

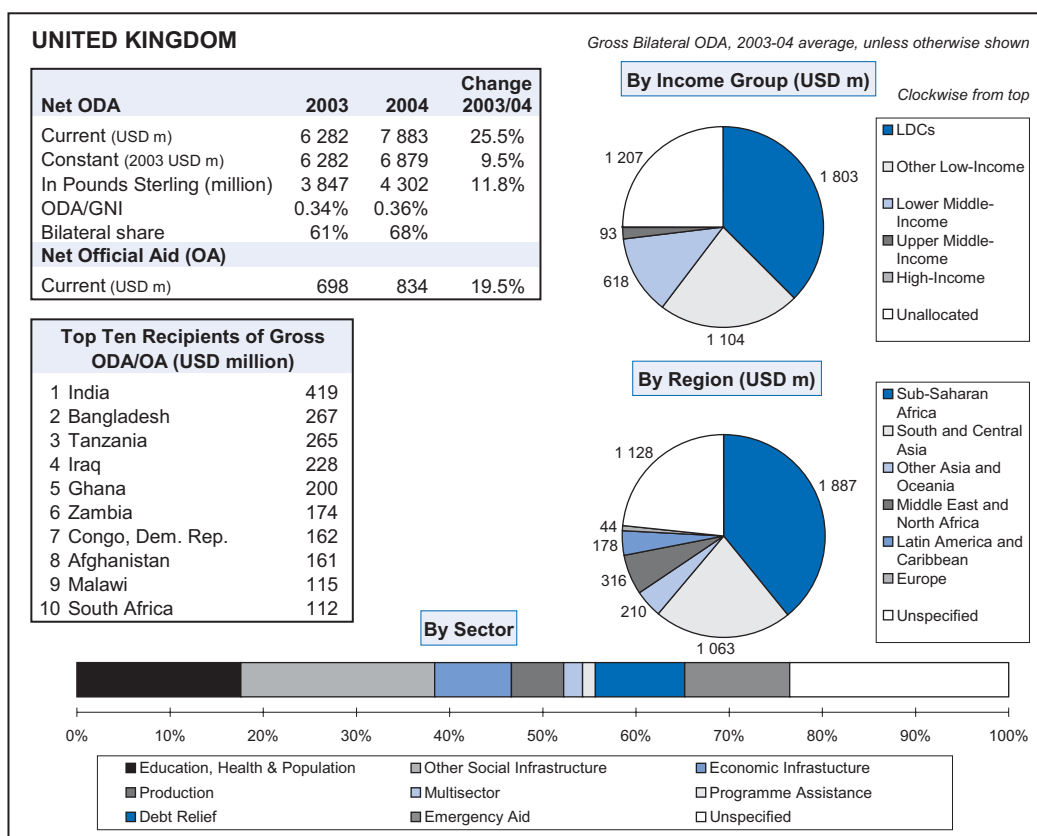
United Kingdom

In 2004, the UK's ODA increased by 9.5% in real terms to reach USD 7.9 billion due to higher project and programme aid expenditures and debt relief. The ODA/GNI ratio rose from 0.34% to 0.36%. The UK has set itself to attain an ODA/GNI ratio of 0.47% by 2007/08 and 0.7% by 2013.

Commitment to MDGs. The UK aid programme's dominant aim is to secure the elimination of poverty in the poorest countries through the achievement of the MDGs by 2015. The Department for International Development (DFID) concentrates its assistance on African and Asian low-income countries, where aid can make the most difference. In order to raise the additional resources needed to meet the MDGs, the UK is working to build support for its proposed International Finance Facility. A separate facility will support increased immunisation coverage.

Aid effectiveness. The UK endorsed the Paris Declaration and DFID is committed to supporting the international effort to achieve more and better aid, through: i) developing a policy framework on aid effectiveness; ii) improving aid programme delivery; and iii) supporting reform in the multilateral system. DFID seeks to promote good practice on country-led approaches, harmonisation and conditionality, and will conduct new work on monitoring donor behaviour and on mutual accountability, including through promoting a more results-based approach. DFID's Public Service Agreement provides the means for showing how DFID activities contribute towards achieving the MDGs while monitoring shorter-term performance.

Policy coherence. Policy coherence is supported by a high-level policy commitment shared by the Prime Minister, the Chancellor of the Exchequer and the International Development Secretary of State. It will be a strong component of the White Paper on development planned for mid-2006. The UK government is actively engaged in encouraging wealthy countries to reduce the debt burden of the poorest countries and puts a strong focus on how trade reform can further development. DFID works closely with other government departments on a range of issues including trade, conflict prevention, debt relief and reform to international financial institutions (IFIs), migration and the environment, where joint Public Service Agreement targets have been set.



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 USD 745 or less in 2001 (World Bank Atlas basis).
- **LMICs:** Lower Middle-Income Countries, i.e. with GNI per capita (Atlas basis) between USD 746 and USD 2 975 in 2001. 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 USD 2 976 and USD 9 205 in 2001.
- **HICs:** High-Income Countries, i.e. with GNI per capita (Atlas basis) more than USD 9 205 in 2001.
- 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) and multilateral agencies active in development 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 6 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.

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 (USD 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 1993 System of National Accounts (SNA) co-sponsored by the OECD and other major international organisations broadens the coverage of GNP, 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%, and some other countries showed little change. The average fall has been about 3%. 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.

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

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); Northern Marianas and Palau Islands (1994).

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 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. In 2003, Malta and Slovenia transferred to Part II, and Timor-Leste joined the LDCs.

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. The amounts so treated are shown in the table below. 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.

Debt forgiveness of non-ODA claims¹

USD million

	1990	1991	1992
Australia	–	–	4.2
Austria	–	4.2	25.3
Belgium	–	–	30.2
France	294.0	–	108.5
Germany	–	–	620.4
Japan	15.0	6.8	32.0
Netherlands	12.0	–	11.4
Norway	–	–	46.8
Sweden	5.0	–	7.1
United Kingdom	8.0	17.0	90.4
United States	1 200.0	1 855.0	894.0
TOTAL DAC	1 534.0	1 882.9	1 870.2

1. These data are included in the ODA figures of individual countries but are excluded from DAC total ODA in all tables showing performance by donor. See Notes on Definitions and Measurement.

Reporting year

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

DAC List of Aid Recipients – As at 1 January 2004

Part I: Developing Countries and Territories (Official Development Assistance)					Part II: Countries and Territories in Transition (Official Aid)		
LDCs	Other LICs (per capita GNI < \$745 in 2001)	LMICs (per capita GNI \$746-\$2 975 in 2001)	UMICs (per capita GNI \$2 976- \$9 205 in 2001)	HICs (per capita GNI > \$9 206 in 2001)	CEECs/NIS	More Advanced Developing Countries and Territories	
Afghanistan	* Armenia	* Albania	Palestinian Administered Areas	Botswana	Bahrain	* Belarus	● Aruba
Angola	* Azerbaijan	Algeria	Paraguay	Brazil		* Bulgaria	● Bahamas
Bangladesh	Cameroon	Belize	Peru	Chile		* Czech Republic	● Bermuda
Benin	Congo, Rep.	Bolivia	Philippines	Cook Islands		* Estonia	● Brunei
Bhutan	Côte d'Ivoire	Bosnia and Herzegovina	Serbia and Montenegro	Costa Rica		* Hungary	● Cayman Islands
Burkina Faso	* Georgia	China	South Africa	Croatia		* Latvia	Chinese Taipei
Burundi	Ghana	Colombia	Sri Lanka	Dominica		* Lithuania	Cyprus
Cambodia	India	Cuba	St Vincent and Grenadines	Gabon		* Poland	● Falkland Islands
Cape Verde	Indonesia	Dominican Republic	Suriname	Grenada		* Romania	● French Polynesia
Central African Republic	Kenya	Ecuador	Swaziland	Lebanon		* Russia	● Gibraltar
Chad	Korea, Democratic Republic	Egypt	Taiwan	Malaysia		* Slovak Republic	● Hong Kong, China
Comoros	* Kyrgyz Rep.	El Salvador	Thailand	Mauritius		* Ukraine	Israel
Congo, Dem. Rep.	* Moldova	Fiji	● Tokelau	● Mayotte			Korea
Djibouti	Mongolia	Guatemala	Tonga	Nauru			Kuwait
Equatorial Guinea	Nicaragua	Guyana	Tunisia	Panama			Libya
Eritrea	Nigeria	Honduras	Turkey	● St Helena			● Macao
Ethiopia	Pakistan	Iran	* Turkmenistan	St Lucia			Malta
Gambia	Papua New Guinea	Iraq	● Wallis and Futuna	Venezuela			● Netherlands Antilles
Guinea	* Tajikistan	Jamaica					● New Caledonia
Guinea-Bissau	* Uzbekistan	Jordan					Qatar
Haiti	Viet Nam	* Kazakhstan					Singapore
Kiribati	Zimbabwe	Macedonia, Former Yugoslav Republic of					Slovenia
Laos		Marshall Islands					United Arab Emirates
Lesotho		Micronesia, Federated States					● Virgin Islands (UK)
Liberia		Morocco					
Madagascar		Namibia					
Malawi		Niue					
Maldives							
Mali							
Mauritania							
Mozambique							
Myanmar							
Nepal							
Niger							
Rwanda							
Samoa							
São Tomé and Príncipe							
Senegal							
Sierra Leone							
Solomon Islands							
Somalia							
Sudan							
Tanzania							
Timor-Leste							
Togo							
Tuvalu							
Uganda							
Vanuatu							
Yemen							
Zambia							

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

● Territory.

2. As of October 2005, the **Heavily Indebted Poor Countries (HIPC)**s are: 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, Laos, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda and Zambia.

Preface by the Secretary-General

This is the last time that I shall be writing a preface to the Development Co-operation Report, which has provided a regular OECD reflection on the state of development co-operation since 1960.

My own involvement in these issues goes back also to the Sixties, and in particular to the landmark Pearson Report of 1969, "Partners in Development", the earliest and probably the most influential attempt to assemble contemporary wisdom on how to address the perplexing problems of poor countries in a globalising world. That Report established the ODA target of 0.7% of GNP for OECD members, calling for this level to be reached by 1975!

Yet, looking back over the period since Pearson, there is much positive to report. Asia was seen at the time as in many ways an impossible area for progress: the "Great Leap Forward" in China had failed, war was raging in Indo-China, and the subcontinent was mired in postimperial conflict and the "Hindu rate of growth". Yet, we have seen in this region the fastest reduction of poverty in the history of the world. Eastern Europe and the states of the Former Soviet Union have started to see the real benefits of the radical changes in policies and institutions of the 1990s. Social indicators have improved significantly in both Latin America and the Middle East. And all this has been achieved at a period that has seen a doubling of the world's population, most of the increase being precisely in the poorest countries.

We can also take comfort from the healthier mix of resource flows that now characterise international exchanges. Trade has become relatively far more important (though there is still a large policy agenda to tackle in the Doha Development Round), direct investment has proved robust through the economic cycle, and remittances and private charitable flows have grown markedly.

But it is clear that the job of official aid, which has been a valuable contributor to many of the positive outcomes mentioned above, is not yet done. There is an intractable pool of serious, life-threatening poverty spread across much of the developing world, and still growing in sub-Saharan Africa. 2005 saw the recommitment of OECD members and other donors to increasing the amount and the quality of aid. I am particularly pleased that the Paris Declaration of March 2005 dealt squarely with many of the factors that have limited aid effectiveness in the past, and I hope that this will prove to be a lasting legacy of OECD engagement in the joint enterprise of tackling extreme poverty which this report argues we are now beginning to see.

No-one should expect official aid to be more than a contributing factor to the complex processes of development, which must be driven by the developing countries themselves. But Lester Pearson was right to argue that, if well-managed, it could and should accelerate progress. The Millennium Goals, themselves a reflection of OECD thinking, show us how much there is still to do. I hope that this report, like its predecessors, will contribute to understanding and knowledge of how aid can indeed contribute to the outcomes we all want, and which the world needs.

It has been thirty-six years since the Pearson Report. We should have done better but, with political will supporting a coherent aid and trade agenda, let us hope that in a much-compressed timeframe poverty, as we see it, will be a subject only of historical interest.

Donald J. Johnston
Secretary-General



Foreword

This edition of the Development Cooperation Report marks 45 years of this publication. Those involved in the 1960 Report, notably my distinguished predecessor, James W. Riddleberger, might well be disappointed that such a publication remains necessary. However, while the challenge of ending extreme poverty remains a daunting one, 2005 has perhaps shown that world leaders are increasingly serious in making it a real political priority. As this report argues, we may as a result be seeing an increasingly purposive joint enterprise to accelerate progress in tackling levels of deprivation and inequality that the world can no longer accept.

Certainly, the Development Assistance Committee has been working at full throttle through the year on many aspects of the *problematique* of development. This report gives an insight into some of the big and intractable issues that members have been working together to address. These range from seeking to establish common ways of thinking about how to stimulate growth that really translates into better lives for poor people, to the concerted attempt to improve the way donors deliver their programmes. As always, this is complemented by a full treatment of the statistics of aid, reflecting the DAC's role in accounting transparently for the activities of its members.

The high profile of aid and development issues in 2005 makes it all the more necessary for the DAC collectively, as well as its members individually, to be open and responsive to the interest of the public. I hope that this report will help to deliver on this commitment.

The past year has imposed huge pressures on the Secretariat. I am once again very impressed by the dedication of staff at all levels to ensuring that the Committee and its subsidiary bodies are able to operate productively. And a special word of thanks to all the individuals, from DAC delegates to Chairs of Working Parties and Networks, Bureau members and those who put time and effort into Task Teams, who have been prepared to go the extra mile on top of busy regular jobs to enable the Committee to achieve results.

Richard Manning
DAC Chair



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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
AIDS	ACQUIRED IMMUNE DEFICIENCY SYNDROME
ASEAN	ASSOCIATION OF SOUTH-EAST ASIAN NATIONS
BIS	BANK FOR INTERNATIONAL SETTLEMENTS
CDM	CLEAN DEVELOPMENT MECHANISM (Kyoto Protocol)
CEECs	CENTRAL AND EASTERN EUROPEAN COUNTRIES
CGIAR	CONSULTATIVE GROUP ON INTERNATIONAL AGRICULTURAL RESEARCH
CIC	INTERMINISTERIAL COMMITTEE FOR CO-ORDINATION
CICID	INTERMINISTERIAL COMMITTEE FOR INTERNATIONAL CO-OPERATION AND DEVELOPMENT
CIS	COMMONWEALTH OF INDEPENDENT STATES
CRS	CREDITOR REPORTING SYSTEM (of the DAC)
DAC	DEVELOPMENT ASSISTANCE COMMITTEE
DCD	DEVELOPMENT CO-OPERATION DIRECTORATE
DDA	DOHA DEVELOPMENT AGENDA
DFID	DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (United Kingdom)
EBRD	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
EC	EUROPEAN COMMISSION
ECA	ECONOMIC COMMISSION FOR AFRICA
EGOSOC	ECONOMIC AND SOCIAL COUNCIL (United Nations)
EDF	EUROPEAN DEVELOPMENT FUND
EU	EUROPEAN UNION
FAO	FOOD AND AGRICULTURE ORGANISATION
FDI	FOREIGN DIRECT INVESTMENT
GAVI	GLOBAL ALLIANCE FOR VACCINES AND IMMUNISATION
GDP	GROSS DOMESTIC PRODUCT
GNI	GROSS NATIONAL INCOME
HIPCs	HEAVILY INDEBTED POOR COUNTRIES
HIV	HUMAN IMMUNODEFICIENCY VIRUS
HLF	HIGH-LEVEL FORUM
IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ICEIDA	ICELANDIC INTERNATIONAL DEVELOPMENT AGENCY
ICTs	INFORMATION AND COMMUNICATIONS TECHNOLOGIES
IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION
IDB	INTER-AMERICAN DEVELOPMENT BANK
IFAD	INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
IFC	INTERNATIONAL FINANCE CORPORATION
IFF	INTERNATIONAL FINANCE FACILITY
IFFIm	INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION
IFI	INTERNATIONAL FINANCIAL INSTITUTIONS

ILO	INTERNATIONAL LABOUR ORGANISATION
IMF	INTERNATIONAL MONETARY FUND
IOM	INTERNATIONAL ORGANISATION OF MIGRATION
IPAD*	INSTITUTE FOR PORTUGUESE DEVELOPMENT SUPPORT (THE)
IRTA	INVESTMENT-RELATED TECHNICAL ASSISTANCE
LDCs	LEAST DEVELOPED COUNTRIES
MASHAV*	CENTRE FOR INTERNATIONAL DEVELOPMENT CO-OPERATION (Israel)
MCA	MILLENNIUM CHALLENGE ACCOUNT
MDBs	MULTILATERAL DEVELOPMENT BANKS
MDGs	MILLENNIUM DEVELOPMENT GOALS
MFN	MOST FAVOURED NATION
NEPAD	NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
NGO	NON-GOVERNMENTAL ORGANISATION
NIS	NEWLY INDEPENDENT STATES (of the former Soviet Union)
NZAI	NEW ZEALAND AGENCY FOR INTERNATIONAL DEVELOPMENT
OA	OFFICIAL AID
ODA	OFFICIAL DEVELOPMENT ASSISTANCE
ODF	OFFICIAL DEVELOPMENT FINANCE
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
OOF	OTHER OFFICIAL FLOWS
PALOP*	PAÍSES AFRICANOS DE LINGUA OFICIAL PORTUGUESA (AFRICAN COUNTRIES OF OFFICIAL PORTUGUESE LANGUAGE)
PDGG	PARTICIPATORY DEVELOPMENT AND GOOD GOVERNANCE
PIU	PROJECT IMPLEMENTATION UNIT
POVNET	DAC NETWORK ON POVERTY REDUCTION
PRGF	POVERTY REDUCTION AND GROWTH FACILITY (IMF)
PRSP	POVERTY REDUCTION STRATEGY PAPER/PROGRAMME
PRS	POVERTY REDUCTION STRATEGY
PSD	PRIVATE SECTOR DEVELOPMENT
SAF	STRUCTURAL ADJUSTMENT FACILITY
SDC	SWISS AGENCY FOR DEVELOPMENT AND CO-OPERATION
SDR	SPECIAL DRAWING RIGHT
SECO*	STATE SECRETARIAT FOR ECONOMIC AFFAIRS (Switzerland)
SSA	SUB-SAHARAN AFRICA
SWAPs	SECTOR-WIDE APPROACHES
TC	TECHNICAL CO-OPERATION
TIGA	TURKISH INTERNATIONAL CO-OPERATION AGENCY
UN	UNITED NATIONS
UNCED	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
UNIFEM*	UNITED NATIONS DEVELOPMENT FUND FOR WOMEN
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
USD	UNITED STATES DOLLAR
WHO	WORLD HEALTH ORGANISATION
WTO	WORLD TRADE ORGANISATION

* Denotes acronym in original language.



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