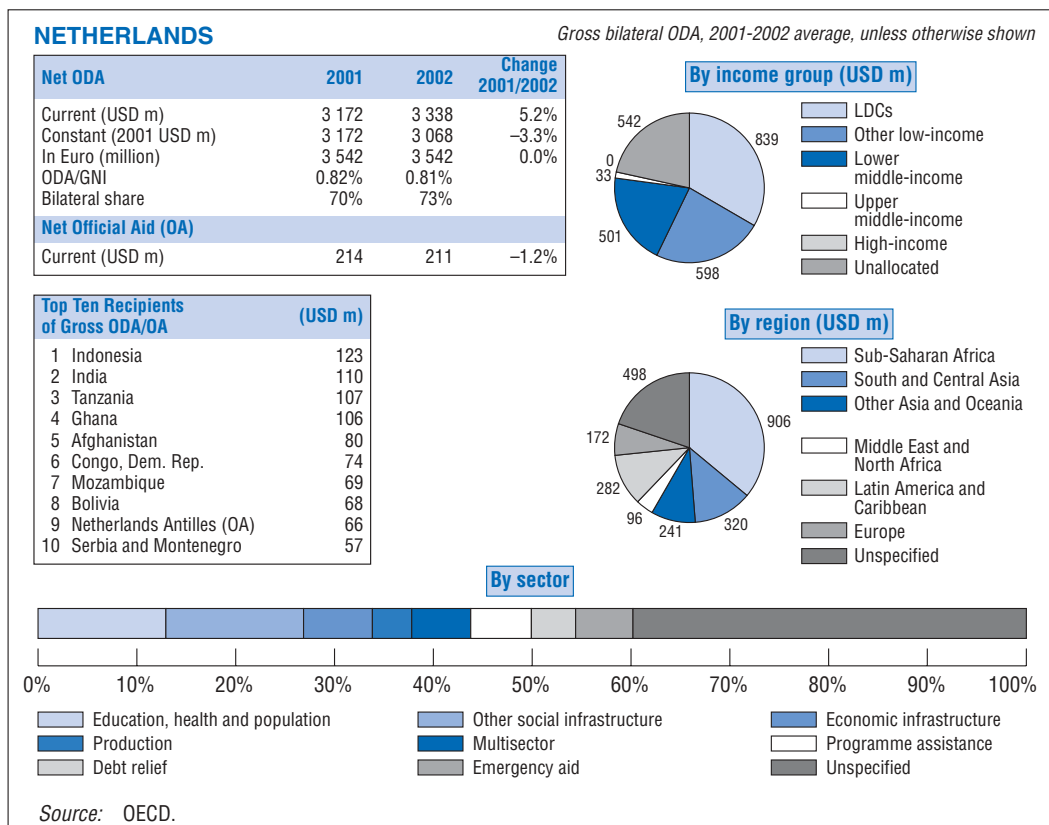
The Netherlands' ODA volume fell slightly to USD 3.3 billion in 2002, representing an ODA/GNI ratio of 0.81% (compared to 0.82% in 2001). Dutch geographically allocated bilateral ODA was strongly directed towards the least developed countries and other low-income countries. Sub-Saharan Africa remained a geographic priority with 45% of bilateral ODA.

Partnership approaches. Partnership with relevant actors is a major feature of Dutch programmes. The Netherlands recently further narrowed its list of target countries to 36 so as to more strategically focus its aid. Selection of target countries was based on transparent criteria and public consultation. Sector approaches emphasise ownership by the recipient country and are also used in identifying areas for national capacity strengthening. The Netherlands favours the use of budget support wherever there is effective local capacity to manage. A strong decentralised presence permits co-ordinated implementation with other donors. Harmonisation of donor practices is a high priority for the Netherlands.

Poverty reduction policies. Poverty reduction remains the overarching objective of Dutch foreign policy in general and development co-operation in particular. The PRSP framework is seen as a primary implementation mechanism, guiding Dutch strategy, assisting in implementing programmes, providing a basis for monitoring and evaluation, and serving as a primary forum for policy dialogue.

Policy coherence. The Cabinet actively engages coherence issues within the government and approves all instructions for international meetings. The ministry established an innovative Policy Coherence Unit in 2002 so as to ensure more systematic identification and treatment of issues. The Netherlands uses international forums to address coherence issues and is now working to establish a European Network.

Performance measurement. The Dutch Policy and Operations Evaluation Department supports comprehensive evaluation guidelines. The creation of an integrated monitoring and evaluation system that involves feedback for learning and decision making at all administrative levels remains a conceptual and technical challenge. Within the ministry, a new unit has been set up to provide comprehensive monitoring and is now fully operational.



New Zealand

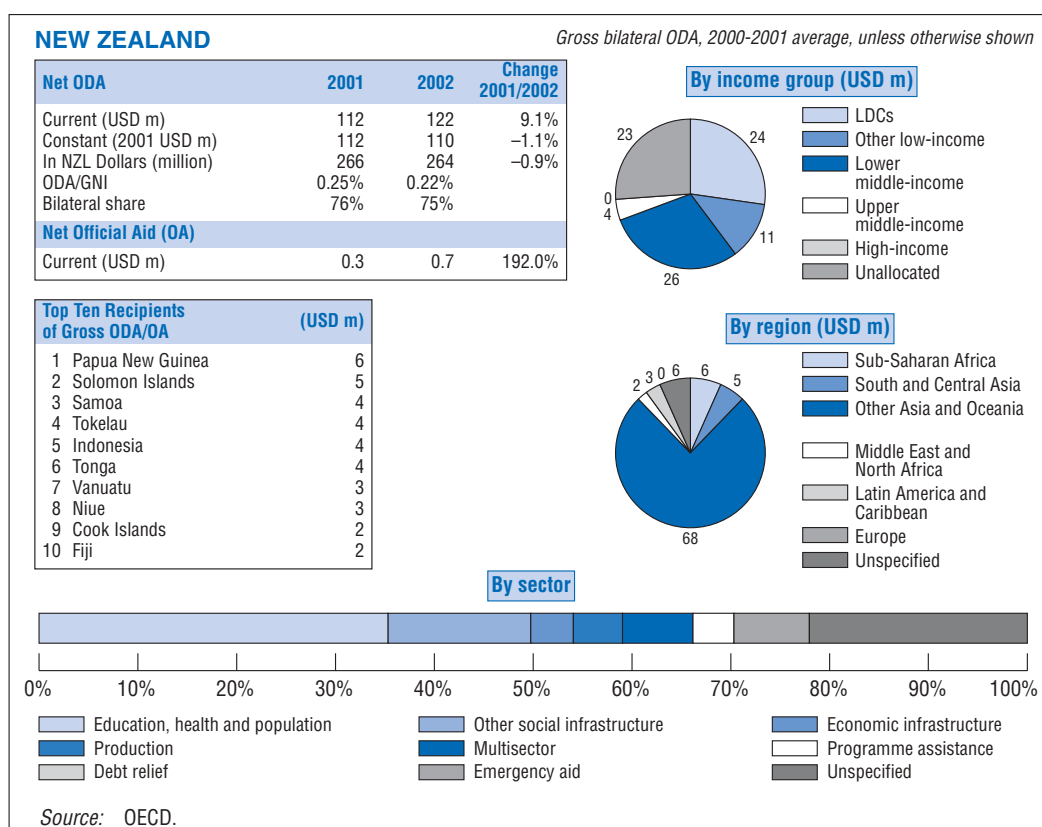
New Zealand's net ODA amounted to USD 122 million in 2002, a slight fall in real terms compared to its 2001 level. New Zealand's ODA/GNI ratio fell from 0.25% in 2001 to 0.22% in 2002. The New Zealand Agency for International Development (NZAID), which was established on 1 July 2002, has initially focused on policy elaboration, redesigning programmes and developing its own internal organisational structures and staffing capacity.

Partnership approaches. NZAID's Policy Framework confirms New Zealand's focus on partner-led poverty reduction and moves to more formally integrating New Zealand's programming process with partners' national development strategies. New Zealand's ODA is now targeted on 20 core bilateral partner countries, mostly in the Pacific. NZAID is reviewing whether its support for multilateral agencies may also be improved by reducing dispersion.

Poverty reduction policies. The central focus of NZAID is the elimination of poverty. Strategies to address poverty include targeting programmes to the poorest communities and assisting them to fulfil basic needs, expand opportunities and reduce vulnerability. In addition, NZAID assists with efforts to create sustainable governance, economic, social and environmental conditions conducive to the long-term elimination of poverty. As well as gender equity and environmental principles, human rights are now integrated into all aspects of NZAID's work.

Policy coherence. Fostering good governance and promoting economic growth through sound macroeconomic, public sector and trade policies in developing countries in the Asia-Pacific region remains an important objective for New Zealand. Growing instability in the Asia-Pacific region has underlined the need to develop whole-of-government strategies to address the development, security, economic and political challenges facing the region.

Performance measurement. Developing performance measures is a priority for NZAID as part of a broader effort to build a common sense of purpose and direction within the agency. NZAID is planning to develop an overarching monitoring and evaluation strategy.



Norway

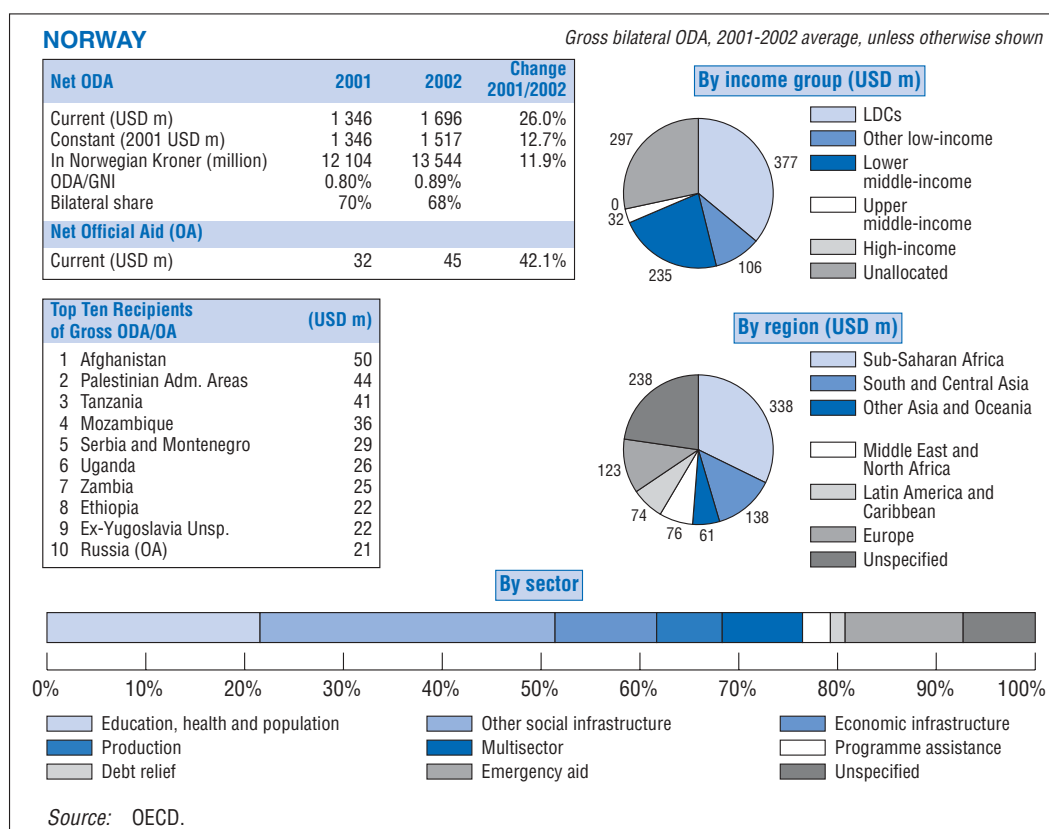
In 2002, Norwegian ODA increased by 13% in real terms to USD 1.7 billion, for an ODA/GNI ratio of 0.89%. Norway intends to reach 1% of GNI. Norway's co-operation programme focuses on seven priority countries, all among the least-developed, and in general its ODA benefits low-income and least-developed countries.

Partnership approaches. Norway is active in the work being done in the DAC and in other forums to harmonise and align development practices and processes of donors. This reinforces the aim of supporting developing countries' leadership and responsibility for their own development strategy priorities and performance.

Poverty reduction policies. Poverty reduction is the primary objective of Norwegian development co-operation and the achievement of the Millennium Development Goals is seen as the benchmark for progress in realising this objective. Norway's 2002 *Action Plan for Combating Poverty in the South* sets out the specific actions to be taken to implement this commitment, support for partner country poverty reduction strategies being central to these efforts.

Policy coherence. Norwegian policies across a wide range of government actions are being reviewed to make them as consistent as possible with development policy goals. The aim is to improve Norwegian efforts to combat poverty in developing countries through better policy coherence in such areas as trade, energy, fisheries and agriculture. Norway is also active in various international initiatives to establish criteria for OECD countries to assess the extent to which their policies are coherent in supporting poverty reduction in developing countries and the degree to which they support the achievement of the Millennium Development Goals.

Performance measurement. Norway has established an Advisory Committee on Results of International Development Policy with members from NGOs, the private sector, research institutes and universities, and the media. The objective of the committee is to help increase transparency of development policy and encourage attention to results, aid quality and modernisation.



Portugal

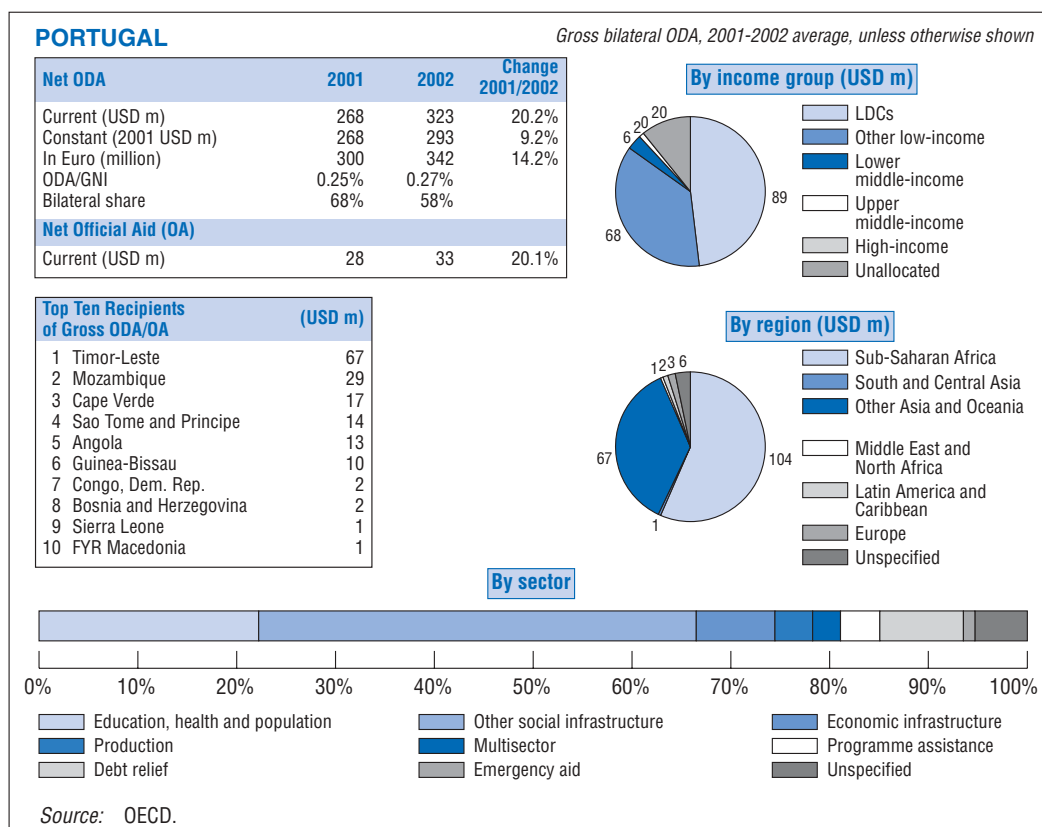
Portugal's ODA in 2002 rose to USD 323 million, representing an ODA/GNI ratio of 0.27%, compared to 0.25% in 2001. As an EU member state, the Portuguese government is making an effort to reach the ODA/GNI ratio target of 0.33% by 2006.

Partnership approaches. Portugal relies on priorities of recipient countries or works jointly in identifying their needs, taking into account the specificity of Portuguese co-operation. Portugal designs an Indicative Co-operation Programme with the recipient country on a triennial basis, respecting the principle of ownership of beneficiary countries.

Poverty reduction. Portugal focuses its attention on the Portuguese Speaking African Countries, all of which are least developed countries, and more recently also on Timor-Leste, which has been the main net ODA beneficiary since 1999. Poverty reduction is one of the main priorities and a crosscutting issue in Portuguese co-operation. Portugal is committed to support poverty reduction strategies and participates in the HIPC Initiative. There is a particular focus on education, health, and agriculture, with a view to greater self-sufficiency and food security. At the same time, the country's contribution to basic social services represents a small part in its ODA.

Policy coherence. Various co-ordination mechanisms have been established, such as the Inter-ministerial Committee for Co-operation and its Permanent Secretariat to facilitate synergies within development co-operation and to ensure better co-ordination among all ministries involved in co-operation policy.

Performance measurement. Improvements in the evaluation system have been made through increased external and independent evaluations and development of methodological materials, such as a guide for evaluation procedures and a glossary on development co-operation.



Spain

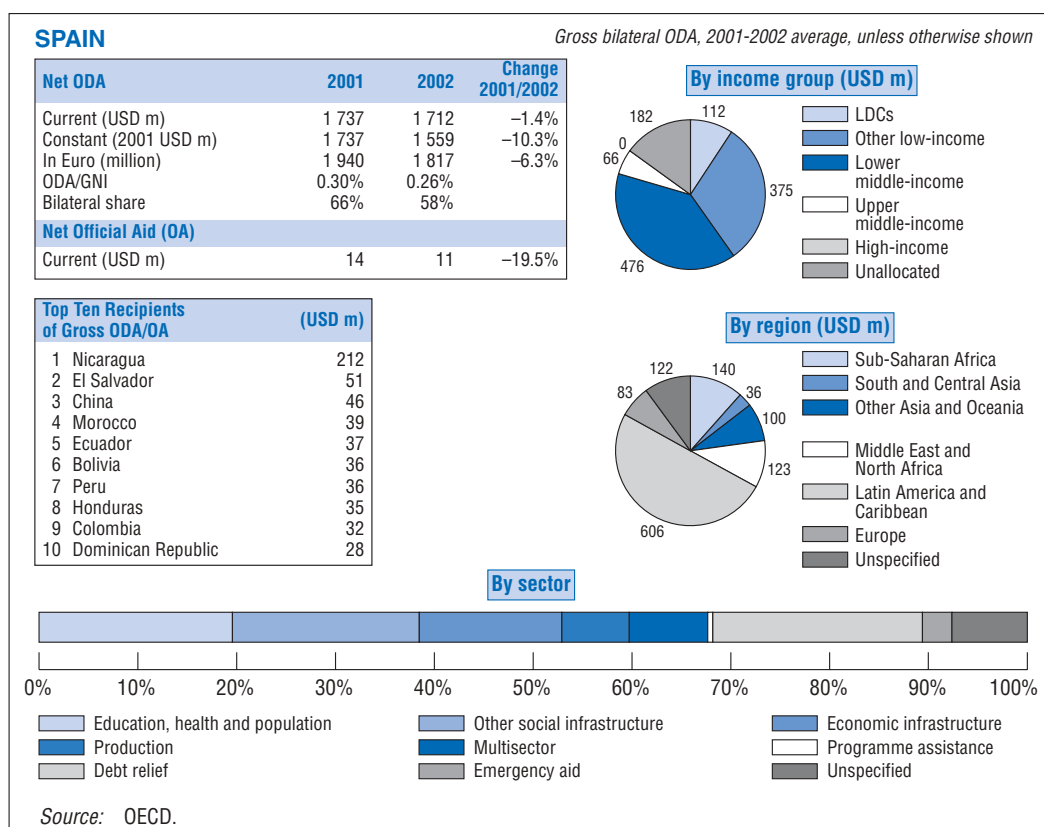
In 2002, Spain's ODA volume decreased by 10% in real terms to USD 1.7 billion. Its ODA/GNI ratio went down from 0.30% to 0.26%. Excluding the exceptional debt cancellation of USD 374 million for Nicaragua, which boosted ODA in 2001 by 44%, the underlying ODA/GNI ratio remained on a growth trend from 0.23% in 2001 to 0.26% in 2002. A large proportion of Spanish ODA is allocated to Latin American countries, resulting in a focus on lower middle-income countries.

Partnership approaches. With the adoption of the *Master Plan for the Spanish Co-operation (2001-2004)*, Spain maintains efforts to improve the quality of its interventions, including the preparation of regional and country strategies as well as sector policies. Development co-operation relies on a broad support base and the resources mobilised by the Autonomous and Local Administrations as well as NGOs continue to increase.

Poverty reduction policies. The Master Plan confirms poverty reduction and achievement of other MDGs as the main purpose of Spanish development co-operation. A large share of activities are funded by Spanish ODA and focused on poverty reduction, with emphasis being placed on education and water supply and treatment. Other priorities include activities related to government and civil society, agriculture and micro-finance.

Policy coherence. A broader development approach has been endorsed and other issues affecting development are under consideration, in particular immigration issues. All ODA to the least developed countries covered by the DAC Recommendation has been provided untied as of January 2002.

Performance measurement. The Master Plan provides for the development of evaluation mechanisms and performance indicators.



Sweden

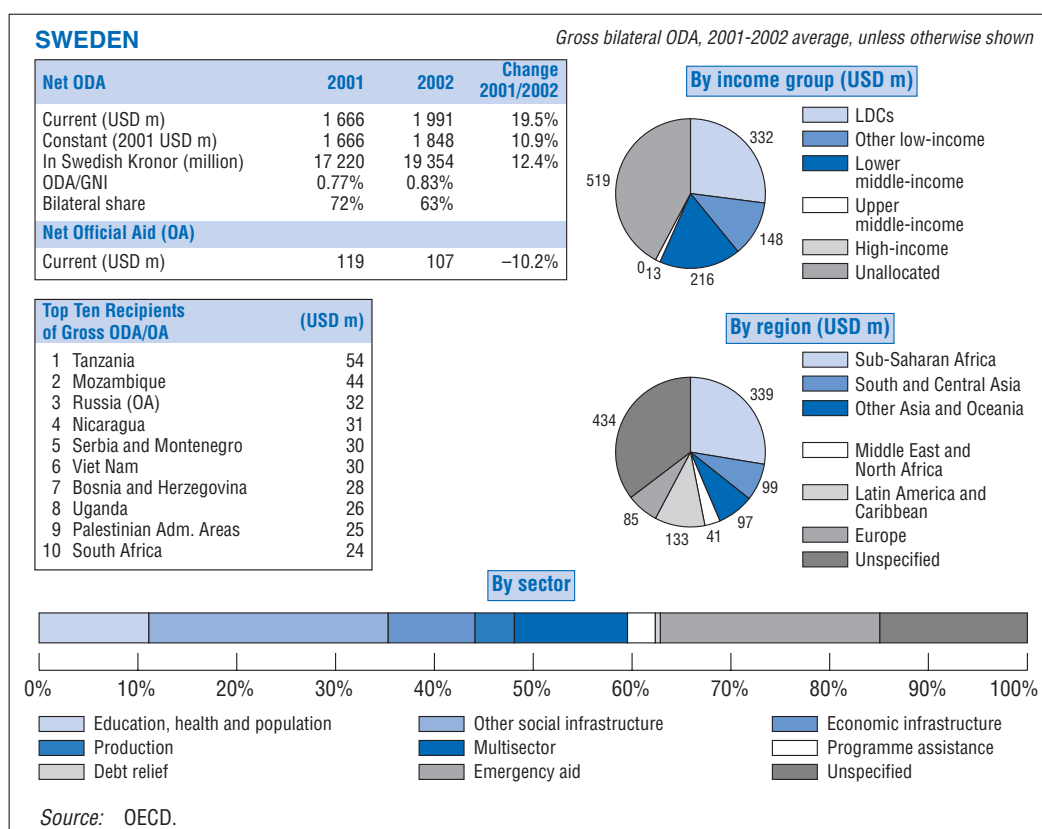
At USD 2 billion, Sweden's net ODA in 2002 represented 0.83% of its GNI, compared to 0.77% in 2001. The Swedish government currently aims to reach 1% of GNI by 2006. The government recently presented a new vision on Swedish development co-operation to Parliament.

Policy coherence. The government emphasises that development assistance alone cannot eradicate world poverty and that Swedish domestic policies often have an impact on poor people and countries. The government recognises the need to integrate development issues into all relevant national policy (including trade, agriculture, environment, security, migration and economic policy) and to use the widest possible range of policy instruments at its disposal to pursue its poverty reduction objective. All ministries are obliged to report yearly on how they have fulfilled Swedish objectives for global development.

Partnership approaches. Sweden is committed to the partnership approach. It participates actively in sector-wide approaches and works to develop new methods of improved donor co-ordination and aid effectiveness.

Poverty reduction policies. Poverty reduction remains the overall aim of Sweden's policy for global development. In line with this goal, Swedish bilateral aid is focused on least-developed countries, especially in sub-Saharan Africa. Sweden's approach to poverty reduction focuses on the individual and emphasises the importance of improving human rights.

Performance measurement. Sweden has a strong and well-developed evaluation system that is improved on an ongoing basis. Sweden has agreed to work towards achieving the internationally agreed Millennium Development Goals. It also supplements them with operational objectives seen as central to the Swedish aid programme (e.g. democracy, the rule of law and human rights).



Switzerland

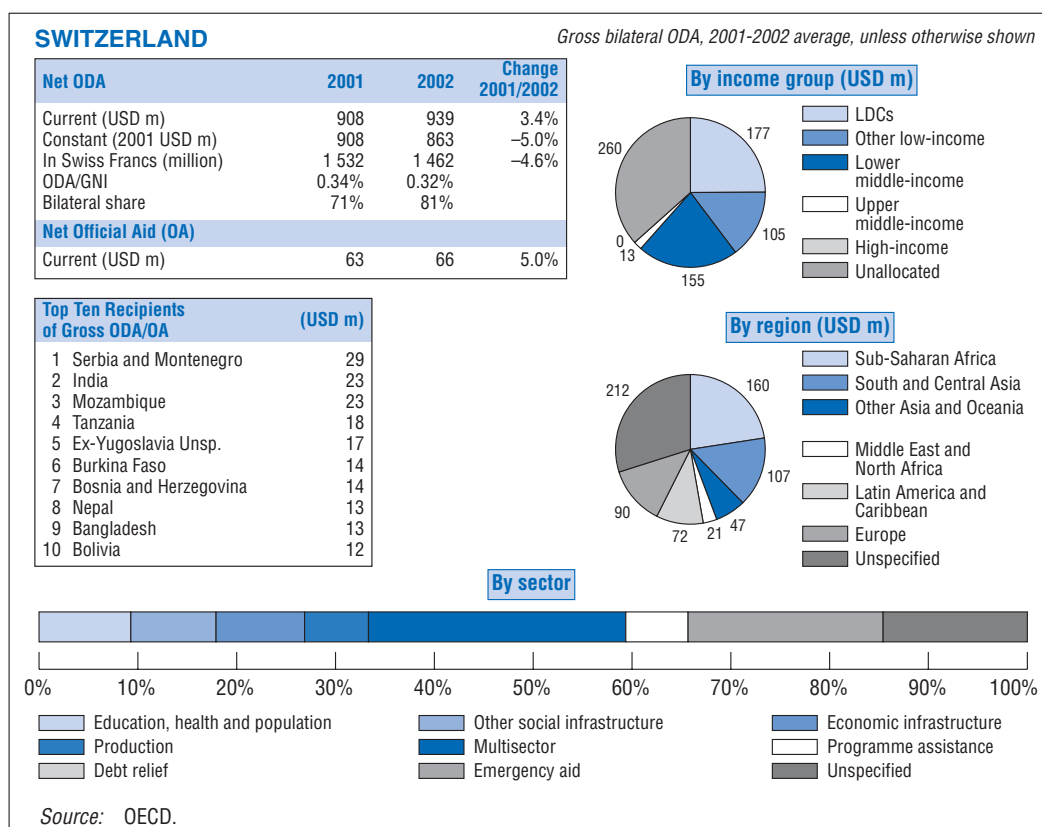
In 2002, Swiss ODA fell by 5% in real terms to USD 939 million and the ODA/GNI ratio declined from 0.34% to 0.32%. The aim is to reach 0.4% by 2010. Swiss bilateral aid is focused on low-income and least developed countries.

Partnership approaches are promoted with a selected number of priority countries where policy dialogue is under the responsibility of Swiss local representations. Although cautious about concrete modalities and local management capacity, Switzerland is engaged in sector-wide approaches involving budget support, in Burkina Faso, Tanzania and Mozambique. Because of the special role of international institutions in the context of globalisation, Switzerland's multilateral funding represents about a third of overall ODA.

Poverty reduction policies. New strategic orientations are being implemented, re-emphasising poverty reduction as a fundamental objective of Swiss development co-operation. Switzerland is also carrying out institutional changes to mainstream poverty reduction and support for basic social services in aid programmes.

Policy coherence. The promotion of policy coherence remains a priority. Current efforts aim at reinforcing coherence with development objectives across the entire government. Aid to the poorest countries was already untied before the adoption of the 2001 DAC Recommendation.

Performance measurement. As part of the implementation plan for the new strategy, a results-based system will be introduced together with performance indicators in line with ongoing international efforts to achieve the Millennium Development Goals.



United Kingdom

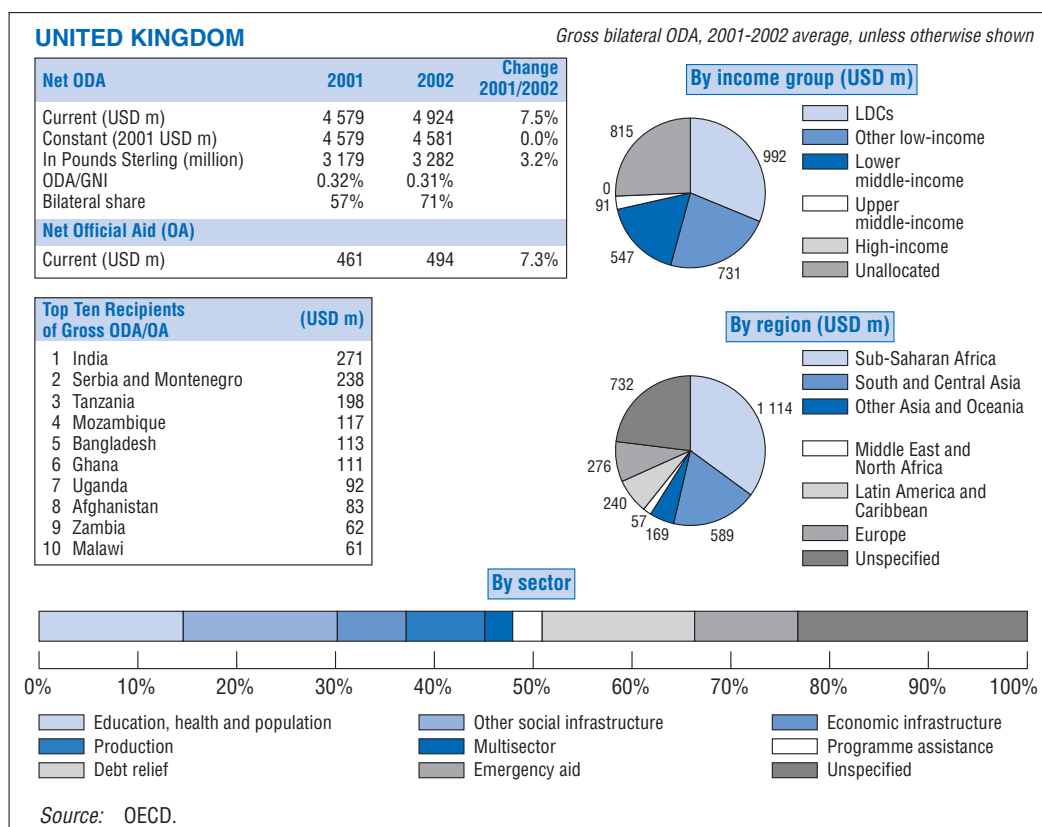
The United Kingdom's ODA was stable in 2002 and totalled USD 4.9 billion. Its ODA/GNI ratio fell slightly from 0.32% in 2001 to 0.31% in 2002 but there are plans to increase ODA to reach 0.40% of GNI by 2005.

Partnership approaches. The United Kingdom is committed to developing its partnership approaches. The Department for International Development (DFID) has established more offices in partner countries. The government seeks opportunities arising from its membership of the G7, DAC, EU and other multilateral forums to strengthen international interest in development issues.

Poverty reduction policies. Taking poverty reduction as the overarching aim, DFID gives close attention to its development strategy and encourages other donors to target funds towards low-income countries. DFID focuses spending in sectors that contribute to poverty reduction, including those that promote pro-poor economic growth. DFID welcomes and promotes poverty reduction strategies and sector-wide approaches and has developed mechanisms for budget support.

Policy coherence. The United Kingdom is committed to promoting coherence in government policy on all issues affecting developing countries. To make such coherence a reality, DFID works closely with other government departments on a range of issues including trade, conflict prevention, debt, the environment and child labour.

Performance measurement. DFID supports international efforts to develop a more results-based approach, through the development of indicators and joint evaluations. The Millennium Development Goals are an important point of reference for DFID. Its Public Service Agreement, strengthened by a detailed Service Delivery Agreement, provides the means for showing how DFID activities contribute towards achieving these longer-term international objectives while monitoring shorter-term performance.



United States

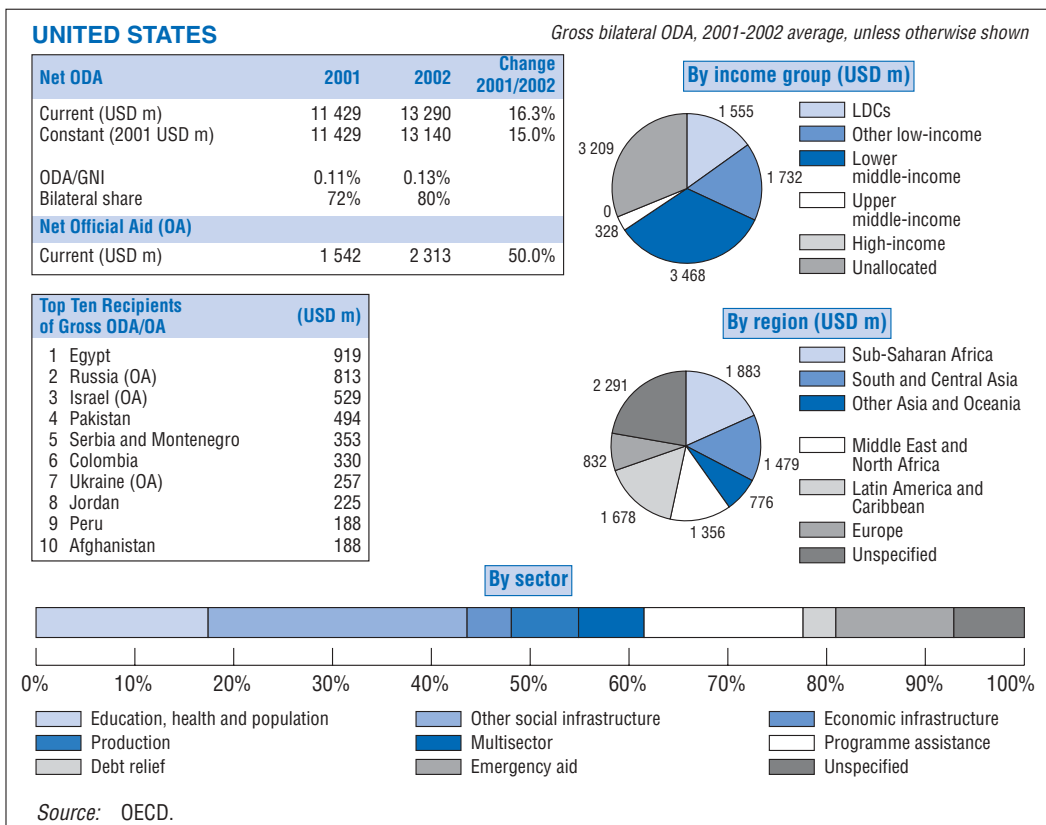
United States ODA volume increased by 15% in real terms in 2002 to USD 13.3 billion, making it the largest DAC donor. In 2002, the ODA/GNI ratio increased slightly to 0.13% but remains the lowest among DAC members. In early 2002, the United States announced plans for a Millennium Challenge Account (MCA) which will increase ODA by USD 5 billion annually by 2006. American bilateral ODA is most heavily allocated to lower middle-income countries (54%), is mainly grant assistance, and is relatively evenly distributed geographically among the developing regions of the world.

Partnership approaches. The “New Compact for Development” announced in 2002 advocates collaboration among development actors, both international and American. Field agencies engaged in development co-operation are asked to work with local partners to avoid overlaps, to increase overall effectiveness, and to support host country ownership. The United States Agency for International Development (USAID) launched a “Global Development Alliance” that aims at greater partnership among Americans working in development (NGOs, foundations, academic institutions and corporations). USAID has several international partnerships on themes such as HIV/AIDS.

Poverty reduction policies. The United States subscribes to the halving of extreme poverty by 2015. USAID strategic objectives (economic growth, agriculture and trade; global health; democracy, conflict prevention and humanitarian assistance) are seen as essential to sustainable poverty reduction. The United States considers private sector-led growth as essential to poverty reduction. USAID recently created an Office of Poverty Reduction.

Policy coherence. Ambassadors oversee coherence and co-ordination among the various US agencies in the Embassy “Country Team”. In Washington, co-ordination across agencies responsible for development co-operation is being strengthened, but it remains to be addressed more fully and systematically. The National Security Council encourages coherence across government through a series of high-level Policy Co-ordination Committees, including one on development.

Performance measurement. Since the Government Results Performance Act of 1993, USAID has used a system that tracks results through a co-ordinated planning-implementation monitoring process. The new MCA programme will use performance-based results as its operational focus.



Box 4.6. **Joint Assessment in Tanzania of the aid programmes of Denmark, Finland, Ireland and Japan**

Examiners: Belgium, Denmark, the European Community, Switzerland, and the United States

The DAC carried out a joint review in mid-2003 of the activities of four donors in Tanzania, one of the poorest countries with an agreed Poverty Reduction Strategy Paper (PRSP). This strategy provides the framework for donors' activities, and in this context there is a considerable amount of donor co-ordination activity at national and sector levels. The four donors under review, while sharing a common commitment to poverty reduction, approach the co-operation partnership with Tanzania in different ways, particularly as regards their views on budget support, sector approaches, the role of projects and technical assistance. They also have different institutional arrangements in Tanzania, to address the need for donor co-ordination and local decision-making.

Following insights from the previous DAC joint assessment exercise in 2001, the assessment in Tanzania focused on how the donors put their partnership approach into practice and how this promoted Tanzanian ownership of the development process. The assessment was done by recording observations against four major aspects of the aid relationship, namely: country strategies; organisation and management; ownership and partnership; and observations of operational implementation. The observations of these aspects then became the "agreed facts" about the four donors reviewed and provided the basis for the assessment of the specific strengths and weaknesses of the four donors, and ideas for how they might improve their performance.

The joint assessment found that, while the four donors shared the general perspective on the desirability of a partnership approach, nonetheless, each faced challenges in integrating their strategies with Tanzanian policy. The partnership approaches could be broader and more effective. Effective co-ordination was often constrained by organisational factors, such as relations between the country mission and the donor head office, or shortage of staff in Embassies. All these factors could constrain the effectiveness of aid programmes in supporting Tanzanian development.

Important lessons for all donors included:

- Donors' **country strategies** should be substantially aligned with a partner country's policy framework, when this establishes a shared policy vision for all partners and includes a focus on results and indicators for monitoring "ownership."
- Donors need to review the **organisation and management** of their country mission to respond effectively to the needs of partnership. Donors should encourage some experimentation.
- Donors could more effectively promote **country ownership** by encouraging the participation of all partners, including civil society and the private sector, in the development process and dialogue.
- Effective **partnership operations** should also reduce transactions costs by respecting a government's need to have "quiet periods" – free of monitoring missions and appraisal visits – to manage the country.

Notes on non-DAC members

The following section outlines the aid activities of non-DAC OECD members. Korea has provided sufficient data to produce an "Aid at a Glance" chart.

Czech Republic

In 2002, Czech ODA increased by 44% in real terms to reach USD 45 million, representing 0.07% of GNI. ODA was comprised of bilateral development projects, scholarships, humanitarian aid, assistance to refugees, debt relief and multilateral development aid which accounted for 31% of total ODA. All bilateral assistance was provided in grant form. By region, most bilateral aid was directed to the Balkans, South-East Asia, the NIS and Central America.

The Czech Republic's development co-operation is based on the 1995 Guidelines on Foreign Development Aid followed by the Concept of the Czech Development Aid. The Concept Paper stipulates main goals, principles and priorities for the 2002-2007 period. The system and operational procedures of providing development aid are being reassessed and modified to increase the integral aid effectiveness when taking into account best practices of the EU and OECD members.

One example of this process is the preparation of the medium-term financial outlook of Czech ODA, whose objective is to ensure predictability and growth of ODA volume in the coming years. The Czech Republic also benefits from co-operation with the EC, UNDP, Canada and other donors in its efforts to enhance national capacities for managing and providing development aid. A workshop with international participation on Emerging Donors, which took place in Prague in September 2002, has significantly promoted public awareness of development issues.

In the course of 2002, the Czech Republic actively participated in major international events, notably the International Conference on Financing for Development (Monterrey) and the World Summit on Sustainable Development (Johannesburg). The Czech Republic also held the Presidency of the 57th UN General Assembly.

Hungary

In 2001, Hungary disbursed approximately HUF 4.1 billion (USD 14 million) for development, through subsidy programmes in various ministries and institutions, amounting to 0.027% of its GNI. In 2002, this was increased to HUF 5.7 billion (USD 22 million), raising the ODA/GNI ratio to 0.035%. It is estimated that in 2003 Hungary's ODA was of a similar magnitude. Some unofficial estimates foresee a 0.1% ODA/GNI ratio by 2006.

The Hungarian government approved and adopted the Concept Paper for Hungary's new development co-operation in July 2001. In November 2002, a Department in charge of international development co-operation 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. The government has also created an Interdepartmental Ministerial Committee (IMC) whose Chairman is the Foreign Minister.

On 29 July 2003, the IMC decided on four partner countries, namely Serbia-Montenegro, Bosnia-Herzegovina, Viet Nam and the Palestinian Administered Areas. Other partner countries included Afghanistan, China, Iraq, Kyrgyzstan, Macedonia, Moldova, Mongolia, and Ukraine, and for the LDCs: Cambodia, Ethiopia, Laos and Yemen.

Poverty reduction is Hungary's principal development goal. Hungary will be obliged to comply with the EU regulations on development co-operation upon its accession to the EU. International development co-operation will primarily focus on the sectors and areas where Hungary has comparative advantages, such as: transfer of transition experiences, health, education, agriculture, and water management with a special emphasis on the cross-cutting issue of environmental protection.

The Civil Advisory Board, whose Chairman is the former President of Hungary and which represents all major stakeholders (NGOs, NGOs, private sector, political parties, etc.) began its work in September 2003. A new government decree is scheduled to be adopted by early 2004 on a mid-term strategy of Hungarian international development co-operation for 2004-2006.

Iceland

Iceland's ODA disbursements in 2002 totalled USD 12.6 million, representing 0.15% of GNI. Bilateral aid amounted to USD 4.8 million, a modest decrease from 2001. In 2002, multilateral aid totalled USD 7.8 million, up from USD 4.8 million in 2001.

Iceland's development assistance is an integral part of its foreign policy and is under the auspices of the Ministry for Foreign Affairs. The Icelandic International Development Agency (ICEIDA), an independent institution attached to the Ministry for Foreign Affairs, is responsible for implementing Iceland's bilateral development assistance.

The main beneficiaries of Iceland's bilateral assistance are countries in Southern Africa, namely Mozambique, Malawi, Uganda and Namibia. Icelandic bilateral assistance is almost exclusively untied and

composed solely of grants. Multilateral development assistance is mostly channelled through the World Bank and United Nations agencies, as well as through the Nordic Development Fund (NDF).

The main objective of Iceland's development assistance is the promotion of sustainable economic and social development in the developing world. Since 1997, Iceland has increased its bilateral support for social sector development with projects and activities in the areas of health, education and gender equality.

Also, because of Iceland's expertise in the sustainable use of natural resources, Iceland has actively assisted developing countries in the sectors of fisheries and renewable energies. Iceland finances and operates two United Nations University Programmes – the Geothermal Training Programme and the Fisheries Training Programme, both based in Iceland.

An expert review of Iceland's development affairs as of 1997 was published in September 2003. The review makes recommendations for the coming years, including specific proposals for an increase in aid volume.

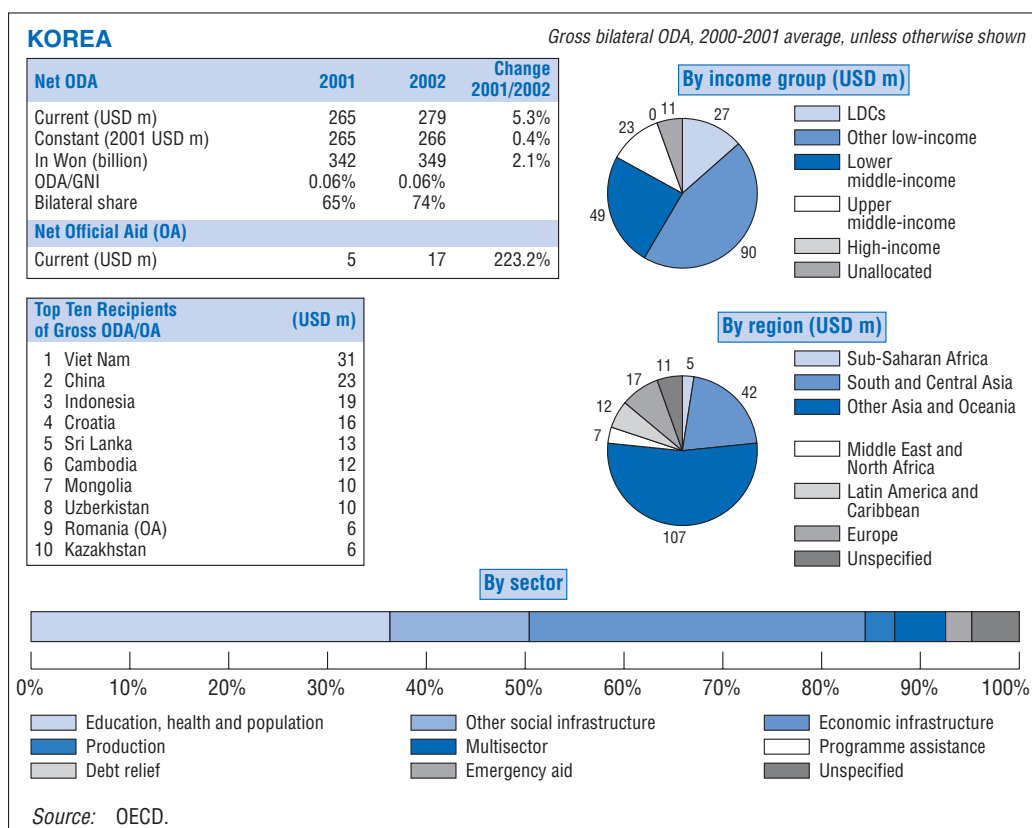
Korea

Korea's total ODA slightly increased from USD 265 million in 2001 to USD 279 million in 2002, but stayed stable in real terms. Multilateral ODA decreased slightly in 2002, but bilateral ODA increased to USD 207 million from USD 172 million in 2001. This was due to a 13% rise in the disbursement of concessional loans and to a 20% increase in grants in 2002. Multilateral ODA decreased to USD 72 million from USD 93 million in 2001, principally due to the increase of loan repayments from multilateral organisations.

Over 78% of Korea's bilateral ODA was provided to Asia. In 2002, the main sector destinations were transportation and communication (28%), education (27%), health (15%), water and sanitation (14%).

Korea's ODA/GNI ratio remains low, at 0.06%. However, the Korean government intends to increase ODA gradually to the level of 0.1% in the near future.

Korea's ODA programmes are based on a number of key objectives. First, Korea's focus in assisting sustainable economic and social development is on human resource development and bridging the digital divide. Second, through its ODA activities, Korea consistently pursues the promotion of democracy, the market economy and human rights. Third, extending emergency relief to developing countries is one of Korea's highest priorities. Finally, Korea endeavours to actively participate in a broader range of global issues that include the environment, gender equality and poverty reduction.



Mexico

Mexican international co-operation constitutes an important instrument of foreign policy, and is complementary to national development efforts. Because of its own economic development, Mexico plays a dual role in the field of international co-operation. It is both a receiver and a provider of development co-operation, and is an active participant in south-south co-operation partnerships with countries of similar level of development.

The Mexican government carries out programmes of co-operation for the benefit of developing countries with common interests, particularly in Central America and the Caribbean. This co-operation uses the experience of Mexican specialists to help solve specific and common problems. Currently there are 360 projects with Central America and the Caribbean involving the participation of Mexican specialists, civil employees and technicians in areas such as agriculture, environment, natural resources, health, technical education, social development, tourism, public administration, fisheries, transport and communications and urban development, among donors.

Co-operation with countries of Central America is offered in technical, scientific, educational and cultural fields in a wide range of subjects. During 2003, Mexico has provided co-operation through 213 bilateral projects and 36 projects at the regional level. In Caribbean countries, Mexico has provided co-operation through 91 projects. An additional 20 projects are in process at the regional level. In the field of educational co-operation, Mexico continues to offer assistance to promote the Spanish language to facilitate future exchanges with Anglo-phone countries in the region.

Mexico undertakes constant efforts to establish joint programmes with other countries and international organisations that provide co-operation to the above mentioned regions. In 2003, it participated in trilateral programmes with Japan in Latin American countries; with Canada in Honduras, Nicaragua and El Salvador. Twelve trilateral projects are underway in the areas of agriculture, environment, natural resources, fisheries and health.

Poland

In 2002 Polish ODA totalled USD 14.3 million, representing 0.008% of GNI, a fall from USD 36 million in 2001. The decrease of ODA volume is in part due to the final phase of concessional loan agreements with two Asian countries and also to Poland's difficult budgetary situation. In 2002, bilateral ODA amounted to USD 8.9 million, while USD 5.4 million was channelled through multilateral institutions. However, official aid to countries on Part II of the DAC List of Aid Recipients totalled USD 15.2 million, an increase of USD 6.9 million over 2001.

In 2002 Polish bilateral ODA was provided to selected developing countries, including China, Kazakhstan, Viet Nam, Afghanistan and Moldova. Among the main beneficiaries of official aid in 2002 were Ukraine, Belarus and Russia. Several ministries traditionally provide Polish ODA and OA, including the Ministry of Foreign Affairs, the Ministry of Finance and the Ministry of Education. In 2002 they offered mainly technical assistance, humanitarian aid and concessional loans.

The *Strategy of Poland's Development Co-operation*, a government document defining main objectives and principles of development policy as well as institutional mechanisms and procedures of foreign aid delivery, now governs Poland's development co-operation programme. The Strategy aims at strengthening the MFA co-ordination over the national aid policy and at focusing it on the overarching goal of poverty eradication and ensuring sustainable development in partner countries. In the context of the accession to the European Union, the Ministry of Foreign Affairs intends also to prepare a Law on Development Co-operation in order to incorporate the OECD/DAC and EU rules, principles and best practices into the Polish legal system.

Slovakia

Slovakia's ODA disbursements in 2002 totalled USD 6.7 million, representing 0.024% of GNI compared with 0.042% in 2001. The decrease in the ODA/GNI ratio was mainly due to a lower level of financial resources (a decrease of USD 1.6 million). Growth of GNI and changes in the methodology of calculations were additional factors. Slovak bilateral aid accounted for 56% of total ODA while the share of multilateral aid represented 44%. Of bilateral aid, 72% (USD 2.7 million) was given for humanitarian assistance by the Migration Office of the Ministry of Interior. (The reported overall administrative costs are included in this figure. This is due to the fact that no other ministry or agency, except the Migration Office, reported administrative costs.) In addition, in 2002, Slovakia provided USD 2.5 million in official aid.

2003 marked substantive changes in the system of ODA provision. The overall responsibility and co-ordinating role of the Ministry of Foreign Affairs was strengthened. On 6 June 2003, the government approved the medium-term ODA strategy for the period 2003-2008. The Strategy contains main principles, goals and priorities of Slovak

development assistance. It provides a basic framework for the elaboration of annual national programmes that will further specify ODA activities.

The first such annual programme for 2003 was adopted by the government in July 2003. In its framework, SKK 141.8 million (approx. USD 3.67 million) were provided for new specific projects. These were divided as follows: SKK 81.8 million for multilateral ODA through the newly created UNDP Trust Fund, SKK 55 million for bilateral aid to Serbia and Montenegro and SKK 5 million for administrative costs.

It is envisaged that resources available for annual programmes will experience consistent growth, reaching SKK 1 110 million in 2006, in line with the goal to achieve an ODA/GNI ratio of 0.125% in 2011 as recognized by the government in April 2002.

Turkey

In 2002, Turkey's ODA increased to USD 73 million, up from USD 64 million in 2001. As a share of national income, ODA remained stable at 0.04% of GNI. Turkish official aid increased markedly, from USD 4 million in 2001 to USD 12 million in 2002. All Turkish aid is in the form of grants. Bilateral assistance increased to 37% of Turkey's total ODA, and technical co-operation remained the main instrument of bilateral ODA and OA.

Turkey began providing development aid in 1985 and since 1997, the ODA it has disbursed has exceeded the ODA it has received, so it has become a net donor. Turkey's eighth five-year plan (covering the years 2001-2005) calls for taking the required initiatives to become a member of the DAC. Legislative and restructuring processes begun in 2001 will continue with the efforts of all related public agencies.

The principal body dealing with the administration of Turkish development aid is the Turkish International Co-operation Agency (TICA) which is an autonomous technical co-operation organisation under the Prime Minister. It contributes to institutional development and the improvement of human resources in partner countries by way of technical co-operation in various fields including private sector development, agriculture, health, environment, taxation, banking, infrastructure, legislation and tourism.

The basic principles underlying TICA's co-operation policies are: respect for the national, social and cultural values of partner countries, making use of the existing technologies of aid recipient countries, equal responsibility and joint management in project implementation and extending priority to institutional and human resources.

Technical Notes

Glossary of Key Terms and Concepts

(Cross-references are given in CAPITALS)

AID: The words “aid” and “assistance” in this publication refer only to flows which qualify as OFFICIAL DEVELOPMENT ASSISTANCE (ODA) or OFFICIAL AID (OA).

AMORTISATION: Repayments of principal on a LOAN. Does not include interest payments.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with other official or private funds to form finance packages. Associated Financing packages are subject to the same criteria of concessionality, developmental relevance and recipient country eligibility as TIED AID credits.

BILATERAL: See TOTAL RECEIPTS.

CLAIM: The entitlement of a creditor to repayment of a LOAN; by extension, the loan itself or the outstanding amount thereof.

COMMITMENT: A firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of DISBURSEMENTS. Commitments to multilateral organisations are reported as the sum of i) any disbursements in the year in question which have not previously been notified as commitments and ii) expected disbursements in the following year.

CONCESSIONALITY LEVEL: A measure of the “softness” of a credit reflecting the benefit to the borrower compared to a LOAN at market rate (cf. GRANT ELEMENT). Technically, it is calculated as the difference between the nominal value of a TIED AID credit and the present value of the debt service as of the date of DISBURSEMENT, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of this volume. Further details are given in the DAC at Work section of this volume.

DAC LIST OF AID RECIPIENTS: For statistical purposes, the DAC uses a List of Aid Recipients which it revises every three years. The “Notes on Definitions and Measurement” below give details of revisions in recent years. From 1 January 2000, Part I of the List is presented in the following categories (the word “countries” includes territories):

- **LDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

- **Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNI \$760 or less in 1998 (World Bank Atlas basis).
- **LMICs:** Lower Middle-Income Countries, i.e. with GNI per capita (Atlas basis) between \$761 and \$3 030 in 1998. LDCs which are also LMICs are only shown as LDCs – not as LMICs.
- **UMICs:** Upper Middle-Income Countries, i.e. with GNI per capita (Atlas basis) between \$3 031 and \$9 360 in 1998.
- **HICs:** High-Income Countries, i.e. with GNI per capita (Atlas basis) more than \$9 360 in 1998.

Part II of the List comprises “Countries in Transition”. These comprise i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries. See also OFFICIAL AID.

DEBT REORGANISATION (also: **RESTRUCTURING**): Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include **forgiveness** (extinction of the LOAN), or **rescheduling** which can be implemented either by revising the repayment schedule or extending a new **refinancing** loan. See also “Notes on Definitions and Measurement” below.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of LOAN principal or recoveries on GRANTS received during the same period).

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

GRACE PERIOD: See GRANT ELEMENT.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a COMMITMENT: interest rate, MATURITY and grace period (interval to first repayment of capital). It measures the concessionality of a LOAN, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, i.e. an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a loan at less than 10% interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the **grant equivalent** of that loan (cf. CONCESSIONALITY LEVEL). (Note: in classifying receipts, the grant element concept is not applied to the operations of the multilateral development banks. Instead,

these are classified as concessional if they include a subsidy (“soft window” operations) and non-concessional if they are unsubsidised (“hard window” operations).

GRANT-LIKE FLOW: A transaction in which the donor country retains formal title to repayment but has expressed its intention in the COMMITMENT to hold the proceeds of repayment in the borrowing country for the benefit of that country.

LOANS: Transfers for which repayment is required. Only loans with MATURITIES of over one year are included in DAC statistics. The data record actual flows throughout the lifetime of the loans, not the **grant equivalent** of the loans (cf. GRANT ELEMENT). Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total NET FLOWS over the life of the loan is zero.

LONG-TERM: Used of LOANS with an original or extended MATURITY of more than one year.

MATURITY: The date at which the final repayment of a LOAN is due; by extension, the duration of the loan.

MULTILATERAL AGENCIES: In DAC statistics, those international institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (e.g. World Bank, regional development banks), United Nations agencies, and regional groupings (e.g. certain European Community and Arab agencies). A contribution by a DAC member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency. Unless otherwise indicated, capital subscriptions to multilateral development banks are presented on a **deposit** basis, i.e. in the amount and as at the date of lodgement of the relevant letter of credit or other negotiable instrument. Limited data are available on an encashment basis, i.e. at the date and in the amount of each drawing made by the agency on letters or other instruments.

NET FLOW: The total amount disbursed over a given accounting period, less repayments of LOAN principal during the same period, no account being taken of interest.

NET TRANSFER: In DAC statistics, NET FLOW minus payments of interest.

OFFICIAL AID (OA): Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC List of Aid Recipients (see RECIPIENT COUNTRIES AND TERRITORIES).

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) that are: undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a GRANT ELEMENT of at least 25%).

In addition to financial flows, TECHNICAL CO-OPERATION is included in aid. Grants, loans and credits for military purposes are excluded. For the treatment of the forgiveness of loans originally extended for military purposes, see “Notes on Definitions and Measurement” below.

OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries: includes a) bilateral ODA, b) GRANTS and concessional and non-concessional development lending by multilateral financial institutions, and c) those

OTHER OFFICIAL FLOWS which are considered developmental (including refinancing LOANS) but which have too low a GRANT ELEMENT to qualify as ODA.

OFFSHORE BANKING CENTRES: Countries or territories whose financial institutions deal primarily with non-residents.

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID, either because they are not primarily aimed at development, or because they have a GRANT ELEMENT of less than 25%.

PARTIALLY UNTIED AID: Official Development Assistance for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries. Partially untied aid is subject to the same disciplines as TIED AID credits and ASSOCIATED FINANCING.

PRIVATE FLOWS: Consist of flows at market terms financed out of private sector resources (i.e. changes in holdings of private LONG-TERM assets held by residents of the reporting country) and private grants (i.e. grants by **non-governmental organisations**, net of subsidies received from the official sector). In presentations focusing on the receipts of recipient countries, flows at market terms are shown as follows:

- **Direct investment:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of Aid Recipients (see RECIPIENT COUNTRIES AND TERRITORIES). “Lasting interest” implies a long-term relationship where the direct investor has a significant influence on the management of the enterprise, reflected by ownership of at least 10% of the shares, or equivalent voting power or other means of control. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.
- **International bank lending:** Net lending to countries on the DAC List of Aid Recipients by banks in OECD countries. LOANS from central monetary authorities are excluded. Guaranteed bank loans and bonds are included under OTHER PRIVATE or BOND LENDING (see below) in these presentations.
- **Bond lending:** Net completed international bonds issued by countries on the DAC List of Aid Recipients.
- **Other private:** Mainly reported holdings of equities issued by firms in aid recipient countries.

In data presentations which focus on the outflow of funds from donors, private flows other than direct investment are restricted to credits with a MATURITY of greater than one year and are usually divided into:

- **Private export credits:** See EXPORT CREDITS.
- **Securities of multilateral agencies:** This covers the transactions of the private non-bank and bank sector in bonds, debentures, etc., issued by multilateral institutions.
- **Bilateral portfolio investment and other:** Includes bank lending and the purchase of shares, bonds and real estate.

SHORT-TERM: Used of LOANS with a MATURITY of one year or less.

TECHNICAL CO-OPERATION: Includes both a) GRANTS to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to

consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical co-operation in statistics of aggregate flows.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries. Tied aid loans, credits and ASSOCIATED FINANCING packages are subject to certain disciplines concerning their CONCESSIONALITY LEVELS, the countries to which they may be directed, and their developmental relevance so as to avoid using aid funds on projects that would be commercially viable with market finance, and to ensure that recipient countries receive good value. Details are given in the **Development Co-operation Reports** for 1987 (pp. 177-181) and 1992 (pp. 10-11).

TOTAL RECEIPTS: The inflow of resources to aid recipient countries (see Table 1 of the Statistical Annex) includes, in addition to ODF, official and private EXPORT CREDITS, and LONG- and SHORT-TERM private transactions (see PRIVATE FLOWS). Total receipts are measured net of AMORTIZATION payments and repatriation of capital by private investors. **Bilateral** flows are provided directly by a donor country to an aid recipient country. **Multilateral** flows are channelled via an international organisation active in development (e.g. World Bank, UNDP). In tables showing total receipts of recipient countries, the outflows of multilateral agencies to those countries is shown, not the contributions which the agencies received from donors.

UNDISBURSED: Describes amounts committed but not yet spent. See also COMMITMENT, DISBURSEMENT.

UNTIED AID: Official Development Assistance for which the associated goods and services may be fully and freely procured in substantially all countries. See also Chapter 3, Box 3.5, which outlines progress with the 2001 Dac Recommendation on Untying ODA to the Least Developed Countries.

VOLUME (real terms): The flow data in this publication are expressed in US dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period. A table of combined conversion factors (deflators) is provided in the Statistical Annex (Table 36) which allows any figure in the Report in current USD to be converted to dollars of the reference year ("constant prices").

Notes on Definitions and Measurement

The coverage of the data presented in this Report has changed in recent years. The main points are:

Changes in the ODA concept and the coverage of GNI

While the definition of Official Development Assistance has not changed since 1972, some changes in interpretation have tended to broaden the scope of the concept. The main ones are the recording of administrative costs as ODA (from 1979), the imputation as ODA of the share of subsidies to educational systems representing the cost of educating students from aid recipient countries (first specifically identified in 1984), and the inclusion of assistance provided by donor countries in the first year after the arrival of a refugee from an aid recipient country (eligible to be reported from the early 1980s but widely used only since 1991).

Precise quantification of the effects of these changes is difficult because changes in data collection methodology and coverage are often not directly apparent from members' statistical returns. The amounts involved can, however, be substantial. For example, reporting by Canada in 1993 included for the first time a figure for in-Canada refugee support. The amount involved (\$184 m) represented almost 8% of total Canadian ODA. Aid flows reported by Australia in the late 1980s, it has been estimated, were some 12% higher than had they been calculated according to the rules and procedures applying fifteen years earlier.*

The coverage of national income has also been expanding through the inclusion of new areas of economic activity and the improvement of collection methods. In particular, the new System of National Accounts (SNA) co-sponsored by the OECD and other major international organisations broadens the coverage of GNI, now renamed GNI – Gross National Income. This tends to depress donors' ODA/GNI ratios. Norway's and Denmark's ODA/GNI ratios declined by 6 to 8% as a result of moving to the new SNA in the mid-1990s. Finland and Australia later showed smaller falls of 2 to 4%. All DAC members are now using the new SNA.

Recipient country coverage

Since 1990, the following entities have been added to the list of ODA recipients at the dates shown: the Black Communities of South Africa (1991 – now simply South Africa); Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan (1992); Armenia, Georgia and Azerbaijan (1993), Palestinian Administered Areas (1994), Moldova (1997). Eritrea, formerly part of Ethiopia, has been treated as a separate country from 1993. The former United States Trust Territory of the Pacific Islands has been progressively replaced by its independent successor states, viz. Federated States of Micronesia and Marshall Islands (1992); Palau Islands (1994).

* S. Scott, "Some Aspects of the 1988/89 Aid Budget", in *Quarterly Aid Round-up*, No. 6, AIDAB, Canberra, 1989, pp. 11-18.

Over the same period, the following countries and territories have been removed from the ODA recipient list: Portugal (1991); French Guyana, Guadeloupe, Martinique, Réunion and St Pierre and Miquelon (1992), Greece (1994).

From 1993, several CEEC/NIS countries in transition have been included on Part II of a new List of Aid Recipients (the List is given on the next page). Aid to countries on Part II of the List is recorded as “Official Aid”, not as ODA. To avoid overlap, Part II of the new List does not include those CEEC/NIS countries which have been classified as ODA recipients.

From 1996, the following High-Income Countries were transferred from Part I to Part II of the List: Bahamas, Brunei, Kuwait, Qatar, Singapore and United Arab Emirates. From 1997, seven further High-Income Countries were transferred to Part II: Bermuda, Cayman Islands, Chinese Taipei, Cyprus, Falkland Islands, Hong Kong (China), and Israel. From 1 January 2000, Aruba, the British Virgin Islands, French Polynesia, Gibraltar, Korea, Libya, Macao, Netherlands Antilles, New Caledonia and Northern Marianas progressed to Part II. In 2001, Senegal transferred to the group of LDCs, and Northern Marianas left the List.

Data on total aid to Part I countries (ODA) and total aid to Part II countries (OA) follow the recipient list for the year in question. However, when a country is added to or removed from an income group in Part I, totals for the groups affected are adjusted retroactively to maximise comparability over time with reference to the current list.

Donor country coverage

Spain and Portugal joined the DAC in 1991, Luxembourg joined in 1992 and Greece joined in 1999. Their assistance is now counted within the DAC total. ODA flows from these countries before they joined the DAC have been added to earlier years’ data where available. The accession of new members has added to total DAC ODA, but has usually reduced the overall ODA/GNI ratio, since their programmes are often smaller in relation to GNI than those of the longer-established donors.

Treatment of debt forgiveness

The treatment of the **forgiveness of loans not originally reported as ODA** varied in earlier years. Up to and including 1992, where forgiveness of non-ODA debt met the tests of ODA it was reportable as ODA. From 1990 to 1992 inclusive it remained reportable as part of a country’s ODA, but was excluded from the DAC total. From 1993, forgiveness of debt originally intended for **military** purposes has been reportable as “Other Official Flows”, whereas forgiveness of other non-ODA loans (mainly **export credits**) recorded as ODA is included both in country data and in total DAC ODA in the same way as it was until 1989.

The **forgiveness of outstanding loan principal originally reported as ODA** does not give rise to a new net disbursement of ODA. Statistically, the benefit is reflected in the fact that because the cancelled repayments will not take place, net ODA disbursements will not be reduced.

Reporting year

All data in this publication refer to calendar years, unless otherwise stated.

DAC List of Aid Recipients – For 2002 Flows

Part I: Developing Countries and Territories (Official Development Assistance)					Part II: Countries and Territories in Transition (Official Aid)		
LDCs	Other LICs (per capita GNI < \$760 in 1998)	LMICs (per capita GNI \$761-\$3 030 in 1998)		UMICs (per capita GNI \$3 031-\$9 360 in 1998)	HICs (per capita GNI > \$9 360 in 1998) ¹	CEECs/NIS	More Advanced Developing Countries and Territories
Afghanistan	* Armenia	* Albania	Palestinian	Botswana	Malta ¹	* Belarus	● Aruba
Angola	* Azerbaijan	Algeria	Administered	Brazil	Slovenia ¹	* Bulgaria	Bahamas
Bangladesh	Cameroon	Belize	Areas	Chile		* Czech	● Bermuda
Benin	China	Bolivia	Papua New	Cook Islands		Republic	Brunei
Bhutan	Congo, Rep.	Bosnia and	Guinea	Croatia		* Estonia	● Cayman Islands
Burkina Faso	Côte d'Ivoire	Herzegovina	Paraguay	Gabon		* Hungary	Chinese Taipei
Burundi	Ghana	Colombia	Peru	Grenada		* Latvia	Cyprus
Cambodia	Honduras	Costa Rica	Philippines	Lebanon		* Lithuania	● Falkland Islands
Cape Verde	India	Cuba	Serbia and	Malaysia		* Poland	● French
Central African	Indonesia	Dominica	Montenegro	Mauritius		* Romania	Polynesia
Republic	Kenya	Dominican	South Africa	● Mayotte		* Russia	● Gibraltar
Chad	Korea, Dem. Rep.	Republic	Sri Lanka	Mexico		* Slovak	● Hong Kong,
Comoros	* Kyrgyz Rep.	Ecuador	St Vincent and	Nauru		Republic	China
Congo, Dem. Rep.	* Moldova	Egypt	Grenadines	Palau Islands		* Ukraine	Israel
Djibouti	Mongolia	El Salvador	Suriname	Panama			Korea
Equatorial Guinea	Nicaragua	Fiji	Swaziland	● St Helena			Kuwait
Eritrea	Nigeria	* Georgia	Syria	St Lucia			Libya
Ethiopia	Pakistan	Guatemala	Thailand	Trinidad and			● Macao
Gambia	* Tajikistan	Guyana	● Tokelau	Tobago			● Netherlands
Guinea	Timor-Leste	Iran	Tonga	Turkey			Antilles
Guinea-Bissau	* Turkmenistan	Iraq	Tunisia	Uruguay			● New Caledonia
Haiti	Viet Nam	Jamaica	* Uzbekistan	Venezuela			Qatar
Kiribati	Zimbabwe	Jordan	● Wallis				Singapore
Laos		* Kazakhstan	and Futuna				United Arab
Lesotho		Macedonia		Threshold for			Emirates
Liberia		(former		World Bank Loan			● Virgin Islands
Madagascar		Yugoslav		Eligibility			(UK)
Malawi		Republic)		(\$5 280 in 1998)			
Maldives		Marshall Islands		● Anguilla			
Mali		Micronesia,		Antigua			
Mauritania		Federated		and Barbuda			
Mozambique		States		Argentina			
Myanmar		Morocco		Bahrain			
Nepal		Namibia		Barbados			
Niger		Niue		● Montserrat			
Rwanda				Oman			
Samoa				Saudi Arabia			
São Tomé and				Seychelles			
Príncipe				St Kitts and Nevis			
Senegal				● Turks and			
Sierra Leone				Caicos Islands			
Solomon Islands							
Somalia							
Sudan							
Tanzania							
Togo							
Tuvalu							
Uganda							
Vanuatu							
Yemen							
Zambia							

* Central and Eastern European countries and New Independent States of the former Soviet Union (CEECs/NIS)

● Territory

1. These countries and territories transfer to Part II on 1 January 2003.

As of July 2002, the **Heavily Indebted Poor Countries (HIPC)** are : Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo (Dem. Rep.), Congo (Rep.), Côte d'Ivoire, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Laos, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Viet Nam, Yemen and Zambia.

Source: OECD.

List of Acronyms*

ACP	AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES
AfDB	AFRICAN DEVELOPMENT BANK
AfDF	AFRICAN DEVELOPMENT FUND
AsDB	ASIAN DEVELOPMENT BANK
AsDF	ASIAN DEVELOPMENT FUND
ASEAN	ASSOCIATION OF SOUTH-EAST ASIAN NATIONS
BIS	BANK FOR INTERNATIONAL SETTLEMENTS
CCA	COMMON COUNTRY ASSESSMENT
CDF	COMPREHENSIVE DEVELOPMENT FRAMEWORK
CDM	CLEAN DEVELOPMENT MECHANISM (Kyoto Protocol)
CEC	COMMISSION OF THE EUROPEAN COMMUNITIES
CEECs	CENTRAL AND EASTERN EUROPEAN COUNTRIES
CGIAR	CONSULTATIVE GROUP ON INTERNATIONAL AGRICULTURAL RESEARCH
CPE	COUNTRY PROGRAMME EVALUATION
CPIA	COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT
CRS	CREDITOR REPORTING SYSTEM (of the DAC)
CSOs	CIVIL SOCIETY ORGANISATIONS
DAC	DEVELOPMENT ASSISTANCE COMMITTEE
DDR	DOHA DEVELOPMENT ROUND
DCD	DEVELOPMENT CO-OPERATION DIRECTORATE (OECD)
EBRD	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
EC	EUROPEAN COMMUNITY
ECA	ECONOMIC COMMISSION FOR AFRICA
EDF	EUROPEAN DEVELOPMENT FUND
EU	EUROPEAN UNION
FDI	FOREIGN DIRECT INVESTMENT
GNI	GROSS NATIONAL INCOME
HIPCs	HEAVILY INDEBTED POOR COUNTRIES
HPI	HUMAN POVERTY INDEX
IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ICTs	INFORMATION AND COMMUNICATIONS TECHNOLOGIES
IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION
IDB	INTER-AMERICAN DEVELOPMENT BANK

* This list is not exhaustive. See also Chapter 4 of this Report for country-specific acronyms.

IFAD	INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
IFC	INTERNATIONAL FINANCE CORPORATION
ILO	INTERNATIONAL LABOUR ORGANISATION
IMF	INTERNATIONAL MONETARY FUND
IRTA	INVESTMENT-RELATED TECHNICAL ASSISTANCE
ITC	INTERNATIONAL TRADE CENTRE
JCLA	JOINT COUNTRY LEARNING ASSESSMENTS
LDCs	LEAST DEVELOPED COUNTRIES
MDBs	MULTILATERAL DEVELOPMENT BANKS
MDGs	MILLENNIUM DEVELOPMENT GOALS
NEPAD	NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
NGO	NON-GOVERNMENTAL ORGANISATION
NIS	NEW INDEPENDENT STATES (of the former Soviet Union)
NSSDs	NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT
ODA	OFFICIAL DEVELOPMENT ASSISTANCE
ODF	OFFICIAL DEVELOPMENT FINANCE
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
OOF	OTHER OFFICIAL FLOWS
PDGG	PARTICIPATORY DEVELOPMENT AND GOOD GOVERNANCE
PRGF	POVERTY REDUCTION AND GROWTH FACILITY (IMF)
PRSP	POVERTY REDUCTION STRATEGY PAPER/PROGRAMME
RBM	RESULTS-BASED MANAGEMENT
SAF	STRUCTURAL ADJUSTMENT FACILITY
SDR	SPECIAL DRAWING RIGHT
SNA	SYSTEM OF NATIONAL ACCOUNTS
SPA	STRATEGIC PARTNERSHIP WITH AFRICA
SPS	SECTOR PROGRAMME SUPPORT
SSA	SUB-SAHARAN AFRICA
SWAPs	SECTOR-WIDE APPROACHES
TC	TECHNICAL CO-OPERATION
TRPM	TRADE POLICY AND REVIEW MECHANISM (WTO)
TRTA	TRADE-RELATED TECHNICAL ASSISTANCE
UN	UNITED NATIONS
UNGED	UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT, RIO DE JANEIRO, 1992
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNDAF	UNITED NATIONS DEVELOPMENT ASSISTANCE FRAMEWORK
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME
UNEP	UNITED NATIONS ENVIRONMENT PROGRAMME
UNESCO	UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANISATION
UNFCCC	UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
UNFPA	UNITED NATIONS FUND FOR POPULATION ACTIVITIES

UNHCR	UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES
UNICEF	UNITED NATIONS CHILDREN'S FUND
USD	UNITED STATES DOLLAR
WHO	WORLD HEALTH ORGANISATION
WSSD	WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT (Johannesburg, 2002)
WTO	WORLD TRADE ORGANIZATION

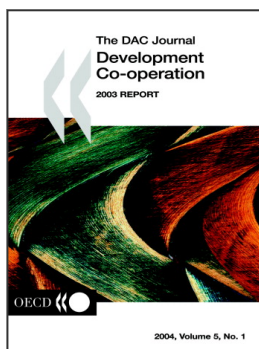
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From:
Development Co-operation Report 2003
Efforts and Policies of the Members of the Development Assistance Committee

Access the complete publication at:

<https://doi.org/10.1787/dcr-2003-en>

Please cite this chapter as:

OECD (2004), "Policies and Efforts of Bilateral Donors", in *Development Co-operation Report 2003: Efforts and Policies of the Members of the Development Assistance Committee*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/dcr-2003-5-en>

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