BRUSSELS RURAL DEVELOPMENT BRIEFINGS

A SERIES OF MEETINGS ON ACP-EU DEVELOPMENT ISSUES

New Drivers, New Players in ACP Rural Development

Resources on New drivers, New Players in ACP Rural Development[1]

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Resources on New drivers, New Players in ACP Rural Development[1]

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1. The international aid architecture: setting the framework

Twenty years ago, 95% of aid to developing countries came from the 22 member countries of OECD Development Assistance Committee (DAC)2. Nowadays, this assistance is provided by more than 150 multilateral agencies, 33 bilateral agencies members of OECD/DAC, nearly 30 countries not represented in DAC, private foundations and a growing number of vertical international funds. The very number of donor countries has tripled in twenty years[3].

The global aid landscape is undergoing profound changes in the way aid is financed and delivered.

The new aid architecture[4] is marked by the emergence of global funds and non-traditional bilateral donors; a growing role in aid of private foundations, non-governmental organizations (NGOs), and corporations; and more public-private partnerships. Changes to the aid architecture are expanding the availability of resources for poor countries and spurring new and innovative ways of addressing pressing development needs. But they also pose new challenges for aid effectiveness.

The latest aid numbers point to mixed progress on aid volumes from traditional DAC donors. Aid declined in 2006 and 2007 as major debt relief operations tapered off. To meet the commitment of the Group of Eight and other donors to increase aid by $50 billion (from 2004 levels) by 2010, donors will need to sharply accelerate the expansion of core development aid to an estimated 12 percent annual growth rate. However, preliminary evidence from the forward survey of donors' aid allocations suggests that these rates are not yet sufficiently ambitious to meet the targets set for 2010. Yet, a substantial number of African countries and fragile states remain dependent on external assistance. Scaling up of aid is a priority if these countries are to attain the Millennium Development Goals (MDGs).

Assistance from non-DAC donors, both official and private, has grown in size and importance. The most dynamic parts of the aid system are the new players who are bringing fresh funding, enthusiasm, and business models into the system. Although traditional official donors remain major players in the development business, new public and private actors are committing growing volumes of financial assistance to the developing world[5].

The increasing complexity of the aid architecture also presents challenges. In particular, a proliferation of aid channels, fragmentation of aid, and a trend toward vertical programs and earmarking of funds pose new challenges for coherence and predictability in the delivery of aid. These developments call for better donor coordination, division of labour, harmonization of the new sources of aid with the principles of the Paris Declaration, and alignment of global public needs with national development interests. The upcoming Accra High Level Forum provides a timely opportunity to address these new, dynamic dimensions of the aid agenda[6].

2. What is aid? Some conceptual issues

It is useful to first clarify a few conceptual issues. Aid channels can be either bilateral or multilateral, while Overseas Development Assistance (ODA) can be bilateral, multilateral or multi-bilateral. Multi-bilateral ODA refers to voluntary external assistance from donors for a multilateral agency which is supplementary to core membership contributions and which is earmarked for specific purposes[7].

The Definition of Overseas Development Assistance (ODA)

The current definition of Official Development Assistance (ODA) comprises grants or loans provided by official agencies (including state and local governments, or by their executive agencies) to developing countries (countries and territories on the DAC List of Aid Recipients) and to multilateral institutions for flows to developing countries, each transaction of which meets the following test: (a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) it is concessional in character and contains a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). In addition to financial flows, Technical Co-operation is included in aid.

ODA has five elements:

(a) the type of flows (grants, loans or technical cooperation); (b) the source (official sector of donor countries);

(c) the recipients (they must be on the DAC list);

(d) the development/welfare purpose of the related transactions; and

(e) their concessional character.

The definition and measurement of "aid" had been one of the first tasks of OECD DAC and a subject of significant controversy among donors, some supporting a very rigorous definition of "development" and others in favour of considering almost all official flows to developing countries as "aid". The first comprehensive survey of flows of financial resources to developing countries (then called "countries in course of economic development") was published in March 1961, and covered the period 1956-59. It was then followed by DAC Annual Reports and time series were collected from 1961 onwards for aggregate flows (DAC data) and from 1973 for country level activities (CRS data). The definition of ODA was adopted in 1969 and it allowed distinguishing development assistance from other flows without developmental objectives. Since then, the major changes of the definition of ODA have concerned two aspects: the activities to be considered as promoting economic development and welfare and the DAC list of aid recipients.

The list of activities to be considered as promoting development and welfare has been widened substantially over time: the impact of these changes on the recorded ODA volume has been substantial in recent years leading to an increase in total ODA of 33% in 2005, particularly due to debt forgiveness on non ODA debt and to donor administrative costs.

The DAC list of aid recipients was introduced only in 1993, after a long discussion on a proposal to consider as ODA all aid for all countries which met the DAC norms of concessionality and development motivation. Since 1961, data had been collected on most non communist developing countries 8. From 1989, countries of the former Eastern Bloc that were below the World Bank threshold for high income countries started being added to the list. South Africa was added in 1991. From 1993 to 2004, a second part was added to the DAC list including "more advanced" developing and eastern European countries and aid to these countries was recorded as "Official Aid" and did not count for the achievement of the UN targets of ODA/Gross National Income (GNI) [9]

3. Overall Trends in ODA flows

A closer examination of major ODA trends can facilitate a better understanding of the key issues affecting the existing global aid architecture.

After a protracted decline during the 1990s, funding for Official Development Assistance has been growing steadily over the last decade. Net ODA disbursements have consistently risen in real terms since the late 1990s, and reached US$105 billion (at constant 2004 prices) in 2005, up from about US$58 billion in 1997. Net ODA disbursements in 2005 can be decomposed as follows: 64 percent for core development programs; 24 percent for debt relief; 8 percent for emergency assistance; and 4 percent for donors' administrative costs. Much of the recent increase in ODA has been due to debt relief, and to a lesser extent to emergency assistance and administrative costs of donors[10].

3.1 Multilateral ODA

About 70 percent of ODA flows have been provided through bilateral organizations and 30 percent through multilateral organizations. Among multilateral organizations, International Development Association (IDA) role as the main channel for multilateral ODA has been surpassed by the European Commission and the United Nations.

In DAC statistics, 'multilateral operational agencies' are international institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (e.g. World Bank, regional development banks), United Nations agencies, an regional groupings (e.g. certain European Union and Arab agencies).

A contribution by a DAC Member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency[11].

The roles of the main Multilateral Institutions

Regional Development Banks (RDBs)
There are three main Regional Development Banks that play key roles in promoting the development of countries in their regions. These banks — the African Development Bank, the Inter American Development Bank, and the Asian Development Bank — function similarly to the World Bank in that they provide highly concessional assistance to the poorest countries for both project financing and budget support[12], and include performance-based indicators in their allocation formulas. These creditors often depend on the policy work and programmes of the IMF and IDA to create the development framework and performance track records on which to base their country programmes. The RDBs work closely with the Bretton Woods Institutions to provide the co-financing needed to support the development goals and policy reform efforts of specific countries. Some of the key challenges that RDBs need to confront include the following: distinguishing themselves more clearly from the World Bank and develop their own areas of specialisation; identifying their comparative advantage and becoming innovative risk takers rather than acting merely as cash machines; overcoming the sense among recipient governments that RDBs are too much trouble to deal with; and how to engage in Public-Private Partnerships (PPAs).

International Development Association (IDA)
IDA is the soft loan window of the World Bank, and it supports countries in their development efforts by promoting policies to secure the basis for economic growth and poverty reduction. IDA has a role as an instrument for structural and investment climate reform, alongside IMF programmes focusing on macroeconomic stability. IDA and IMF assist governments to establish a policy and fiduciary framework that is expected to promote the effective use of aid flows from other development partners. IDA is the world's largest source of concessional financial assistance for the poorest countries and invests in basic economic and human development projects. IDA's resources are provided in the form of zero-interest loans and some grants. Grants go mostly to poor post-conflict and debt-distressed countries.

The United Nations (UN) System
One of the UN's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development. As much as 70 per cent of the work of the UN system is devoted to accomplishing this mandate. The UN has played a crucial role in building international consensus on action for development. The UN continues formulating new development objectives in such key areas as sustainable development,

the advancement of women, human rights, environmental protection and good governance – along with programmes to make them a reality. The UN system works in a variety of ways to promote economic and social goals. The UN programmes and funds carry out the UN's economic and social mandate. The UN Development Programme (UNDP), the UN's largest provider of grants for sustainable human development worldwide, is actively involved in attaining the Millennium Development Goals. The UN Children's Fund (UNICEF) is the lead UN organization working for the long-term survival, protection and development of children, focusing on immunization, primary health care, nutrition and basic education. Many other UN programmes work for development, in partnership with governments and NGOs. The World Food Programme (WFP) is the world's largest international food aid organization for both emergency relief and development. The UN Population Fund (UNFPA) is the largest international provider of population assistance. The UN Environment Programme (UNEP) works to encourage sound environmental practices everywhere, and the UN Human Settlements Programme (UN-Habitat) assists people living in health-threatening housing conditions[13].

3.2 Bilateral ODA Trends: Mixed Progress on Aid Volumes

A growing number of public and private actors are boosting bilateral aid volumes. But the overall picture is mixed. Aggregate trends in volumes mask important differences across donor groups.

3.2.1 DAC Donors

Official Development Assistance (ODA) from all OECD Donor Assistance Committee (DAC) donor nations amounted to $128 billion in 2010, which was an increase of 6% in real terms (accounting for inflation and exchange rate movements) from $119.8 billion in 2009. While overall ODA remained steady, some countries did have large drops in their government foreign assistance. European countries going through economic turmoil decreased their aid flows. The biggest drop was seen in Greece, which decreased its aid from $607 million in 2009 to $508 million in 2010, a 15% decline in real terms. Similarly, Italy, Ireland and Spain, which also faced significant economic challenges, decreased their aid packages by 5% each. Other nations showing a decline in ODA were New Zealand, Sweden, and Switzerland. These drops were balanced out, however, by increased flows from 16 other DAC donors.

3.2.2 Expanding Role of Non-DAC Donors

New players such as non-DAC bilaterals, private entities, and vertical funds are the fastest-growing sources of funds. Their increasing role is changing the aid landscape. New donors and modalities promise more resources and innovation for development.

3.2.2.a Non-DAC bilateral donors

ODA provided by the 22 member countries of the OECD's DAC provides only a partial perspective on aid activities, as other countries have emerged as new donors over the past few years. Some (notably Brazil, China, India) were until recently themselves developing countries, which are now both donors and recipients of development assistance. It is difficult to quantify the volume, allocation, and composition of aid provided by most new donor countries, because their activities are not reported in a comprehensive manner [16].

The number of non-DAC countries that now provide aid has risen steeply to nearly 30. That number includes emerging market countries such as Brazil, China, India, Malaysia, the Russian Federation, Thailand, República Bolivariana de Venezuela, and a number of oil-rich countries. These donors now provide significant resources, totalling perhaps $8 billion annually[17].

ODA provided by non–DAC donors increased over the past few years, but it rose by less than ODA from DAC members. In 2002 ODA by non–DAC donors totaled $3.2 billion, an amount equal to 5.5 percent of the ODA provided by DAC donors (5.9 percent excluding debt relief). In 2005 non–DAC donors provided $4.2 billion, equal to just 4 percent of the ODA provided by DAC donors (5 percent excluding debt relief).

Non-DAC OECD countries are providing sizable amounts of aid and have plans to substantially scale up flows [18]; they are even expected to double ODA by 2015.

New EU member countries (not members of the OECD) could well reach ODA effort of 0.17 percent of GNI by 2010 and 0.33 percent by 2015. Middle Eastern countries

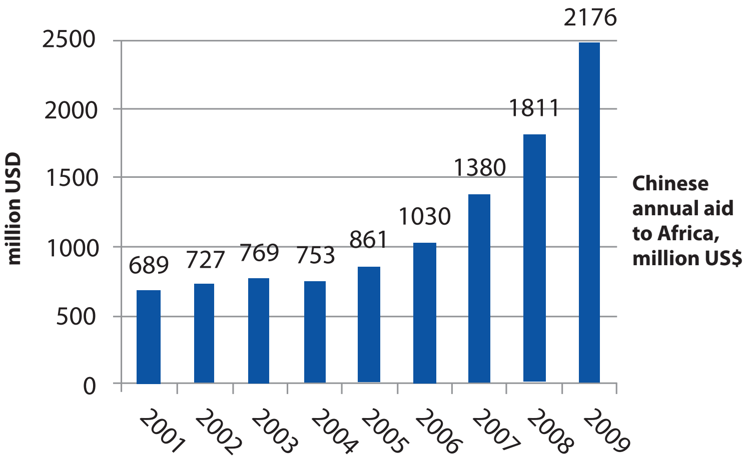
provided $2.5 billion in assistance in 2006, with Saudi Arabia contributing $2.1 billion (as reported to the DAC)[19].

Firm data on assistance from other bilaterals are not available. Estimates place aid from China and India at about $3 billion annually, and both countries are developing larger aid programs.[20]

For example, China's "Africa Policy," introduced in January 2006, aims to support economic development in Africa—among other objectives—through a number of channels, including economic assistance and debt relief. The Chinese government provides concessionary loans and grants to developing countries directly and indirectly through concessional lending by the Export-Import Bank of China. The total amount of concessional loans and grants provided by China is not reported in a comprehensive manner and estimates vary considerably[21].

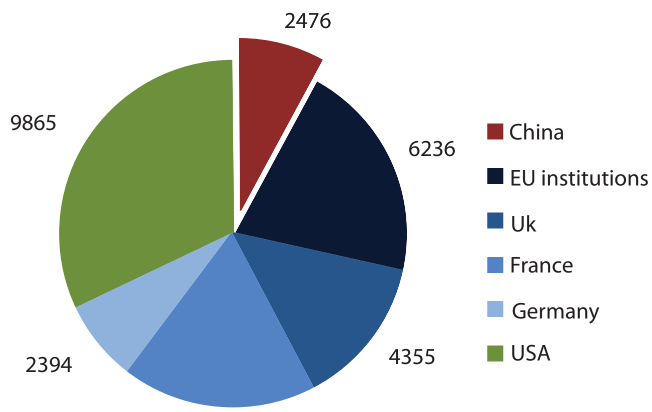
The case of China in Africa

Chinese aid* to Africa from 2001 to 2009



Source: Brautigam 2009, * including official budget of the Chinese ministry of foreign affairs for external assistance, concessional loans of the Chinese Eximbank, debt relief

2009 major donors to Africa (ODA commitments in million USD)



Source: Brautigam 2009 and OECD statistics (OECD.StatExtracts)

Despite the impressive expansion of Chinese aid to Africa, figure 2 indicates that in relative terms China is still a minor actor as compared to traditional donors like the United States of America (USA) and the European Union (EU). In fact, in 2009 the aid provided by China to Africa approximately matched that of Germany. In overall terms, the European Union – which refers to EU institutions and the 27 member states – remains Africa's largest donors, also compared to the USA. For instance, in 2009 EU institutions together with the three biggest member states in terms of ODA commitments (namely France, United Kingdom and Germany) contributed with 18,499 million USD in ODA, which corresponded to a almost twice the budget provided by the USA in the same year.

Against the background of the 2008 EU policy proposal, this paper seeks to examine the potential of trilateral development cooperation between the EU, China and Africa. While EU officials promoted their initiative with the objective of moving from a model of EU-China cooperation "on" Africa to a model of cooperation "with" Africa, most of the debate about trilateral development cooperation however largely neglects the role of African partners. Instead, it focuses on the perspective of traditional donors and emerging donors. This paper seeks to address this gap by looking closer at the potential contribution of African partners in trilateral development cooperation. Based on the case of South Africa, this paper investigates the role African partners can play in a new type of trilateral development cooperation with the EU and China. The example of South Africa has been chosen because it represents the most likely African case for a genuine trilateral cooperation. Due to its economic performance and its political agency, South Africa seems most incline to act as an equal partner to the EU and China.

A synthetic framework for assessing the impact of China on Sub Saharan Africa (SSA) involves recognition of China's multifaceted influence: as market for Africa's exports, donor, financer and investor, and contactor and builder. While official financial and technical assistance predominated in the past, commercial activities, which have increased rapidly in the last few years, are now dominant in financial terms.

As far as ODA is concerned, it is worth to note that China started providing aid to Africa in 1956. By May 2006, it had contributed a total of 44.4 billion yuan (US$5.7 billion) for more than 800 aid projects, according to a researcher at the Chinese Academy of Social Science.

The last officially reported flows are for 2002, when the Chinese government reported that it provided US$1.8 billion in economic support to Africa. The Chinese National Bureau of Statistics reports annual data on contracted projects in SSA countries, which include "projects financed by the Chinese government under its aid program." While the foreign aid component of the figures is hard to pin down, it is even more difficult to estimate the value of Chinese technical assistance and aid in-kind because of problems in pricing Chinese labor. Assuming Chinese aid, including technical assistance, is about 50 percent of the value of contracted projects, China's ODA to SSA could amount to US$1.0–1.5 billion annually for 2004–05. In comparison, China's aid flows to Africa averaged about US$310 million annually for 1989–1992.

The terms of China's ODA follow the principles established during late Primer Zhou Enlai's visit to Africa in the early 1960s: no conditions or demand for privileges can be attached to ODA; China provides ODA in the form of grants, interest-free or low-interest loans (i.e., preferential loans that have an interest subsidy); and repayment will be rescheduled if necessary. China's aid program also includes technical assistance, with an emphasis on agricultural technology and training in Chinese institutions[22].

Major types of aid projects by China in Africa[23]

Infrastructure projects	railways, roads, telecommunications facilities
Buildings	stadiums, palaces,government offices, schools
Factories	cotton or textiles, timber, oil, cigarettes
Agriculture	farming, tobacco, tea, sugar production

China and Africa: filling the knowledge gaps

There are significant knowledge-gaps on China's assistance and presence in Africa.

Key knowledge gaps need to be addressed, amongst which the following are most important:

- The need for base-line studies to assess the changing future impact of China on SSA
- Analyses of the determinants of SSA competitiveness and the steps required to enhance productivity (for example, in clothing, textiles, footwear and furniture, as well as in export-oriented food crops)
- A more thorough assessment of indirect impacts of China's trade on SSA, facilitating the development of appropriate policies for providing special and differential treatment to low income SSA economies in global markets.
- Determining the impact of China on consumer welfare, income distribution and absolute poverty levels in SSA, through an analysis of the consumer benefits derived from cheaper imports, and the distributional implications of a switch in specialisation away from labour-intensive manufactures to capital intensive commodities.

- Distinguishing generic from sub-regional and country-specific impacts, aiding the classification of different types of SSA economies
- Identifying likely future areas of threat and opportunity
- Determining the drivers of China's strategic engagement with SSA and their impact on transparent and better governance on the continent
- Diffusing lessons from the successful experience in coping with the challenges posed by China, drawn both from within SSA and from other regions [24].

3.2.2.b Private donors

Nongovernmental organizations (NGOs) are providing a growing source of financial resources for developing countries. Governments' contributions to NGOs active in international development are already included in ODA tallies, but private contributions are not.

There are no reliable estimates of private giving to development causes but one recent estimate is around $49 billion per year, and possibly as high as $60 billion.The largest is the Gates Foundation with a total asset trust endowment of $36.4 billion and annual disbursements of $3-4 billion. But the fastest growing part of the sector are the numerous small foundations that are expanding in every part of the world. Similiarly, there is no reliable estimate of the number or scale of civil society or faith based organisations that support development causes. They easily number into the millions of organisations. They vary in scale to those run by individuals to the modern international NGOs that are organised like multinational corporations with strong global centres and many national affiliates.

In 2010, private capital investment, philanthropy and remittances from the Organisation for Economic Cooperation and Development's 23 Development Assistance Committee (DAC) members to countries in the developing world amounted to $575 billion, up from $455 billion in 2009. These combined flows of private capital, philanthropy and remittances were over four times larger than official flows in 2010. Over 80% of all DAC donors' total economic engagement with the developing world is through private financial flows. Private capital flows remained the largest financial flow from all developed to developing countries and showed positive growth in 2010, reaching $329 billion, which was a substantial increase from $228 billion in 2009. Total remittances from all DAC donors to the developing world were $190 billion, a 9% increase from $174 billion in 2009. Total philanthropy from all donors was $56 billion in 2010, up from $53 billion in 2009.

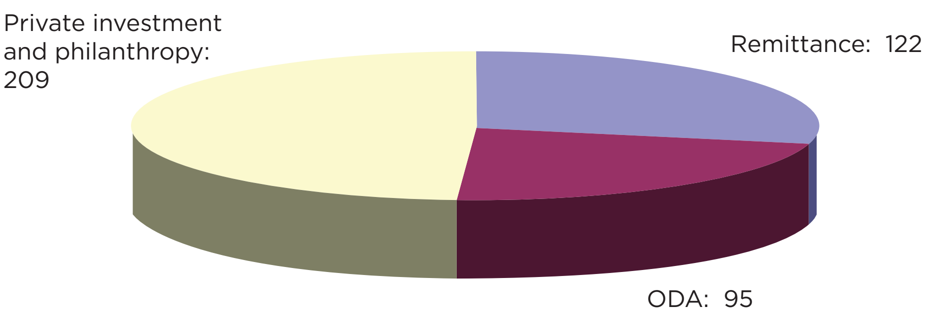
Data limitations make it very difficult to assess the overall contribution of private philanthropic foundations to development. There are no comprehensive measures of disbursements made by private foundations to poor countries for development purposes. The procedures used to collect data on the activities of private foundations differ greatly over time and across countries, making comparisons problematic.

The more than 100,000 private foundations worldwide have a very diverse set of social, political, charitable, and religious objectives, which are often related to, but extend beyond, economic development. Most private foundations begin by focusing on domestic initiatives, extending their operations abroad once they develop sufficient financial and human resources and acquire the expertise needed by developing countries. Private U.S. foundations are believed to be the most active internationally, because they tend to have greater financial resources and deeper experience than foundations in other countries.

The data provided by U.S. foundations are more comprehensive than data from foundations in most other countries. They reveal that the number of private philanthropic foundations in the United States grew from 30,000 in 1993 to 68,000 in 2005 and 120,810 in 2010 mainly to international initiatives, most of which was channelled through international organizations (such as the Global Fund to Fight AIDS, Tuberculosis and Malaria); NGOs; and private-public partnerships (such as the Global Alliance for Vaccines and Immunization). U.S. private foundations provide relatively little development assistance directly to recipient countries, preferring to provide financial support to institutions with well-developed capabilities for delivering aid effectively in specific program areas[25].

Financial flows into developing countries, 2006 (in billion $)[26]

Source: Hudson Institute, Annual Index of Global Philanthropy 2008



Partnership among private donors: the Alliance for a Green revolution in Africa (AGRA)

The Alliance for a Green Revolution in Africa (the Alliance, or AGRA) is a joint initiative of the Rockefeller Foundation and the Bill and Melinda Gates Foundation committed to reducing hunger and poverty in Africa through agricultural development. Established in 2006 the Alliance is currently workingwith African governments, other donors, non-governmental organizations (NGOs), the private sector, and African farmers to improve the productivity and incomes of resource-poor farmers in Africa. It builds on and expands Rockefeller Foundation-initiated work in Africa.

The primary goal of the Alliance is to increase the productivity and profitability of small-scale farming using technological, policy and institutional innovations that are environmentally and economically sustainable. The Alliance seeks to develop a donor pool sufficient to provide the significant resources needed to revitalise African agriculture for small-scale farmers in the long-term [27].

Aid architecture and the private sector

Aid is related to the private sector in several dimensions:

- Private firms/actors are recipients of aid. They may receive subsidies or loans (including microcredits) for their investments and activities.

- Private firms are contractors in aid-funded projects. It is estimated that roughly half of ODA is spent on purchasing goods and services or contracting work from private firms for development projects.

- Private firms are implementers. Several donors channel an increasing share of ODA through challenge funds. Private firms bid and compete for the contract to implement the projects

- Private firms are “partners”: Public-private partnerships have become increasingly important in development projects. Also in a financial sense, aid and the private sector increasingly partner through “blending” commercial loans with ODA grants.

- Private firms are increasingly important providers of aid-equivalent development finance. In particular large philanthropic foundations but also multinational corporations. Philanthropic foundations operate similar to bilateral donors or INGOs, which is why this report will not deal with them.

The “turn to the private sector” is evidenced by the increasing use of the private sector arms of multilateral development banks. The International Financial Corporation, the World Banks private sector investment arm has seen dramatic increases in the role it is playing in development as well as the size of its portfolio. Multilateral Development Banks have seen their lending to the private sector triple in size in the past ten years. Bilateral donor agencies are also setting up new institutions and facilities for cooperating with the private sector.

Ahead of the 4th High Level Forum on Aid Effectiveness (HLF4) in Busan a work stream has been set up by the OECD DAC to explore the interface between the role of the private sector and aid effectiveness.A new grouping of likeminded donors has developed “a common agenda for development results” for Busan, which has a key focus on partnering with the private sector.

Donors are increasing the resources for private sector engagement. They are increasingly using ODA to leverage private finance for investments. They have also increased their direct engagement with the for-profit private sector in aid processes. Such donor activities are officially motivated by leveraging the “value for money” they get for dwindling aid budgets by making better use of private sector expertise and resources. Key objectives are to change business practices to become more responsible and inclusive, to stimulate innovative business solutions for the MDGs and to improve “the business and investment climate” in partner countries. Key mechanisms for engaging with the business sector include Public-Private Partnerships (PPPs), co-financing of pilot studies, blending loans and grants (creating subsidized loans that can then be cheaply lent) to catalyze private sector engagement. PPPs have in particular gained traction among donor agencies as a way of combining public and private competencies and resources.

4. Aid recipients: Sub-saharan Africa

Financial globalization is contributing to a widening range of financing options for developing countries. Yet, for a substantial number of poor countries in Sub-Saharan Africa and for fragile and conflict-affected states, official development assistance remains important. Scaling up of aid is a priority if these countries are to attain the MDGs. For low-income countries in the region, ODA accounts for almost two- thirds of all external financing on average.

Although aid to Africa has risen, new aid has been largely debt relief. DAC donors are providing larger amounts of bilateral aid to the region and are allocating a larger share of ODA to Sub-Saharan Africa—over a third in 2006 compared to about a quarter in 2000. Overall, aid flows from DAC and multilateral donors to the region climbed to $40 billion in 2006, representing an increase of $6.9 billion in real terms over 2005 levels and $12.4 billion over 2004 amounts.

The expansion in net ODA, excluding debt relief and humanitarian assistance, has been limited, however, accounting for less than a third of the expansion in ODA to the region in 2006 and a fifth of the increase in aid during 2004–06. Debt relief has benefited recipient countries through reduced debt burdens and expanded fiscal space for development spending. As debt relief operations taper off, other types of aid to the region will need to rise sharply if the Gleneagles commitment to increase ODA to Sub-Saharan Africa to $50 billion (a doubling from the 2004 level) is to be achieved [28].

In terms of the uses of aid, there has been a major shift away from production and infrastructure to the social sectors and governance. In particular, aid to agriculture has fallen sharply. Emergency aid has risen significantly, but programme assistance (BoP or budget support) has declined and gradually been replaced by debt relief [29].

5. The growing complexity of the global aid architecture

Aid architecture can be defined as the set of rules and institutions governing aid flows to developing countries[30].

As noted above, proliferation of aid channels, ODA fragmentation and a significant degree of earmarking have contributed to increase the complexity of the global aid architecture31. Data analysis shows that there has been a proliferation of bilateral and multilateral agencies which interact with recipient countries. For instance, the average number of donors per country rose from about 12 in the 1960s to about 33 in the 2001-2005 period.

In addition, there are currently over 230 international organizations, funds, and programs. Donor proliferation seems to be particularly pronounced in the health sector, where more than 100 major organizations are involved. This is accompanied by significant earmarking of aid resources for specific uses or for special-purpose organizations, including global programs or "vertical" funds. In fact, about half of the ODA channelled through multilateral channels in 2005 went through some degree of earmarking by sector or theme. "Verticalization" or earmarking of ODA has also been observed in some bilateral assistance programs. Available data for 2004 also indicates a large number of aid activities, which tend to be small in financial size.

The complexity of the aid architecture increases transaction costs for donors and recipients alike, which reduces the effectiveness of aid. Although the transaction costs of aid have not been systematically quantified, there is evidence that donor proliferation and aid fragmentation represent a tax on recipient countries' implementation capacity.

As mentioned above, non-DAC and "emerging" donors are becoming increasingly important as ODA providers. New donors bring with them more resources to help developing countries reach their MDGs. At the same time, new challenges for harmonization and alignment are created. Non-DAC donors are a heterogeneous group: the degree to which DAC approaches and norms as regards the provision aid finance are applied by non-DAC donors varies from country-to-country. Insufficient data on non-DAC ODA makes it difficult to accurately assess aid volumes and prospects from these sources. Non-DAC OECD countries alone are expected in aggregate to double their current ODA levels to over $2 billion by 2010 [32].

5.1 Proliferation of aid channels

Data analysis shows that there are a growing number of bilateral donors and international organizations, funds and programs over the last half century. The number of bilateral donors grew from 5-6 in the mid 1940s to at least 56 in 2006. There has also been a dramatic increase in the number of international organizations, funds and programs. Many of these new funds and programs are specialized in a particular sector or theme.

The impact of the proliferation of aid channels can be seen from the perspective of both donors and recipients.

The donor's viewpoint

Official bilateral donors channel resources through both bilateral and multilateral channels. This In 2005, about a third of ODA (32 percent) was channelled through multilateral channels, while the balance went directly to developing countries as described below. Over two thirds (70 percent) of the aid disbursed to multilateral channels was multilateral, while the balance (30 percent) was multi- bilateral, including trust funds. Multilateral channels can be distinguished between multi-purpose international organizations (that operate in several sectors and countries like the European Commission or IDA) and specialized or thematic international organizations (whose activities are focused on a particular theme or sector, like UNICEF or GFATM)

About half of the bilateral contributions channelled through multilateral channels in 2005 went through some degree of earmarking by sector or theme. This figure is an approximation based on 2005 annual reports. It includes not only trust funds and other multi-bilateral ODA, but also contributions to sector or thematically targeted multilateral organizations. Besides complicating budgetary management, earmarking may lead to a misalignment between donors' and recipient countries' priorities. By constraining recipients' flexibility in allocating resources, earmarking may contribute to underfunding of other investments which are equally important for economic growth and poverty reduction.

The Recipients' Viewpoint

The growing importance of sector/ thematic international organizations and private donors further increased the complexity of the aid architecture from the recipients' standpoint. The complexity of the various inter-linkages is also caused by a greater role for the private sector in aid funding and implementation. Private philanthropy in aid has grown in importance in recent years. In addition, competition among multilateral channels for a largely stable pool of resources has been combined with an increase in the role of private providers/ managers of aid. About 6 percent of all reported official aid to developing countries has been provided through NGOs and public-private partnerships. The latter are a new phenomenon that emerged in the mid 1990s when global programs started to be deliberately set up outside the UN system.

Donor proliferation at the country level has continuously increased over time. The average number of donors per country nearly tripled over the last half century, rising from about 12 in the 1960s to about 33 in the 2001-2005 period. The combination of more bilateral donors and of an increasing number of multilateral channels has led to an increasingly crowded aid scene. Aid channel proliferation at the country level has been substantial, particularly after the end of the Cold War when the number of countries with over 40 active donors and international organizations grew from zero to thirty-one. The number of international organizations, funds and programs is now higher than the number of developing countries they were created to assist.

Multiple aid channels impose an additional strain on already weak implementation capacities in low- income countries. In fact, "managing aid flows from many different donors is a huge challenge for recipient countries, since different donors usually insist on using their own unique processes for initiating, implementing, and monitoring projects. Recipients can be overwhelmed by requirements for multiple project audits, environmental assessments, procurement reports, financial statements, and project updates".

Proliferation of aid channels is particularly pronounced in the health sector. In fact, more than 100 major organizations are involved in the health sector, a much higher degree of proliferation than in any other sector. Insufficient clarity of mandates and roles for the various donor organizations – associated with the earmarking of much such aid – makes it difficult to reconcile with "the development of a holistic approach to health systems and sustainable financing at the country level" [33].

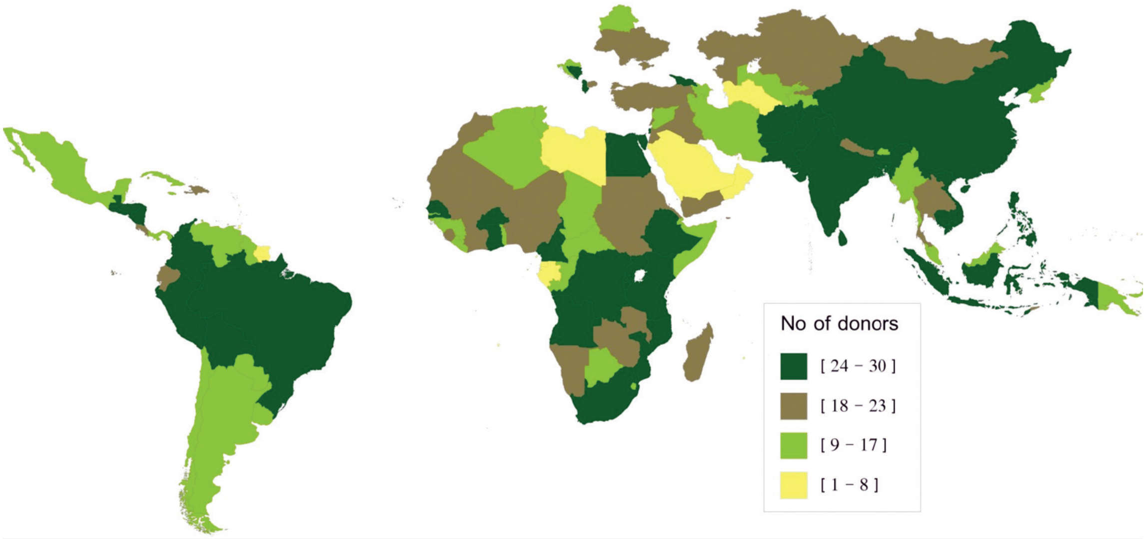
5.2 Fragmentation of ODA

The proliferation of aid channels has been combined with fragmented aid. ODA fragmentation can be damaging to the effectiveness of ODA, particularly in recipient countries with low institutional capacity, as it may increase the transaction costs of aid. Fragmentation is manifested in different forms, such as the number of donor-funded activities and the financial size of aid commitments and the dispersion of small-scale free-standing technical assistance as a modality (instrument) of aid delivery[34].

Aid Fragmentation and Associated Costs

The number of donor-funded activities is large – particularly in the social sectors – and the average financial size of aid interventions/ activities is small. The average size of donor funded activities in developing countries is about $1.5 million and total number of interventions/activities has reached almost 60,000. The social sectors (including health and education) account for 48 percent of all activities recorded in the Creditor Reporting System for 2004. This average size of donor activity does not change substantially across sectors or across income groups except for infrastructure projects (about 3 times the average size), general budget support (13 times) and debt relief (16 times).

Number of DAC donors and major multilateral agencies per country (Gross disbursements of CPA, 2005) [35]



Source: OECD

Fragmentation is reinforced by the fact that the majority of aid activities allocated by modality is for free standing technical assistance. As noted in the 2006 Global Monitoring Report, "technical cooperation is often criticized as being excessively costly because of the high cost of international experts, as exacerbating the problem of brain drain by training the best and brightest but not being able to retain them, and as being too fragmented and uncoordinated."

Fragmentation seems to be higher the lower is the institutional capacity of recipient countries. Where implementation capacity is very low, donors tend to finance a large number of small activities in a relatively reduced number of sectors. As government capacity becomes higher, donors seem more willing to support larger projects in more sub-sectors and to increase the overall amount of aid resources to the country, as measured by commitments per capita.

Transaction costs of ODA affect both donors and recipients. In fact, "donors, recipients and independent observers all agree that the system is too complicated and imposes high transaction costs on all parties". Such costs reflect a rising number of aid channels and donor activities/interventions; progressive earmarking of funding through multilateral and bilateral channels; and widespread use of uncoordinated technical assistance. While there is ample anecdotal evidence of the increase of transaction costs caused by aid fragmentation and donor proliferation, they have not been systematically quantified.

From the recipient countries' perspective, transaction costs are directly and indirectly associated with the administrative burden placed on them. Some authors distinguish between direct and indirect transaction costs. Direct costs refer to the diversion of scarce resources in recipient countries – notably the time and attention of politicians and government officials – away from domestic priorities in order to attend to demands associated with managing aid-related activities. Such costs are especially relevant in situations where aid is subdivided into many small "packets" with their own managerial and reporting requirements. Indirect costs result from the impact of aid proliferation and fragmentation on the incentive systems in recipient countries' government bureaucracies. An example of such indirect costs is when donor-financed project implementation units lead to "brain drain" from line ministries where managerial skills are in short supply[36].

6. The challenge of aid effectiveness: the 2005 Paris Declaration

The Paris Declaration on Aid Effectiveness is a significant step forward towards addressing the complexities of the existing aid architecture[37]. Signed on March 2, 2005 by 35 donor countries, 26 multilateral donors, 56 recipient countries, and 14 civil society observers, the Declaration put forward an agenda supported by a broad spectrum of development actors. As noted in the 2006 Global Monitoring Report, "a distinct feature of the Paris Declaration is a mutual commitment undertaken by partner [recipient] countries and donor countries to an international monitoring process.

The Paris Declaration is based on the key principles of ownership, alignment, harmonization, managing for results, and mutual accountability. These principles underlie the partnership commitments between recipient or partner countries and the donor countries, as follows:

- Ownership. "Partner countries exercise effective leadership over their development policies and strategies, and co-ordinate development actions."

- Alignment. "Donors base their overall support on partner countries' national development strategies, institutions and procedures."

- Harmonization. "Donors' actions are more harmonized, transparent and collectively effective."

- Managing for Results. "Managing resources and improving decision-making for results".

- Mutual Accountability. "Donors and partners are accountable for development results".

The five principles of the Paris Declaration are translated into 12 monitorable global targets for 2010. On the side of recipient or partner countries, these targets emphasize the importance of operational development strategies and reliable procurement and public financial management systems. On the side of donor countries, the targets aim inter alia at aligning aid flows to recipients' national priorities, strengthening recipient country capacity, increasing predictability of aid, increasing the proportion of untied aid, using common arrangements or procedures, and sharing analysis. To ensure mutual accountability, all partner countries should have mutual assessment reviews by 2010.

Some of the Paris Declaration targets are directly aimed at addressing aid fragmentation. They include: (i) 50 percent of technical co-operation flows should be implemented through coordinated programs consistent with national development strategies; and (ii) 66 percent of aid flows should be provided in the context of program- based approaches. Although progress towards these targets should lead to improvements in aid fragmentation indicators, the data present in this paper does not yet capture the effects of the Paris Declaration on aid management [38].

Implementing the Aid effectiveness Agenda: the EU response

The concept of aid effectiveness has acquired growing importance in international discussions, so much that we could speak of and 'international aid effectiveness agenda'. This agenda, established by the Paris Declaration in 2005 draws attention to the big picture, to ensure that the ultimate objectives of the aid system as a whole are being met; that the international aid system remains true to its primary purpose, that is, fight against poverty; and that all parties concerned have a framework for enquiring into broad lessons of good practice and establishing a consensus on how aid could be improved [39].

In the context of the European Union, the 2005 "European consensus on Development" for the first time in fifty years of cooperation, represents the framework of common principles within which the EU and its Member States will each implement their development policies in a spirit of complementarity [40].

The declaration sets out the objectives and principles on the basis of which the Member States and the Community commit themselves to a shared vision. Since the chief objective is to reduce poverty worldwide in the context of sustainable development, the EU is seeking to meet the Millennium Development Goals , to which all the UN member states subscribe, by 2015 namely.

According the European Consensus, the common principles of development cooperation activities are ownership and partnership, in-depth political dialogue, participation of civil society, gender equality and an ongoing commitment to preventing state fragility. Developing countries bear the primary responsibility for their own

development, but the EU accepts its share of responsibility and accountability for the joint efforts undertaken in partnership.

The EU has committed itself to increasing the aid budget to 0.7% of gross national product by 2015, the shared interim goal being 0.56% by 2010; half of the increase in aid will be earmarked for Africa. It will continue to prioritise support for the least-developed countries and the low- and medium-income countries. Resource allocation will be guided by objective and transparent criteria based on needs and performance. The principle of concentration will guide the Community in all its country and regional programming. This means selecting a limited number of priority areas for action.

The quality of aid will be of the utmost importance for the EU, which will ensure the monitoring of its commitments to maximise aid efficiency, notably by setting concrete targets for 2010. National ownership, donor coordination and harmonisation, starting at the field level, alignment on recipient- country systems, and results orientation are core principles in this respect. More predictable aid mechanisms will be strengthened so as to enable partner countries to plan efficiently.

The EU will promote better coordination and complementarity between donors by working towards joint multiannual programming based on partner-country strategies and processes, common implementation mechanisms and the use of co-financing arrangements. It will also foster consistency in development policy in a wide variety of areas. Community policy and the policies of the Member States in this field must complement each other. The added value of the Community's policy comes from its presence worldwide, its expertise in dispensing aid, its role in promoting consistency between policies and best practice and in facilitating coordination and harmonisation, its support for democracy, human rights, good governance and respect for international law, and its role in promoting participation in civil society and North-South solidarity[41].

As a follows up of the EU's commitments in 2005 to increase development aid and improve impact and speed of delivery in order to meet the challenges of the Millennium Development Goals by 2015, the European Commission released three main communications representing an aid-effectiveness package, namely 'EU Aid: Delivering more, better and faster' [42], 'Financing for Development and Aid Effectiveness - The challenges of scaling up EU aid 2006-2010' 43 and 'Increasing the impact of EU aid: a common framework for drafting country strategy papers and joint multiannual programming'[44].

Furthermore, built on the principles of the Paris Declaration and the Consensus, an EU Aid Effectiveness Roadmap has recently been released that takes stock of the progress made by the EU and outline its ambitions [45].

In order to strengthen coordination and harmonisation, an EU Donor Atlas has also been created, presenting an overview of development cooperation activities funded by the Member States and the European Commission. Its aim is to help all member States gain a better understanding of each other and work towards a better division of labour[46].

Aid effectiveness 2005-10: an overview of progress

Substantial progress

- The proportion of developing countries with sound national development strategies in place has more than tripled since 2005.

- High-quality results-oriented frameworks to monitor progress against national development priorities are in place in one-quarter of the developing countries first surveyed in 2005, with statistics related to the

- Millennium Development Goals becoming increasingly available.

Moderate or mixed progress

- While non-state actors are more involved in the design of national development strategies in many

- developing countries, there are still challenges to providing an enabling environment for civil society activities in some others.

- Efforts to improve support for capacity development have been mixed. While donors met the target on co-ordinated technical co-operation, support for capacity development often remains supply-driven, rather than responding to developing countries' needs.

- Over one-third of all developing countries participating in the 2011 Survey showed an improvement in the quality of their public financial management systems over the period 2005-10. At the same time, one-quarter of them saw setbacks in the quality of these systems.

- Donors are using developing country systems more than in 2005, but not to the extent agreed in Paris. In particular, donors are not systematically making greater use of country systems where these systems have been made more reliable.

- Overall, donors did not make progress in further untying aid across the countries participating in the 2011 Survey.

- There are some promising examples of efforts to improve transparency around aid.

Little or no progress

- Aid for the government sector is not captured systematically in developing country budgets and public accounts.

- Little progress has been made among donors to implement common arrangements or procedures and conduct joint missions and analytic works.

- Aid is becoming increasingly fragmented, despite some initiatives that aim to address this challenge.

- The medium-term predictability of aid remains a challenge in developing countries because donor communication of information on future aid to individual developing country governments remains isolated rather than being the norm.

- Most developing countries have yet to implement thorough mutual (government-donor) reviews of performance that benefit from broad participation.

Seven lessons for the future of development cooperation

The Busan High-Level Forum offers decision-makers in developed and developing countries – be they state actors, heads of international organisations, parliamentarians or representatives of civil society organisations or private sector entities – the opportunity to agree on a framework for global co-operation that will maximise achievements towards the Millennium Development Goals and help forge a global compact for effective development towards and beyond 2015. In doing so, a number of important lessons should be borne in mind:

1. **Development – and development co-operation** – needs to happen through inclusive partnerships at the global and country levels. Although the Paris Declaration has helped to forge a common vision among a significant group of developing countries and donors, other development co-operation actors – including those involved in South-South co-operation – play an increasingly important role. Their active involvement in shaping the post-Busan co-operation agenda will ensure a more inclusive process founded on shared principles, and covering a larger range and volume of resources and activities in support of development.

2. **The principles set out in the Paris Declaration and Accra Agenda for Action need to be reaffirmed**. Experience has shown that these principles are relevant to the challenges faced by developing countries. It also suggests that their fuller implementation can continue to increase impact of development co-operation on poverty reduction and sustainable development. Approaches to implementing the principles will need to be continually refined and adapted to include more forms of development co-operation, a wider range of public and private actors, and to meet context-specific priorities such as those of fragile states and middle-income countries. Embedding these approaches in national action plans and strategies is one way of anchoring global commitments in country-level realities.

3. **Investment in development brings risks**; the desired results will not always be achieved, particularly when capacities and systems are weak. All stakeholders must accept the risks that are inherent to development and seek appropriate ways of sharing and mitigating them through mature partnerships, rather than avoiding them altogether. Donors need to make use of country structures and institutions for aid delivery, developing longer-term approaches to enhancing capacity, which is often diffuse in nature and therefore challenging to measure.

4. **Inclusive global accountability mechanisms are needed to support strong, country-led partnerships**. Experience to date suggests that monitoring

and evaluation of international commitments can create and sustain incentives for implementation. Deepening peer scrutiny and pressure can provide added impetus for change. By refocusing global processes on essential learning and accountability functions, incentives for reform will be strengthened in individual countries and development agencies.

5. **Governments in developing countries need to strengthen the capacities of core public sector development institutions and stakeholders, including through state-citizen dialogue.** This includes playing a central and systematic role in setting clear priorities, determining strategies and ensuring effective implementation of activities, as well as continuing to encourage donors to support agreed priorities. Effective policies and institutions not only improve the contribution of aid; they also help to ensure that all resources have a greater and more sustainable impact on people's lives. Results can be further improved by lending greater attention to poverty reduction and inclusive growth, accelerating efforts in support of domestic accountability, combating corruption, and providing a conducive environment for citizen participation.

6. **Achieving sustainable development results will require increased results orientation in public sector management.** This implies creating better systems for targeting, tracking and communicating development results, as well as enhancing transparency and accountability for the use of resources and the results achieved. More systematic use of existing country frameworks for monitoring and reporting on achievements against agreed development goals will both support developing countries in effective decision-making, and encourage donors to rely more extensively on the evidence generated by developing countries.

7. **Donors need to follow through on their commitments to change their policies and practices.** For many donors, this will involve addressing structural challenges in their aid agencies, for example to ensure that aid is more predictable in the medium-term, that allocation decisions favour efficiency and reduce fragmentation, and that developing countries' systems are used more systematically for aid delivery. Further untying aid – and in particular technical co-operation – will also improve value for money, as well as ownership by developing countries.

A key role for Parliaments

As the 2008 Road Map expressly recognize, in the Paris Declaration, partner and donor countries committed themselves to strengthening the parliamentary role in national development strategies, thereby enhancing mutual accountability and transparency of development resources.

Parliamentary scrutiny of a credible budget broadens country ownership. The latest 2006 OECD survey monitoring the Paris Declaration indicates that for nearly all partner countries monitored the credibility of development budgets is undermined by sizeable inaccuracies in the budget estimates of aid flows from donor governments, reducing the ability of Parliaments to scrutinise government development policies. Furthermore, a large proportion of aid flows to the partner country governments are not comprehensively and accurately reflected in their annual budget estimates. Governments should be increasingly accountable for their strategies through the regular mechanisms of democratic accountability. Donors and partners need to work together, to ensure that budget estimates are more realistic. Support for strong budget committees can then ensure that aid is spent effectively.

The Paris Declaration principles on aid effectiveness should also be taken into account by European parliaments. Division of labour may mean countries and aid sectors have to be abandoned in the name of aid efficiency. This will confront parliamentarians with difficult choices on "lowering" national interests in countries or sectors; it is hoped that the appropriate choices will be made to advance global aid effectiveness.

Against this background, in March 2008 the ACP-EU Joint Parliamentary Assembly released a Working Document on "Effectiveness of Aid and Definition of Public Development Aid". The report underlines the important of a common definition of ODA and suggests a tightening of the definition so as to exclude for example debt cancellation. It also sets out a number of recommendations on how to improve the effectiveness of aid. Amongst other things it encourages the establishment of better mechanisms for the communication of information and an increased balance of relationships reflected in agreements[47]. More recently, the May 2008 European Parliament's Report on the follow-up to the Paris Declaration of 2005 on Aid Effectiveness [48] calls on the Commission to set up two new instruments: an indicator to monitor parliamentary scrutiny in the countries receiving development aid which will increase accountability and permit more strategic forms of oversight, and a revision of the Donor Atlas initiative to promote cross-country policy dialogue between European donors and tackle the problem of orphan countries and sectors. It also call for the simplification of aid procedures and "considers that increasing transparency of information on aid flows is a critical objective for improving the effective use of aid and mutual accountability".

Member States and the Commission are urged to "phase out policy-oriented conditionality" to support a common understanding on key priorities, and the report stresses the need for the international financial institutions and donor countries to publish the conditions for granting development aid, "so that genuine democratic control can be exercised by parliaments, local authorities and civil societies".

The report also stresses the need to disburse aid according to the partners' priorities and timelines, and supports the Commission's choice to increasingly use budget support, enabling national parliaments, local authorities, civil society and the EP to trace the results of the EU contributions[49].

Furthermore a Draft Report on the Follow-up of the Monterrey Conference of 2002 on Financing for Development has been released[50].

7. ODA to agriculture: some key issues

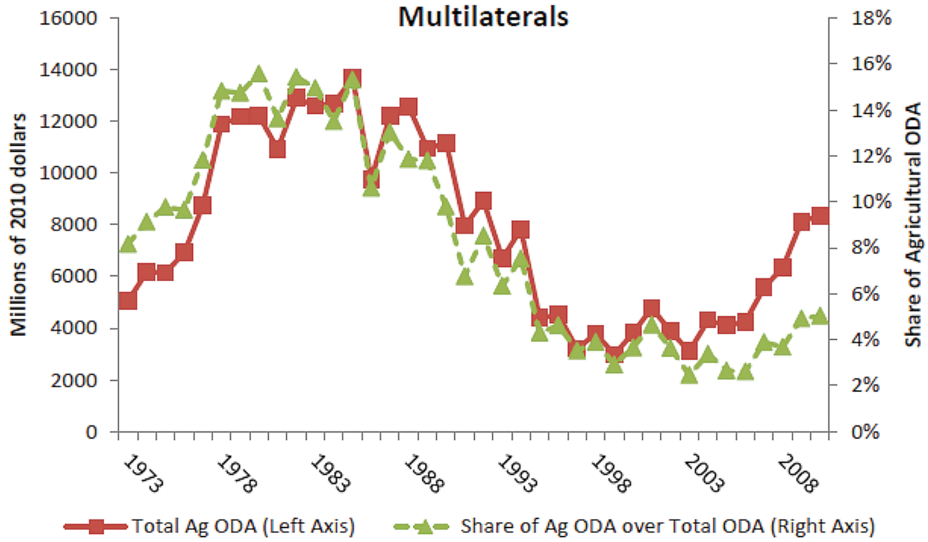
Agriculture seems is back on the development aid agenda, seen as a key to both spurring growth and getting large numbers of people out of poverty, and as a key route to meeting the MDGs. Indeed, in developing countries, agriculture contributes to the bulk of employment and remains an important part of GDP and export earning.

In Sub-Saharan Africa, agriculture accounts for 20 percent of GDP and employs 67 percent of total labour force. Furthermore, 75 percent of the world's poor work and live in rural areas and, according to estimate, 60 percent will continue to do so by 2025[51].

Notwithstanding this, ODA to the sector decreased in real terms by nearly half between 1980 and 2005, despite an increase of 250% in total ODA commitments over the same period. The share of ODA to agriculture fell from about 17% in the early 1980s to a low of 3% in 2005.

In sub-Saharan Africa the reduction in agricultural aid was less dramatic, but still sizeable, with a decline of about 35% over the period 52. Multilateral aid to the sector declined in both relative and absolute terms, and increasingly focused on agricultural policy and institutional reform, rather than direct support[53].

Figure 1 Aid to Agriculture from DAC Countries and Multilaterals



Sources: OECD DAC Table 1, OECD DAC Table 5 (1995-2010), DAC Agricultural Sector Analysis (1973-1994)

Aid to Agriculture from DAC Countries and Multilaterals

The role of aid in public spending in agriculture

According to a 2007 joint DFID/ World Bank study, donors continue to provide the majority of agriculture development spending. This can be problematic given the erratic nature of donor funding commitments and low levels of actual disbursements [56].

Many of the problems associated with donor-financed projects include: lack of sustainability; poor monitoring and evaluation; overlapping interests; diversion of public officials' time away from core government activities, and; lack of effective coordination with other projects or the national development agenda. A common problem related to the high share of donor funding in the sector is the failure to provide sufficient recurrent funds to ensure that development spending is adequately serviced in terms of operations and maintenance[57]. This imbalance

Agriculture ODA by Subsector, 2009

Table 2 Agricultural ODA by Subsector, 2009

Purpose code		Number of activities	Disbursements (million dollars)
31110	Agricultural policy, and administrative management	2441	1029
31120	Agricultural development	2668	1042
31130	Agricultural land resources	527	211
31140	Agricultural water resources	882	810
31150	Agricultural inputs	175	105
31161	Food crop production	859	559
31162	Industrial crops/export crops	289	78
31163	Livestock	556	136
31164	Agrarian reform	57	15
31165	Agricultural alternative development	227	484
31166	Agricultural extension	569	232
31181	Agricultural education/training	586	106
31182	Agricultural research	703	152
31191	Agricultural services	418	222
31192	Plant/post-harvest protection and pest control	106	14
31193	Agricultural financial services	212	82
31194	Agricultural co-operatives	395	49
31195	Livestock/veterinary services	198	83
32161	Agro-industries	505	105

Source: OECD, Creditor Reporting System.

between the capital and recurrent budgets arises from a combination of: a dual budget system (separate ministries handle the recurrent and capital sides of the budget); political processes which favour capital investments, and; an expectation that much of recurrent funding needs will be met locally through in-kind contributions and user fees. Under-funding of the recurrent budget has become an increasing problem over recent years and has resulted in capital investments being made without due regard to the recurrent costs required properly to service these investments. This problem is illustrated by the irrigation sub-sector, which accounts for a significant share of sector spending but suffers low utilisation rates (around 60 percent) largely due to insufficient funds being allocated to operations and maintenance.

The study suggest that the contraction of funding to agriculture over the past two decades is derived from a combination of factors. These include:

- An ideological shift away from state intervention in the economy – structural adjustment, the liberalisation of agricultural parastatals, the adoption of market-led approaches and the reduction in subsidies has reduced the 'space' for public sector expenditures on agriculture;

- An increasing focus by the state (and donors) upon spending to the social sectors (primarily health and education), largely driven through Poverty Reduction Strategy (PRS) and MDG processes;

- Changes in aid modalities involving a trend towards budget support (the budget process does not favour agriculture – see below), and an increasing perception that the problems in agriculture can be addressed through other sectors (transport, infrastructure etc);

- Where donors continue to engage in agriculture, donor funds typically account for a major share of the sector budget, but disbursement rates can be below expectations and unpredictable.[58].

How is ODA to agriculture used?

Donor commitments of aid for the agricultural production sector roughly doubled from $4 billion in the mid-2000s to just over $8 billion in 2010, but it was still just 5 percent of total ODA commitments.

The deployment of development assistance to agriculture has changed during the past 20 years. Several trends can be noted:

- Assistance for direct support to agriculture, notably for agricultural inputs, agricultural services (including finance), agricultural education and research, has fallen. This partly reflects changing perceptions of the role of the public sector in the provision of agricultural inputs and services. Very few development agencies (with the notable exception of Japan) now provide agricultural inputs such as fertilisers, chemicals, seeds and machinery.

- Assistance through area-based or crop-focused projects has declined while support to agricultural policy and administration has risen.

- Assistance to land resources, forestry and fisheries has increased in relative terms.

- Assistance to irrigation and drainage projects has remained fairly constant, but there is reduced enthusiasm for large-scale engineering projects and greater sensitivity to environmental and social aspects.

- Support to bilateral research has fallen but it has been replaced to some extent by support channelled multilaterally, such as through the Consultative Group on International Agricultural Research (CGIAR). There have been similar changes in multilateral assistance. A comparison of World Bank ending approvals (which provide a good proxy for the multilaterals as a whole) etween1979–81 and 1999–2001, showed the largest declines have occurred in relation to two areas: a) perennial crops and agro- industry, where there has been a shift away from supporting parastatal enterprises (a major focus of development efforts in the 1960s and 970s); and b) agricultural credit, where the focus has moved away from commodity targeted credit in favour of broadening and deepening general financial services[59].

The efficacy of ODA to agriculture
In terms of efficacy, assistance to agriculture has had mixed results. However little evidence exists regarding the relative advantages and effectiveness of different aid instruments or mechanisms for agricultural development. The nature and focus of assistance to agriculture has changed substantially over the past 40 years, making definitive judgements of impact difficult. Yet past assessments can help to identify lessons for improving the quality of future assistance to agriculture. Agriculture strategies have typically evolved in tandem with changing dominant development paradigms, shifting from:

- 1960s to early 1980s: the Green Revolution, whereby new technologies supported by the provision of government support services led to agricultural expansion and intensification in high productivity areas of Asia;

- mid-1980s to mid-1990s: Integrated Rural Development Projects (IRDP), which focused on direct assistance to the rural poor, but were considered unsuccessful due to poor multisectoral co-ordination and overambitious design;

- 1980s to present: Concerns about the performance of IRDPs contributed to a shift towards adjustment lending, market-led approaches and a withdrawal of the state;

- mid-1990s to present: Sector wide Approaches (SWAPS) and support to Poverty Reduction Strategies (PRSPs) as a basis for donors to contribute more coherently to budgets and processes designed by governments.

- SWAPS – whilst there have been some positive experiences (e.g. Uganda, Zambia), the fundamental characteristics of the agricultural sector make developing and implementing a SWAP more difficult than in more homogenous sectors, such as health or education.

- PRSPs – agriculture has been weakly reflected in PRSPs to date, partly due to the focus on increasing social sector spending.

In sum, if the target of reducing extreme poverty and hunger by 2015 is to be achieved, the share of ODA going to agriculture will need to better reflect agriculture's importance in generating livelihoods for the majority of the rural poor. In terms of the efficacy of changing aid mechanisms, the particular characteristics of the agricultural sector suggests that it will be particularly important to achieve a balance of different aid instruments (i.e. project, SWAP and budgetary support), and to assess their utility on a country-by-country basis [60].

Main trends in ODA to agriculture and rural development

The decline in aid (and public expenditure) in agriculture is seen by many as a paradoxical neglect of a sector central to economic growth and poverty reduction. Indeed, in much of the developing world, and particularly in SSA, agriculture is still an important part of the economy and a significant proportion of the poor depend directly on it. Low levels of public and private investment in the sector have been matched by low levels of agricultural output and productivity, with a few localised exceptions in sub- sectors like floriculture and horticulture. Insufficient public agricultural investment may be an important constraint to the development of the sector.

On the whole there is still insufficient understanding of the composition and quality of agricultural spending and of how these might be (or not) affected by the decline in funding. Poor data, together with limited knowledge of unit costs, make it hard to assess scale, relevance, efficiency and effectiveness of public agricultural spending accurately [61].

A key question is why is this happening and with what impact? Certainly the decline in aid and spending in the agricultural sector appears inconsistent with the proclaimed importance of agriculture to development Various explanations have been presented to explain the decline, including:

- Increased competition for resources from other sectors. Some argue that the MDGs and PRSs have moved attention towards the social sectors and increasingly towards 'rural services', at a potential cost to the productive sectors.

- The acknowledgement that many of the obstacles to agricultural growth need to be addressed outside the agricultural sector through such areas as energy and transport policy, infrastructure investment, tax regimes, international trade regulation;

- Changing aid modalities and the view amongst some that the new aid modalities not only focus less on agriculture but also work less well in agriculture because of complexity and the risks involved;

- Loss of confidence in the sector due to poor performance of investments in agriculture. Several aid evaluations in the sector have produced unfavourable results with regards to cost effectiveness, impact and sustainability.

In a highly critical review paper of fifty years of international aid to African agriculture, Eicher argues that "after fifty years of experience, most donors remain confused about how to package, coordinate and deliver aid to accelerate agricultural and rural development in Africa "62. He notes how different, and at times, conflicting traditions within the agricultural policy community have culminated in an overload of policy prescriptions and approaches that have not only often not worked but are, in some cases, in danger of being repeated. Eicher argues that in recent years the pendulum of professional opinion about what makes for effective aid has swung widely, including in agriculture. The result is that agriculture almost disappears in the transition from project to programme aid in the new aid framework.

Stagnating spend in agriculture has been noted as a major problem for growth and reaching the MDGs, but inadequate funding is not the only (nor necessarily the most binding) constraint facing agriculture and rural development (A&RD). Poor management of available resources and the quality of expenditure is a major challenge. Much of the reason for lagging investment, particularly in A&RD in Africa, is the history of poor returns which are in turn linked

to weak institutions. Longstanding problems of weak public financial management, combined with the size of off-budget flows in the sector are also a major concern. Rapid changes in the global context means new challenges for the spending and service delivery functions of A&RD institutions which arguably may not require more public funding but better and higher quality funding through partnerships with the private sector [63].

The aid effectiveness agenda: what role for rural development?

In addition to the broader challenges of effective alignment and harmonization, the agricultural sector is one where progress in raising the effectiveness of development efforts is proving frustrating to both governments and donors. Not least among the challenges is the frequently low level of attention paid to agriculture in the first iterations of PRS, which tended to emphasize the public provision of social infrastructure and services and paid less attention to productive sectors. Although agriculture features more prominently in the second generation of PRS papers, there remains a lack of clarity as to the most effective approaches for rural poverty reduction. This is not entirely attributable to issues of government leadership. Particularly in the poorest countries, where ODA plays a major role in public development finance, it also reflects the fact that donors themselves exhibit a variety of views about the appropriate form of engagement with agricultural development.

Ownership, alignment and harmonization have been pursued most systematically and explicitly through sector-wide approaches (SWAps). Experience to date with SWAps for agriculture and rural development is mixed. They have contributed to more streamlined dialogue between the donor community and government, and strengthened government leadership and coordination among donors.

Yet, this has often been at the cost of a focus on the SWAp process itself rather than on sector policy outcomes and impact. There have only been a limited number of agricultural SWAps to date, and traditional projects continue to be dominant in the sector – and may even be increasing.

The challenge of making a step-change in the pace of rural development and poverty reduction is not only financial, but also organizational, specifically the organizational preparedness among development partners against a background of a low level of attention to rural and agricultural development in the ODA system. Notwithstanding the rising appreciation of the importance of agriculture, the asset base of skills and knowledge for effective support has been eroded.

Furthermore, there is still a lack of clarity and consensus on the most effective approaches for rural poverty reduction, and on the most appropriate form of engagement with agricultural development.

A key contribution to the architecture must be in helping harmonized government and donor strategies address the core issues of enabling poor rural people to overcome poverty. Here, the focus must be on: better integration with markets and enhanced productive capacity; strong participation of poor people in setting development objectives; and strengthening of the human and material asset base for better relations with the private and public sector [64].

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GLOSSARY[65]

Aid
The words "aid" and "assistance" refer to flows which qualify as Official Development Assistance (ODA) or Official Aid (OA).

Aid Untying
The ending of the practice of most donors to insist that aid is spent on goods and services from the donor country in favor of giving unrestricted access to those who can compete best on price, quality and service.

Amortization
Repayments of principal on a loan. Does not include interest payments.

Associated financing
The combination of Official Development Assistance, whether grants or Loans, with any other funding to form finance packages. Associated Financing packages are subject to the same criteria of concessionality, developmental relevance and recipient country eligibility as Tied Aid Credits (q.v.).

Budgetary assistance or Budget Support
Budget Support is a form of programmatic aid in which: a. Funds are provided in support of a government programme that focuses on growth and poverty reduction, and transforming institutions, especially budgetary; b. The funds are provided to a partner government to spend using its own financial management and accountability systems.

Claim
The entitlement of a creditor to repayment of a Loan (q.v.); by extension, the loan itself of the outstanding amount thereof.

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

Concessionality Level
A measure of the "softness" of a credit reflecting the benefit to the borrower compared to a loan at market rate. (cf. Grant Element). Technically, it is calculated as the difference between the nominal value of a Tied Aid Credit (q.v.) and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

Concessional Resources
Development assistance with a grant element normally greater than 35%.

Country Programmable Aid (CPA)
CPA is defined through exclusion, by subtracting from total gross ODA aid that is unpredictable by nature (humanitarian aid and debt forgiveness and reorganization), entails no cross-border flows (development research in donor country, promotion of development awareness, imputed student costs, refugees in donor countries and administrative costs), does not form part of co-operation agreements between governments (food aid and aid extended by local governments in donor countries), is not country programmable by the donor (Core funding to National NGOs and INGOs) or is not susceptible for programming at country level (contributions to Public Private Partnerships).

Countries in transition
Term used to describe former Soviet countries in Eastern Europe and the former Soviet Union, and China, Mongolia and Vietnam.

Credits
See Loans

Debt Relief - Debt Relief may take the form of cancellation, rescheduling, refinancing or re-organisation. a. Debt cancellation (or Retrospective Terms Adjustment) is relief from the burden of repaying both the principal and interest on past loans; b. Debt rescheduling is a form of relief by which the dates on which principal or interest payments are due are delayed or rearranged; c. Official bilateral debts are re-organized in the Paris Club of official bilateral creditors. The Paris Club has devised increasing generous arrangements for reducing and rescheduling the debt of the poorest countries; most recently agreeing new terms for the enhanced Heavily Indebted Poor Countries Initiative.

Debt reorganization
(also Restructuring) Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness (extinction of the

loan), or rescheduling which can be implemented either by revising the repayment schedule or extending a new refinancing loan. See also " Notes on Definitions and Measurement" below.

Development Assistance Committee (DAC)
The Development Assistance Committee of the Organization for Economic Co-operation and Development is a forum for consultation among 22 donor countries and the European Commission, on how to increase the level and effectiveness of aid flows to all aid recipient countries. The member countries are Australia, Austria, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and United States.

Development Assistance Committee (DAC)
List of Aid Recipients - The Senior Level Meeting of the Development Assistance Committee, held in Paris on 6-7 December 2005, approved the List of Recipients of Official Development Assistance (ODA). It will govern ODA reporting for three years, starting with 2006. The DAC list is reviewed every three years, but the new List involves a major simplification of earlier arrangements. Reporting on aid flows to countries not eligible for official development assistance will cease. This will sharpen the policy focus on ODA, for which there is a long-standing UN target of 0.7 per cent of national income, and which is also the subject of specific national goals, including those agreed collectively by members of the European Union.

The new List is organized on more objective needs-based criteria than its predecessors. It includes all low and middle income countries, except those that are members of the G8 or the European Union (including countries with a firm date for EU admission).

Application of this principle entailed only minor adjustments to countries eligible for ODA. Bahrain, now a high income country, has been removed from the list, while Belarus, Libya and Ukraine, which are middle income countries, have joined it. The net effect of these changes is minor: they are likely to raise ODA by about 0.5% in 2005 compared with the old method. This would normally not affect the DAC average ODA/GNI ratio.

Aid is increasingly concentrated on the poorest countries. In recent years, only 2-3% of net ODA has gone to countries with per capita incomes above $3000. A political level discussion of country eligibility for ODA will take place at the DAC High Level Meeting in April 2006. The List will be reviewed again in

2008 and all countries that have been in the high income group for the previous three consecutive years will be removed.

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Disbursement
The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost of the donor.

European Development Fund (EDF)
Created by the Treaty of Rome in 1957, the European Development Fund (EDF) is the main instrument providing Community aid for development cooperation with the countries of Africa, the Caribbean and the Pacific (ACP countries) and with the Overseas Countries and Territories (OCTs).

The EDF finances any projects or programs which contribute to the economic, social or cultural development of the countries in question. It consists of several instruments, including grants, risk capital and loans to the private sector.

The EDF is funded by the Member States and does not yet come under the general Community budget. However, the aid granted to OCTs is to be included in the European Union's general budget as of 1

January 2008, while the aid granted to ACP countries will continue to be funded by the EDF, at least for the period 2008-2013.

Each EDF, which generally follows the cycle of the partnership agreements, is concluded for a period of around five years. The ninth EDF (2000-2007) has been allocated

13.5 billion euros, in addition to 9.9

billion euros left over from the previous EDFs. The European Investment Bank's own resources contribution adds a further 1.7 billion euros over the period covered by the ninth EDF.

European Investment Bank (EIB)
Set up by the Treaty of Rome, the European Investment Bank is the European Union's financial institution. Its task is to contribute to economic, social and territorial cohesion through the balanced development of the EU territory.

The EIB's shareholders are the 27 Member States of the European Union. The bank is supervised by the Board of Governors, which comprises the 27 Finance Ministers. It has legal personality and is financially independent. It provides long-term financing for practical projects, the economic, technical, environmental and financial viability of which is guaranteed. It grants loans essentially from resources borrowed on capital markets, to which is added shareholders' equity. Between 1994 and 1999 the transport, telecommunications, energy, water, education and training sectors were the main beneficiaries.

In March 2000 the Lisbon European Council called for a strengthening of support for small and medium-sized enterprises (SMEs). The EIB Group, which comprises the EIB and the European

Investment Fund (EIF), was thus created with a view to boosting European economic competitiveness. Through the Innovation 2000 initiative, it fosters entrepreneurship, innovation and the optimal utilization of human resources by granting SMEs medium-term loans and bank guarantees, and by financing venture capital activities.

Outside the European Union the EIB supports the pre-accession strategies of the candidate countries and of the Western Balkans. It also manages the financial dimension of the agreements concluded under European development aid and cooperation policies. In this connection, it is active in the Mediterranean countries and in the African, Caribbean and Pacific (ACP) countries.

Export credits
Export credit loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

Financial Aid
Financial Aid in the wider sense is defined as a grant or loan of money which is the subject of a formal agreement with the recipient government or institution. In practice it is all bilateral aid except technical co-operation and administrative costs.

Foreign direct investment (FDI)
Foreign investment that establishes a lasting interest in or effective management control over an enterprise. Foreign direct investment can include buying shares of an enterprise in another country, reinvesting earnings of a foreign-owned enterprise in the country where it is located, and parent firms extending loans to their foreign affiliates. International Monetary Fund (IMF) guidelines consider an investment to be a foreign direct investment if it accounts for at least 10 percent of the foreign firm's voting stock of shares. However, many countries set a higher threshold because 10 percent is often not enough to establish effective management control of a company or demonstrate an investor's lasting interest.

Foreign investment
Investment in an enterprise that operates outside the investor's country. t.

Grant element
Reflects the financial terms of a commitment: interest rate, maturity (q.v.) and grace period (interval to first repayment of capital). It measures the concessionality of a loan, in the form of the present value of an interest rate below the market rate over the life of a loan. Conventionally the market rate is taken as 10 per cent in DAC statistics. Thus, the grant element is nil for a loan carrying an interest rate of 10 percent; it is 100 per cent for a grant; and it lies between these two limits for a soft loan. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan. (cf. concessionality level) (Note: the grant element concept is not applied to the market-based lending operations of the multilateral development banks.)

Grant like flow
A transaction in which the donor country retains formal title to repayment but has expressed its intention in the commitment to hold the proceeds of repayment in the borrowing country.

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

Gray economy (shadow economy)
Consists of business activities that are not accounted for by official statistics. It includes illegal activities (or the so called black market) and activities that are in themselves legal but go unreported or under-reported for purposes of tax evasion.

Gross domestic investment rate
All the outlays made to replace and increase a country's physical capital, plus changes in inventories of goods, expressed as a percentage of GDP. Gross domestic investment, along with foreign direct investment, is critical for economic growth and economic development.

Gross Domestic Product (GDP) - The total value of goods and services produced within a country.

Gross National Income (GNI)
Previously known as Gross National Product, Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries.

G7/G8 Group
The G7 Group of major industrialized democracies comprises Canada, France, Germany, Italy, Japan, the UK and the United States. The Group of Eight (G8) includes Russia. Their Heads of Government meet annually at the G7/G8 Summit to discuss areas of global concern.

Heavily Indebted Poor Countries Initiative (HIPC)
An initiative launched by the International

Monetary Fund and the World Bank in 1996 to provide debt relief to the poorest countries.

Humanitarian Assistance
Humanitarian Assistance comprises disaster relief, food aid, refugee relief and disaster preparedness. It generally involves the provision of material aid including food, medical care and personnel) and finance and advice to save and preserve lives during emergency situations and in the immediate post- emergency rehabilitation phase; and to cope with short and longer term population displacements arising out of emergencies.

International Development Association (IDA)
Part of the World Bank Group which makes loans to countries at concessional rates (i.e. below market rates) of interest.

International Monetary Fund (IMF)
The International Monetary Fund aims to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.

Least Developed Country
Least Developed Countries are those assessed as having particularly severe long-term constraints to development. Inclusion on the list of Least Developed Countries is now assessed on two main criteria: economic diversity and quality of life.

Loans (also credits)
Transfers for which repayment is required. Only loans with maturities of over one year are included in DAC statistics. Data on net loans include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total net ODA over the life of the loan is zero.

Long term
Used of loans with an original or extended maturity of more than one year.

Maturity
The date at which the final repayment of a loan is due; by extension, a measure of the scheduled life of the loan.

Millennium Development Goals (MDGs)
A set of eight international development goals for 2015, adopted by the international community in the UN Millennium Declaration in September 2000, and endorsed by IMF, World Bank and OECD.

Multilateral Aid
Aid channeled through international bodies for use in or on behalf of aid recipient countries.

Multilateral operational agencies
In DAC statistics, these international institutions with governmental membership which conduct all or a significant part of their activities in favor of development and aid recipient countries. They include multilateral development banks (e.g. World Bank, regional development banks), United Nations agencies, an regional groupings (e.g. certain European Union and Arab agencies). A contribution by a DAC Member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency.

Natural resources
All "gifts of nature"- air, land, water, forests, wildlife, topsoil, minerals- used by people for production or for direct consumption. Can be either renewable or nonrenewable. Natural resources include natural capital plus those gifts of nature that cannot be stocked (such as sunlight) or cannot be used in production (such as picturesque landscapes).

Net official assistance
The sum of grants and concessional loans from donor country governments to recipient countries, minus any repayment of loan principal during the period of the loans.

Net private flows
Privately financed capital flows that enter a country on market terms, minus such flows that leave the country. An example of a net private flow is net portfolio investment- the value of stocks and bonds bought by foreign investors minus the value of stocks and bonds sold by them. See also portfolio investment.

Nonrenewable natural resources
Natural resources that cannot be replaced or replenished.

Official Aid (OA)
Flows which meet conditions of eligibility for inclusion in official development assistance (q.v.), other than the fact that the recipients are on Part II of the DAC List of Aid Recipients. References to Official Development Assistance in this publication can be taken, mutatis mutandis, to apply to official aid.

Official Development Assistance (ODA)
Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element (q.v.) of at least 25 per cent]. In addition to financial flows, Technical Co-operation (q.v.) is included in aid. Grants, Loans and credits for military purposes are excluded. For the treatment of the forgiveness of Loans originally extended for military purposes, see Notes on Definitions and Measurement below. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.

Official development finance (ODF)
Used in measuring the inflow of resources to recipient countries: includes (a) bilateral ODA, (b) grants and concessional and non concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing Loans) which have too low a Grant Element to qualify as ODA.

Organization for Economic Co-operation and Development (OECD)
A group of industrial countries promoting growth and high employment among its members, fostering international trade and contributing to global economic development.

Other official flows (OOF)
Transactions by the official sector with countries on the List of Aid Recipients which do not meet the conditions for eligibility as Official Development Assistance or Official Aid, either because they are not primarily aimed at development, or because they have a Grant Element of less than 25 per cent.

Partially untied aid
Official Development Assistance (or Official Aid) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all developing countries (substantially all CEEC/NIS countries in the case of Official Aid). Partially untied aid is subject to the same disciplines as Tied Aid Credits and Associated Financing.

Poverty Reduction Strategies (PRS)
Poverty Reduction Strategies are prepared by developing country governments in collaboration with the World Bank and International Monetary Fund as well as civil society and development partners. These documents describe the country's macroeconomic, structural and social policies and programs to

promote growth and reduce poverty, as well as associated external financing needs and major sources of financing.

Programme Aid
Programme aid is financial assistance specifically to fund (i) a range of imports, or (ii) an integrated programme of support for a particular sector, or (iii) discrete elements of a recipient's budgetary expenditure. In most cases, support is provided as part of a World Bank/ International Monetary Fund co-ordinated structural adjustment programme.

Public Private Partnership
A Public/Private Partnership brings public and private sectors together in partnership for mutual benefit. The term Public Private Partnership covers a wide range of different partnerships, including the introduction of private sector ownership into businesses that are currently state-owned, the Private Finance Initiative, and selling Government services into wider markets.

Purpose of aid
The DAC statistics on the purpose of aid cover three dimensions: the sector of destination, the form or type of aid, and the policy objective(s) of aid. Data are collected on individual commitments in the Creditor Reporting System (CRS), and in the form of annual commitment aggregates in the DAC Questionnaire.

Regional Development Banks
International Development Banks which serve particular regions, for example the African Development Bank or the European Bank for Reconstruction and Development.

Renewable natural resources
Natural resources that can be replaced or replenished by natural processes or human action. Fish and forests are renewable natural resources. Minerals and fossil fuels are nonrenewable natural resources because they are regenerated on a geological, rather than human, time scale. Some aspects of the environment- soil quality, assimilative capacity, ecological support systems- are called semirenewable because they are regenerated very slowly on a human time scale.

Short term
Used of Loans with a maturity of one year or less.

Sector wide approaches (SWAp) or sector investment programmes
A sector wide approach is a process that entails all significant donor funding for a sector supporting a single, comprehensive sector policy and expenditure programme, consistent with a sound macro-economic framework, under recipient government leadership. Donor support for a sector wide approach can take any form - project aid, technical assistance or budgetary support - although there should be a commitment to progressive reliance on government procedures to disburse and account for all funds as these procedures are strengthened.

Security Sector
The security sector is defined as those who are, or should be, responsible for protecting the state and communities within the state. This includes military, paramilitary, intelligence and police services as well as those civilian structures responsible for oversight and control of the security forces and for the administration of justice.

Technical Co-operation/Technical Assistance
Includes both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries, (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and not separately identified as technical co-operation in statistics of aggregate flows.

Tied aid credits
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 CEEC/NIS countries in transition). Tied Aid Credits are subject to certain disciplines concerning their concessionality levels, the countries to which they may be directed, and their developmental relevance so as to avoid using aid funds on projects that would be commercially viable with private finance, and to ensure that recipient countries receive good value.

Total receipts
The inflow of resources to aid recipient countries includes, in addition to ODF, official and private export credits, and long and short term private transactions. Total receipts are measured net of amortization payments and

repatriation of capital by private investors. Bilateral flows are provided directly by a donor country to an aid recipient country. Multilateral flows are channeled via an international organization active in development (e.g. World Bank, UNDP). In tables showing total receipts of recipient countries, the outflows of multilateral agencies to those countries is shown, not the contributions which the agencies received from donors.

Transfer payments
Payments from the government to individuals used to redistribute a country's wealth. Examples are pensions, welfare, and unemployment benefits.

Undisbursed
Describes amounts committed but not yet spent. See also commitment, disbursement.

Untied aid
Official Development Assistance for which the associated goods and services may be fully and freely procured in substantially all countries.

ACRONYMS

AADRI	Asia-Africa Development Research Institute
AfDB	African Development Bank
APRM	African Peer Review Mechanism
A&RD	Agriculture and Rural Development
ASEAN	Association of South East Asian Nations
AU	African Union
CADF	China-Africa Development Fund
CPA	Country Programmable Aid
CRS	Creditor Reporting System (of OECD-DAC)
DAC	Development Assistance Committee
DAFC	Department of Aid to Foreign Countries
DAG	Donor Assistance Group
DFID	UK Department for International Development
DSA	Debt Sustainability Analysis
FDI	Foreign Direct Investment
G77	Group of 77 Developing countries
G8	Group of Eight
GDP	Gross Domestic Product
GNI	Gross National Income
GPRS	Growth and Poverty Reduction Strategy
HIPC	Heavily Indebted Poor Country Initiative
IDA	International Development Association
IFI	International Financial Institution
IMF	International Monetary Fund
JAS	Joint Assistance Strategy group

JDC	Joint Development Commission
JICA	Japan International Cooperation Agency
JV	Joint Venture
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NEPAD	New Partnership for Africa's Development
NGOs	Non-governmental Organisations
OAU	Organisation of African Unity
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PASDP	Poverty Alleviation and Sustainable Development Programme
PRS	Poverty Reduction Strategy
SWAp	Sector Wide Approach
TICAD	Tokyo International Conference on African Development
UNDP	United Nations Development Programme

Footnotes

1 Most text of this Reader has been directly taken from the original documents or websites and is intended not to exhaustively cover the issue of the new drivers and players in ACP rural development, but to provide a brief overview along with selected information resources. For additional inputs, kindly contact Isolina Boto (boto@cta.int).

This Reader and most of its resources are available at http://brusselsbriefings.net/.

2 The OECD Development Assistance Committee (DAC) is a forum where donor governments (and multilateral organisations like the World Bank and the United Nations) come together to increase the effectiveness of their aid and coordinate their development efforts. The DAC is i) helping to change behaviour in the aid system to achieve the best possible results; ii) The definitive source of bilateral statistics on the global aid effort; iii) A leading source of good practice in development co-operation. It was established in 1960 as a forum for consultation amongst aid donors and emerged as part of the geopolitical upheaval at that time when former colonies became independent countries and needed strong support from industrialised countries. This led to the foundations of the current aid system and since its establishment, the DAC has served as a key platform for discussions about aid.

The DAC is represented by 23 members: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States, Commission of the European Communities. Source: OECD, OECD DAC...where governments come together to make aid work http://www.oecd.org/dataoecd/39/58/39218438.pdf

3 ODI Working Paper 278, Reforming the international aid architecture: Options and ways forward, 2006, http://www.odi.org.uk/publications/working_papers/wp278.pdf. For a comprehensive list of bilateral donors and main international development organizations see International Development Association (IDA), Aid architecture: An overview of the main trends in official development assistance flows, 2007, Annexes II and III, http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1172527584498/Aidarchitecture.pdf

4 Aid architecture can be defined as the set of rules and institutions governing aid flows to developing countries. International Development Association (IDA) – World Bank, Aid architecture: An overview of the main trends in official development assistance flows, 2007, http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1172527584498/Aidarchitecture.pdf

5 World Bank Global Monitoring Report 2008 – Chapter 3: Scaling Up Aid: Opportunities and Challenges in a Changing Aid Architecture, http://siteresources.worldbank.org/INTGLOMONREP2008/Resources/4737994-1207342962709/091-

116_GMR08_ch03_web.pdf

6 World Bank, Global Monitoring Report, cit.

7 IDA, Aid architecture, cit.

8 They included the following recipients: all countries and territories in Africa except South Africa; in America except the

United States and Canada; non-Communist Asian and Oceanic countries except Australia, Japan and New Zealand; and the following in Europe: Cyprus, Gibraltar, Greece, Malta, Spain, Turkey and Yugoslavia.

9 IDA, Aid architecture, cit.

10 IDA, Aid architecture, cit. For a more comprehensive evaluation of ODA flows in 2007 see OECD/DAC, Debt Relief is down: Other ODA rises slightly, April 2008, http://www.oecd.org/document/59/0,3343,

en_2649_34485_40381960_1_1_1_1,00.html

11 OECD website, http://www.oecd.org/glossary/0,3414,en_2649_33721_1965693_1_1_1_1,00.html#1965442

12 Budget support is aid that is transferred directly to the partner country's national treasury.12 Generally, there are no restrictions on the end-use of the funds, or their sectoral allocation at the level of individual donors. Budget support is distinguished from sector support, in that the latter is disbursed to or for a particular sector or group of sectors, either through the national budget, or through a donor-controlled mechanism such as a basket fund. Thus World Bank and ADB adjustment credits (now development policy credits) count effectively as budget support. World Bank Poverty Reduction

Support Credits (PRSCs) are a special kind of budget support, in that it is specifically programmed to match the country's budget/MTEF cycle. United Nations Economic Commission for Africa (UNECA), The Emerging Aid Architecture, PRSs and the MDGs, 2006 http://www.uneca.org/prsp/cairo/documents/Theme4_Aid%20Effectiveness.pdf

13 Commonwealth Secretariat and La Francophonie Workshop, The Future of Aid: User Perspectives on Reform of the International Aid System, Background Paper. 2006, http://www.aideffectiveness.org/flash/pdf/background_paper.pdf

http://www.hudson.org/files/publications/2012IndexofGlobalPhilanthropyandRemittances.pdf

15 World Bank, Global Development Finance Report - Chapter 2: Financial flows to developing countries: Recent trends and prospects, 2007, http://siteresources.worldbank.org/INTGDF2007/Resources/3763069-

1179948748801/GDF07_completeFinal.pdf

16 World Bank, Global Development Finance Report, cit.

17 World Bank Global Monitoring Report, cit.

18 For example, Korea, which provided $455 million in 2006, has plans to provide $1 billion of ODA by 2010

19 It is worth to note that 15 donor countries that are not member of the OECD DAC report their aid activities to DAC.

20 World Bank, Global Monitoring Report, cit.

21 In an effort to cast more light on the activities of new donors, the World Bank, in collaboration with the OECD DAC, the United Nations Development Programme (UNDP), and the United Nations Department of Economic and Social Affairs (UNDESA), conducted a survey of nine developing countries (Brazil, Chile, China, India, Malaysia, Russia, South Africa, Thailand, and República Bolivariana de Venezuela). Only three countries (Chile, Malaysia, and Thailand) have responded to the survey so far. The information provided by these countries indicates that almost all of their development assistance is provided to countries within their region, largely in the form of technical assistance. Their development assistance is often leveraged with funds provided by industrial countries (so-called "triangular cooperation"), notably Japan. Source, WB Global Development Finance Report, cit. Anna Katharina Stahl. Trilateral development cooperation between the European Union, China and Africa: What prospects for South Africa? August 2012

http://www.ccs.org.za/wp-content/uploads/2012/09/Discussion-Paper_AnnaStahl_FINAL.pdf

22 IMF, What Drives China's Growing Role in Africa?, Working Paper WP/07/211, 2007, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1012994

23 African Studies Centre, Africa and China: A Strategic Partnership?, ASC Working Paper 67/2006 http://www.ascleiden.nl/Pdf/wp67.pdf

Nemat Shafik. 2011. "The Future of Development Finance." CGD Working Paper 250.

Washington, D.C.: Center for Global Development. http://www.cgdev.org/content/publications/detail/1425068.

24 DFID, The impact of China in Sub Saharan Africa, 2006, http://www.uk.cn/uploadfiles/2006428172021581.doc

25 World Bank, Global Development Finance Report, cit.

http://www.hudson.org/files/publications/2012IndexofGlobalPhilanthropyandRemittances.pdf

The reality of Aid. The Reality of Aid 2012 Report Theme Statement: Aid and the Private Sector. http://www.realityofaid.org/roa-reports/index/secid/377/Aid-and-the-Private-Sector

26 C. Langenkamp (GDPRD), Traditional and new donors – The need for the need for improved development effectiveness, Presented at the 6th Brussels Development Briefing 'New Drivers, New Players in ACP Rural development, 2nd July 2008, http://www.slideshare.net/euforic/traditional-and-new-donors-the-need-for-improved-development-effectiveness

27 Source: The Rockfeller Foundation website, http://www.rockfound.org/initiatives/agra/agra_alliance.shtml

28 World Bank, Global Monitoring Report, cit.

29 United Nations Economic Commission for Africa, The Emerging Aid Architecture, PRSs and the MDGs, 2006 http://www.uneca.org/prsp/cairo/documents/Theme4_Aid%20Effectiveness.pdf

30 IDA, Aid architecture, cit.

31 This Reader associates "proliferation" with the number of donor channels providing ODA to a given recipient country, and "fragmentation" with the number of donor-funded activities as well as their average value.

33 IDA, Aid architecture, cit.

35 Source: OECD, Towards better division of labour: concentration and fragmentation of aid, Global Forum on Development - Policy Workshop on the Challenges of Scaling Up at Country Level: Predictable Aid Linked to Results, 2007, http://www.oecd.org/secure/pdfDocument/0,2834, en_21571361_37824719_39712354_1_1_1_1,00.pdf

37 The international aid effectiveness movement began taking shape in the late 1990s. Donors/aid agencies, in particular, began to realize the costs they imposed on aid recipients by their many different approaches and requirements. They began working with each other, and with partner countries, to harmonize these approaches and requirements.

The movement picked up steam in 2002 at the International Conference on Financing for Development in Monterrey, Mexico. The international community agreed that it would be important to provide more financing for development—but more money alone was not enough. Donors and partner countries alike wanted to know that aid would be used as effectively as possible.

The following year, various donors, and partner countries met at the first Rome High-Level Forum. Leaders of the major

multilateral development banks and international and bilateral organizations, and donor and recipient country representatives gathered in Rome for the High-Level Forum on Harmonization (HLF-Rome). They committed to take action to improve the management and effectiveness of aid and to take stock of concrete progress, before meeting again in early 2005. The Rome Declaration on Harmonization set out an ambitious program of activities:

- To ensure that harmonization efforts are adapted to the country context and that donor assistance is aligned with the development recipient's priorities.

- To expand country-led efforts to streamline donor procedures and practices.
- To review and identify ways to adapt institutions' and countries' policies, procedures, and practices to facilitate harmonization.
- To implement the good practices principles and standards formulated by the development community as the foundation for harmonization .

In 2005 the international community came together again at the Paris High-Level Forum (2005), where over 100 signatories—from partner governments, bilateral and multilateral donor agencies, regional development banks, and international agencies—endorsed the Paris Declaration on Aid Effectiveness. In signing the Paris Declaration, they committed to specific actions that would promote the effective use of aid funds. Source: Accra High Level Forum Website,

http://www.accrahlf.net/WBSITE/EXTERNAL/ACCRAEXT/0,,contentMDK:21690872~menuPK:64861438~pagePK:64861884~piPK:64860737~theSitePK:4700791,00.html

39 European Parliament, Report on the on the follow-up to the Paris Declaration of 2005 on Aid Effectiveness, 7 May 2008, http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A6-2008-0171+0+DOC+PDF+V0//EN&language=EN

40 The European Consensus on development, 24-02-2006, http://eur- lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:046:0001:0019:EN:PDF

41 The European Consensus, cit.

42 Communication from the Commission of 2 March 2006 - EU Aid: Delivering more, better and faster, COM(2006) 87 final http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0087:FIN:EN:PDF

43 European Commission, Communication on Financing for Development and Aid Effectiveness - The challenges of scaling up EU aid 2006-2010, COM(2006) 85 final, March 2006 http://eur- lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0085:FIN:EN:PDF

44 European Commission, Communication on Increasing the impact of EU aid: A common framework for drafting country strategy papers and joint multiannual programming, COM(2006) 88 final, March 2006, http://eur- lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0088:FIN:EN:PDF

Source: EU website, http://europa.eu/scadplus/leg/en/lvb/r12536.htm#CHALLENGES

45 European Commission Staff Working Paper, The EU – a global partner for development - Speeding up progress towards the millennium development goals - An EU aid effectiveness roadmap to Accra and beyond - From rhetoric to action, hastening the pace of reforms, COM(2008) 177 final, http://ec.europa.eu/development/icenter/repository/SEC(2008)435%20Aid%20Effective.pdf

46 See http://development.donoratlas.eu/

47 ACP-EU JPA, Working Document on effectiveness of aid and definition of public development aid, Co-rapporteurs: Waven William (Seychelles) and Anne Van Lancker, 3 March 2008, http://www.europarl.europa.eu/intcoop/acp/91_01/pdf/dt_aid_en.pdfhttp://www.europarl.europa.eu/intcoop/acp/91_01/pdf/dt_aid_en.pdf

48 European Parliament, Report on the on the follow-up to the Paris Declaration of 2005 on Aid Effectiveness, 7 May

2008, http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A6-2008-

0171+0+DOC+PDF+V0//EN&language=EN

49 Source European Parliament, http://www.europarl.europa.eu/news/expert/infopress_page/028-29648-140-05-21-903-20080521IPR29630-19-05-2008-2008-false/default_en.htm

50 European Parliament, Draft Report on the Follow-up of the Monterrey Conference of 2002 on Financing for Development, 14 May 2008, http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-406.024+01+DOC+PDF+V0//EN&language=EN

51 ODI, Donor Policy Narratives: What Role for Agriculture?, Future Agricultures Briefing Paper, 2006 http://www.odi.org.uk/plag/resources/briefingpapers/facbriefing_donorpolicynarratives.pdf

52 The DAC statistical definition of aid to agriculture includes agricultural sector policy, planning and programmes, agricultural land and water resources, agricultural development and supply of inputs, crops and livestock production, agricultural services, agricultural education, training and research as well as institution capacity building and advice. Forestry and fishing are identified as separate sectors but are often shown as part of aid to agriculture in statistical presentations. The definition excludes rural development (classified as multi-sector aid) and developmental food aid (a sub-category of general programme assistance). The sector code identifies "the specific area of the recipient's economic or social structure which the transfer is intended to foster". In DAC reporting (as well as in most donors' internal reporting systems), each activity can be assigned only one sector code. For activities cutting across several sectors, either a multi-sector code or the code corresponding to the largest component of the activity is used. It follows that:

DAC statistics on aid to agriculture only relate to activities which have agriculture as their main purpose and fail to capture aid to agriculture delivered within multi-sector programmes.

Aid to agriculture through NGOs may also be excluded, since this is not always sector coded in as much detail as project and programme aid. In recent years, more than a quarter of the contributions have been classified as agricultural policy or agricultural development (e.g. agricultural sector programmes, integrated agricultural development projects) and one fifth as agricultural water resources development (i.e. irrigation programmes). Within DAC countries' bilateral aid, particularly in the case of Japan, provision of agricultural inputs (mainly fertilizers but also seeds, machinery and equipment) is another important sub-sector.

Activities promoting the use of new technologies in agriculture fall under the training/research category, which represents 6 % of total aid to agriculture. This figure may be an understatement, for several reasons. First, research programmes are generally smaller than other projects in the sector. Secondly, research components are likely to be incorporated in crop production or general agricultural development projects but their share in the total cannot be separately identified. Finally, some donors' technical co-operation data are incomplete. Arriving at an accurate figure for donors' ODA to increasing productivity in agriculture would require an in-depth analysis of several agricultural sub-sectors.

Source: OECD, Aid to Agriculture 2001, http://www.tcd.ie/iiis/policycoherence/index.php/iiis/development_cooperation/trends_in_agricultural_aid

53 IFAD, Report on IFAD's Development Effectiveness, 2007, http://www.ifad.org/gbdocs/eb/92/e/EB-2007-92-R-9-Rev-1.pdf

55 Source: Lending to Agriculture from Bilateral and Multilateral Donors, http://web.worldbank.org/WBSITE/EXTERNAL/EXTOED/EXTASSAGRSUBSAHAFR/0,,contentMDK:21501344-menuPK:4258671-pagePK:64168445-piPK:64168309-theSitePK:4174768,00.html

56 Oxford Policy Management, Review of Public spending in agriculture. A joint DFID/World Bank study, 2007, http://www1.worldbank.org/publicsector/pe/pfma07/OPMReview.pdf

The study points out that In Ghana, donors provide nearly all the development budget, including in agriculture. Here, analysis of donor loans and grants shows that agriculture is receiving a declining share of total donor funds available, with increased donor funding going to rural feeder roads and broad-based rural development programmes. By contrast, in Uganda domestic commitments to agriculture are increasing and are now close to parity with levels of donor funding – although it is possible that some of this domestic funding includes donor funds provided through sector programme support.

57 According to the study, there is evidence of this in the country case-studies (although to some extent this problem is mitigated by the inclusion of funds within project budgets to meet certain recurrent costs). Oxford Policy Management, Review, cit.

58 Oxford Policy Management, Review, cit.

59 DFID, Official Development Assistance to Agriculture, 2004 http://www.isgmard.org.vn/Information%20Service/Report/General/oda%20in%20agriculture-DFID.pdf

60 DFID, Official Development Assistance to agriculture, cit.

61 ODI Funding agriculture: not "how much?" but "what for?", Opinion n. 86, 2007, http://www.odi.org.uk/publications/opinions/86_funding_agriculture_oct07.pdf

62 See Eicher, Flashback: Fifty Years of Donor Aid to African Agriculture. Paper presented at InWEnt, IFPRI, NEPAD, CTA conference - Successes in African Agriculture, 2003,

http://www.ifpri.org/events/conferences/2003/120103/papers/paper16.pdf

63 GDPRD, Sector-Wide Approaches in Agriculture and Rural Development: A Desk Review of Experience, Issues and

Challenges, 2006, http://www.donorplatform.org/component/option,com_docman/task,doc_view/gid,343/

64 IFAD, Report on IFAD's Development Effectiveness

65 Sources: http://www.dfid.gov.uk/aboutDFID/glossary.asp - http://www.oecd.org/glossary/0,3414,en_2825_495602_1965693_1_1_1_1,00.html - http://europa.eu/scadplus/glossary/index_a_en.htm - http://www.worldbank.org/depweb/english/beyond/global/glossary.html -

Fourth High Level Forum on Aid Effectiveness. Busan (Korea). Talaat Abdel-Malek and Bert Koenders, Co-Chairs, Working Party on Aid Effectiveness . PROGRESS TOWARDS MORE EFFECTIVE AID: WHAT DOES THE EVIDENCE SHOW? 2011

http://www.aideffectiveness.org/busanhlf4/images/stories/hlf4/English_low_res_Progress_toward_more_effective_aid.pdf

Kimberly Elliott and Edward Collins. 2012. "Assessing the Quality of Aid for Agriculture." CGD

Policy Paper 010. Washington DC: Center for Global Development.

http://www.cgdev.org/content/publications/detail/1426425