



Chapter 5 *Norway*



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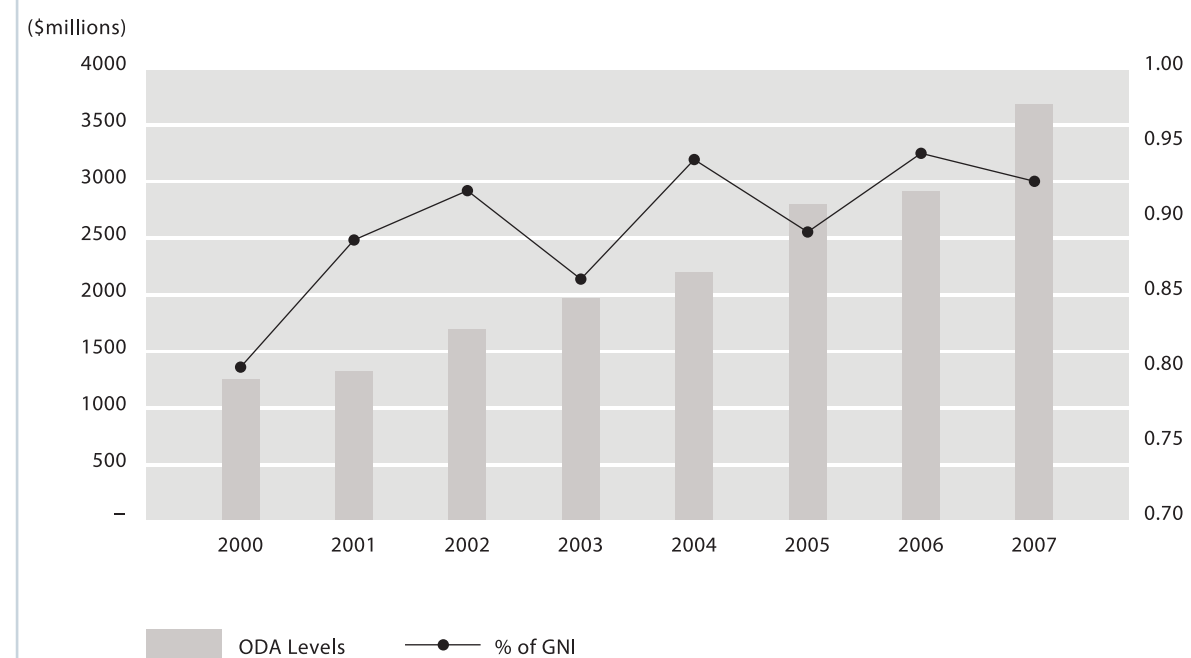
Quick Facts

The Nordic Plus is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda. The members are Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands, though the group aim to engage with other donors as much as possible in specific areas of cooperation (such as joint financing or common procurement procedures). The group was formed in 2003 in an effort to increase members' mutual cooperation and to harmonise procedures and practices in the interest of reducing the burden placed on developing countries in administering development cooperation. The Nordic Plus countries therefore are strong advocates of the Paris Declaration. Members, in addition to actively working towards increasing common policies and practices, have also agreed to engage in delegated cooperation with one another. All members have pre-approved one another in principle to be able to act as a lead donor in projects or programmes where funds from multiple members are used, but administered by only one donor on the ground. For more details of this practice see Box 3 in section 2-6.

Exchange Rates

2006 \$1 = 6.42 Norwegian Kroner 2007 \$1 = 5.86 Norwegian Kroner (based on DAC statistics)

Total ODA Levels 2000-2007



Breakdown of Total ODA 2007 (\$millions)			
Bilateral ODA	2 882.72	Multilateral ODA	845.30
<i>Grants</i>	2 624.23	To UN Agencies	469.53
Capital Project Aid	41.84	To EC	N/A
Programme Aid	1 369.79	To IDA	124.27
Technical Co-operation	435.80	To Regional Development Banks	95.84
Humanitarian Aid	355.49		
Debt Forgiveness, total	N/A		
Support to NGOs	N/A		
Administrative Costs	187.34		
<i>Non-Grant Bilateral ODA</i>	258.49	Total	3 728.02

1. Organisation and Strategy

1.1 An Introduction to Norway as a Donor Country

In 2002 Norway celebrated half a century of development cooperation. In the course of these 50 years Norway have been a leading force in international development cooperation. Today Norway is a major donor, not only in terms of its substantial allocations to developing countries and international aid organisations, but also in terms of its active participation in the international debate on this subject.

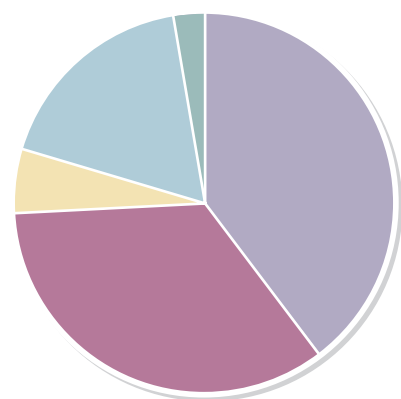
Norwegian development cooperation has its origins in the establishment by the UN of an extended technical aid programme to assist developing countries at the end of the 1940s. Norwegian participation in official bilateral development cooperation began when the Storting (Norway's parliament) established an Aid Fund for Underdeveloped Countries in June 1952, also known as the India Fund. In addition to official financing, the fund was to be augmented by collections and donations. The first bilateral aid agreement was signed in October the same year between India, the UN and Norway and aimed "to contribute towards promoting the economic and social welfare of the Indian people".

By the end of the 1960s, it became clear that Norway's total involvement in development cooperation would have to increase as Norwegian activities were gradually extended to new countries in Asia and Africa. The Aid Fund for Underdeveloped Countries was replaced by the Norwegian Agency for International Development, an independent state institution with its own executive board but under the overall control of the Ministry of Foreign Affairs. In 1968, the administrative structure was again reorganised and aid activities were taken over by a directorate, the Norwegian Agency for Development Cooperation (NORAD), an agency which remains emblematic of Norway's cooperation despite now having a much reduced role.

Until 2004 the administration of Norwegian development cooperation was divided between the Ministry of Foreign Affairs and NORAD, with NORAD responsible for bilateral and long-term aid and the Ministry of Foreign Affairs responsible for the administration of multilateral cooperation and for humanitarian aid programmes. However since 2004 the Ministry of Foreign Affairs has had ownership of most of Norway's development cooperation, while NORAD have been reduced to a technical advisory organisation.

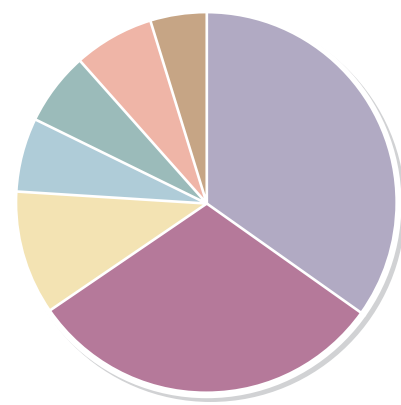
Throughout this period, the reduction of global inequalities has been the most important premise for Norwegian development aid, underpinned by the principles of human equality and solidarity with other countries and peoples. These ideals have been reflected in all the key documents concerning development cooperation policy. As one of the richest countries in the world, Norway considers it a moral obligation to alleviate suffering and promote humane living conditions in other parts of the world.

Bilateral Allocation by Income Group
2006/2007 Average



- Unallocated
- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income

Bilateral Allocation by Region
2006/2007 Average



- Unspecified
- Sub-Saharan Africa
- South and Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe

1.2 Administrative Structure

The reforms of 2004 significantly shifted the centre of gravity within Norway's institutional structure. Development assistance is now handled mostly by the MFA, with NORAD, an independent development agency, acting as technical advisors. In addition some development cooperation is run by the Prime Minister's Office, who takes a particular interest in Millennium Development Goals (MDGs) 4 and 5. NORAD were previously a much more high profile part of Norwegian development cooperation, but ceased to control bilateral funds after the system was reformed, though some funding is retained for allocation to NGOs. Officials suggested that this was because of a desire for greater political control over Norway's development cooperation¹. In addition NORFUND, the Norwegian Investment Fund for Developing Countries, is responsible for private sector development.

The MFA contains two ministers, the Minister of Foreign Affairs and the Minister for Environment and Development Cooperation. The latter in particular has influenced a shift in development policy since being appointed. At the same time Norway are also building stronger links between development and foreign policy.

Within the MFA there are 10 Departments that all report to both ministers. The Department for International Development Policy (DIDP) deals with development policy, multilateral development banks, trade and private sector development in the South and a number of thematic priorities. It also co-ordinates and monitors all donor harmonisation and alignment work. At the initiative of the Minister for Development Cooperation, a "harmonisation team" was established with staff from the relevant departments in both the MFA and NORAD. Other departments are directly or occasionally involved in development-related matters: Global Affairs; the Regional Department; Trade Policy, Natural Resources and Environmental Affairs; Administrative Affairs (Training Institute, budget and Personnel) and the Press, Cultural Relations and Information Department.

Box 1. NORFUND – Investor of 'Risk Capital'

NORFUND is a Norwegian development financial institution (DFI) which invests 'risk capital' in profitable private enterprises in most countries of Africa, Asia, Latin America and the Balkans. Any country with a GNI per capita of less than \$6055 is eligible for these investments. NORFUND will contribute to the realisation of viable projects which balance economic, social and environmental considerations. The institution can provide equity, quasi-equity and loan financing for business expansions, corporate restructurings, management buy-ins and buy-outs and new business ventures. It invests in most sectors of the economy, providing the investment offers opportunities for growth, profitability and sustainable development.

¹ During meetings on Feb 27th 2008 in Oslo.

Figure 5-1. Organisation of the Ministry of Foreign Affairs

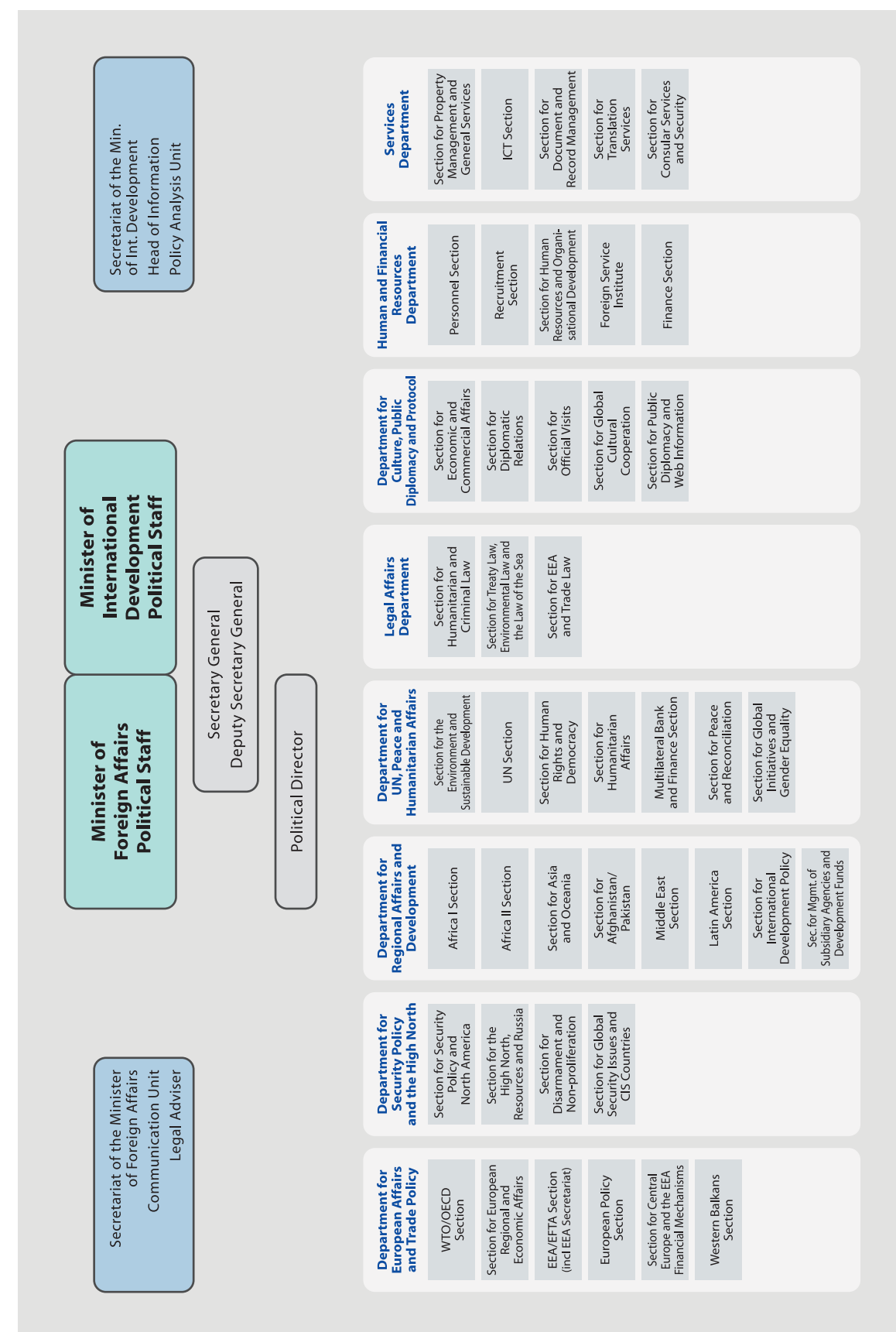
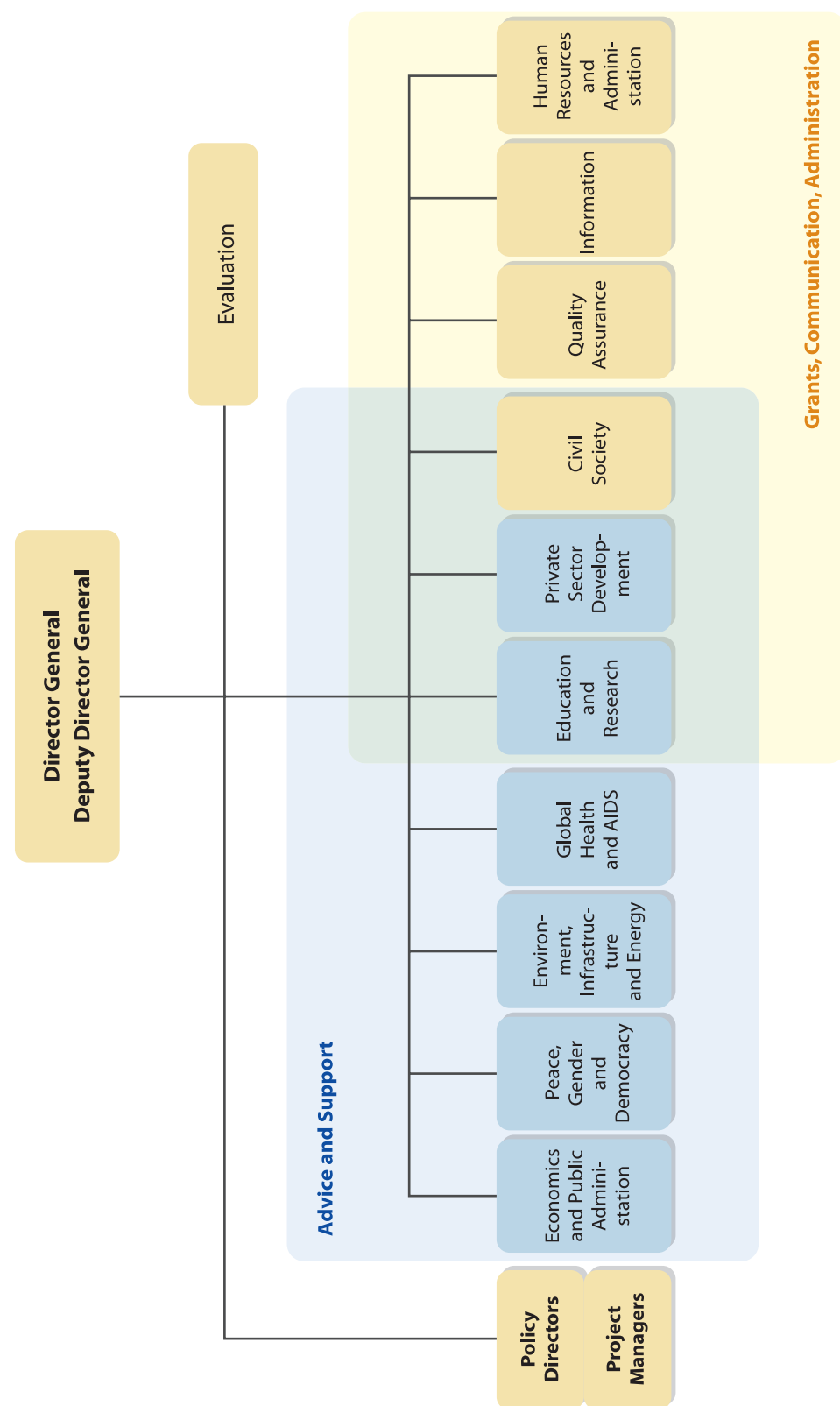


Figure 5-2. Organisation of NORAD



At the present time there are approximately 250 staff in the MFA (headquarters); 200 in the embassies; and 200 in NORAD. The total aid administration therefore includes around 650 staff. Staffing levels have been rising, but considerably slower than the budget creating significant challenges in maintaining the quality of projects and programmes. The Foreign Service Institute (FSI) organises courses for staff capacity development on HIV/AIDS, good governance and anti-corruption. The institute has tried to take into account the harmonisation agenda in the training it provides. Joint training courses with the Nordic Plus Group have been organised on the PRSP as well as on sector wide approaches and harmonisation. However despite this there are ongoing difficulties in the capacity level of the embassies, which keeps management responsibility fairly centralised.

Although the MFA has the central leadership and management role with respect to development cooperation, a number of parliamentary bodies and government agencies are also involved: the Storting's Standing Committee on Foreign Affairs, which is in contact with the MFA to shape its programme in line with overall Norway political priorities; the Ministry of Finance which has the constitutional responsibility for Norway's relationship with the IMF and the Norwegian Central Bank, which handles the day-to-day relationship with the IFM; and the Office of the Auditor General which reports periodically on how the development funds are spent. The Environment, Health and Education ministries are also commonly involved in development policy

1.3 Policy Making

Norway's development aims and interventions are outlined in the government's policy platform, in the government's addresses to the Storting, and above all in successive White Papers which are put to the Storting for approval. The White Papers form the strategic framework for Norwegian development assistance and are valid until such time as the government chooses to put forward a new document. Parliament itself determines the objectives of development cooperation, decides which countries and regions are to be prioritised, and how much money is to be involved.

Within this context the Department for International Development Policy, as the name suggests, has primary responsibility for development policy. The MFA also has a small Policy Analysis Unit, which plays an important role in analysing policy trends and innovations and attempting to ensure this knowledge reaches the relevant actors in policy decision-making. NORAD carries out programme-related analytical work for the MFA in its role as a provider of advice and support.

In practice, the new Minister for Environment and Development Cooperation Erik Solheim has exerted a lot of influence on the direction of Norwegian development policy in recent years, seeking to define it much more clearly in line with Norway's comparative advantages. As a result 'oil for development' (which also has come to include the management of other natural resources) has become an integral part of Norway's development assistance. The Prime Minister also takes a very active interest as pointed out in section 1.2, maintaining a policy focus on MDGs 4 and 5. It is fair to say therefore that policy-making is embedded at the highest level.

1.4 Decision Making

At the country level the MFA must approve the annual activity plan of each embassy. The plan is the central mechanism for delegating and allocating resources. In principle it is based on a log-frame linking specific objectives to inputs, activities, outputs and impact and includes a review of the previous year and a three-year rolling timeframe of future plans. The ministry and embassies aim to agree on 2-3 sectors in which Norway will concentrate its cooperation, after which embassies have the authority to approve individual projects, with the exception of General Budget Support which must be approved by the Ministry. Planning will build on the PRSP process, and will involve a time horizon of 3-5 years.

The government's own development strategies represent the point of departure for the annual activity plan based on analysis and fact finding on national development needs, institutional arrangements and donor co-ordination mechanisms. Nevertheless, annual plans tend to focus more on activities and processes than on results and sustained development impact and, it is argued in Norway's 2004 DAC *Peer Review*, have limited use as a management tool. The Norwegian Government may wish to adapt those plans by making the link between resources, results and development impact more explicit.

Despite increasing decentralisation, only 18% of total bilateral aid is programmed at the field level by the embassies. Thematic and humanitarian aid, aid to non-governmental organisations

and earmarked multi-bilateral aid, are planned and programmed by headquarters.

1.5 Strategic Framework

The Norwegian government's last White Paper, *Fighting Poverty Together: A Comprehensive Development Policy* (2004) outlines the basic priorities for Norwegian development assistance which includes providing 1% of GNI as official development assistance, a commitment to a rights-based approach, and the foundation of Norwegian assistance in the MDGs. It also underlines the importance of donor reform, more, and more effective, assistance, and stresses the centrality of increased country ownership and donor harmonisation.

The White Paper has been built upon by subsequent publications. Most influential among them is the present Norwegian government's political platform (drawn up in the so-called 2005 Soria Moria Declaration), which established five themes on which development cooperation should focus:

- (i) Women's rights and gender equality
- (ii) Human rights, peace-building and reconciliation
- (iii) Environment, climate and sustainable development
- (iv) Oil for development and clean energy
- (v) Good governance and anti-corruption

In addition a focus on the education and health sectors is repeatedly stressed, with special attention to MDGs 4 and 5. The MFA's budget proposal for 2008 reiterates these "five plus one" priorities (the five themes, plus a particular focus on MDG 4 and 5), whilst also stating a greater emphasis on fragile states and aid to Africa.

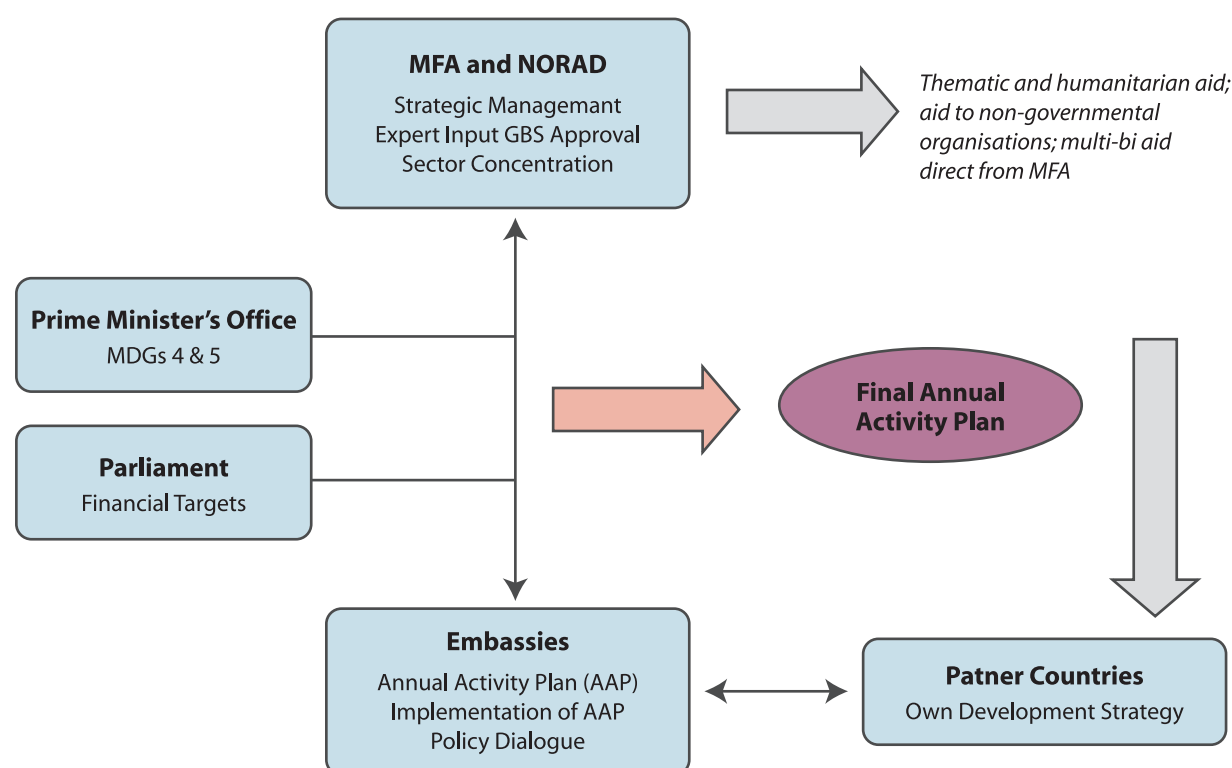
The government pledges to use budget increases to focus on these 6 priorities, whilst maintaining its support for its other traditionally important priority areas: public welfare services, children and young people, human trafficking, HIV/AIDS, universal access to medicines, debt cancellation, and the Global Forum on Migration and Development.

1.6 Multilateral Strategy

Norway is a strong supporter of the multilateral system. The World Bank is the single largest recipient of Norwegian multilateral ODA, and Norway is proportionally speaking one of the largest donors to the UN system. In recent years Global Funds have seen the biggest increase in Norwegian multilateral assistance, however the UNDP and the World Bank are the largest recipients. Another trend has been the increase in multilateral contributions earmarked by sector or theme, for example in strategic areas like girls' education, environment and gender.

In being such a large core donor to the multilateral system Norway has considerable leverage, and it uses this effectively to be highly influential. Increasingly, Norway is linking its contributions to the multilaterals' efficiency and the degree to which they contribute to the fulfillment of the MDGs and the harmonisation agenda.

Figure 5-3. Decision Making in Norwegian Development Cooperation



2. Implementation

2.1 Basic Summary

Table 5-1. Basic Budgetary Information 2007

Total budget (\$million)	3 728 (100%)	Total GBS 2006/7 (\$million)	N/A
% of GNI	0.95	Contribution to EU ODA (\$million)	N/A
Total Bilateral (\$million)	2 833 (77%)	Contribution to 15th Replenishment of IDA (\$million)	451
Bilateral to Africa (\$million)	778 (27% of total bilateral)	Administration (\$million)	187 (6%)
Total NGOs (\$million)/	N/A	Minimum Predictability	3 to 5

Over the past eight years Norway's development assistance has doubled in real terms. In 2007 Norway's appropriations for development cooperation were around \$3.7 billion, which amounted to 0.95% of GNI. Roughly 77% of ODA was distributed through bilateral channels. Multilateral funds were mostly directed to (in order of magnitude) the WB, UNDP, UNICEF, Education for All, and WFP. Proposed appropriations for 2008 are approximately \$3.8 billion, 18% higher than 2006, building on an increase of 7.5% in 2007. present Norway is the most generous donor in the world in terms of the ratio of ODA to GNI, and is budgeting to reach its 1% ODA/GNI target in spite of the negative financial climate.

2.2 Country Partners

The increase in development appropriations has allowed Norway to increase from 24 to 28 the number of 'partner countries' with whom it will engage in long-term government-to-government cooperation. In these countries cooperation is usually managed from the Norwegian Embassy, though as noted in section 1.4 a great deal of cooperation is directed to partner countries direct from headquarters.

Non-partner countries can receive cooperation but only 'humanitarian support' through indirect means such as Norwegian NGOs or global allocations. Nevertheless a total of 114 countries (including partner countries) received bilateral assistance from Norway in 2006. This large number of countries is explained by a variety of factors, including among other things the consequences of support to multinational NGOs and humanitarian assistance. In keeping with international commitments, Norway intends to double development assistance to Africa in the period 2005-2010.

In its last budgetary statement for the period 2007-2008 the Norwegian government stated that it had dropped separate classifications of "main partner countries" and "partner countries". These terms were introduced in 2002 for countries with which Norway wants long-term development cooperation. The term "main partner country" was to be used for countries with which Norway wants long-term, predictable and robust development cooperation. The term "partner country" was to be used for other countries with which Norway wants long-term cooperation, but for which it has lower ambitions as regards the level of possible dialogue. In practice however the distinction was never clear, and became increasingly questionable as dialogue became more and more central to Norway's development cooperation. While the cooperation with some main partner countries has been limited by political developments in those countries, dialogue with and development cooperation to certain other countries has been expanded. This particularly applies to countries in which Norwegian and international development cooperation constitutes an important contribution to stability and lasting peace, as in Afghanistan and Sudan. The criteria for selecting a partner country are not formalised, however good governance and poverty orientation in government policy are considered key factors in any decision.

Table 5-2. Norway's Partner Countries

Africa	Asia	Middle East and Latin America	Top 15 Partner Countries by Disbursements (2006)
Angola	Afghanistan	Guatemala	Sudan
Burundi	Bangladesh	Nicaragua	Palestine
Eritrea	China	Palestine	Tanzania
Ethiopia	India		Zambia
Kenya	Indonesia		Afghanistan
Madagascar	Nepal		Mozambique
Malawi	Pakistan		Uganda
Mali	Sri Lanka		Malawi
Mozambique	Vietnam		Ethiopia
Nigeria	East Timor		Sri Lanka
South Africa			Yugoslavia*
Sudan			Lebanon
Tanzania			Nicaragua
Uganda			Somalia
Zambia			Nepal

* As denoted by Norad and MFA in Annual Report
 Denotes non-Partner country

2.3 Sector Concentration

Officially Norway have committed to limiting their involvement to two or three sectors in a partner country, however in common with many other donors this proves quite difficult in practice (see table 5-3). This is for a variety of reasons, including difficulties in defining sectors and taking account of partner countries own strategies.

When deciding which sectors should be the focus of development cooperation in a partner country Norway will look for sectors where they are considered to have a comparative advantage. The choice should be decided in close cooperation with the partner countries' individual needs and concerns. The choice of sectors is also guided by the 5 pillars of current Norwegian development policy (see section 1.5), though the aim is to 'mainstream' these *within* other projects or programmes. Again however this is difficult to fully operationalise in practice.

According to DAC statistics, roughly 45% of Norway's bilateral assistance was channelled to the social sectors. Despite a recent shift in emphasis within the MFA driven by the new Minister for Environment and Development, the Prime Minister has ensured that health and education remain priority sectors, directing assistance channelled towards MDGs 4 and 5. In comparison only around 14% of bilateral assistance goes to economic infrastructure and productive sectors, and at present there is no intention to shift towards a more growth or infrastructure orientated agenda. Norway's comparative advantage is considered to lie elsewhere.

Table 5-3. Sector Concentration in Top 25 recipient Countries

Partner Country	Stated Priority Sectors	Significant Sectors by Disbursements in 2006*	Significant Channels for Bilateral Assistance 2006
Angola	Education Energy** Good Governance	Good Governance (40.8%) Social Sectors (39.4%)	Norwegian NGOs (45.2%) Multi-bi ² (33.5%) Gov-to-gov (10.7%)
DR Congo	Humanitarian Assistance Peace and Reconciliation	Humanitarian Assistance (44.4%) Good Governance (33.1%) Social Sectors (17.9 %)	Norwegian NGOs (58.3%) Multi-bi (39%) Gov-to-gov (2.7%)
Ethiopia	Agriculture Good Governance HIV/AIDS Peace and Reconciliation	Humanitarian Assistance (24.2%) Social Sectors (24.1%) Good Governance (18.3%) Economic Development (17.3%)	Norwegian NGOs (39.3%) Multi-bi (37.9%) Gov-to-gov (18.5%)

² 'Multi-bi' means the provision of multi-donor bilateral assistance, usually through a pooled funding arrangement.

Madagascar	Education Good Governance	Social Sectors (75%) Good Governance (16.4%)	Gov-to-gov (55.5%) Multi-bi (36.8%)
Malawi	Agriculture Budget Support Good Governance Health/HIV/AIDS	Social Sectors (42.4%) Economic Development (39.9%) Good Governance (11.2%)	Gov-to-gov (60%) Norwegian NGOs (27.8%)
Mali	Education Good Governance Natural Resource Management	Economic Development (70.9%) Good Governance (15.4%) Social Sectors (12.2%)	Gov-to-gov (58.4%) Norwegian NGOs (38.3%)
Mozambique	Budget Support Energy Fisheries Health	Economic Development (43.3 %) Social Sectors (22.6%) Good Governance (16.2%) Energy (14.5%)	Gov-to-gov (79.3%) Norwegian NGOs (10.6%)
Somalia	Humanitarian Assistance Peace and Reconciliation	Humanitarian Assistance (65.5%) Social Sectors (24.8%)	Multi-bi (64.5%) Norwegian NGOs (29.9%)
Sudan	Education Health Humanitarian Assistance Peace and Good Governance	Economic Development (37.7%) Humanitarian Assistance (33.6%) Good Governance (16.2%) Social Sectors (11.8%)	Multi-bi (62.6%) Norwegian NGOs (34%)
South Africa	Energy Environment Good Governance Higher Education	Social Sectors (32.5%) Good Governance (26.6%) Economic Development(19.6%) Environment and Energy(15.5%)	Gov-to-gov (52.8%) Norwegian NGOs (28.8%) Nordic research groups (15%)
Tanzania	Budget Support Education Environment Good Governance Infrastructure	Economic Development(59.6%) Social Sectors (16%) Good Governance (11.9%) Environment (10.3%)	Gov-to-gov (85.3%) Norwegian NGOs (11.5%)
Uganda	Budget Support Education Good Governance	Economic Development(39.9%) Social Sectors (22.5%) Humanitarian Assistance(15.4%) Good Governance (14.8%)	Gov-to-gov (41.5%) Norwegian NGOs (36.5%) Multi-bi (19.1%)

Zambia	Budget Support Education Environment Natural Resource Management and Food Security Good Governance	Social Sectors (36.3%) Economic Development (35.9%) Good Governance (14.7%)	Gov-to-gov (72.3%) Norwegian NGOs (13.1%) Local NGOs (11.6%)
Afghanistan	Education Good Governance Humanitarian Assistance Rural Development	Economic Development (44%) Humanitarian Assistance (23.5%) Good Governance (18.5%) Social Sectors (13.6%)	Multi-bi (59.3%) Norwegian NGOs (26.8%)
Bangladesh	Education Energy Good Governance Private Sector Development	Social Sectors (68.7%) Economic Development (13.2%) Good Governance (8.9%) Energy (8.3%)	Multi-bi (33.8%) Local NGOs (32.8%) Gov-to-gov (19.4%) Norwegian NGOs (13.7%)
India	Economic Development Education Environment	Economic Development (43%) Social Sectors (38.4%) Environment (8.4%)	Gov-to-gov (54.3%) Multi-bi (23.9%) Norwegian NGOs (12%)
Nepal	Economic Development Education Energy Good Governance	Social Sectors (53.7%) Good Governance (22.5%) Energy (11%)	Gov-to-gov (41.7%) Multi-bi (26.1%) Norwegian NGOs (25.2%)
Pakistan	Education Good Governance	Social Sectors (34.3%) Economic Development (33.3%) Humanitarian Assistance (18.3%) Good Governance (14.2%)	Gov-to-gov (49.4%) Multi-bi (22.8%) Norwegian NGOs (14.6%)
Sri Lanka	Peace-building Economic Development	Good Governance (45%) Economic Development (23.3%) Humanitarian Assistance (16.4%)	Norwegian NGOs (46.3%) Gov-to-gov (29.6%) Local NGOs (11%)
Vietnam	Economic Development Education Environment Good Governance Gender	Social Sectors (56.6%) Economic Development (28.3%)	Gov-to-gov (61.2%) Multi-bi (19.6%) Norwegian NGOs (15.2%)
East Timor	Budget Support Energy Gender Good Governance	Energy (41.4%) Economic Development (16.1%) Good Governance (15.6%) Social Sectors (14.1%)	Gov-to-gov (48.6%) Multi-bi (31.8%) Norwegian NGOs (19.6%)

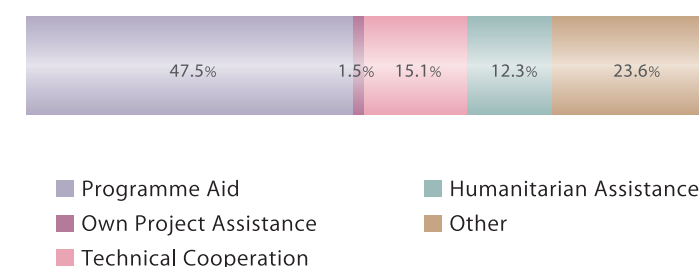
Guatemala	Good Governance	Good Governance (58.1%) Social Sectors (27.3%)	Multi-bi (39.3%) Norwegian NGOs (29.9%) Gov-to-gov (14.4%) Local NGOs (12.4%)
Nicaragua	Budget Support Good Governance Resource Management	Economic Development (65.9%) Good Governance (14.7%) Social Sectors (14.7%)	Multi-bi (41.4%) Gov-to-gov (23.1%) Norwegian NGOs (22.7%)
Palestine	Education Energy Good Governance Humanitarian Assistance	Social Sectors (42.2%) Good Governance (23.1%) Humanitarian Assistance (17.8%) Economic Development (10.9%)	Gov-to-gov (38.4%) Norwegian NGOs (29.3%) Multi-bi (27.8%)
Lebanon	Good Governance Humanitarian Assistance	Humanitarian Assistance (73.9%) Good Governance (23.3%)	Norwegian NGOs (65.3%) Multi-bi (28.6%)

* Due to data availability sectors in column two and three do not match; health and education will be combined as 'social sectors', agriculture is included in 'economic development'

** Though institutional cooperation occurred no money was disbursed in 2006

2.4 Modalities: Project, Programme, Budget Support

Figure 5-4. Breakdown of Bilateral Aid Modalities 2007*



*Fewer categories due to missing data.

There is no formal strategy regarding the choice between the different aid channels (bilateral, multilateral, NGOs). The deciding factors are countries' own efforts in reaching the MDGs and other important development goals and rights. Emphasis is placed on the quality of aid delivered and on achieving results; and whether the activity is supporting national poverty reduction strategies and strengthening national or local institutions and organisations.

A breakdown of Norway's choice of modalities for development cooperation as reported to DAC is given in figure 5-4 above, however it should be noted that Norway's reporting was somewhat incomplete and no figures were provided to the DAC for a number of modalities, including the amount of assistance channelled through NGOs and debt forgiveness. Norway mainly adopts a programme approach reporting 47.5% of aid as programme-based. This is broadly supported by the Paris Declaration Monitoring survey which found 36% of Norway's aid took a programme approach across 13 countries surveyed (defined in this case as sector or general budget support, SWAps or SWAp-like arrangements). Only 1.5% of assistance takes the form of Norwegian 'owned' projects.

Box 2. Norway's Guidelines for the Provision of Budget Support

The decision to provide budget support will be based on the following criteria:

- Assessment of the partner's planning process
- Assessment of the programme design
- Assessment of sustainability and risks
- Implementation of poverty reduction/national development or sector strategies
- Economic Governance
 - ◆ Risks of macroeconomic instability
 - ◆ Risks of corruption
 - ◆ Quality of the public financial management system
- Political Governance
 - ◆ State of human rights and democracy in partner country
 - ◆ Political economy factors that influence on the efficiency and effectiveness of the public sector (e.g. power relations and institutional functioning in general).
 - ◆ Willingness to implement national anti-corruption measures
 - ◆ Willingness to improve regional security, peace and reconciliation (where appropriate)
- Has the country adopted systems to manage external risk factors
- Assessment of donor coordination in co-financing programmes

These criteria produce an overall assessment and recommendation. There is no universal level of risk tolerance for budget support or any form of assistance. Where the development arguments in favour of budget support are strong, a higher level of risk may be justifiable. The assessment should be 'forward-looking' with regard to expected outcomes and impact. If the conclusion is in favour of an agreement, concrete recommendations on how to manage the identified risks should follow. In the case of a recommendation not to provide budget support, the assessment may include a proposal of possible steps that could be taken to prepare for a future budget support agreement.

As might be expected of a donor strongly committed to aid effectiveness, Norway is enthusiastic about the potential of budget support and there is a willingness and ambition to scale it up where possible. According to Norway's guidelines for providing budget support to developing countries, a wide range of countries can potentially be considered, including countries that do not have a PRSP in place, and even fragile states. The aim is to use budget support as a catalyst for improvements in governance, public financial management, anti-corruption systems, as well as supporting democratic ownership and accountability, balancing these benefits with the potentially higher risks for the abuse or irresponsible use of funds⁴. Because of the political nature (and sensitivity) of this kind of assessment the MFA has to approve all candidates for budget support. In practice as might be expected given the need for a strong dialogue with candidates for budget support, only long-term partners have received this form of assistance. Burundi, Malawi, Mozambique, Tanzania, Uganda, Zambia and the Palestinian Authority have all received budget support of various kinds.

2.5 Alignment with Partner Country Systems

Table 5-4. Paris Declaration Monitoring Survey: Measuring Alignment

Indicator Number	Indicator	2005 baseline ration	Illustrative targets for 2010
3	Aid flows are aligned on national priorities	56%	93
4	Strengthen capacity by coordinated support	78%	100 (EU target)
5a	Use of public financial management systems	61%	50 (EU target)
5b	Use of country procurement systems	69%	50 (EU target)
6	Avoid parallel implementation structures	3	3; no new Parallel Implementation Units (EU target)

As a member of the Nordic Plus group of countries Norway has been a driving force in the promotion of donor reform to reduce transaction costs for partner countries and increase aid effectiveness. It has played, and still plays, a positive and constructive role bilaterally and

⁴ Though these risks are not supported by evidence. The only wide-scale evaluation of GBS found that it was no more fungible than other aid modalities.

multilaterally in the harmonisation of donor practices and alignment with national poverty reduction strategies. Norway's policy therefore is to use a recipient country's own systems wherever possible. Furthermore alignment is a concern in contributions to multilateral agencies and especially NGOs. While it will continue to support civil society organisations that have an advocacy role and act as watchdogs of governments, it will only support service providers that align their activities with national policy frameworks, such as the PRSP, other development or sector plans. According to data from the Paris Declaration Monitoring Survey (see table 5-4 above) Norway is above the DAC average in all indicators suggesting that this commitment has tangible results in practice, and are one of the few countries to have achieved several of the targets early.

With regard to procurement it is Norwegian policy that the recipient country handles all procurement using their own systems. If those systems are considered to be weak, Norway may assist the country by offering consultancy services. The OECD/DAC methodology for the assessment of national procurement systems is used, and an e-learning course on procurement has also been developed by the Nordic Plus procurement group to make programme officers (both those posted from headquarters and those locally employed), or staff working in programme officer functions, at the Nordic Plus representations in developing countries familiar with processes and tools that facilitate assessment of national procurement systems and the selection of appropriate procurement options. In most cases (69% of Norway's development projects or programmes according to Paris Declaration monitoring statistics) procurement is handled by partner countries. In both their own, and in partner country procurement processes, emphasis is placed on the European procurement regulations. Specifically this means that:

- A contract < €50,000 can be allocated freely
- A contract of €50,000 < €133,000 requires several quotations
- A contract > €133,000 requires a full tender

2.6 Donor Harmonisation

As a medium-sized donor it clearly benefits Norway to conserve resources through harmonisation practices, as well as benefiting their partners, allowing Norway to lead in certain sectors where it has strong engagement, and to take a less burdensome role in others. In

Table 5-5. Paris Declaration Monitoring Survey 2006: Donor Coordination

	No. of countries surveyed	No. coordinated with at least one other donor	Total number in survey countries	Average coordination
Coordination of Missions	13	44	79	56%
Coordination of country analysis	13	24	31	77%

Zambia, the Norwegian Government played a decisive role in the construction of a tailored plan for donor harmonisation, with a number of useful lessons emerging from the initial phase of the 'Hamonisation in Practice' process.

An operational plan for institutionalising harmonisation objectives within Norwegian development cooperation was produced in 2005, even before the Paris Declaration on aid effectiveness. The plan looked at routines for information flows between the MFA and embassies in particular and collaboration and harmonisation initiatives with multilateral institutions. The Paris Declaration Monitoring Survey supports this view of Norwegian development assistance, finding that Norway was well above the DAC average in coordination of missions and country analysis. Norway is also informally committed to the EU division of labour framework (despite not being an EU country).

Norway has consequently embraced delegated cooperation arrangements where appropriate, especially with other Nordic Plus countries. Further details of this is given in Box 3 below.

Box 3. Principles of delegated partnership for Norwegian co operation

Delegated co-operation is when a 'lead' donor acts with authority on behalf of one or more other delegating donors. The level and form of delegation may concern specific appraisal, or a complete sector or country programme. The lead donor may be given the authority to disburse funds and/or responsibility for the dialogue with the partner country. Thus delegated partnership is flexible, with different organisational models.

To achieve real benefits from such arrangements the collaborating donors should make use of the partner country's administrative systems for accounting, auditing, statistics, etc. whenever possible. If these are not sufficiently well developed, capacity building should be prioritised. The donors should harmonise their administrative requirements around one set of procedures. Only the lead donor should maintain a direct dialogue with the partner country's authorities. The interaction between the donors should be described in the agreement between them.

The partner country should be responsible for identifying possible needs for technical assistance, and such assistance should be subject to competition. On their side, the collaborating partners must assure that the group of donors together has the necessary capacity and competence to carry out their obligations. The individual donor is responsible for fulfilling its designated role in the delegation agreement with regards to its own capacity and competence.

The legal and administrative requirements of the collaborating donors must be assessed prior to delegating.

Source: NORAD (2002), *Principles for delegated co-operation*

2.7 Tying of Aid

Box 4. DAC Definition of Tied Aid

Tied aid credits are official or officially supported Loans, credits or Associated Financing packages 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 developing countries (or Central and Eastern European Countries (CEECs)/New Independent States (NIS) in transition).

Norway's policy is to provide 100% untied assistance. The Paris Declaration Monitoring Survey found 99% of Norway's aid to be untied (well above the DAC average of 82%). Even incentive schemes for promoting private sector investment in developing countries, including mixed credit schemes, have become untied, though certain types of aid financed technical consultancy contracts can be tied such as feasibility studies, analyses of project design and impact assessments, which may account for Norway's failure to record a 100% untied score on the Paris Declaration Monitoring Survey

NORFUND, Norway's now independent development financing institution which finances private sector development, does have some funds which exist in a 'grey area', though are not covered by DAC rules on tied ODA. SN Power for example, a hydro-power investment vehicle explores ways of using Norwegian expertise in hydro-power technology in developing country contexts, which could be said to be providing support to the Norwegian private sector. Like most other donors Norway also earmarks funds specifically for Norwegian NGOs (however again this is not covered by DAC rules on untied aid).

2.8 Partnership with NGOs

Non-governmental organisations (particularly Norwegian NGOs) play a prominent role in Norwegian development assistance, with over 30% of bilateral development assistance channelled directly through them. This amounted to approximately \$865 million in 2007 distributed to approximately 100 organisations working in 76 countries and across all sectors. In 2008, 40 different international NGOs were among those receiving funds. NORAD also engages in regular policy dialogues with NGOs with regard to government policies. There is however no overall policy on NGOs.

On the basis of general political priorities and guidelines from the MFA, NORAD is primarily responsible for the allocation of funds directly to Norwegian NGOs, who then work with local partners in developing countries; however funding can come from more than ten different budget lines. Recipients must contribute 10% of funds for any project or programme themselves, except in humanitarian action, and must work with local partners. Indeed strengthening local partners is one of the principle aims of Norwegian assistance to NGOs. NORAD is currently revising the guidelines which govern its cooperation with NGOs. These will more clearly outline the aims and objectives of funding to NGOs, and will take particular account of the need to be results-focused, and an increasing direct use of Southern NGOs.

2.9 Monitoring and Evaluation

NORAD's Evaluation Department is responsible for planning and implementing independent evaluations of activities financed through the Norwegian development cooperation budget. The department also acts as an adviser for NORAD and the Ministry of Foreign Affairs on matters relating to evaluation and is Norway's representative in international cooperation on evaluation. Evaluation activities are based on instructions from the Ministry of Foreign Affairs. The Evaluation Department has 10 staff of its own, and can in addition draw on consultants to perform temporary and 'extraordinary' tasks. There is a 50-50 split between self-initiated Norwegian evaluations on the one hand and joint evaluations and cooperation with others on the other.

Box 6. The Evaluation Department's Strategic Goals 2006-2010

1. *Quality assurance of all development cooperation*
2. *Stronger focus on results of Norwegian aid*
3. *Adapt evaluation work to new aid modalities*
4. *Improved communication of evaluation results and improved learning*
5. *Strengthen evaluation as basis for policy development*
6. *Strengthen quality and reliability of evaluation activities.*

Evaluation activities are based on the political priorities laid down by the Norwegian parliament and government, and on Norad's strategy. The fact that the Evaluation Department is responsible for the evaluation of the whole development cooperation does not imply that all responsibility for evaluation in a wider sense lies with the Department. The departments, embassies and organisations that have a management responsibility for Norwegian development grants are also responsible for control, evaluation, and learning in connection with their activities. The Evaluation Department does however have the task of providing evaluation expertise to the rest of the aid administration.



3. Research and Knowledge Management

Table 5-6. Basic Facts About Norway's Research Structure

Dedicated research department?	Yes	Dedicated research budget?	Yes
Departments involved in research	NORAD	Dedicated researchers within MFA?	Yes
Research strategy?	Yes	Important publications	N/A

Box 7. The new Minister for Environment and Development Cooperation has established a new unit to work in part as a 'think tank' looking strategically into the long-term for Norway's international development cooperation.

Norway have specific funds earmarked for research and higher education. In the 2008 budget this amounted to 317 million Norwegian Krona (NOK) (approx \$60 million). In addition 50 million NOK was allocated to vaccination research and 88 million NOK to agricultural research. Other allocations are also used to fund single research projects or programmes, as well as universities.

One of the priorities of this money is for development research commissioned in Norway in order to increase knowledge within the Ministry, NORAD and other public institutions and better inform policy making. The precise agenda for this research is a mix between the priorities defined by various independent institutions funded, taking some account of policy needs as defined by the MFA/NORAD. The main research institute dealt with is the Christian Michelsen Institute in Bergen, Norway, which has a specific annual allocation of its own.

There are at least biannual meetings between policy makers and researchers to facilitate the use of the results emerging from the research. Nevertheless MFA officials freely admit that ensuring a fruitful flow between the research and policy levels is a challenge. Some knowledge is cultivated through the Norwegian Foreign Service Institute, which is part of the Ministry of Foreign Affairs, and provides courses on a variety of topics including development issues.

NORAD itself has a separate Department for Education and Research, where staff tend to have a research or dedicated development background, however they do not engage directly in research. Instead they are responsible for its management and evaluation. NORAD also has a department for Macroeconomics and Public Financial Management.



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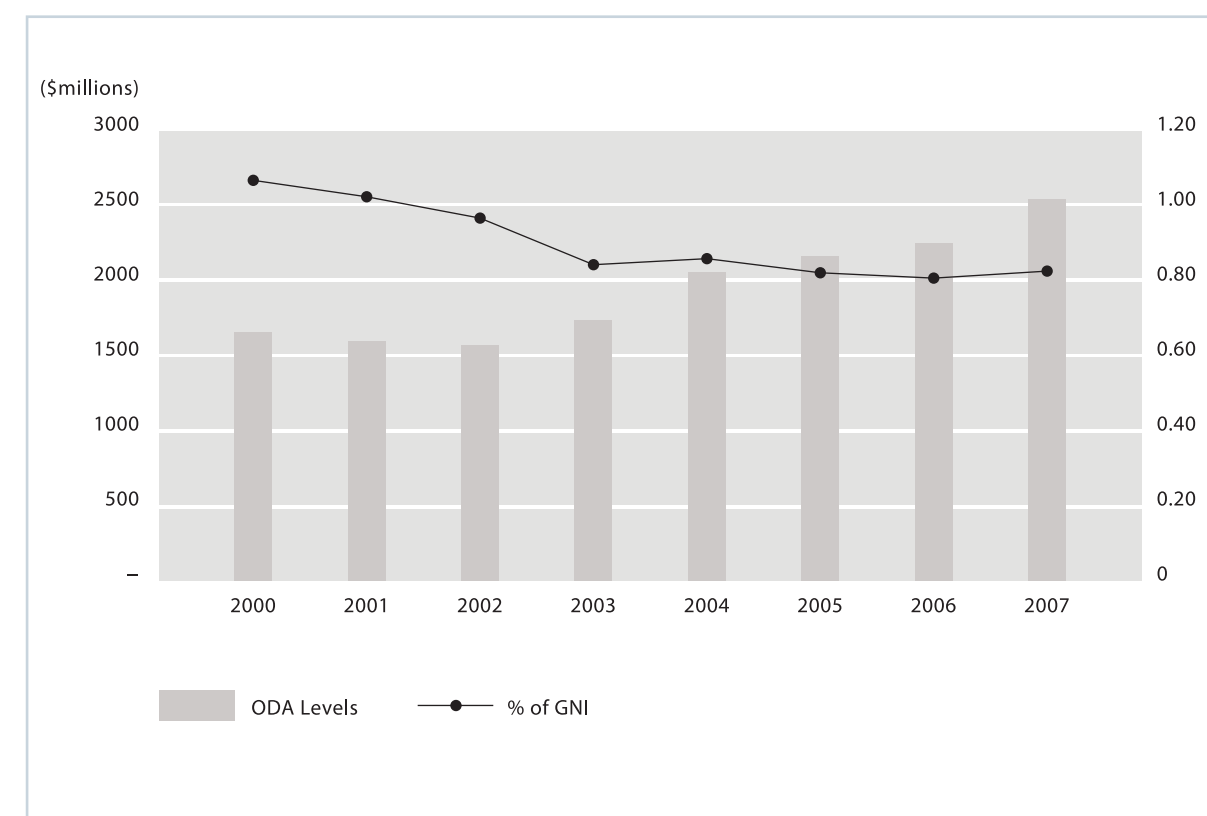
Quick Facts

The Nordic Plus is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda. The members are Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands, though the group aim to engage with other donors as much as possible in specific areas of cooperation (such as joint financing or common procurement procedures). The group was formed in 2003 in an effort to increase members' mutual cooperation and to harmonise procedures and practices in the interest of reducing the burden placed on developing countries in administering development cooperation. The Nordic Plus countries therefore are strong advocates of the Paris Declaration. Members, in addition to actively working towards increasing common policies and practices, have also agreed to engage in delegated cooperation with one another. All members have pre-approved one another in principle to be able to act as a lead donor in projects or programmes where funds from multiple members are used, but administered by only one donor on the ground. For more details of this practice see section 2.6.

Exchange Rates

2006 \$1 = 5.94 Danish Kroner 2007 \$1 = 5.44 Danish Kroner (based on DAC statistics)

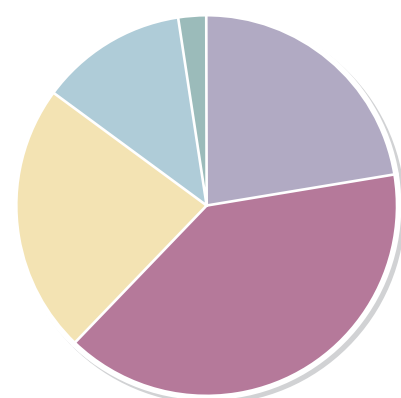
Total ODA Levels 2000-2007



Breakdown of Total ODA 2007 (\$millions)

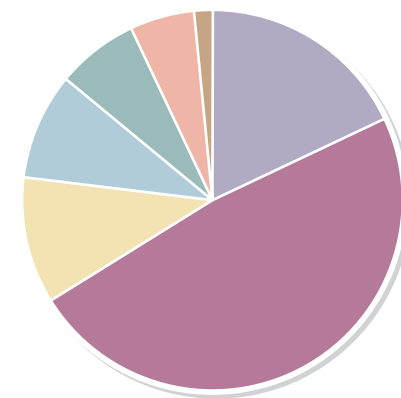
Bilateral ODA	1 650.52	Multilateral ODA	911.71
<i>Grants</i>	1 722.09	To UN Agencies	347.18
Capital Project Aid	428.63	To EC	237.76
Programme Aid	534.15	To IDA	94.71
Technical Co-operation	93.04	To Regional Development Banks	70.75
Humanitarian Aid	139.83		
Debt Forgiveness, total	123.29		
Support to NGOs	161.52		
Administrative Costs	127.30		
<i>Non-Grant Bilateral ODA</i>	78.52	Total	2 562.23

**Bilateral Allocation by Income Group
2006/2007 Average**



- Unallocated
- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income

**Bilateral Allocation by Region
2006/2007 Average**



- Unspecified
- Sub-Saharan Africa
- South and Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe

1. Organisation and Strategy

1.1 An Introduction to Denmark as a donor

Denmark is proud of the heritage of leadership that it has provided within the international donor community over the last four decades, and has enjoyed consistent public and political support for its development cooperation. Development assistance began in the early 1960s for a mixture of motives, and the origins of Denmark's development cooperation parallel most long-standing donor countries, with policies evolving many times over in the intervening four decades of aid experience.

The consensual style that characterises the wider Danish political environment has resulted in broad support for development assistance, which has allowed since 1980 a consistent allocation of a minimum of 0.7% of GNI to ODA, with the current consensus supporting a level no less than 0.8% of GNI. A strong internationalist tradition, common across the Nordic nations, means Denmark emphasises its ODA as a mechanism for promoting its values abroad including respect for human rights, and gender and social equality. As part of this internationalist approach Denmark has contributed more troops per head of population to peace keeping operations than any other nation since the end of the Second World War.

The current legal underpinnings of Denmark's aid activities goes back to the *Act on International Development Co-operation* enacted by the Danish Parliament in 1971 and amended several times, most recently in 1998, the details of which are set out below. In recent years Denmark's aid programme (often known internationally as DANIDA, though this functions merely as a brand name and does not refer to a development agency) has undergone some considerable restructuring to increase its focus in line with Denmark's Paris Declaration obligations, as well as reflecting internal development in Danish politics. The result is a development programme with a strong focus on cooperation, multilateralism, quality assurance and poverty reduction.

Box 1. Act on International Development Cooperation of 1971 (as amended in 1998)

"The goal of Denmark's governmental assistance to developing countries shall be to support – through co-operation with the governments and official bodies of these countries – their endeavours to attain economic growth, thereby strengthening their social progress and political independence in accordance with the United Nation's Charter, its objectives and bearing principles, and also through cultural co-operation to promote mutual understanding and solidarity."

1.2 Administrative base

Denmark's development cooperation is coordinated by the Ministry of Foreign Affairs. Within the MFA there are two Ministers, the Minister of Foreign Affairs and the Minister for Development Cooperation who both have equal status within government. Though ODA is becoming an increasingly important part of Denmark's general foreign policy, the Minister of Development Cooperation has the final say (within the framework laid down by the Danish parliament) on all matters relating to Danish development assistance, including strategies, action

plans, and policies. Every year the Minister presents an annual priority plan, together with a five-year budget plan which is then included in the Finance Bill.

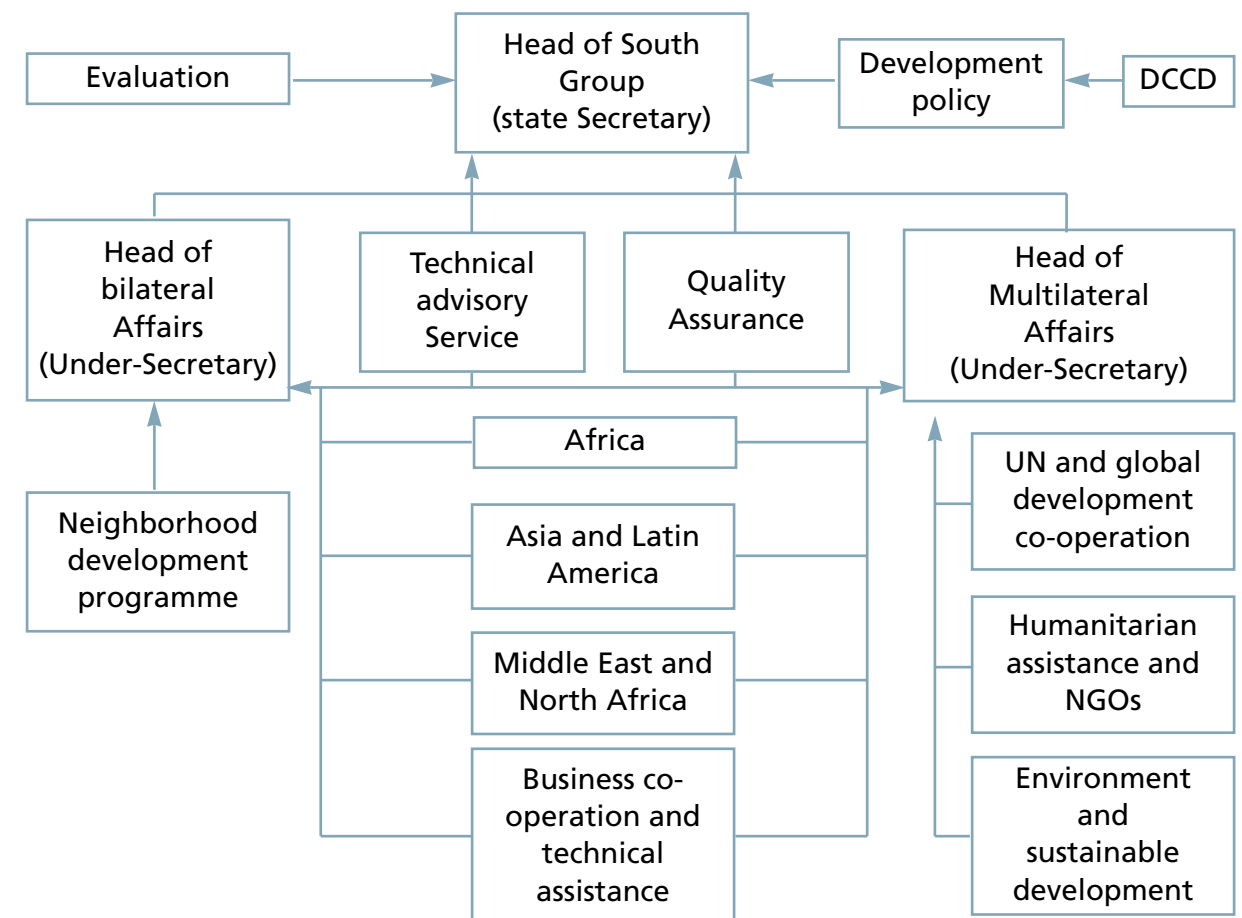
Within the MFA the South Group, the part of the MFA who are most closely associated with DANIDA, is responsible for the overall management of bilateral and multilateral cooperation. The South Group consists of 12 departments plus DANIDA's Centre for Competence Development (DCCD). Four of these are 'strategic' departments that report directly to the Head of the South Group, the remaining departments having a geographic, thematic or support function. A decentralisation process, completed in 2003, transferred additional tasks to the 71 Danish embassies. This changed the nature of decision making (see section 1.6 below), and also led to the increased importance of the Technical Advisory Service to support embassies, and the establishment of a new Quality Assurance Department (which form two of the 'four 'strategic' departments of the South Group).

Parliament closely follows the Danish development cooperation programme. It endorses the annual development cooperation priorities and discusses the development assistance budgets as part of its discussions over the annual Finance Bill proposal. Parliament's finance committee must approve all commitments over DKK 30 million (approximately \$5 million). The Foreign Affairs committee is also highly involved in the development cooperation, especially strategies and major issues.

Development cooperation is overseen by the Board for International Development Cooperation, and has been since the basic legal framework of Denmark's ODA was established in 1971. It consists of 9 members reporting only to the Minister who meet once a month, 10 months a year. Their meetings are closed. Traditionally they represent different interests in development cooperation, the members being drawn from across the research community, the business sector, and NGOs. The board reviews all projects over 10 million DKK (approx \$1.5 million). Though they have the power to do so, in practice, the board will not reject proposals, but will instead ask that they be reconsidered and resubmitted. The board also plays a role in policy advice and quality assurance in country programming.

The total number of staff employed by the South Group was 1,087 as of 2007, of which 73% (or 792 staff) work abroad. Of these 231 are staff posted from the MFA and 561 are locally employed. Staff levels in Copenhagen are being reduced meaning in relative terms a shift of capacity is taking place from the centre to the embassies to accompany the decentralisation process. The DCCD is the MFA's unit for developing their human capacity, focused on individually-tailored programmes. It organises pre-departure programmes for staff posted to missions, as well as ongoing competence development.

Figure 6-1. Organisation Chart of the South Group and Lines of Reporting



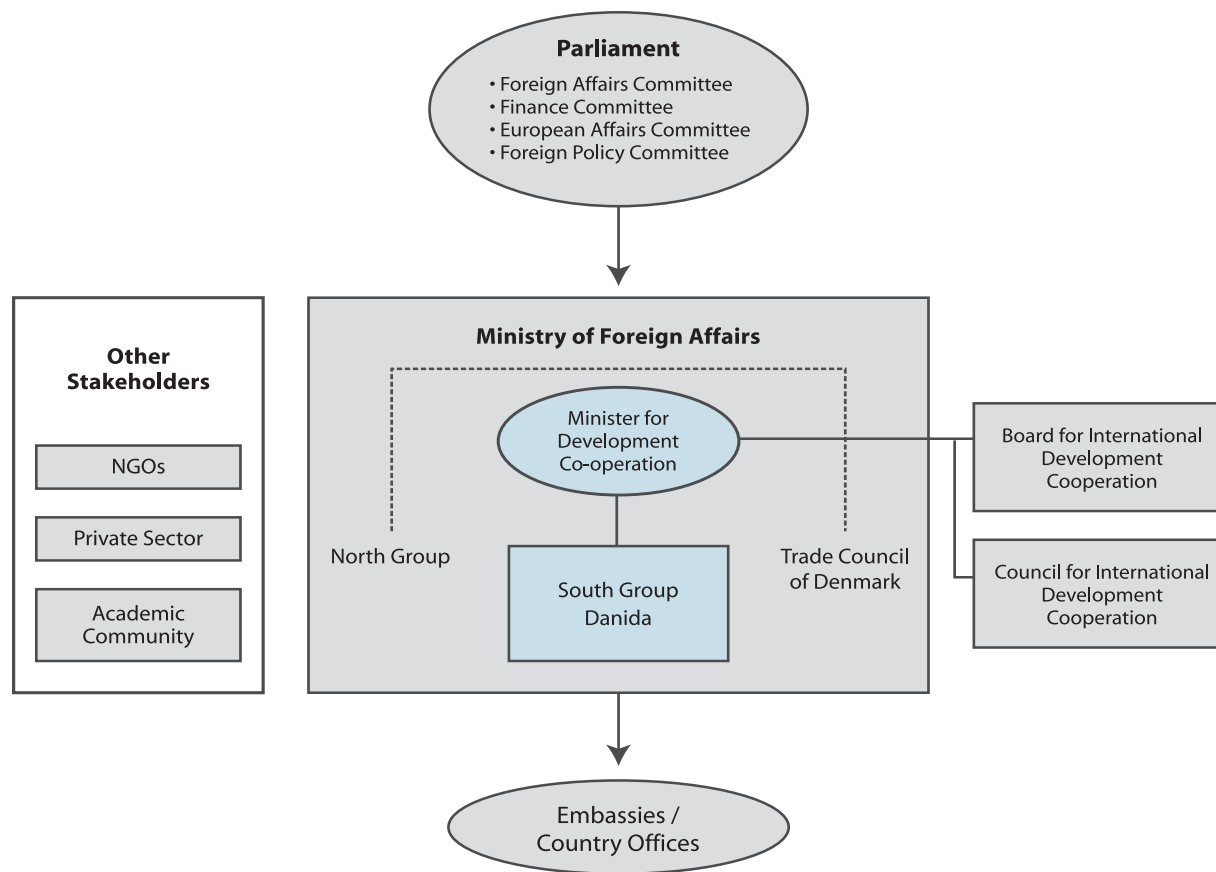
1.3 Policy Making

The Development Policy Department in the South Group as the name suggests has primary responsibility for development policy. However this is within the context of a highly consensual process of establishing the overall strategy of Denmark's development cooperation. Figure 6-2 sets out the various stakeholders who inform policy making.

In recent years the Danish government has given development assistance a relatively high priority on the political agenda, with active engagement from the Prime Minister and broader debate in parliament on development policy. The MFA also facilitates visits by MPs, and the Foreign Affairs and Finance Committees, which provides a supportive and knowledgeable parliamentary environment who take a role in policy making.

All strategies are sent to the Foreign Affairs Committee which is responsible for taking into account the views of civil society. The committee has a significant influence on the shape of development cooperation through its responsibility for setting the criteria to be used in the selection of programme countries. The Board for International Development Cooperation also advise on policy and strategic issues.

Figure 6-2. Stakeholders in Danish Development Policy Making



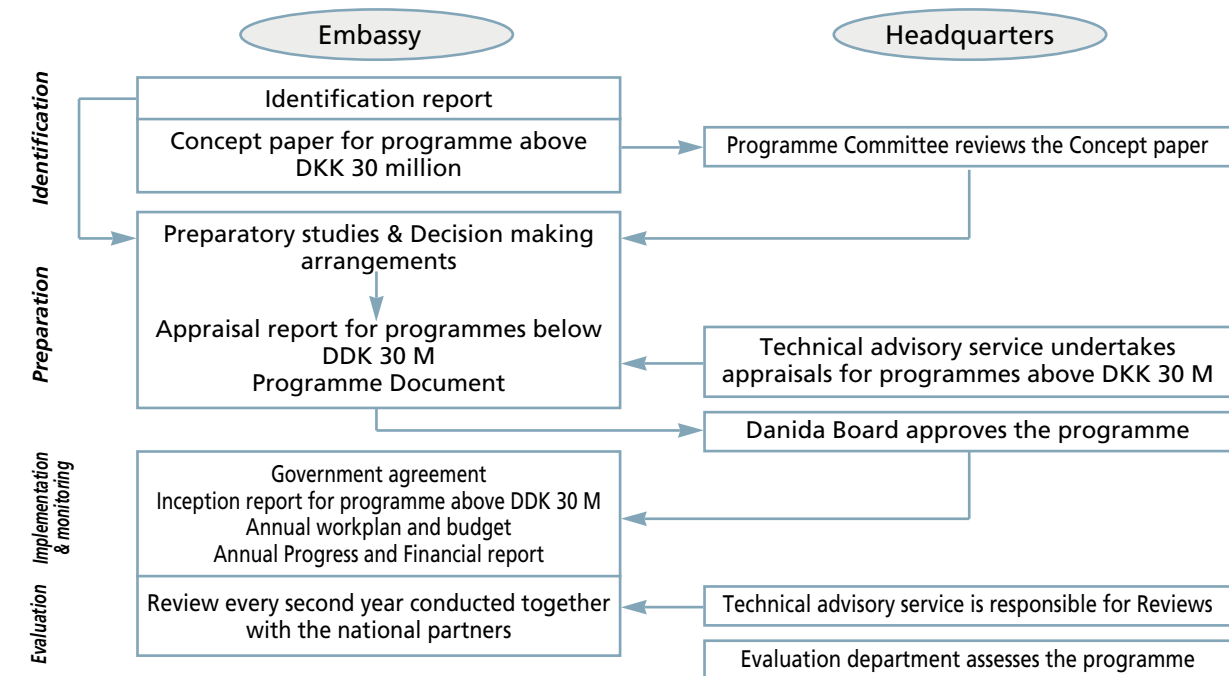
1.4 Decision Making

Five-year country strategies provide the broader strategic framework for Danish development cooperation in a partner country and outline how Danish support contributes to reducing poverty. In the revised guidelines for country strategy processes, the fixed five-year country strategy norm has been replaced by a more flexible model which allows alignment to partner country cycles and/or Joint Assistance Strategy cycles. This change will gradually come into effect as old strategies expire over the coming years.

A Results Contract and a Business Plan are also signed each year by the Head of Representation at the embassy. These documents outline outputs, expected results, specific responsibilities and the authority involved, as agreed between Head of Representations and the MFA. Decentralisation means that, while major policy issues and final funding decisions remain in Copenhagen, Danish embassies have a key role in preparing new programmes. Once a programme is approved, embassies have complete freedom to manage it, including reallocating part of the funding (up to 10% of aid volume) whenever necessary

The programme cycle in Denmark's development cooperation, including the distribution of responsibilities between the embassy and the MFA are shown in figure 6-3.

Figure 6-3. Programme cycle in Denmark's Development Cooperation



1.5 Strategic Framework

The central goal of Danish development cooperation is to support partner countries' efforts to reduce poverty. The *Act on International Development* states that the objective of Denmark's ODA is to promote economic growth and to contribute to social progress and political independence.

Due to a five year budget horizon, the government presents a five year plan for Danish development cooperation annually to trace the priorities of that year's funding for development cooperation. These documents however are based on *Partnership 2000*, the overall umbrella for development strategy, which sets out "poverty reduction through sustainable development" as the central goal, and "partnership" as the principle basis, for development cooperation. Other policy documents are produced from time to time to build on this foundation.

In recent years the emphasis of Danish development cooperation has been on the challenges and opportunities of globalisation and its impact on poverty reduction strategies. At the same time, development policy is increasingly seen as an integral part of foreign policy. In particular, the potential role of development assistance in promoting global security and stability is highlighted in the 2006 statement on development co-operation, *Commitment to Development*. This outlines the strong Danish profile in reconstruction and conflict management, and puts special emphasis on the role of development to help resolve conflicts in Africa.

Development cooperation, along with trade, security, investment, the environment and good governance, is seen as increasingly central to Denmark's response to the realities of a globalised world. Linkages between these different aspects, especially trade, security and development cooperation, have become especially important to Denmark's understanding of its development

policy framework. The seven priority themes and three cross-cutting issues that express this perspective are set out in Box 2, though the process of mainstreaming this framework is ongoing.

Box 2. Seven priority themes and cross-cutting issues in Danish development assistance

7 themes

- HIV/AIDS
- Private sector promotion
- Children and youth
- Reproductive health
- Conflict prevention
- Trade and development
- Indigenous people

3 cross cutting issues

- Gender equality
- Environmental sustainability
- Human rights, democratisation and governance

1.6 Multilateral Strategy

Denmark regards bilateral and multilateral channels as complementary and tries to develop synergies between its bilateral programme and the multilateral channel. Like its bilateral programme, Denmark's support via multilateral organisations aims at reducing poverty and achieving the MDGs. A performance review of the MDGs' place in Danish multilateral assistance was completed by the National Audit Office in 2005. This found that Denmark *has* strategically prioritised the MDGs when planning its multilateral assistance, though the review recognised that many other parameters are also taken into consideration when deciding on the allocation of funds to multilateral organisations.

As part of the government's overall priorities for development assistance, Denmark tries to link resource allocation to multilateral organisations and their performance in efficiently supporting the MDGs. Weaknesses in organisations' results-based management and evaluation systems are considered to be the major challenge. To address issues such as this Denmark is actively promoting Joint Donor Strategies for multilateral organisations. In 2005, in cooperation with other donors, the MFA conducted an investigation into the UNDP's evaluation and results-reporting systems. A results-based management assessment of UNICEF is also being done jointly with five other donors. Denmark participates in the Multilateral Organisations Performance Assessment Network (MOPAN), which is a joint bilateral initiative to assess the partnership behaviour of multilaterals at country level.

2. Implementation

2.1 Budget Summary

Table 6-1. Basic Budgetary Information 2007 (unless otherwise stated)

Total budget (\$million)	2 562 (100%)	Total GBS 2006/7 (\$million)	50 (3% of total bilateral)
% of GNI	0.81	Contribution to EU ODA (\$million)	238
Total Bilateral (\$million)	1 651 (64%)	Contribution to 15th Replenishment of IDA (\$million)	95
Bilateral to Africa (\$million)	791 (48% of total bilateral)	Administration (\$million)	127 (5%)
Total NGOs (\$million)	162 (10% of total bilateral)	Minimum Predictability	5

Danish ODA as a percentage of GNI has fallen since the 1990s, where it maintained an average of 1%. From a high of 1.06% in 2000 it had dropped to 0.8% in 2006, still comfortably in excess of the UN target of 0.7%. The government's stated policy is to maintain this 0.8% level. In 2007 ODA was 0.81% of GNI.

In 2007 Denmark's appropriations for development cooperation were approximately \$2.5 billion. About 64% was distributed through bilateral channels. Multilateral funds were largely distributed through the UN system, the World Bank and the EU. However Denmark are currently reviewing their multi-lateral contributions, and may decide to concentrate on a smaller number of institutions in an effort to become more efficient and influential.

2.2 Partner Countries

The MFA acknowledges that some critics suggest that Danish ODA is spread too thinly across a large number of countries, however the MFA responds that they view the world holistically and as interconnected, with less emphasis on separate nation states. With the recent addition of Mali, Denmark now has 16 programme countries, which received over 50% of total bilateral assistance in 2006. In 2007 just under 50% of geographically allocated bilateral assistance went to Africa.

Denmark has 16 programme countries (see table 6-2) whose selection is guided by criteria set up by the Foreign Affairs Committee. With the overriding objective of poverty reduction in mind, these criteria call for an assessment of each country's economic and social stage of development, development needs, possibilities for

meaningful dialogue and cooperation, especially on the promotion of democracy and human rights, the environment, the possibilities of involving women in the development process and Denmark's experience in bilateral development co-operation with the country in question. Finally, the criteria attach importance to the possibilities of involving the Danish business sector in the cooperation. Most important is a "frank and open dialogue" and a sense that progress is being made, rather than necessarily the highest performance across the various criteria. Mali instead of Ethiopia was chosen to become the most recent programme country in 2006 above all else because it was felt prospects were far better for constructive dialogue and therefore partnership. Countries such as Niger and Kenya were formerly among a larger group of programme countries, but were downgraded due to a sense that there had been a reversal in progress in key areas such as democratisation.

Aside from receiving a greater concentration of total funds, funds in programme countries are usually more closely aligned to country systems and budgets.

Table 6-2. Denmark's Programme Countries

Africa	Asia	Latin America	Top 10 Countries by Disbursement 2006/2007*
Benin	Bangladesh	Bolivia	Uganda
Burkina Faso	Bhutan	Nicaragua	Tanzania
Egypt	Nepal		Nigeria
Ghana	Vietnam		Mozambique
Kenya			Vietnam
Mali			Ghana
Mozambique			Zambia
Tanzania			Kenya
Uganda			Egypt
Zambia			Bangladesh

* As denoted by Norad and MFA in Annual Report

Denotes non-Partner country

Among Denmark's programme countries Bhutan, Vietnam and Egypt are to be phased out in the coming years due to their increasing levels of development. Egypt already has had its last country plan, and Bhutan and Vietnam will have their final country plans in 2010/11. Since these plans have a 5 year time horizon Denmark expects to end its programmes in these countries by 2015/16.

Unofficially the MFA also uses other categories for classifying assistance. For example development cooperation is also directed to a group of 'transitional countries' including South Africa, Niger and Cambodia, which are characterized by a movement away from development relationships towards normal diplomatic relations. A significant amount of assistance is also directed to 'fragile states' also not among the programme countries such as Sudan and Afghanistan. Other countries are the subject of specific targeted interventions. In Indonesia

Table 6-3. Sector Concentration in Denmark's Programme Countries

Partner Country	Agriculture	Education	Health	Environment and Resource Management	Water and Sanitation	Business Development	Transport	Energy	Popular Participation
Bangladesh	◆				◆				
Benin	◆	◆			◆				
Bhutan		◆	◆		◆				
Bolivia	◆			◆	◆				◆
Burkina Faso	◆				◆			◆	
Egypt				◆					
Ghana			◆		◆		◆		◆
Kenya	◆		◆		◆				◆
Mali	◆				◆				◆
Mozambique	◆	◆	◆					◆	
Nepal		◆		◆				◆	
Nicaragua	◆	◆		◆					
Tanzania	◆		◆			◆	◆		
Uganda	◆		◆						
Vietnam*	◆					◆			
Zambia		◆	◆		◆		◆		

*Denmark is also involved in the fisheries sector in Vietnam

for example assistance is provided specifically to the energy, good governance and environment sectors. In such countries the motivation is to try to stay engaged to maintain some influence on the direction of change within a particular country, despite the fact that they are not considered suitable a fully fledged programme country. In all these cases, development cooperation will take different, more specified forms than in programme countries.

2.3 Sector Concentration

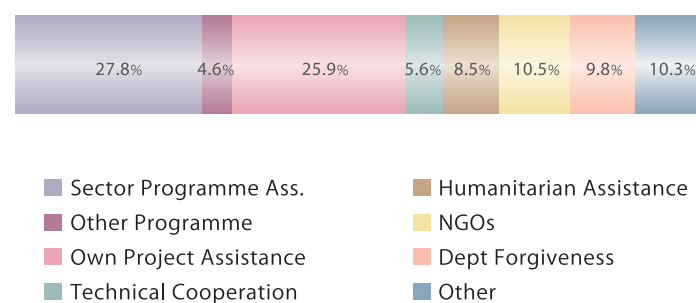
In accordance with the commitments made in signing the Paris Declaration, Denmark aim to limit their involvement to no more than 3 sectors in their partner countries, however this is not necessarily reflected across all programme countries (see table 6-3 above). Within country the choice of sector involvement is influenced by the division of labour, the need to align with partner countries' own strategies, and any comparative advantage from Denmark's past involvement in particular sectors.

In addition to the country level priorities, as outlined above Danish cooperation is characterised by several cross cutting concerns which both guide the choice of sectors, and the nature of individual sectoral programmes themselves (mainstreaming gender equality within water and sanitation programmes for example).

Denmark's development cooperation is strongly focused on the social sectors, which received \$436 million in 2006 compared to \$236 million specifically earmarked for the productive sectors and economic infrastructure.

2.4 Modalities: Project, Programme, Budget Support

Figure 6-4. Breakdown of Bilateral Aid Modalities 2007



A breakdown of Denmark's aid modalities is given in figure 6-4 above. Denmark's own project assistance is 25.9%, spread over projects in about 90 countries. In common with many donors Denmark has been gradually reducing this element of its development cooperation. Though

according to DAC data 32.4% of total bilateral assistance was explicitly earmarked as programme assistance, data from the Paris Declaration monitoring survey, finds 60% of Denmark's aid was disbursed through programme based approaches (defined in this case as sector or general budget support, SWAPs or SWAP-like arrangements), suggesting that on the ground more funds find their way through programme approaches. It should be noted however that the Paris Declaration data draws on only 18 countries, as opposed to the entirety of Denmark's bilateral cooperation.

Given the very tight financial rules under which Denmark's development cooperation is forced to operate, intense negotiation was required to gain approval for general budget support. The case for general budget support is assessed by the embassies with support from the Technical Advisory Service and according to 10 criteria set out below. These are not 'either/or' criteria. The decision to provide general budget support will be based on an overall assessment of these criteria, where the distinct characteristics of each country will affect the weight given to each one. Importance is attached to the recipient country's will and ability to implement difficult political reforms. However only 6% of Danish support takes the form of GBS, partly a result of some political resistance within Denmark itself, with 6 of the 16 programme countries now receiving GBS. On the other hand, there was a case when the state auditors asked the MFA why Bhutan was *not* receiving budget support, suggesting that perhaps in some cases these political concerns are leading to too much caution.

Box 3. Denmark's 10 Criteria for General Budget Support

Governance

1. Good governance, encompassing a minimum respect for human rights, a free press, pluralistic democracy and rule of law, including independence for the judiciary.
2. Anti-corruption with implementation of prevention and control measures, as well as follow-up with a view to improving the country's standing in the international corruption league table.

Poverty Reduction Policies

3. Solid poverty reduction strategy and the will to implement it.
4. Positive experiences with development cooperation generally and budget support specifically, as well as ongoing documentation of concrete development results.

Public Finance Management

5. The Finance Act process, with publication of budget and accounts, as well as parliamentary consideration.
6. Rules for public procurement broadly in accordance with international standards.
7. Presence of an independent National Audit Office or similar functioning inspection body.
8. Expert appraisal of quality and capacity in public finance management.

Partnership

9. Mutual observance of agreed obligations.
10. Consensus among all budget support donors regarding approach (incl. rules for transfer and monitoring) and conditions for general budget support.

2.5 Alignment with Partner Country Systems

Table 6-4. Paris Declaration Monitoring Survey: Measuring Alignment

Indicator Number	Indicator	2005 baseline ration	Illustrative targets for 2010
3	Aid flows are aligned on national priorities	87	93
4	Strengthen capacity by coordinated support	48	100 (EU target)
5a	Use of public financial management systems	29	50 (EU target)
5b	Use of country procurement systems	45	50 (EU target)
6	Avoid parallel implementation structures	69	3; no new Parallel Implementation Units (EU target)

There is broad political support for the government's commitment to harmonisation and alignment, set out in *Commitment to Development*. Denmark has advocated for a sector approach for over a decade. In each programme country there are provisions of Sector Programme Support in 2-4 sectors based on national sector strategies and supported by a joint sector-wide approach with other donors.

The government has also instigated several tangible changes in its systems in order to facilitate alignment. In 2003, Denmark's bilateral development co-operation in programme countries was decentralised, in order to facilitate harmonisation and alignment at partner country level. The multilateral programme was then partly decentralised in 2005. The five-year country strategy has been replaced by a more flexible model which allows Denmark to align to partner country cycles and/or joint assistance strategy cycles. More generally, the revised guidelines for country strategy processes have introduced a more flexible approach allowing full alignment and harmonisation with country-led processes.

However there is clearly room for progress in translating these changes into actual tangible alignment at the country level. The results of the 2006 survey shows that while Denmark is an effective donor in a number of areas, it is underperforming on certain indicators, particularly those on programme-based approaches and use of country public financial

management systems (table 6-4 above). Part of this failure can be explained by Denmark's application of strict standards, particularly in financial management. However the 2007 DAC Peer Review argued this should translate into capacity building and not work against alignment and harmonisation principles.

At the international level, Denmark has been a leading advocate in the Nordic Plus Joint Action Plan on Harmonisation, and the aid effectiveness agenda more generally. With regard to multilateral assistance, Denmark actively promotes joint donor strategies in order to increase the effectiveness and efficiency of multilateral organisations.

For procurement, the OECD/DAC has developed a methodology for the assessment of national procurement systems. This methodology is intended to provide a common tool which developing countries and donors can use to assess the quality and effectiveness of national procurement systems. An e-learning course on procurement has been developed by the Nordic+ procurement group to make programme officers (both those posted from headquarters and those locally employed), or staff working in programme officer functions, at the Nordic+ representations in developing countries familiar with processes and tools that facilitate assessment of national procurement systems and the selection of appropriate procurement options. Denmark could still improve its use of partner country procurement systems, using them in only 48% of cases according to Paris Declaration monitoring statistics.

In both their own, and in partner country procurement processes, emphasis is placed on the European procurement regulations. Specifically this means that:

- A contract < €50,000 can be allocated freely
- A contract of €50,000 < €133,000 requires several quotations
- A contract > €133,000 requires a full tender

2.6 Donor Harmonisation

Table 6-5. Paris Declaration Monitoring Survey 2006: Donor Coordination

	No. of countries surveyed	No. coordinated with at least one other donor	Total number in survey countries	Average coordination
Coordination of Missions	18	52	158	33%
Coordination of country analysis	18	52	65	80%

Denmark is actively engaged in donor coordination mechanisms and is generally seen as a strong and constructive player. Denmark aims to reduce the number of bilateral missions it has in place and rely more on joint missions, though it does not expect to abandon bilateral missions

all together. Coordination of country analysis has been impressive, though coordination of country missions lags a little behind. It is however about average across DAC countries as a whole.

Though Denmark are a keen partner among the Nordic Plus countries, engagement with delegated cooperation has been limited. The MFA has not yet worked out a way within its regulatory and legal framework through which it can delegate authority to another donor and become a silent partner. Denmark has however been the implementing country in delegated partnerships with Norway.

2.7 Tying of Aid

All Danish aid is now untied (including, as of this year, food aid) with the exception of the Mixed Credit Programme. Procurement has been almost completely untied, though the grant financed development programme is untied only with regard to other EU and European Economic Area countries.

The Mixed Credit Programme is a financing package combining a commercial loan and an aid-funded grant amounting to 35-50 per cent of a contract value, aimed at financing supplies of equipment and related services for development projects within a number of key sectors, including water and sanitation, energy, infrastructure, health, environment, and education. The scheme is tied to Danish companies, however suppliers of the actual goods or services can come from any country. The programme has an annual budget of DKK 300 million (approximately \$60 million), which accounts for around 3% of the total aid programme. It is available in Programme Countries and other relatively creditworthy countries with a GNI per capita of less than \$2,964, with an additional untied mixed credit facility available only in Programme Countries and South Africa.

2.8 Partnership with NGOs

The amount of Danish ODA allocated to and channeled through NGOs has been increasing slowly in recent years, though at a consistent proportion of the total ODA spend (around 7 - 8% of total net ODA), which reflects the DAC average, though the share of Danish aid channeled through Danish NGOs is higher for humanitarian assistance.

In 2005 almost 80 NGOs received funds directly from the MFA for development assistance and humanitarian assistance. In addition to this, a substantial number of NGOs receive funds from mini-programme grant facilities administered by four different umbrella organisations. Denmark's NGO grants were allocated across approximately 60 countries, with the bulk of the grants going to Africa (44%). Asia and Latin America received 22% and 15% respectively. This breakdown reflects the Danish focus on Africa, but also shows that NGOs are slightly more committed in Latin America than the MFA. This partly explains the high number of countries (90) receiving Danish ODA.

Six NGOs that have a four-year framework agreement with the MFA (Danish Red Cross, DanChurchAid, Save the Children Denmark, the MS Association for International Cooperation, IBIS and CARE Denmark) were until 2005 100% funded by Danish ODA.

Since then, these "framework NGOs" are now required to source a percentage of their programme funds themselves: 5% of the funds for co-financed programmes in 2006, rising to 10% in 2007. This reflects the government's wish to have more independent NGOs, which have a broader public foundation and are able to engage their members in a dialogue on priorities.

2.9 Monitoring and Evaluation

Monitoring and evaluation are the responsibility of the Evaluation Department within the MFA. It is an independent, specialized department with responsibility for programming, designing and overseeing evaluations of all development activities financed by Denmark. The department provides feedback to management, operational departments, and partners about the performance of development activities and contributes to policy and strategy development.

All evaluations are publicized in order to provide the general public and political decision makers with information about evaluation results, to ensure accountability and to improve the public understanding of needs in partner countries. All evaluation reports issued since 1995 and a 4 page summary of each are available online. Independent, interdisciplinary teams carry out the evaluations. The evaluation teams are selected by the Evaluation Department on the basis of professional competencies, experience and independence and following public announcement (tender) of up-coming assignments exceeding DKK 500,000 (approximately \$100,000).

In line with the Paris Declaration on improved aid effectiveness, evaluations are increasingly carried out as joint evaluations with other donors and with national authorities responsible for evaluations in partner countries. Efforts are made to involve local consultants and institutions in the partner countries to enhance capacity building, evaluative thinking and the usefulness of evaluations.

3. Research Functions and Knowledge Management

Table 6-6. Basic Facts About Denmark's Research Structure

Dedicated research department?	Yes*	Dedicated research budget?	Yes
Departments involved in research	Technical Advisory Service, Consultative Research Committee	Dedicated researchers within MFA?	No
Research strategy?	No**	Important publications	N/A

*More accurately there is a research unit within the technical advisory service, a department in the South Group at the MFA

** No single research strategy exists as such, but each year a set of priorities are set out to guide research

Like other elements of Danish development assistance, development research may contribute to making it possible for developing countries to reap the benefits from globalisation. Promoting the UN Millennium Development Goals is an important element of the Danish Government's development policy priorities and, consequently, of development research. In addition, it is a special feature of the research that it also aims to identify and solve some of the major development problems that will exist or arise after the year 2015. It is an overarching goal to achieve a strong sense of coherence between development research, the development assistance policy and practical assistance cooperation. This implies an emphasis on research that generates knowledge for promoting the general goal of Danish development assistance regarding poverty reduction

In 2005, grants for research support through Danish development cooperation totalled approximately DKK 200 million (around \$40 million) and expectations are that funding for 2006-2010 will be maintained at the same level. The allocation covers three main targets:

- (i) Research capacity in developing countries
- (ii) Support for Danish development research, including support for centers and networks
- (iii) Support for international research. Furthermore, support is provided in the form of travel grants for students working on Masters' theses.

Responsibility for these aspects of Denmark's research activities are split between the Technical Advisory Service, a pool of technical advisors with responsibility for managing research, and the Consultative Research Committee (FFU), which grants support for major research projects, individual research projects, and so-called ENRECA (Enhancement of Research Capacity) projects.

The latter was established by the Minister for Development to oversee the distribution of funds. The objective of major research projects is to generate new problem-orientated knowledge of relevance to the needs of developing countries. The projects are to foster interdisciplinary research cooperation and innovative alliances between research environments, especially in the form of partnerships between Danish researchers and researchers from developing countries. The individual research projects cover PhD and Post-Doc studies as well as individual projects carried out by senior researchers. ENRECA projects function as cooperation between researchers at a Danish institution and a partner institution in one of Denmark's programme countries. They work together on building research capacity in the country concerned. Capacity building projects are not expected to yield the same research output as the research projects. By contrast, the goal is to help partners to reach a research level where they will be able to contribute to promoting their country's poverty reduction and development.

Box 5. Pilot Projects with Vietnam and Tanzania

In 2008 Denmark initiated pilot research activities in Tanzania and Vietnam. The overall aim of the pilot activities is to strengthen the research capacity in the two countries. The pilot activities will also support the implementation of national priorities within the framework of the Danish bilateral development assistance. The budget for each country in 2008 is expected to be DKK 10 million (approximately \$2 million) and the total funding for each pilot programme is expected to be DKK 30 million (approximately \$6 million), running over 3 years.

In Vietnam "Climate change and its applied technologies" has been chosen as the overall research theme and concept notes have been developed within the area. In Tanzania concept notes touching upon agriculture, environment/climate change and health have been developed. In order to ensure the research quality of the projects outlined in the concept notes, all concept notes will undergo a review process, including an assessment of their development relevance and their degree of integration with the Danish bilateral development assistance. The reviews will serve as an important basis for the prioritisation among the concept notes.



Chapter 7 *Ireland*



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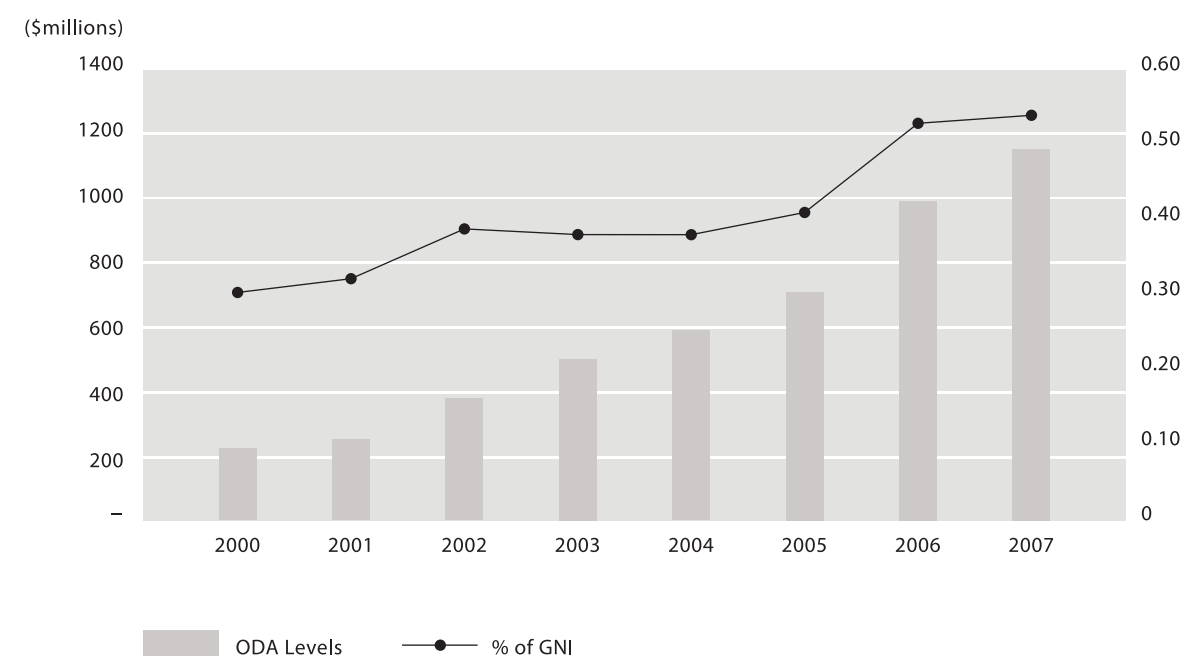
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Quick Facts

The Nordic Plus is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda. The members are Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands, though the group aim to engage with other donors as much as possible in specific areas of cooperation (such as joint financing or common procurement procedures). The group was formed in 2003 in an effort to increase members' mutual cooperation and to harmonise procedures and practices in the interest of reducing the burden placed on developing countries in administering development cooperation. The Nordic Plus countries therefore are strong advocates of the Paris Declaration. Members, in addition to actively working towards increasing common policies and practices, have also agreed to engage in delegated cooperation with one another. All members have pre-approved one another in principle to be able to act as a lead donor in projects or programmes where funds from multiple members are used, but administered by only one donor on the ground. For more details of this practice see Box 4 in section 2.6.

Exchange Rates
2006 \$1= €0.80 2007 \$1= € 0.73 (based on DAC stastics)

Total ODA Levels 2000-2007



Breakdown of Total ODA 2007 (\$millions)			
Bilateral ODA	824.08	Multilateral ODA	368.07
<i>Grants</i>	824.08	To UN Agencies	134.64
Capital Project Aid	...	To EC	133.15
Programme Aid	346.01	To IDA	38.92
Technical Co-operation	20.17	To Regional Development Banks	10.44
Humanitarian Aid	190.24		
Debt Forgiveness, total	...		
Support to NGOs	131.51		
Administrative Costs	41.15		
<i>Non-Grant Bilateral ODA</i>	...	Total	1 192.15

1. Organisation and Strategy

1.1 An Introduction to Ireland as Donor Country

Ireland has a tradition of solidarity with the poor and dispossessed grounded in first-hand experience of colonisation and poverty in the recent past. Ireland's ODA programme, known as Irish Aid, began only relatively recently in 1974, but since has grown rapidly from just €1.5 million in its inception to a budgeted €891 million for 2009 thirty-five years later.

A manifestation of this tradition has been the active engagement by many Irish people in development activities in poor countries, with a particularly long history of substantial missionary work, but also more recently through the emergence of several significant international NGOs, such as Concern, GOAL and Trócaire. Ireland's development cooperation programme is distinguished by a sharp focus on poverty reduction and commitment to partnership principles, orientations highlighted in Ireland's 1996 White Paper on Foreign Policy and reconfirmed following a comprehensive review of the Irish aid programme in 2001-02, and then most recently in the first White Paper on Development Policy published in 2006.

1.2 Administrative Structure

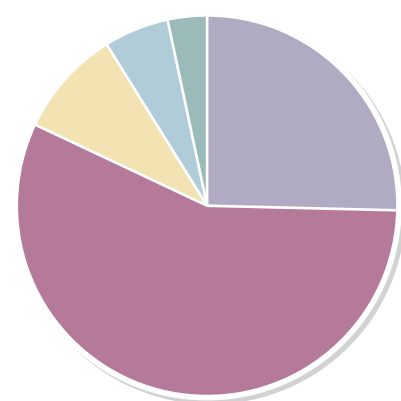
Ireland's development cooperation programme, known as Irish Aid, is coordinated by a dedicated division within the Ministry of Foreign Affairs (MFA), the Development Cooperation Division (or Directorate). A recent decentralisation process has seen the Irish Aid programme being moved from Dublin, the administrative capital of Ireland, to Limerick as part of a government programme to reduce the concentration of Irish public administration based in the most economically prosperous part of the country.

Within the MFA there are three ministers, the Minister of Foreign Affairs, the Minister of State for Overseas Development, and the Minister of State for European Affairs. Though the Minister of Foreign Affairs formally heads the department, the Minister of State for Overseas Development has the most direct responsibility for development cooperation. The Irish Aid programme however is a prominent part of foreign policy and thus strategy should at least in part be understood within this context.

The work of the Development Cooperation Directorate is carried out by nine sections, and is broken down as follows:

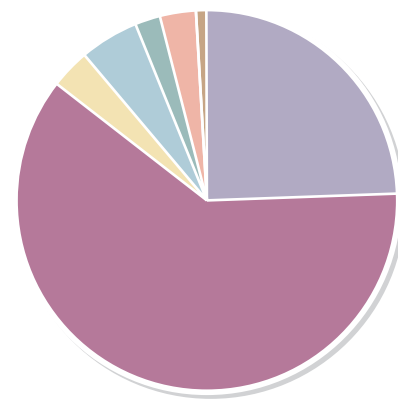
- UN (Multilateral Assistance)
- EU (Multilateral Assistance)
- Programme Countries (Bilateral Assistance)
- Emergency and Recovery
- Civil Society, Human Rights & Democratisation
- Eastern Europe (Bilateral Assistance)
- Technical and Specialist Support

Bilateral Allocation by Income Group
2006/2007 Average



■ Unallocated
■ LDCs
■ Other Low-Income
■ Lower Middle-Income
■ Upper Middle-Income

Bilateral Allocation by Region
2006/2007 Average



■ Unspecified
■ Sub-Saharan Africa
■ South and Central Asia
■ Other Asia and Oceania
■ Middle East and North Africa
■ Latin America and Caribbean
■ Europe

- Evaluation and Audit
- Communications, Information and Development Education
- Support Services

Further detail on the distribution of responsibility within the Directorate can be seen in figure 7-1.

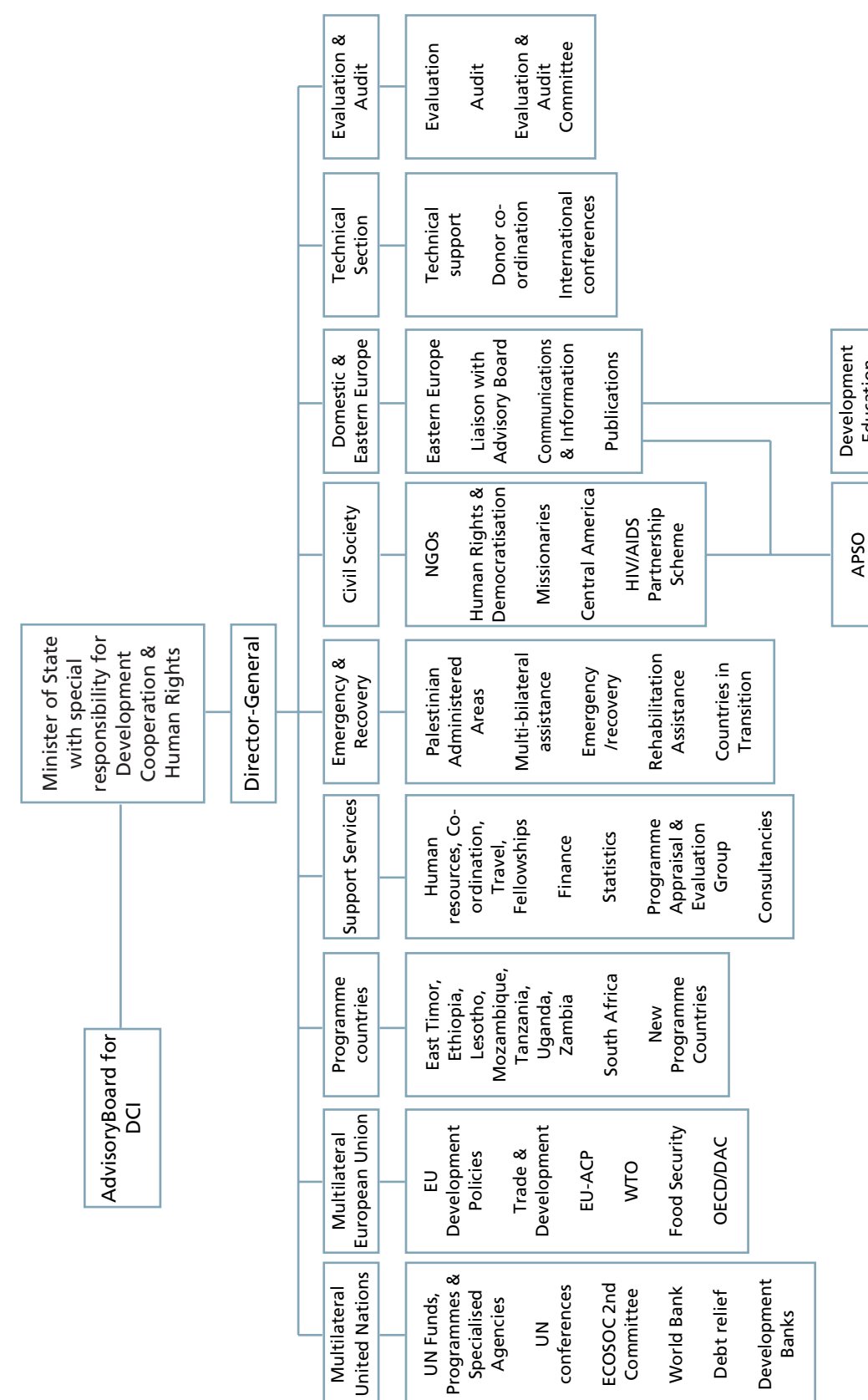
Parliamentary oversight of the aid programme occurs in various ways. The Joint and Select Committees on Foreign Affairs, and the Joint Committee's Sub-Committee on Development Co-operation, frequently debate development issues. Ministers and senior officials are invited to appear before these committees, including as part of the budget preparation process. The Standing Committee on Public Accounts' *ex post* analyses of government expenditure include the development co-operation programme. Responding to the interest of Parliamentarians is a significant component of the work of Irish Aid staff at headquarters. The budget for development is approved annually in what is known as "Vote 39", and is part of a structure of relatively tight financial accountability.

An advisory board has been in place since 2002 which meets 6 times a year and has a role in steering strategic discussion, as well as overseeing evaluation and audit functions, staffing needs and managing the research programme. Members are appointed by the Minister of Foreign Affairs, and sit for 3 years in an individual capacity (i.e. regardless of their professional capacities). The current board, appointed in 2005, has 15 members from a mix of parliamentary, NGO, trade union and private sector backgrounds. Some complaints have come from civil society however that the mandate of the board is yet to fully mature, with the fact that the advice and comment it provides the Minister is not available in the public domain a particular concern from the perspective of holding both the board and the Minister to account. An Interdepartmental Committee for Development has also been established since 2007 to strengthen coherence in the government's approach to development across departments, especially in ensuring development concerns are to be taken into account in Ireland's position across the range of international negotiations. The Committee had three meetings in 2007 and continues to develop.

Staffing levels at present are modest, with 184 centrally recruited staff, 145 of which are based in Ireland and 39 based in the field. Further staff may be recruited locally, though numbers are not available at this time. It is to be expected that staff numbers will be increased in the next few years to manage a vastly increased budget, however discussions on this are ongoing. It is likely that any increase would come from a redistribution of existing staff within the public service, rather than significant new recruitment, though some further development specialists may be required.

A full scale management review has recently been completed. Though its results are not yet in the public domain, informal discussions with the MFA suggest it will lead more to a deepening of existing structures, rather than the creation of new ones.

Figure 7-1. The Development Cooperation Directorate



Source: Ministry of Foreign Affairs.

1.3 Policy Making

The government published its first ever *White Paper for Development Policy* in 2006 that set out in one document the strategic framework for Irish development cooperation. Before that policy making had been set out in more ad-hoc policy statements and strategic reviews, as well as forming part of White Papers on foreign policy. Key policy documents are still issued regularly on specific themes to provide a more detailed account of Irish Aid's policy position. Ten such documents were issued in 2007 on topics such as health, emergency and humanitarian assistance, and the environment.

Within government overall strategic direction is provided by the Minister of State for Development Cooperation; however in recent years the Prime Minister (or Taoiseach) has also additionally demonstrated strong commitment for selected development concerns. The Minister of Finance has also played a prominent role in Ireland's development cooperation programme, with some influence on selected areas of policy. There is no clear single department within Irish Aid with ownership over policy. The section for Programme Countries, as well as the Technical Support section are prominent. The advisory board also helps guide strategic direction. As part of this role it organises forums that bring the MFA into contact with NGOs and missionary organisations. It reports directly to the Minister, however since its advice is not made public, there are doubts about the extent to which its advice is taken into account in final policy making.

1.4 Decision Making

Overall support for programme countries is guided by indicative 4 year country strategies that include detailed budget projections formulated jointly by embassies and Irish Aid headquarters, in dialogue with the partner country. The objective is to reach a shared definition of the partner's needs and an agreed programme of action by Ireland for addressing these in a way which complements the partner's own PRSP (or similar locally owned strategy for development). The process is now more comprehensive, involving a broader range of government and civil society stakeholders both in Ireland and the partner country.

The Irish diplomatic mission in programme countries has overall responsibility for the management and day-to-day implementation of Ireland's government-to-government programmes. The mission is backed up by the Programme Countries Section in Dublin which is the primary interface between the country programmes, other sections within the MFA and other stakeholders in Ireland. The section co-ordinates, supports and facilitates the implementation of those programmes, in line with individual country strategies and overall strategic priorities.

An important task of the Programme Countries Section is contributing to the preparation of proposals for examination by the Programme Appraisal and Evaluation Group (PAEG), an interdepartmental committee that meets every eight weeks to approve new projects and programmes with a value of €300,000 or more (smaller proposals are

now considered by the Senior Management Group which makes recommendations to the PAEG). While final programming and funding decisions are consequently taken in Dublin, these represent the culmination of processes initiated from the field and involve an open dialogue with headquarters. Irish Aid reports that it has so far not experienced any difficulties as a result of this approach. However, a Management Review which is currently ongoing, being undertaken in light of the rapid expansion of Irish Aid, may lead to a redefinition of the roles and responsibilities of headquarters and field offices for a range of issues relating to country strategy, programming and operations, financial management and administrative procedures.

1.5 Current Strategy

Overall policy direction was set out in the Irish government's first ever *White Paper on Development Cooperation* published in 2006. It stressed three key principles on which Ireland's development cooperation should be built: effectiveness, coherence, and public accountability. These form the heart of 5 key values on which Irish Aid is founded:

- (1) 100% Untied aid
- (2) Partnership
- (3) Effectiveness and Quality Assurance
- (4) Public Ownership and Transparency
- (5) Accountability

Irish Aid's core mandate is poverty reduction, with a particular emphasis on Africa to which around 80% of total ODA is channelled through various means.

The White Paper stresses that the social sectors have been traditionally, and should remain, the focus of Irish development cooperation. In addition Irish Aid is expected to address four priority issues:

- Good governance.
- HIV/AIDS
- Environmental sustainability
- Gender equality

These four issues must be mainstreamed across the planning, implementation and evaluation of all Ireland's interventions. Good governance and HIV/AIDS in particular feature strongly in the White Paper in their own right, with a sense that they are to be especially central to the ongoing work of Irish Aid as independent concerns, not just as themes to be mainstreamed within other sectors, projects and programmes.

1.6 Multilateral Strategy

Ireland has a strong multilateral engagement as a proportion of its ODA, with 31% of total ODA distributed through multilateral channels in 2007. The White Paper placed this cooperation at the centre of Ireland's expanding aid programme. As a small donor

with a rapidly expanding budget multilateral channels are likely to be increasingly important to Ireland in the coming years.

Around 30% of this assistance was channeled through the EU Development Cooperation Budget and European Development Fund (EDF), and a similar percentage is earmarked for UN agencies, to which Ireland have historically been strongly committed. A process of rationalisation in recent years has led to a particular focus on those agencies that it is believed can reinforce their key policy priorities. 7 key UN partner agencies have been selected who receive the majority of funding:

- UNDP
- UNICEF
- UNHCR
- High Commissioner on Human Rights
- UN Population Fund
- UNAIDS
- WHO

2. Implementation

2.1 Budget Summary

Table 7-1. Basic Budgetary Information

Total budget (\$million)	1 192 (100%)	Bilateral as GBP (\$million)	29 (4% of total bilateral)
% of GNI	0.55	Contribution to EU ODA (\$million)	133
Total Bilateral (\$million)	824 (69%)	Contribution to 15th Replenishment of IDA (\$million)	135
Bilateral to Africa (\$million)	444 (54% of total bilateral)	Administration (\$million)	41 (3%)
Total NGOs (\$million)	132 (16% of total bilateral)	Minimum Predictability	4 years

In 2006 Irish Aid's ODA was just over \$1 billion, around 0.54% of GNI. About 62% of this was distributed through bilateral channels. Appropriations in 2007 were around 11% higher (approximately \$1.19 billion) and are expected to continue to rise as Ireland looks to reach 0.7% of GNI devoted to ODA by 2012. However 2008 was an especially difficult year for the Irish economy: a dramatic drop in Government revenues brought deep cuts in public spending in a mini-Budget in July. In July 2008, the Government announced that it was cutting the 2008 ODA budget by €45m. In the 2009 Budget published in October, the Government largely shielded the ODA budget from the worst of the public spending cuts, projecting a total Irish ODA spend of €891m for 2009 (approximately \$1.15 billion at current exchange rates) and anticipating that it will reach 0.56% of GNI in 2009. This leaves it on track to reach a self-imposed 0.6% target by 2010 and the 0.7% commitment by 2012, by which point the Irish Aid budget is projected to have risen to €1.5 billion .

2.2 Country Partners

Ireland's assistance has a particularly strong geographic concentration with around 80% of its total ODA going to Africa¹, though at present around 90 countries receive development assistance from Irish Aid, largely as a result of finance channelled through international NGOs. The geographical concentration is largely due to the history of Irish involvement in

¹ In 2006 61.5 % of total bilateral aid was channelled directly to Africa. The balance came from other flows.

Africa through missionary work, which provides a strong basis for public understanding of Irish involvement. Assistance is focused on 8 programme countries (see table 7-2), 6 of which are in Africa, and will soon become 9 with the addition of Malawi. An Irish embassy opened in 2007 and work is underway on the development of a country strategy paper.

As the Irish Aid programme expands, they plan to add at least one further programme country, with an additional partner expected by 2012. This will almost certainly be in Africa, with Rwanda featuring highly among the candidates under discussion. However the intention is to concentrate on deepening Ireland's involvement with existing partners in the coming years, rather than continuing to widen Irish Aid's programme indefinitely. This will include increasing the number of skilled staff, as well as increasing budgets in programme countries.

Programme countries receive the most wide ranging support, with a greater degree of commitment and dialogue, as opposed to specific targeted interventions in non-programme countries. In 2006 programme countries received 37.8% of bilateral assistance, while among non-programme partners South Africa and the Balkan countries also received particularly large flows. Countries are selected on a mix of criteria including poverty and expected impact, however the criteria have not been formalised. Particularly important is an analysis of a country's importance within a region, with those thought likely to provide the most significant regional multiplier effect especially valued.

Table 7-2. Ireland's Partner Countries

Programme Countries	Other Countries Receiving Bilateral Assistance	Main Partner Countries by Disbursements (2007)
Ethiopia	Eastern Europe*	Uganda
Lesotho	Liberia	Mozambique
Malawi	Palestine	Ethiopia
Mozambique	Sierra Leone	Tanzania
Tanzania	South Africa	Zambia
Timor Leste	West Balkans*	Sudan
Uganda	Zimbabwe	South Africa
Vietnam		Lesotho
Zambia		Vietnam

*Eastern Europe and the West Balkans are included as single entities in Irish Aid statistics.

Box 1. Regional Approaches

Irish Aid are presently developing a regional approach to complement their programme country work.

In South East Asia the embassy in Vietnam is also responsible for Cambodia and Laos, with a focus on mine clearance and the disposal of unexploded ordnance. A similar approach is emerging in West Africa, focused on Sierra Leone and Liberia. A separate budget line was made available managed from an Irish Aid office based in Freetown, Sierra Leone, collaborating closely with the Emergency and Recovery section in Irish Aid.

Ireland is also building a regional dimension to its development cooperation to respond to challenges that are not contained within national borders, and also to make best use of its resources in countries and regions that are not a primary focus in the same way as programme countries. The first such programme will focus on South Asia, with similar programmes planned for Southern and West Africa.

2.3 Sector Concentration

Irish Aid have evolved their approach over the last few years, in line with critical perceptions of ODA, away from projects and towards programme approaches, adopting SWAps, emphasising local ownership and concentrating on implementing the Paris Declaration commitments.

Partly as a consequence Irish Aid's involvement in the productive sectors has been reduced dramatically, especially agriculture and infrastructure. Involvement in the former however may be reignited by the publication of the report from the Hunger Task Force, and an acknowledgment in the White Paper that Ireland may have some particular expertise to share. Around 50% of Irish Aid's budget is channelled to the social sectors and there is no intention at present to shift emphasis back towards a more 'growth-orientated' agenda. At least in part this is because it is felt within Irish Aid that as a small donor they can contribute more in other sectors, lacking the capacity and funds for large capital intensive projects, such as investment in infrastructure requires.

In common with other Paris Declaration donors Irish Aid have committed themselves to greater sectoral concentration in their ODA, and to work closely with partner countries to align with their priorities. In programme countries (see table 7-3) as well as the social sectors, a strong emphasis on governance can be detected in keeping with its central status within Irish Aid's strategic documents.

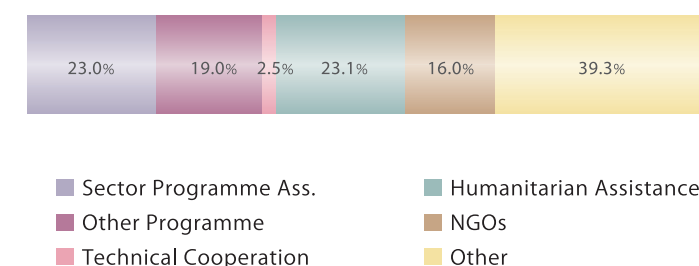
Box 2. Irish Aid’s Hunger Task Force, which included Bono and Jeffrey Sachs and was chaired by a high profile former minister, had its first meeting in September 2007. Its aim was to review Irish Aid’s contribution to international efforts to reduce hunger. Its final report was released in September 2008.

Table 7-3. Sector concentration in programme Countries

Programme Country	Priority Sectors by Disbursement (2006)	Expenditure in 2006 (€)
Ethiopia	Good Governance	10,718,554
	Social Protection	7,829,277
	Health	4,000,000
Lesotho	Water and Sanitation	2,323,192
	Education	1,609,999
	Good Governance	1,556,884
Mozambique	General Budget Support	6,000,000
	Education	4,497,000
	Good Governance	3,196,722
Tanzania	General Budget Support	10,400,000
	Health	6,019,708
	Good Governance	5,113,693
Timor Leste	Good Governance	5,396,035
	Gender Equality	128,515
Uganda	Budget Support	9,300,000
	Education	9,021,341
	Health	5,240,816
Vietnam	Good Governance	3,000,000
	Private Sector Development	1,500,00
	Health	1,028,844
Zambia	Education	5,695,104
	Health	4,113,240
	Water and Sanitation	3,481,820

2.4 Modalities: Project, Programme, Budget Support

Figure 7-2. Breakdown of Bilateral Aid Modalities 2007



Within its aid programme, Irish Aid has long strived for a balance between the various aid modalities and funding channels. This has allowed it flexibility and a certain degree of risk management. Like most donors Ireland have evolved methods of delivering development cooperation significantly over the last decade, moving away from a project-based approach towards a more programmatic approach led by partner governments. This takes three main forms:

- (i) *Area-based programmes*: engagement with regional authorities on pre-agreed priorities to build capacity across a number of sectors.
- (ii) *Sector-wide approaches (SWAs)*: support, generally in cooperation with other donors, for a single sector at the national level.
- (iii) *General budget support (GBS)*: transfer of funds directly into the budget of the government of a partner country.

Where the policy and institutional environment is not suitable for using this kind of programmatic assistance then other forms of assistance, including support for individual projects are considered. DAC statistics do not record any project aid by Ireland in any year for which statistics are available, though Irish Aid do engage in some project work. (It is not altogether clear why this is not reported). Programme assistance on the other hand made up 42% of Ireland’s bilateral development cooperation in 2007. Ireland is also remarkable for a larger than average contribution of humanitarian assistance among its total budget (about 23.1% of total bilateral assistance). The criteria used in balancing the modalities in different countries and circumstances are not formalised.

Despite a firm commitment to a programmatic approach, Ireland provides relatively little GBS. Only two countries Mozambique and Tanzania have so far received assistance in this form, though officials suggested that they also provided it in a modified form in other countries, Uganda and Vietnam among them². Above all it is governance concerns that

have caused Ireland to be less ready to embrace GBS than other modalities, as well as concerns about capacity in public financial management. Irish Aid argue GBS where provided must be considered sustainable, which is why Ireland have persevered with support to Mozambique despite ongoing concerns about corruption. Irish Aid's Evaluation and Audit Unit did participate in a large-scale joint evaluation of GBS with a number of other donors, which found budget support has significantly improved the alignment of aid to national poverty reduction strategies, increased harmonisation and improved dialogue between governments and their aid partners, whilst not proving significantly more vulnerable than other forms of assistance to misuse. However Irish Aid's reservations may be explained by the challenge faced in winning over public support, with a strong and vocal NGO sector which often opposes working through partner country systems at all. In 2007 budget support levels were around \$13.5 million in Tanzania, and \$7.75 million in Mozambique.

Box 3. GBS in practice

Mozambique

Irish Aid is currently one of nineteen donors providing GBS to Mozambique (the G19 group). The partnership is based on an Memorandum of Understanding (MoU) signed in 2004. The MoU provides for annual government, donor and civil society joint reviews and monitoring of the Mozambique government's Programme for the Reduction of Absolute Poverty (PARPA), which GBS is designed to support. Following policy dialogue, it has been agreed that 65% of the budget should be allocated annually to priority poverty reduction sectors, with at least 50% going to health and education. Ireland is also a member of the GBS coordinating group (the Troika+). This is a group of three bilateral donors, plus two multilaterals, which together represent the interests of the G19.

Tanzania

Irish Aid, together with 13 other donors, provides GBS to the Government of Tanzania. Budget support allows for the financing of Tanzania's national development plan (the Mkukuta) as a whole, allowing the Government to plan and allocate resources more effectively, and improving the predictability of aid flows. It also provides a opportunity for Irish Aid to integrate priority issues into the wider policy dialogue on development. Comprehensive monitoring and review mechanisms are in place to ensure the money is spent prudently. Irish Aid actively engages with these mechanisms and bases further support on effective performance by government in key areas.

² Based on conversations held with Irish Aid staff in March 2008.

A formal set of Guidelines for Budget Support are currently at the draft stage. It is the responsibility of the embassy to make a recommendation based on an assessment of a country's suitability for GBS, which then must be agreed in principle by senior management in HQ. A further, more detailed assessment, will focus on the articulation of the value-added of engaging in GBS in a particular country, i.e how the modality can in addition to existing modalities advance Irish Aid's policy priorities in-country.

2.5 Alignment with Country Systems

Table 7-4. Paris Declaration Monitoring Survey: Measuring Alignment

Indicator Number	Indicator	2005 baseline ration	Illustrative targets for 2010
3	Aid flows are aligned on national priorities	48%	93
4	Strengthen capacity by coordinated support	52%	100 (EU target)
5a	Use of public financial management systems	90%	50 (EU target)
5b	Use of country procurement systems	96%	50 (EU target)
6	Avoid parallel implementation structures	6	3; no new Parallel Implementation Units (EU target)

Ireland's membership of the Nordic Plus signals its commitment to reduce transaction costs for partner countries and increase aid effectiveness. Ireland has played, and continues to play, an enthusiastic role in the alignment of donor practices with national poverty reduction strategies across a range of fora. In keeping with stated policy, Ireland performs above average on all Paris Declaration indicators that monitor alignment, especially on the use of public financial and procurement systems (indicators 5a and 5b above), well ahead of the target level for 2010. These results do seem to be inconsistent with Ireland's reticence more frequently to take the further step of aligning completely with partner country systems through GBS.

With regard to procurement it is Ireland's policy that the recipient country handles all procurement using their own systems. If those systems are considered to be weak, Ireland may assist with capacity development. The OECD/DAC methodology for the assessment of national procurement systems is used, and an e-learning course on procurement has also been developed by the Nordic Plus procurement group to make programme officers (both those posted from headquarters and those locally employed), or staff working in programme officer functions, at the Nordic Plus representations in developing countries

familiar with processes and tools that facilitate assessment of national procurement systems and the selection of appropriate procurement options. In most cases (90% of Ireland’s development projects or programmes according to Paris Declaration monitoring statistics) procurement is handled by partner countries. In both their own, and in partner country procurement processes, emphasis is placed on the European procurement regulations. Specifically this means that:

- A contract < €50,000 can be allocated freely
- A contract of €50,000 < €133,000 requires several quotations
- A contract > €133,000 requires a full tender

2.6 Donor Harmonisation

Table 7-5. Paris Declaration Monitoring Survey 2006: Donor Coordination

	No. of countries surveyed	No. coordinated with at least one other donor	Total number in survey countries	Average coordination
Coordination of Missions	6	13	32	41%
Coordination of country analysis	6	4	7	57%

Ireland welcomes the work done recently by the international donor community on harmonising donor practices. Ireland has had a particular interest in promoting harmonisation for several years, due to the expected benefits in terms of improving aid effectiveness and reducing transaction costs for partners by eliminating duplications. Irish Aid’s structures are generally not complex and this allows Ireland to adopt flexible approaches and adjust its procedures in order to harmonise. Ireland commissioned a study on harmonisation in sector programmes as far back as 1999 for the high-level meeting of PROAGRI, the agricultural sector reform programme in Mozambique, and was also an original member of the six donor group (later to become the Nordic Plus) that participated in the harmonisation pilot in Zambia in 2003.

Irish Aid is participating in Joint Assistance Strategies in Uganda, Tanzania and Zambia, withdrawing from some sectors in these countries, and taking on lead donor roles in sectors where it is agreed Irish Aid have a comparative advantage. Ireland also makes use of delegated cooperation, for example in Mozambique in the Roads sector as part of the ongoing PRISE programme. In Mozambique, Irish Aid has taken over the chair of the G19 Programme Aid Partnership Group (PAP) and will be responsible for leading on the development of the new Memorandum of Understanding for the provision of budget support.

Box 4: “Silent partnerships” are a form of delegated cooperation undertaken by like-minded donors, where the ‘silent partner(s)’ provide funds for a project or programme to be administered by the ‘active partner’. The partner country deals only with the active partner, who is in turn responsible to the silent partner(s). The Nordic Plus have assessed each other to be suitable for engaging in delegated cooperation in principle. Canada has also been approved.

2.7 Tying of Aid

Development cooperation is 100% untied and has been since its inception. Pressure from the private sector is not strong. This is likely to have much to do both with the fact that Irish Aid has such a strong LDC and Africa focus, countries with which Ireland has few commercial links. This has helped make Ireland no.1 on the Real Aid Index.

2.8 Partnership with NGOs

Irish Aid has worked to develop a strong partnership with NGOs and civil society organisations. The 2008 Irish Aid Civil Society Policy is an illustration of the high degree of commitment by Irish Aid to the role of civil society organisations, although the nature and scope of that partnership is not always evident in Irish Aid policy development. Sometimes the dialogue on policy development is excellent but, on occasion, falls well short of that anticipated in Irish Aid’s civil society policy and its stated partnership approach with NGOs.

Box 5. Partners and funding through MAPS in 2008

Christian Aid	€3,580,772
Concern	€26,000,000
GOAL	€17,787,000
SHDI	€3,500,000
Trócaire	€20,000,000
Total	€70,867,772

NGOs themselves receive significant funding. Approximately \$180 million was channelled through NGOs in 2006 through a number of different mechanisms, largely drawing on an allocation of funds for “Civil Society, Human Rights, and Democratisation”. Foremost among these are the Civil Society Fund (CSF), which provides block grants to support NGOs in their work, and the Multi-Annual Programme Scheme (MAPS), which provides five partner agencies (Concern, Trócaire, GOAL, Christian Aid and Self Help Development International) with long-term predictable

funding to support their programmes. An NGO co-financing scheme and in country micro-projects also provide funds for smaller NGOs.

2.9 Monitoring and Evaluation

The maintenance of an independent Evaluation and Audit function within Irish Aid is the responsibility of the Evaluation and Audit Unit (E&A Unit). The Units' Mission Statement is "[t]o maintain an efficient, effective, relevant and independent Evaluation and Audit function within Irish Aid through the execution of evaluation and audit exercises, facilitating acceptance of their findings and contributing to policy development within Irish Aid."

The role of Evaluation in Irish Aid is to assess:

- The relevance of project outcomes to policy goals;
- The long-term impact and sustainability of the programme;
- The value of the results to the intended beneficiaries (in particular the poor, women and other disadvantaged groups) within the context of locally-owned, directed and implemented processes of sustainable development;
- Accountability and value for money of all Irish Aid expenditure.

The role of Internal Audit in Irish Aid is threefold:

- To provide management with assurances about the adequacy, application and effectiveness of the internal control systems, designed to ensure accountability and value for money of all Irish Aid expenditure;
- To alert management of significant weaknesses in control which have resulted, or may result, in material error, loss, exposure or other undesired events;
- To advise management on control improvement and risk management thereby minimising the potential for future occurrence of problems.

The E&A Unit reports directly to the Director General. The Unit currently comprises of five members, of whom one is Head of Unit, one focuses primarily on assessment of projects and programmes, another two who are mainly responsible for financial audit work, and the fifth member providing administrative support.

The E&A Unit currently plans its activities on a calendar year basis. In addition to the annual plan, specific plans are developed for each evaluation or audit conducted. The Unit, in conjunction with relevant line management, compiles terms of reference for each assignment. Recently, the Unit has sought to improve the planning process by moving towards a Risk-based approach. The use of formal Risk Assessment techniques in the planning process will be associated with evaluation and audit planning over a longer period i.e. three to five years. This compilation of strategic evaluation, audit plans and the performance of risk assessment in association with management, will strengthen links with stakeholders and firmly establish joint ownership of the evaluation and audit process without compromising the independence of the function.

The main users of evaluation and audits to date have been the desk and country staff concerned with both bilateral and multilateral assistance. Other users include implementing partners and beneficiaries and organisations who benefit from Irish Aid funding or who supply services.



3. Research and Knowledge Management

Table 7-6. Basic Facts About Ireland’s Research Structure

Dedicated research department?	No	Dedicated research budget?	Yes
Departments involved in research	Advisory board; Technical department	Dedicated researchers within MFA?	No
Research strategy?	Yes	Important publications	N/A

Responsibility for research in Ireland’s development cooperation framework lies with their Advisory Board, who both commission research directly as well as appointing a research committee to look closer at what research is required. Since the board was established in 2003, €3 million has been spent on research.

An important part of Irish Aid’s research strategy is to deepen knowledge in key cluster areas. Providing case-studies to monitor policy is an important part of this work. Thus far 10 studies have been initiated on the topics of global health, policy coherence, civil society, good governance, and the measurement of impact. Research is conducted according to triangular relationships. A major research centre from an OECD country is commissioned to lead the research project, and must work with one or two centres based in partner countries (it is stressed that the partnership should be of more or less equal status rather than merely tokenistic), with one development specialist from Irish Aid charged with hands-on management in each project.

“Pro-active dissemination” is also demanded, which ensures that academics disseminate their work in relevant partner countries rather than simply in developed countries. Large research projects have a steering committee to meet every three months consisting of relevant people from Irish Aid, bringing a policy-focused perspective, as well as researchers, who supply a perspective shaped by the academic literature. As such Irish Aid consider themselves “a fairly demanding funder” of research.

As well as individual research projects Irish Aid also has a long-term relationship with the Higher Education Authority, funding work on development issues. The importance of this aspect of the research programme was reiterated in the White Paper, as Ireland seeks to keep an expanding aid programme effective. The cooperation is based on a Memorandum of Understanding, the last of which promised €20.6 million (approximately \$27 million) to be provided from 2007-11.



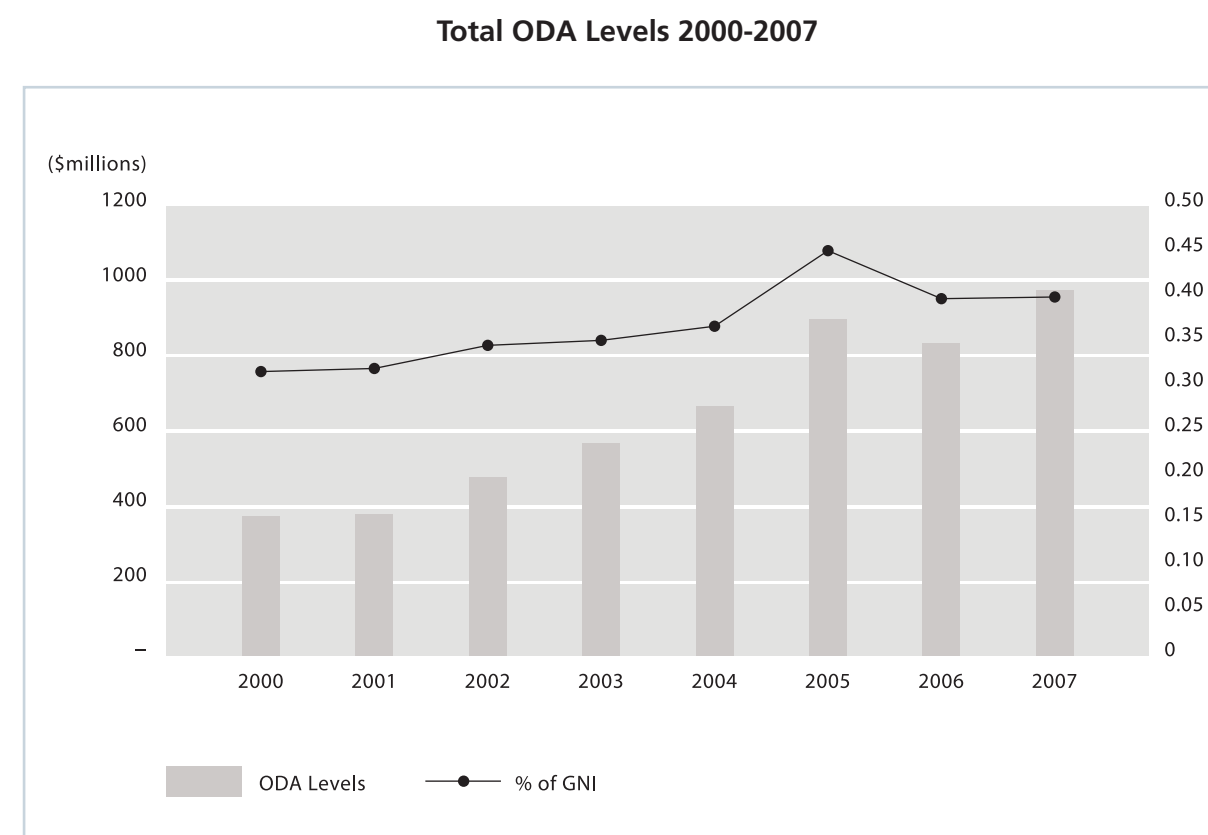
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Quick Facts

The Nordic Plus is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda. The members are Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands, though the group aim to engage with other donors as much as possible in specific areas of cooperation (such as joint financing or common procurement procedures). The group was formed in 2003 in an effort to increase members' mutual cooperation and to harmonise procedures and practices in the interest of reducing the burden placed on developing countries in administering development cooperation. The Nordic Plus countries therefore are strong advocates of the Paris Declaration. Members, in addition to actively working towards increasing common policies and practices, have also agreed to engage in delegated cooperation with one another. All members have pre-approved one another in principle to be able to act as a lead donor in projects or programmes where funds from more than one member are used, but administered by only one donor on the ground. For more details of this practice see Box 4 in section 2.6

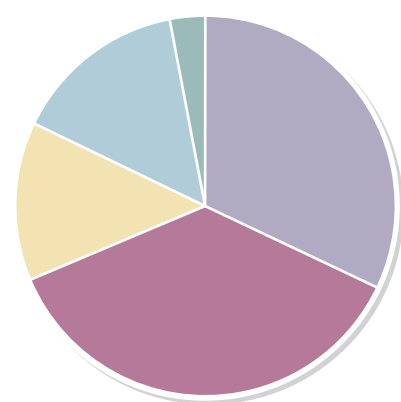
Exchange Rates
2006 \$1=€0.80 2007 \$1=€0.73 (based on DAC statistics)



Breakdown of Total ODA 2007 (\$millions)

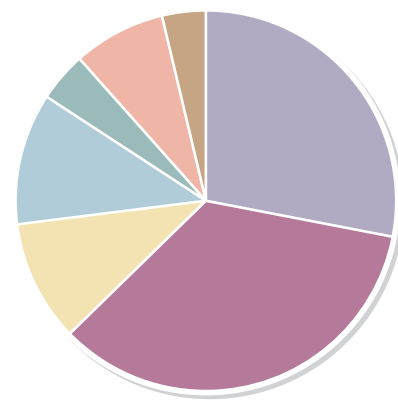
Bilateral ODA	584.05	Multilateral ODA	397.29
<i>Grants</i>	574.9	To UN Agencies	113.52
Capital Project Aid	27.03	To EC	176.03
Programme Aid	28.13	To IDA	48.02
Technical Co-operation	242.25	To Regional Development Banks	32.87
Humanitarian Aid	105.42		
Debt Forgiveness, total	..		
Support to NGOs	7.89		
Administrative Costs	45.74		
<i>Non-Grant Bilateral ODA</i>	9.14	Total	981.34

**Bilateral Allocation by Income Group
2006/2007 Average**



- Unallocated
- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income

**Bilateral Allocation by Region
2006/2007 Average**



- Unspecified
- Sub-Saharan Africa
- South and Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe

1. Organisation and Strategy

1.1 An Introduction to Finland as a Donor Country

Finland has a longstanding tradition of commitment to international development cooperation. In 1961 the state budget included Official development Assistance (ODA) for the first time, and in 1965 the first national development cooperation office was established within the Ministry of Foreign Affairs (MFA). In 1972 the development cooperation section became a separate department within the MFA, and quickly became the largest department in terms of staff numbers. Since 1970 Finland has been committed to the goal of allocating 0.7% of GNI to ODA, however this target has been achieved only once, in 1991 due to a severe economic recession in that year reducing GNI rather than as a result of any increase in appropriations for development cooperation.

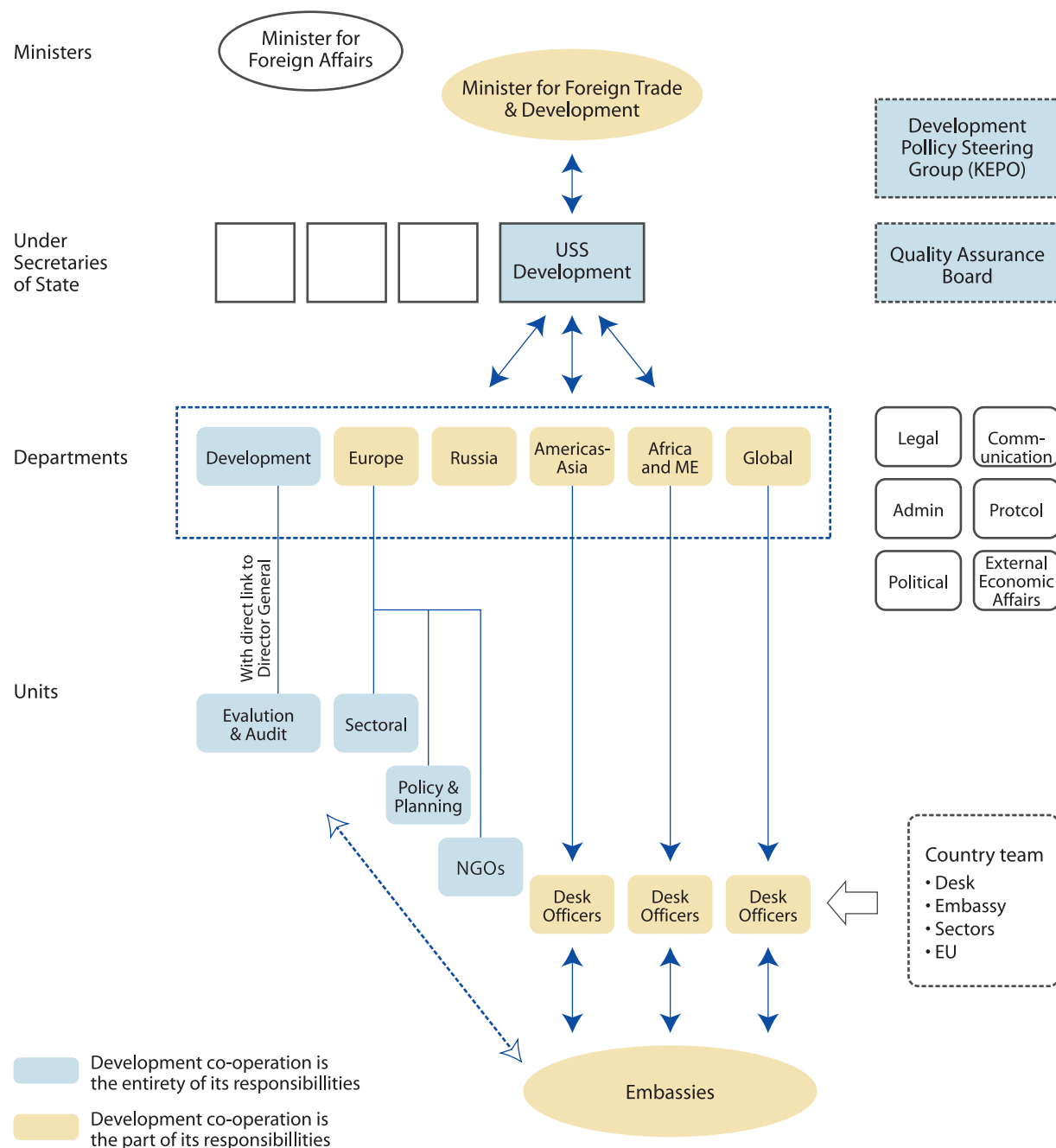
Since 1992, Finland's official development assistance (ODA) volume and ODA/GNI ratio have dropped dramatically due to the economic crisis following the collapse of the Soviet Union, its major trading partner. At the time of Finland's peer review in 1998 the ODA/GNI ratio was at one of its lowest levels, standing at 0.31%. However in recent years, helped by an economic recovery, there has been a sustained effort by the Finnish government to move towards their target ratio of 0.7%. Finland's first development cooperation strategy was published in 1993 followed by a policy outline of the government's relations with developing countries in 1996 and an implementation plan of the policy outline in 1998. This culminated in the government adopting a White Paper on development policy in 2001. Its headline goals included poverty alleviation, prevention of global environmental threats, and the promotion of equality democracy and human rights.

1.2 Administrative Base

Finland's development policy is housed within the Ministry of Foreign Affairs, and is considered an integrated part of foreign policy. Within the department there are three ministers, the Minister of Foreign Affairs, the Minister for International Trade and Development, as well as the Minister for Nordic Cooperation. The Minister of Foreign Affairs formally heads the department and therefore has ultimate responsibility for development cooperation, but the Minister for International Trade and Development controls policy more directly, working closely with the Under-Secretary of State. The portfolios of International Trade and Development were deliberately brought together in order to improve coherence bringing political, commercial and development issues into one Ministry, a structure they have used for around 10 years.

The MFA has three policy departments, among which the Development Policy Department is responsible for the overall planning and monitoring of development assistance and the administration of the majority of development funds. In the last budget \$670 million out of \$830 million total ODA was channelled through that department. However Finland prides itself on an integrated approach to its development cooperation and foreign policy, with 9 out of the 12 MFA departments handling some development cooperation.

Figure 8-1. Structure of Finland's development cooperation



Four 'regional' departments are responsible for preparing, implementing and monitoring programmes in their geographical areas. They are responsible jointly for both development cooperation and foreign policy, trade and cultural matters. The regional departments manage the embassies who administer Finland's development cooperation on the ground, and to which the regional departments may delegate as much authority as they wish.

The MFA has 1,673 staff, of which 921 are based at its headquarters in Helsinki, and 752 posted to embassies abroad. Another 942 staff are locally employed. It is estimated that a total of 360 staff are assigned predominantly to development cooperation, 170 in Helsinki, 71 MFA staff in the field, and 119 locally employed staff. Despite increasing ODA commitments personnel levels are expected to fall. A reduction of 133 staff at the MFA must be made by 2011, and is expected to be spread fairly evenly across all departments. A significant proportion of development cooperation work is performed by diplomatic career officials, who do not necessarily have much specialised knowledge or skills. Training after recruitment devotes only one week to development issues out of a three month induction programme. Technical experts are also recruited, partly to offset the skill deficit. Finland's last DAC peer review in 2007 concluded that a strategy to better manage the skill base of its development practitioners should be introduced. Total administration costs in 2007 were forecast to be \$43.5 million.

1.3 Policy Making

The Development Policy Department, as the name suggests, has primary responsibility for development policy. However this is within the context of a highly consensual process of establishing the overall strategy of Finland's development cooperation. The various stakeholders who inform policy making are set out in Figure 8-2.

Rather than being underpinned by specific legislation, development cooperation is based on annual state budgets, though a budget frame is set out by each government for the parliamentary period of four years. This is accompanied by a government White Paper, which establishes the overall strategic framework of Finland's development cooperation. This strategy is both shaped and overseen by parliament, with three parliamentary committees, the Foreign Affairs Committee, the Grand Committee on EU Affairs and the State Finance Committee, monitoring development cooperation.

An influential advisory committee made up of representatives from political parties, research institutes, industry and large NGO 'umbrella organisations' are also a key stakeholder in the policy making process. The committee has three main functions:

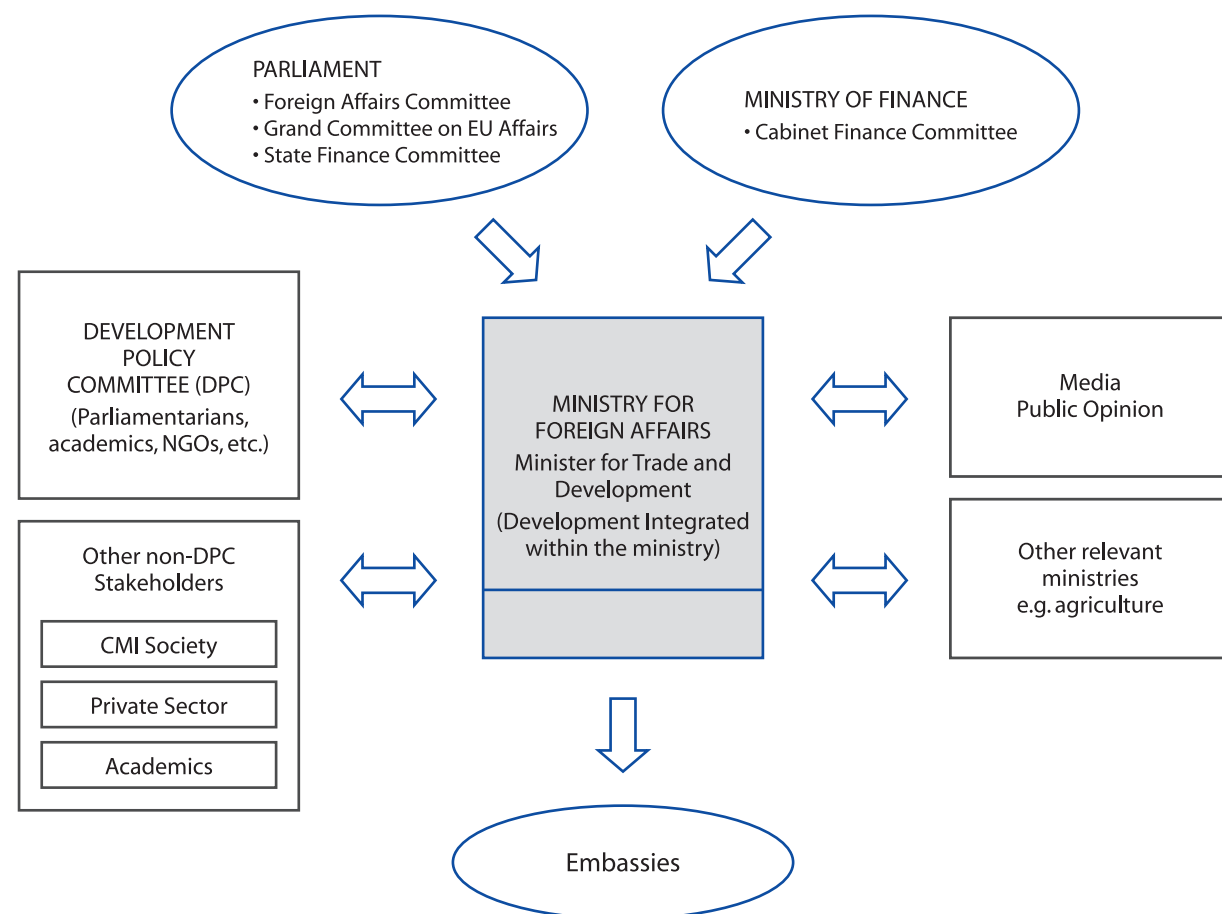
- (i) steer Finland's development policy
- (ii) evaluate the quality and effectiveness of development policy
- (iii) monitor levels of public funding for development aid.

In addition the committee serves two less official roles, monitoring policy coherence across all Finnish policy which affects developing countries, and stimulating discussion of global development issues within Finland. Appointments are made to be representative of the

Box 1: The present Minister for International Trade and Development was Finland's Minister for the Environment in 1991 at the Rio conference. His experience has influenced Finland's focus on a more joined-up approach to environmental issues.

composition of both parliament and society. The present committee's term lasts up until 31 May 2011.

Figure 8-2. Key actors in Finland's development policy

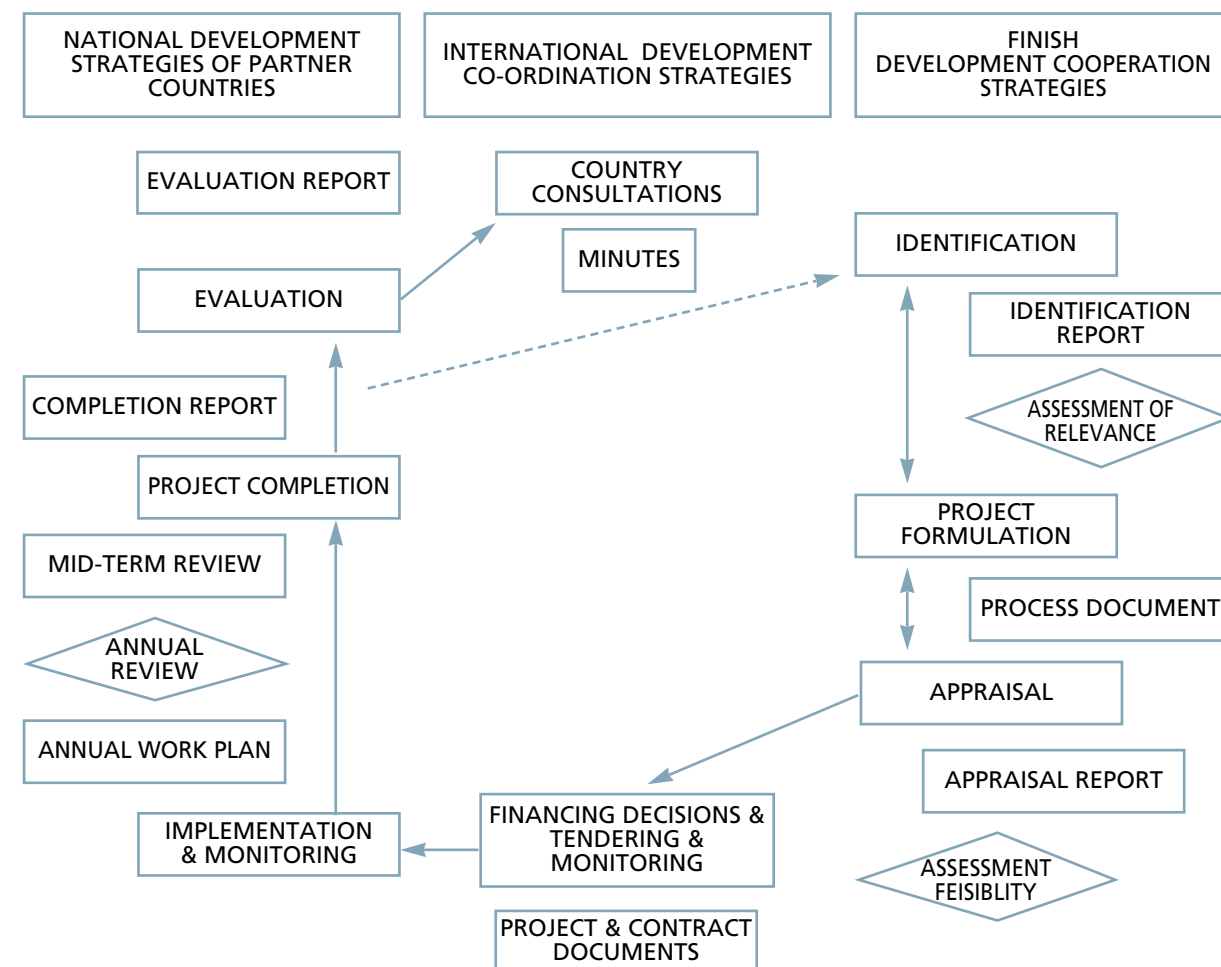


Box 2: The new White Paper for 2009-2012 is currently being drawn up. Sustainable forest management will be a particular focus of the paper. The Minister has been very engaged in the process, even writing parts of the paper personally

1.4 Decision Making

Decision making within Finland's development cooperation is highly centralised. The country desk officers in the geographical departments (see figure 8-1.) have the lead role in taking forward operations, though embassy officials in-country will provide important guidance. Often desk officers are supported by a country team which will generally include an administrative official, the desk officer themselves, experts from the Finnish embassy and sector or thematic experts from the MFA.

Figure 8-3. Decision-making cycle in Finnish development cooperation



The desk officers, with the support of the country team, are responsible for planning, executing and monitoring the project or programme in a particular country. They submit proposals to the Quality Assurance board. If the proposal is above €200,000 it must be approved by the minister, and if not it must be approved by the Director General of the Department for Development Policy. The desk officers are also responsible for procuring consultancy services, making financial transactions and reviewing the status of interventions. A limited amount funding is however controlled by each embassy's Head of Mission following a transfer of authority at the start of 2008. These funds, known as Funds for Local Cooperation (FLC), can be used as they wish.

Though Finland has an annual budgeting system with all budgets agreed by parliament year-to-year, parliament also approves so-called "budget authorities" for each category of expenditure, i.e. the authority to make commitments in one year that result in expenditure in later years. This allows multi-year commitments to be made for both bilateral and multilateral programmes. The regional and policy departments can therefore prepare four-year "operating and financial" plans, which in turn help to make Finland's development assistance more predictable and effective. The current operating and financial plan runs to 2012.

Though Finland believes the centralised nature of decision making within the MFA provides many benefits (for example maintaining a high degree of policy coherence) plans are in fact in place to delegate more financial responsibilities to embassies. The decentralisation exercise began in 2005 in selected embassies in Finland's long-term partner countries felt to already have sufficient capacity in place (e.g. Vietnam and Nicaragua). In the first phase of this process the decision-making and funds for recurrent costs were delegated to the embassies. Preconditions for this decentralisation have been fulfilled over the last few years. Embassies in the eight long-term partner countries have been strengthened with more sector specialist staff, and a performance management system has been developed. An internal project to streamline and rationalise decision-making within the MFA includes as one of its objectives increasing the delegation of authority and resources to embassies. This is expected to be completed in 2008.

1.5 Current Strategy

The current guiding document for Finland's development cooperation strategy is the 2004 *Government Resolution on Development Policy*. The priorities it established were:

- Commitment to the MDGs
- Policy coherence
- Rights based approach
- Sustainable development
- Comprehensive financing for development
- Public/private/civil society partnerships
- Country ownership
- Predictability and transparency

The *Government Resolution* also established 3 targets related to the countries to which it provides assistance:

1. Increase aid to Least Developed Countries to 0.15% of gross national income as total aid rises to 0.7% of GNI.
2. Increase funds for cooperation with countries in sub-Saharan Africa.
3. Increase long-term partner countries' share of total country and regional development cooperation to 60% and, if possible, increase annual disbursements to a minimum of €10 million per country.

The strategic framework was updated with the publication of the *Development Policy Programme 2007*, which built upon the priorities set out in the *Government Resolution*, but with renewed emphasis on other issues including the UN 0.7% ODA/GNI ratio, and a 'three-pronged' strategy of ecologically, economically and socially sustainable development. It also reiterated the cross-cutting issues in Finland's development cooperation:

- The promotion of the rights and status of women and girls, and promotion of gender and social equality

- The promotion of the rights of groups that are easily excluded, particularly children, people with disabilities, indigenous people and ethnic minorities, and the promotion of equal opportunities for participation
- Combating HIV/AIDS; HIV/AIDS as a health problem and as a social problem.

These are in addition to previously identified cross-cutting themes: the environment (set out as a priority issue in the 2004 *Government Resolution*), good governance and information technology.

The strategic framework is also guided by the 2005 foreign policy strategy document *Finland's Interest - Global Responsibility: A Strategy for the Ministry of Foreign Affairs*. As well as setting out five strategic goals for foreign policy, it specifically broadens Finland's development cooperation to include greater interest in conflict prevention and fragile states.

Box 3. Summary of Finland's Development Cooperation Strategy

Key objective: eradication of poverty and promotion of sustainable development

- Millennium Development Goals (UN General Assembly 2000)

Sustainability: economic, ecological and social

Priorities

- Climate and environment issues
- Prevention of crises
- Support for peace-building processes

Consideration of the production and consumption habits of the industrialised countries as well

'Humanity policy': attention to the future of mankind

Cross-cutting themes in development policy

- Improvement of the position of women and girls and promotion of equality
- Promotion of the rights of children, persons with disabilities, indigenous peoples and ethnic minorities
- Combatting HIV/AIDS

1.6 Multilateral Strategy

The multilateral system is an important part of Finland's overall development strategy. Multilateral ODA has represented 40-45% of gross ODA in recent years.

Allocation decisions are guided by the principles of long-term predictable funding, and a desire to concentrate their relatively limited resources in those institutions which it is felt will best promote Finland's strategic goals. As such, in its multilateral allocation decisions Finland aims to be among the five biggest donors of a selected agency in order to maximise their influence. Finland are a strong supporter of the EU's development cooperation, as well as four UN agencies: UNDP, UNICEF, UNFPA, and WFP.

Policy papers outline what Finland perceives to be the strengths and weaknesses of different institutions, assessing, among other things, their contribution to the achievement of the MDGs, their performance assessment mechanisms and their capacity to work with other actors.

2. Implementation

2.1 Budget Summary

Table 8-1. Basic Budgetary Information 2007 (Unless otherwise stated)

Total budget (\$million)	981 (100%)	Total GBS 2006/7 (\$million)	79 (14% of total bilateral)
% of GNI	0.39	Contribution to EU ODA (\$million)	176
Total Bilateral (\$million)	581 (60%)	Contribution to 15th Replenishment of IDA (\$million)	154
Bilateral to Africa (\$million)	185 (32% of total bilateral)	Administration (\$million)	46 (5%)
Total NGOs (\$million)	8 (1% of total bilateral)	Minimum Predictability	3 years

Finland's ODA as a proportion of GNI has been rising steadily since 2000 but is still some way short of the commitment to reach 0.7% of GNI. However Finland's government appears to be committed to scaling up development cooperation to that level, and have budgeted to achieve an ODA/GNI ratio of 0.51% (the UN target level) in 2010. In 2008 it is expected ODA will be equivalent to 0.44% of GNI.

In 2007 Finland's development appropriations were roughly \$981 million, equivalent to 0.39% of GNI. According to DAC statistics 60% of this budget was spent bilaterally. The 2007 budget was an increase of 40% by 2011. Simultaneously they expect to reduce staff by 10%.

2.2 Country Partners

Partly in response to suggestions made in the 2003 DAC Peer Review, the *Government Resolution* in 2004 committed Finland to an increase in the concentration of development cooperation. 14 countries in total receive development assistance, of which 8 are 'long-term partner countries', 3 'transition countries', and 3 'other partner countries' (see table 8-4). In 2006 around 53% of Finland's bilateral development cooperation (excluding some funds such as humanitarian and NGO related funds) went to its long-term partners.

The choice of long-term partner countries is fundamentally a question of maximising the effectiveness of Finland's limited resources. The general criteria are set out in table 8-2, and the operational differences between long-term partners and other forms of cooperation are set out in table 8-3.

Table 8-2. Criteria for a long-term partner country

<i>Need for assistance</i>	<ul style="list-style-type: none"> poverty (an LDC country or a low-income country)
<i>Commitment to development</i>	<ul style="list-style-type: none"> the country systematically harnesses available resources to poverty reduction by promoting economic growth based on the principles of a market economy, by expanding universal access to basic services such as primary health care and education, and by promoting equal distribution of income the country's economic policy provides an enabling environment for development cooperation the country makes determined efforts to advance democracy and equality and to reduce corruption the government of the country is committed to improving the human rights situation the country invests in sustainable use of natural resources and in the protection of the environment the country endeavours to be integrated into the world economy and international trade systems in order to promote its own development agenda the country promotes peaceful development in its region
<i>Prerequisites for Finland's assistance</i>	<ul style="list-style-type: none"> Finland has a diplomatic mission in the country Finnish actors have experience of cooperation with the country and possess expertise that the country needs
<i>Prerequisites for effectiveness</i>	<ul style="list-style-type: none"> Conflicts, or the threat of acute or imminent conflicts, do not hamper cooperation the administrative capacity of the country is at a level which allows effective use of the resources made available through the cooperation experience of the effectiveness of cooperation is positive

Table 8-3. What is a long-term partner country?

	Long-term Partner Countries	Other Partnerships
<i>Duration</i>	<ul style="list-style-type: none"> sustained partnership 	<ul style="list-style-type: none"> duration determined case by case
<i>Nature of cooperation</i>	<ul style="list-style-type: none"> reduction of poverty is the main objective (though thematic cooperation is not excluded) active and continuing participation in dialogue with the partner country at various levels provision of resources for the implementation of government programmes 	<ul style="list-style-type: none"> cooperation is targeted thematically, e.g. environment, good governance, equality, human rights, conflict prevention and mitigation, transition to democracy, HIV/AIDS, international trade issues support is channelled to the development of personnel and other resources in public administration, the private sector and civil society

<i>Instruments of cooperation</i>	<ul style="list-style-type: none"> political dialogue with the government of the partner country partnerships are based on government-to-government development programmes and projects (bilateral projects and programmes) in addition, a wide range of other tools are used (including commercial and economic cooperation) the administrative foundation of cooperation is specified in an Agreement on General Terms and Procedures for Development Cooperation 	<ul style="list-style-type: none"> cooperation through NGOs, as well as humanitarian, multilateral, and commercial and economic cooperation depending on the situation in the partner country, government-to-government programmes and projects may also be involved
<i>Presence</i>	<ul style="list-style-type: none"> normally a Finnish diplomatic mission in the partner country 	<ul style="list-style-type: none"> normally through multilateral and EU organisations, non-governmental organisations, etc., in cases when Finland does not have a diplomatic mission in the country

Bilateral cooperation in the form of projects and programmes is limited to selected long-term partner countries where Finland can exercise the continuing, active presence and dialogue that this instrument requires. With other partner countries, Finland will focus on thematic programmes which reinforce the capacities needed for successful national and internationally supported developmental activities. This cooperation will also be guided by the goals set for Finland's international development policy but, as a rule, other instruments than government-to-government cooperation projects and programmes will be used. Regional cooperation will be used to support development processes in which several partner countries participate simultaneously. This cooperation is carried out in collaboration with regional cooperating institutions, which are responsible for the planning and implementation of the development processes. Regional cooperation is intended to address problems which cannot be solved by means of national development programmes only. Special attention is given to support for regional integration and security. Finland supports regional cooperation in the SADC area, Central America, the Mekong area and Central Asia.

In transition countries development cooperation will be phased out over several years to be replaced by more general diplomatic relations. Finland emphasises the need to reduce aid in a controlled and sustainable manner, with the help of transition strategies that outline the move to more diversified cooperation. The country strategy for Vietnam for example, preparing for transition in 2015, includes a section to this effect headed "Trade and Investment Promotion". This includes examples of targeted trade and investment measures to nurture business partnerships between Finnish and Vietnamese firms. Most of these proposals appear to be concentrated on assisting Finnish firms in the Vietnamese market. Egypt and Namibia were phased out in 2007. South Africa will be phased out in 2010.

Table 8-4. Finland's Partner Countries

Long-term partners	Transition countries	Other partners	Top 10 countries by disbursement in 2006 (\$million)
Ethiopia	Egypt	Afghanistan	Mozambique: 20.59
Kenya	Namibia	South Africa	Tanzania: 20.44
Mozambique	Peru	West Balkans*	Vietnam: 13.47
Nicaragua			Nicaragua: 12.49
Nepal			South Africa: 11.03
Tanzania			Afghanistan: 7.81
Vietnam			Ethiopia: 6.53
Zambia			Zambia: 6.12
			Serbia and Montenegro: 6.05
			Pakistan: 5.31

*The West Balkan countries are included as a single partner
 ■ Denotes non-Partner country.

Other countries receive assistance under the title "cooperation of limited duration". This is a relatively new element of Finland's development cooperation which was introduced to facilitate cooperation as part of the international community's efforts to prevent violent crises or to rebuild countries recovering from crises. Afghanistan, East Timor and the West Balkans receive this category of assistance.

Finland have in the past been criticised within the DAC for not having an explicit policy on fragile states. However they argue that despite this they have been disproportionately active in fragile states for some time without a formal strategy. Discussions are ongoing about formalising their approach; however MFA officials say it is unlikely to greatly alter what they do¹. They will continue to stress crisis prevention and support for peace processes as an important part of their 'socially sustainable' development agenda.

2.3 Sector Concentration

In line with Paris Declaration obligations in long-term partner countries Finland's objective is to concentrate its assistance in a maximum of three sectors or development programmes (in addition to budget support where appropriate). With the exception of Tanzania (see table 8-5 below), this has been broadly been achieved.

¹ From formal discussions with the Ministry 22/02/08

Table 8-5. Sector concentration in long-term partner countries

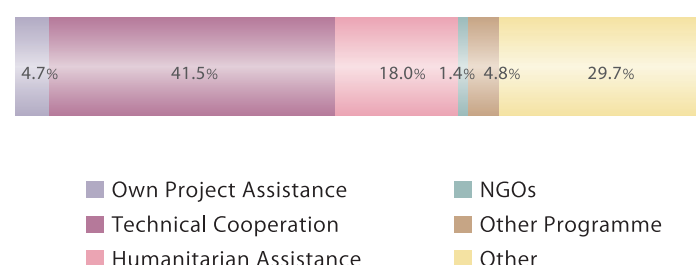
Country	Priority Sector	Commitments as of 2006 (\$million)
Ethiopia	Education	Sector support (2003-2006): 17.16
	Water	1 project (2003-2006): 12.64
Kenya	Good Governance	Sector support (2005-2008): 12.48
	Energy	Sector support (2005-2008): 12.48
	Forestry	Sector support (2006-2009): 19.81
Mozambique	Budget Support	(2006): 7.8
	Education	2 programmes (2006-2009): 31.04
	Health	1 programme (2003-2007): 33.23
	Rural Development	Sector support, 1 project (2006-2009): 32.76
Nepal	Education	1 programme (2004-2009): 19.5
	Environment	1 programme (2001-2007): 7.63
	Water and Sanitation	1 programme (2006-2010): 17.78
Nicaragua	Budget Support	(2005-2006): 7.8
	Good Governance	1 project (2004-2007): 11.7
	Health	1 project, 1 programme (2005-2007): 14.2
	Rural Development	1 project, 1 programme (2004-2009): 26.68
Tanzania	Budget Support	(2006-2008): 33.07
	Education	1 project, 1 programme (2005-2008): 13.68
	Environment	1 programme (2003-2009): 9.24
	Forestry	1 project, 1 programme (2003-2006): 8.24
	Good governance	Sector support, 2 programmes (2005-2008): 24.49
Vietnam	Forestry	1 programme (2003-2007): 4.68
	Rural Development	2 projects (2004-2009): 32.76
	Water and Sanitation	1 project (2004-2008): 29.64
Zambia	Agriculture and Forestry	none
	Budget Support	none
	Education	Sector support (2004-2006): 15.6
	Private Sector Development	1 programme (2006-2008): 3.51

In addition to country level priorities, Finland is also guided by the various cross-cutting themes (set out in section 1.5.). The aim is to 'mainstream' these *within* other projects or programmes, though in common with most other donors Finland has found this difficult to fully operationalise.

Finland strongly emphasises the social sectors in development cooperation. In 2006 roughly \$231 million was earmarked for the social sectors, compared to \$83 million for productive sectors and economic infrastructure. Particularly noteworthy has been the increase in ODA channelled to projects or programmes supporting governance and civil society, which in recent years has increased from 2% to 17% of total ODA.

2.4 Modalities: Project, Programme, Budget Support

Figure 8-4. Breakdown of Bilateral Aid Modalities 2007



A breakdown of Finland's aid modalities is given in figure 8-4 above. Finland's own project assistance as reported to DAC is 4.7%, spread over projects in around 80 countries. In common with many donors Finland has been gradually reducing this element of its development cooperation, towards what it calls "larger aid entities" such as programme support to particular sectors, or direct budget support.

Though only 4.8% of total bilateral assistance was explicitly earmarked for programme-based assistance, data from the Paris Declaration monitoring survey finds 39% of Finland's aid was disbursed through programme based approaches (defined in this case as sector or general budget support, SWAPs or SWAP-like arrangements), suggesting that on the ground more funds find their way through programme approaches. It should be noted however that the Paris Declaration data draws on only 11 countries, as opposed to the entirety of Finland's bilateral cooperation.

Finland grants general budget support (GBS) only to its long-term partner countries and always in cooperation with other donor countries. Though it provides GBS to a few countries, the MFA is relatively enthusiastic about its use, not only by themselves but also by the multilateral organisations to which Finland contributes. As a donor Finland benefits from using GBS as a modality because it gives them a higher level of dialogue with partner countries than they might otherwise have. It is also felt within the Ministry that the Finnish people are not greatly concerned about 'flag-visibility' issues, which facilitates the use of a range of modalities.

Table 8-6 below sets out the countries that have received budget support since 2000, and the amount of support given. In addition limited budget support has also been given to Vietnam, however the fiduciary risks are considered too great for this support to be scaled up. It is expected that Zambia will begin to receive budget support in the near future.

Table 8-6. Budget support for key countries 2000-2006 (€million)

Country	2000	2001	2002	2003	2004	2005	2006
Mozambique				3.00	4.00	4.00	5.00
Nicaragua				2.00	2.00	1.50	3.50
Tanzania	1.60	1.77	1.77	1.68	3.07	4.00	10.60
Total	1.60	1.77	1.77	6.68	9.07	9.50	19.10

The MFA has established standard criteria for the provision of GBS known simply as *Guidelines: Budget Support Cooperation*. These criteria are:

- the country's need for assistance
- the country's commitment to development and a Poverty Reduction Strategy
- Finland's ability to provide assistance (e.g. experts familiar with GBS in country)
- Pre-requisites for effectiveness (e.g. no conflicts or threats of conflict)

2.5 Alignment with Partner Country Systems

Table 8-7. Paris Declaration Monitoring Survey: Measuring Alignment

Indicator Number	Indicator	2005 baseline ration	Illustrative targets for 2010
3	Aid flows are aligned on national priorities	87	93
4	Strengthen capacity by coordinated support	53	100 (EU target)
5a	Use of public financial management systems	38	50 (EU target)
5b	Use of country procurement systems	52	50 (EU target)
6	Avoid parallel implementation structures	9	3; no new Parallel Implementation Units (EU target)

Finland is committed to using partner countries' own systems to the widest extent possible. In common with EU partners a commitment is in place to channel 50% of government-to-government support through government systems, including through budget or sector support.

In the monitoring survey of the Paris Declaration published up to 2006, Finland's performance across the indicators measuring alignment with partner country systems was mixed. On some indicators Finland performs about average (e.g. the use of PFM systems - Finland 38%, other donors 40%), on others it is above average (e.g. the use of country procurement systems - Finland 52%, other donors 40%).

Finland also shows its commitment to the principles that lie behind alignment where alignment with country systems themselves is not considered feasible. In such cases the procedure will be to try to align instead to internationally recognised (e.g. World Bank or International Council of Consulting Engineers) good standards.

For procurement, the OECD/DAC has developed a methodology for the assessment of national procurement systems. This methodology is intended to provide a common tool which developing countries and donors can use to assess the quality and effectiveness of national procurement systems. An e-learning course on procurement has been developed by the Nordic Plus procurement group to make programme officers (both those posted from headquarters and those locally employed), or staff working in programme officer functions, at the Nordic Plus representations in developing countries familiar with processes and tools that facilitate assessment of national procurement systems and the selection of appropriate procurement options. In most cases (78% according to Paris Declaration monitoring statistics) procurement is handled by partner countries, and the embassies are happy, even under seemingly adverse governance conditions, to use outside auditors to assess partner country's own procurement rather than engage in it themselves.

In both their own, and in partner country procurement processes, emphasis is placed on the European procurement regulations. Specifically this means that:

- A contract < €50,000 can be allocated freely
- A contract of €50,000 < €133,000 requires several quotations
- A contract > €133,000 requires a full tender

2.6 Harmonisation

As a small donor country Finland considers partnership and harmonisation to be extremely important elements of their development cooperation in order to maximise the impact of limited resources.

Finland therefore is a strong proponent of joint working arrangements. In particular Finland supports the evolution of coordination systems in which different donors take the lead in different sectors. With its limited personnel this is a rational approach giving Finland the opportunity to lead in certain sectors where it has strong engagement, and allowing it to take a

less burdensome role in others. The EU's division of labour work is one area where this is most evident. This is reflected in the Paris Declaration Monitoring Survey which found fairly strong coordination (see below).

Table 8-8. Paris Declaration Monitoring Survey 2006: Donor Coordination

	No. of countries surveyed	No. coordinated with at least one other donor	Total number in survey countries	Average coordination
Coordination of Missions	11	21	80	26%
Coordination of country analysis	11	11	19	58%

Box 4: "Silent partnerships" are a form of delegated cooperation undertaken by like-minded donors, where the 'silent partner(s)' provide funds for a project or programme to be administered by the 'active partner'. The partner country deals only with the active partner, who is in turn responsible to the silent partner(s). The Nordic Plus have assessed each other to be suitable for engaging in delegated cooperation in principle. Canada have also been approved.

The Controller of the Finnish Government approved Finnish participation in delegated co-operation in November 2005. Both the MFA and the Development Policy Committee are in favour of these efforts, so Finland has begun to participate in delegated co-operation arrangements almost immediately (e.g delegating responsibility for interventions in Sudan to Norway).

2.7 Tying of Aid

Finland's policy is to provide untied assistance. The Paris Declaration Monitoring Survey found 98% of Finland's aid to be untied. However a concessional credit scheme remains in place which is the one tied component in bilateral aid.

The concessional credits scheme is considered to be a way to involve the Finnish business sector in development cooperation, and particularly relevant for transitional middle-income countries where Finland's grant-based aid is being gradually phased out (i.e. in Egypt, Namibia and Vietnam). The scheme has however been reformed in recent years. A previous requirement for 50% Finnish 'content' in any proposal was replaced with a looser concept of 'Finnish interest'. This makes it possible to finance projects with lower, though not less than 30%, Finnish content in Finland's long-term partner countries in sectors where it is felt that Finland can offer knowledge and technology that particularly benefits the partner country.

2.8 Partnership with NGOs

The level of development appropriations allocated directly to NGOs has been increasing in recent years, from over €48 million to €66 million in 2006. Around two hundred NGOs carry out projects with Finnish funding every year. NGOs are used to further the strategic goals of Finland's development cooperation (as set out in section 1.5) in ways that government-to-government contributions may not allow.

A new government policy on NGO cooperation, the *NGO Development Cooperation Guidelines*, was approved in December 2006, in which the objectives and principles of the MFA's engagement with civil society were laid out. According to these guidelines an NGO must have at least 30 members, adequate capacity and knowledge, and have been registered and operational for at least 2 years before the call for proposals to which they will be applying.

The MFA has two categories of NGOs, 'partnership organisations' and 'small and medium-sized organisations'. There are presently 10 partnership organisations, with whom multi-annual (3-4 year) programmatic support is provided. The development programmes of partner organisations comprised of over 250 projects in 2006. Small and medium sized organisations must receive a minimum of 30% of total MFA NGO funds (in 2007 these amounted to approximately \$115 million)

Support for international NGOs (INGOs) is less formalised. As many as ten different departments and units within the MFA provide aid to INGOs. Around 50 organisations receive a "discretionary government transfer" from Finland, and the total aid they receive each year is just over €10 million.

2.9 Monitoring and Evaluation

Evaluations in Finland's development cooperation are performed at two levels. The operational departments can conduct small-scale project or other assessments with limited scope (i.e. mid-term and end-of-project evaluations), while the Unit for Evaluation and Internal Audit manages the larger, more strategically significant work such as thematic or programmatic evaluations. This unit is based in the Department for Development Policy. The head of the unit reports directly to the Director-General of that department. It has been recommended however that the unit be moved outside of the department to ensure its clear independence. Their budget is around €1 million annually, which is used to contract out evaluations to external consultants by competitive tender.

Box 5. Large-scale evaluations commissioned in 2006

- *The environmental sector in Finnish development cooperation*
- *Pilot phase of the Centre for International Mobility's (CIMO) North-South Higher Education Network Programme*
- *Finnish micro-financing activities*

As well as commissioning its own evaluations, the Unit for Evaluation took part in several international activities including evaluations carried out by the International Trade Centre (ITC) and the UN's Food and Agriculture Organisation (FAO), and in the work of the evaluation networks of the OECD's Development Aid Committee (DAC), the EU and the Nordic Plus group.

In addition to evaluation work, over 20 internal audits are commissioned annually, which are divided into three categories:

1. Audits in diplomatic missions of appropriation for local cooperation
2. Project-specific audits in bilateral cooperation in Finland and in the location in question
3. Audits of NGO projects in Finland and in partner countries

Since the appropriations for development cooperation have increased, and are expected to continue to increase, the work of the evaluations unit, particularly internal audits are also expected to increase significantly in order to monitor the use of this additional funding.

3. Research and Knowledge Management

Table 8-9. Basic Facts About Finland's Research Structure

Dedicated research department?	No*	Dedicated research budget?	No
Departments involved in research	Global Affairs Department, Unit for Policy, Planning and Research	Dedicated researchers within MFA?	No
Research strategy?	Yes	Important publications	N/A

*No one department or unit has responsibility for development research. The Unit for Policy, Planning and Research for example is more broadly focused on issues of Foreign Affairs

Finland does not have a chief scientist or economist to oversee research, nor a single budget allocation. Part of the funding comes from the Policy Unit, part from the Global Affairs Department, and part from the Unit for Policy Planning and Research.

Research is conducted on two levels, the commissioning of individual projects and a long-term relationship with the Academy of Finland. Funding patterns between the two are as follows:

- Commissioned research: €500,000
6 projects approved of 3-12 months in length
3 on environmental issues, 2 on security issues, 1 on health issues.
- Long-term research: €3 million
Academy of Finland

Finland tries as much as possible to engage in joint research with other donors, nevertheless there is an understanding that the MFA's own research strategy should evolve to meet the demands of an increasing overall level of development cooperation. An evaluation of research work was undertaken in 2004, concluding:

- (i) There is a need to improve the uptake of research findings
- (ii) Research should be targeted more closely on development policy goals
- (iii) Cooperation with the research community should be improved
- (iv) Dissemination of results should be improved
- (v) Monitoring of research is good, but quality control was found to be inadequate
- (vi) Level of finance satisfactory

As research strategy evolves it is hoped that several of these issues will be overcome.

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