Development Co-operation Report 2012

LESSONS IN LINKING SUSTAINABILITY AND DEVELOPMENT

The Development Assistance Committee: Enabling effective development

OECD

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LESSONS IN LINKING SUSTAINABILITY AND DEVELOPMENT

Report by J. Brian Atwood
Chair of the Development Assistance Committee

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BETTER POLICIES FOR BETTER LIVES

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Foreword

by

Angel Gurría
OECD Secretary-General

The global economic crisis has left many countries struggling with slow growth, stretched public finances and high levels of unemployment. In this economic context, it is not easy to keep environmental protection and the conservation of natural resources at the top of government policy priorities. Yet, we know that we simply cannot afford to relegate these challenges to a level of secondary importance. The planet's ability to support sustainable lives for a fast-growing population is decreasing, while our demands on the planet are increasing at a rapid pace. We are on a collision course with nature!

There has been significant development progress over the past 20 years. While the world's population has increased by a third, world GDP has tripled, helping millions of people to work their way out of poverty. On the environmental side, efforts in reducing air pollution, improving water quality, and strengthening international management of chemicals and the marine environment have also led to improvements in many local and regional environmental sectors. In many respects, however, we have failed to deliver on the targets we set in Rio 20 years ago. Severe climate change and natural resource deterioration are causing tremendous losses of economic assets and livelihoods. Widening social inequality thwarts the benefits of economic growth and limits opportunities for many social groups, in particular the most vulnerable. While relative decoupling of greenhouse gas emissions from economic growth were realised in OECD countries, on a global scale, emissions are continuing to grow at rates never seen before. Rapid economic growth has come at a price to the natural environment and livelihoods of many of the poorest in the world.

It is time for a radical change. If we fail to transform our policies and behaviour now, the picture is more than grim. Today, 1 billion people still live on less than two dollars a day; they are mostly all malnourished; 1.3 billion lack access to electricity; and almost 1 billion have no clean drinking water. Our current demographic and economic trends, if left unchecked, will have alarming effects in four key areas of global concern – namely climate change, biodiversity, water and health. The costs and consequences of inaction would be absolutely colossal, both in economic and human terms. As our OECD Environmental Outlook to 2050 *shows, by 2050, without immediate action, we will see:*

- *a 50% increase in greenhouse gas emissions, with a disastrous impact on the quality of life of people worldwide;*
- *a doubling of premature deaths from exposure to particulate air pollution;*
- *a further 10% decline in global terrestrial biodiversity.*

These huge environmental challenges will not be overcome in isolation. They must be managed in the context of other global challenges, such as food and energy security, poverty reduction and

greater equality. Well-designed policies to tackle one environmental problem could also help alleviate others and contribute to growth and development. Finding solutions to these interrelated economic and environmental challenges to long-term and sustainable growth requires a deep shift towards greener and more innovative sources of growth, and towards more sustainable consumption and production patterns. Moreover, because of rapid globalisation, we cannot afford to look only at our own national realities. It makes no sense to ignore the needs of other nations, other countries' citizens and focus solely on our own economic and social realities, no matter how urgent these may be. In our interconnected world this formula no longer works – if it ever did.

The potential economic and social impacts of environmental degradation are particularly important in developing countries. People there are the most vulnerable to climate change and extreme weather risks. They face serious threats from pollution, poor water quality and diseases associated with a changing climate and from energy, food and water insecurity. At the same time, they are more dependent than people in advanced economies on natural resources for their livelihoods. Continuous dependency on fossil fuel energy sources for economic growth, for example, will create a long-term lock-in to carbon intensive infrastructure which is expensive, inefficient and removes potential business opportunities from developing countries. All of this combines with severe economic and social challenges to seriously undermine development.

Advancing green growth is the only way forward for OECD and developing countries alike to achieve sustainable development. We must make progress in promoting green growth, and we must make green growth deliver. Our Environmental Outlook to 2050 *reinforces the case for green growth policies across government, introducing bold policy options to help governments make pollution less costly, remove environmentally harmful subsidies, value and price natural systems and ecosystem services, and encourage green innovation.*

We realise that individual developing countries will need to pursue green growth in different ways depending on national needs and circumstances and on their particular opportunities and comparative advantages. Carbon taxes, payment for ecosystem services schemes, renewable energy policies, sustainable mineral resource management, and green innovation and technology initiatives are just some of the options available to them.

This Development Co-operation Report 2012 *offers many examples of the paths developing countries and their development co-operation partners are finding to green their growth while promoting development that is sustainable and inclusive. It offers valuable lessons and perspectives on what works, what does not and why. It examines the very positive role that OECD countries, multilateral organisations, civil society and the private sector can play in promoting development by and for developing countries. We hope that these lessons will be considered carefully and that the principles that underwrite these examples will be applied with enthusiasm, equity and an informed interest in the future we want – now. The OECD stands ready to put our new strategy for development at the service of the most vulnerable in the world, and to design, promote and implement better development policies for better lives!*

Angel Gurría
Secretary-General
OECD

Credits

Report by J. Brian Atwood, DAC Chair

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We would like to recognise contributions to the Development Co-operation Report 2012 from the following people.

Many colleagues in partner institutions made valuable contributions to this report. In particular, we would like to thank Zakari Bouraima (Water and Sanitation for Africa), Caroline Dickson (Ministry of Environment, Sweden), Jennifer Duggan (Mary Robinson Foundation - Climate Justice), Aidan Fitzpatrick (Irish Aid), Aniket Ghai, Nick Nuttall and Corli Pretorius (United Nations Environment Programme), Langner Joakim (Swedish Meteorological and Hydrological Institute), Jia Lei and Shen Xiaoyue (Policy Research Center for Environment and Economy, Ministry of Environmental Protection, China), Tamara Mandras and Stina Soewarta (European Commission), Sergio Margulis (Ministry of Environment, Brazil), Kari Hauge Riisoen (former DAC Representative for Norway), and Asa Torkelsson (World Bank, Kenya).

Talita Yamashiro Fordelone, Karen Jorgensen, Piera Tortora and Michael Ward of the Development Co-operation Directorate (DCD) Review Evaluation and Engagement Division led the work to provide the profiles in Part V.

Julia Benn, together with Yasmin Ahmad, Elena Bernaldo, Olivier Bouret, Valérie Gaveau, Yeon-Su Kim, Aimée Nichols, Cécilia Piemonte and Ann Zimmerman of the DCD Statistics Division, contributed important statistical input.

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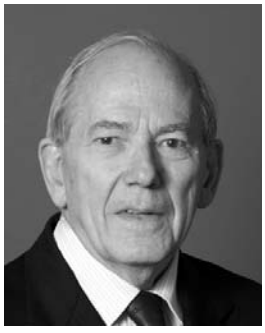
The team wishes to thank all others who played a part in producing the DCR 2012 and regrets any omissions.

Author biographies

J. Brian Atwood [Editorial]

J. Brian Atwood was unanimously elected Chair of the OECD's Development Assistance Committee in January 2011. From 1993 to 1999, during the administration of President William Clinton, Mr. Atwood served as Administrator of the United States Agency for International Development (USAID). Prior to this, he led the Transition Team at the State Department and was Under-Secretary of State for Management. During the administration of President Jimmy Carter, he served as Assistant Secretary of State for Congressional Relations. In 1981-82, he was Dean of Professional Studies and Academic Affairs at the Foreign Service Institute. From 2002 until 2010, Mr. Atwood was Dean of the Hubert Humphrey School of Public Affairs at the University of Minnesota. Other prior positions include President and Chief Executive Officer of Citizens International (1999-2002) and founding President of the National Democratic Institute of International Affairs (1985-93). In 2001, he served on United Nations Secretary-General Kofi Annan's Panel on Peace Operations. Mr. Atwood joined the Foreign Service in 1966 and served in the American Embassies in Ivory Coast and Spain. He served as legislative advisor for foreign and defense policy to Senator Thomas F. Eagleton (Democrat, Missouri) from 1972 to 1977. Mr. Atwood received the United States Secretary of State's Distinguished Service Award in 1999 and the President's Award for Outstanding Service from the University of Minnesota in 2011.

Michel Camdessus [Chapter 7]



Michel Camdessus was one of the longest serving Managing Directors of the International Monetary Fund (IMF), as well as an Honorary Governor of the Bank of France. He was educated at the Paris Institute of Political Studies (*Institut d'Études Politiques de Paris*) and the National School of Administration (ENA). He joined the Treasury in the French Ministry of Finance in 1960, becoming director in February 1982. Between 1978 and 1984, Mr. Camdessus also served as Chairman of the Paris Club and was Chairman of the Monetary Committee of the European Economic Community between December 1982 and December 1984, before being appointed Governor of the Bank of France. He served in this capacity until his election in 1987 as Managing Director of the IMF, a position he held until 2000. He is currently a member of the Africa Progress Panel, chaired by Mr. Kofi Annan, and is a member of the UN Secretary General's Advisory Board on Water

and Sanitation. He also chaired the World Panel on Financing Water Infrastructure (which produced the report: *Financing Water for All* in March 2003).

Nick Chisholm [Chapter 8]

Dr. Nick Chisholm is a Senior Lecturer in International Development in the Department of Food Business and Development at University College Cork, Ireland. He received his PhD, on the poverty-environment nexus in Ethiopia, from University College Dublin. He has worked in development as a practitioner, advisor and academic for 30 years, with a particular focus on socio-economic analysis applied to food and nutrition security and to poverty-environment issues. He has worked on long-term development contracts in Bangladesh and Ethiopia, in the latter case, working for the government of Ireland's development co-operation programme when the watershed management projects described in *Chapter 8* were developed. He was also Ireland's representative on the DAC's Environet between 2000 and 2005. More recently he co-authored the government of Ireland's *Hunger Task Force Report* (2008), and is currently involved in a number of research projects addressing food and nutrition security.

Lena Ek [Chapter 6]

Lena Ek is Sweden's Minister for the Environment, a position she has held since September 2011. She began her career as a Lecturer and law researcher at Lund University in Southern Sweden. As a member and representative of the Centre Party, she then became the Municipal Commissioner of her home town of Valdemarsvik in central Sweden. She was a Member of the Swedish Parliament between 1998 and 2005 and a Member of the European Parliament from 2005 to 2011. With her long-term engagement in Swedish politics and her assiduous commitment to sustainable development as a Member of the European Parliament, Lena Ek is well known in Swedish and European environmental circles. She lives with her husband and four children in Valdemarsvik.

Michael Herrmann [Chapter 4]

Michael Herrmann is an Economics Adviser with the United Nations Population Fund (UNFPA) and a Member of the United Nations Lead Economist's Network. He is responsible for assessing the linkages between demographic and economic change, and for informing policy dialogues on development priorities and goals. His focus is on sustainable development, green and inclusive economic growth, and poverty; employment, social security and pension; as well as economic trends and prospects, sovereign and private debt, and macroeconomic policies. Previously, Mr. Herrmann worked with the United Nations Conference on Trade and Development

(UNCTAD), where he co-authored the *Trade and Development Report* (2008-09) and *Least Developed Countries Report* (2000-08) and contributed to various issues of UNCTAD's *World Investment Report*. He has lectured on economic policy and development and published on a range of issues, including the economics of population aging, international trade and finance, investment and technology, commodity markets and food security, and employment and poverty.

Heikki Holmås [Chapter 9]

Heikki Holmås is Minister of International Development, Norway. Mr. Holmås studied economics and business at the Norwegian School of Economics and Business Administration. He also studied economics at the University of Oslo and law at the University of Bergen. His career in politics began in 1996, when he became Chair of the Socialist Youth League of Norway for three years. He became a Member of the Norwegian Parliament for Oslo County in 2001, representing the Socialist Left Party. Between 2001 and 2005, he was a Member of the Norwegian Parliament's Standing Committee on Local Government, followed by a four-year term on the Standing Committee on Finance and Economic Affairs. He has been Chair of the Standing Committee on Local Government and Public Administration since 2009. He was a Member of the Parliamentary Assembly of the North Atlantic Treaty Organisation until his appointment as Minister of International Development in March 2012.

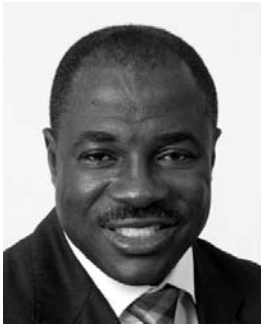
Alice Akinyi Kaudia [Chapter 11]

Alice Akinyi Kaudia is Environment Secretary in Kenya's Ministry of Environment and Mineral Resources. She holds a BSc in Agriculture from the University of Nairobi; she received a PhD in Forestry Extension and Development from the University of East Anglia, United Kingdom in 1996. Since then she has held a variety of positions, including East Africa Regional Director for the International Union for Conservation of Nature; Technical Advisor to the government of Zambia on revising their forestry curriculum; Assistant Director at the Kenya Forestry Research Institute; Associate Research Officer at the World Agroforestry Center; and Program Officer at the Africa Academy of Sciences. Dr. Kaudia's current research and development focus is on environmental conservation, specialising in climate change, international environment governance, the green economy, gender, resource-use efficiency and youth empowerment. She is a board member of the Kenya Agricultural Research Institute, on the Steering Committee of UNEP's International Resource Panel, on the Advisory Committee of the Green Growth Knowledge Platform and one of the founding board members of the World Resources Forum and African Forest Forum.

André Laperrière [Chapter 10]

André Laperrière is Deputy Chief Executive Officer of the Global Environment Facility (GEF). He was born in Canada, where he completed graduate studies in administration and in industrial relations. During his career, Mr. Laperrière has led or managed numerous large-scale development, privatisation, merger and structural reform projects on behalf of private corporations (including Price Waterhouse) and the United Nations. An expert in international development, he has extensive experience in Africa, the Americas, the Caribbean, Europe and the Middle East, in particular in developing countries and in conflict/post-conflict environments. Mr. Laperrière has held various senior management positions in the United Nations Common System, playing a major role in the design and the implementation of major reforms within a number of agencies. For example, he was the first Executive Director of the Trust Fund for Victims at the International Criminal Court (ICC), Director of the Administration and Finance Division in the World Health Organisation (WHO), and co-ordinator of all reconstruction and rehabilitation activities under the responsibility of UNICEF in Iraq.

Ing Joe Oteng-Adjei [Chapter 9]



Ing Dr. Joe Oteng-Adjei is Ghana's Minister for Energy. He holds a BSc in Electrical Engineering from the Kwame Nkrumah University of Science and Technology in Ghana. He holds both a Masters and PhD from the University of Saskatchewan, Canada, where he specialised in power system reliability and economics. He obtained a Masters in Business Administration from the United Kingdom's Cranfield University in 1999. In 1991, he returned to Ghana to work with the Energy Ministry. He was appointed the Director of Power in 1997, a position he held until 2001 when he was seconded to the Energy Commission as Technical Advisor. In 2002, Dr. Oteng-Adjei returned to the academic field as a Senior Lecturer in Finance and Quantitative Methods at the Ghana Institute of Management and Public Administration (GIMPA). He became the Academic Registrar in 2006. He has 15 publications on energy and engineering to his name and was appointed a Fellow of the Ghana Institution of Engineers in 2012.

Gérard Payen [Chapter 7]

Gérard Payen is a member of the UN Secretary-General's Advisory Board on Water and Sanitation and President of AquaFed. He has been working for more than 25 years to solve water issues in many countries around the globe. From 1995 to 2003, he headed water activities at Lyonnaise des Eaux (under the brand ONDEO, now called Suez Environnement), making the business group a world leader in delivering water and wastewater services. Today, he is working to mobilise the international community for improving water and sanitation services. He does so mainly as adviser to the

UN Secretary-General, chairing the Monitoring and Financing Working Groups of the UN Secretary-General's Advisory Board on Water and Sanitation (UNSGAB) and as President of AquaFed, the International Federation of Private Water Operators. He is also Director and Chair of the Strategic Council of the International Water Association. He has taken part in all World Water Forums and in most of the global intergovernmental conferences on water post-2000.

Andris Piebalgs [Chapter 5]

EU Development Commissioner Andris Piebalgs is an experienced Latvian politician who has occupied key positions in both the national and European political fields. During the first Barroso Commission, starting in November 2004, he was the European Commissioner for Energy. In that capacity, he led the development of a more competitive, sustainable and secure European energy system, which is one of the crowning achievements of the Barroso Commission. In 2011, he was invited, as the only politician, to join UN Secretary-General Ban Ki-moon's High-Level Group on "Sustainable Energy for All", leading the task force on universal access. Before joining the commission, Andris Piebalgs pursued a political career, running strategic ministerial portfolios, and helping Latvia to play its role in the EU.

Mary Robinson [Preface]

Mary Robinson is President of the Mary Robinson Foundation – Climate Justice. She served as President of Ireland from 1990 to 1997 and was UN High Commissioner for Human Rights from 1997 to 2002. She also founded Realizing Rights: The Ethical Globalisation Initiative, of which she was President from 2002-10. A former President of the International Commission of Jurists and former Chair of the Council of Women World Leaders, today she serves as Honorary President of Oxfam International and Chair of the Board of the Institute of Human Rights and Business. She is on the board of several other organisations, including the Mo Ibrahim Foundation and the European Climate Foundation. In 2011, she was appointed as a Member of the Lead Group of the Scaling Up Nutrition (SUN) Movement by UN Secretary-General Ban Ki-moon. Ms. Robinson has also been the Chancellor of the University of Dublin since 1998. She is a Member of the Elders and the Club of Madrid and the recipient of numerous honours and awards, including the Presidential Medal of Freedom from the President of the United States, Barack Obama.

Jeff Seabright [Chapter 12]

Jeff Seabright is Chief Environmental Officer at the Coca-Cola Company. Mr. Seabright is responsible for environmental governance and leadership across global operations of the Coca-Cola system, including water stewardship, sustainable packaging, climate protection practices and sustainable agriculture. He has held several positions in government and business, including as Foreign Service Officer in the US State Department, legislative assistant in the US Senate, Director of Environment and Energy at the US Agency for International Development (USAID), and Head of the White House Task Force on Climate Change under President Clinton. He has also served as Vice President for Policy Planning at Texaco. Mr. Seabright holds numerous advisory positions, including Chair of the Board of the World Environment Center, Chair of the World Economic Forum's Global Agenda Council on Water Security, and is a member of the Environmental Technology and Trade Advisory Council serving the US Secretary of Commerce. He also serves on the boards of the Nature Conservancy (Georgia); the Global Water Challenge; Pace Academy; Erb Institute Strategic Advisory Council for the University of Michigan; Center for Energy, Development and the Global Environment (EDGE) at Duke University; and the National Council for Science and the Environment.

Achim Steiner [Chapter 13]

Achim Steiner is Executive Director of UNEP and Under-Secretary-General of the United Nations. A German and Brazilian national, Mr. Steiner was born in Brazil in 1961. He holds a BA from the University of Oxford and an MA from the University of London, specialising in development economics, regional planning, and international development and environment policy. He also studied at the German Development Institute in Berlin and the Harvard Business School. He served as Director General of the International Union for Conservation of Nature (IUCN) from 2001 to 2006 and, prior to that, as Secretary-General of the World Commission on Dams. His professional career has included assignments with governmental, non-governmental and international organisations in different parts of the world. He has worked both at grassroot levels as well as at the highest levels of international policy making to address the interface between environmental sustainability, social equity and economic development.

Izabella Teixeira [Chapter 1]

Izabella Mônica Vieira Teixeira is Brazil's Minister of Environment. Born in Brasília, she has a degree in biology from the University of Brasília, as well as a Master's in Energy Planning and a Doctorate in Environmental Planning, both from the Federal University of Rio de Janeiro. She is a specialist in environmental management instruments, such as environmental assessment, environmental impact assessment and environmental licensing. A civil servant at the Brazilian Environmental Agency since 1984, she has occupied different managing positions at the agency, as well as at the Ministry of the Environment and at the State Government of Rio de Janeiro. From 2007 to 2008, Minister Teixeira was the Vice-Secretary of the Environment for the State Government of Rio de Janeiro, until she was nominated for the position of Vice-Minister of the Environment. In May 2010, she was appointed Minister of the Environment and in January 2011, she was reappointed to that position by the new President of Brazil. She is also a member of the United Nations' High Level Panel on Global Sustainability.

Pierre-Frédéric Ténière-Buchot [Chapter 7]

Pierre-Frédéric Ténière-Buchot is Governor of the World Water Council (Marseilles) and board member and Treasurer of the French Water Academy. A civil engineer (from the *École Centrale de Paris*) and a *Docteur d'État* in applied economics (Paris-Dauphine University), he has worked as a water engineer for many years, including as Chief Executive Officer of the Seine-Normandy River Basin Agency. Between 1999 and 2002, he was Water Senior Advisor at the United Nations Environment Programme (UNEP). As Associate Professor of the *Conservatoire national des arts et métiers* (CNAM), Paris, he taught future studies and technological innovation, environment policy, and sustainable development. Other positions he has held include Vice-President of the *Programme Solidarité Eau* (pS-Eau), representative of *Cercle Français de l'Eau;* and a member of the boards of the (re)sources Think Tank, *Solidarité Eau Europe* and *Mouvement Universel de la Responsabilité Scientifique* (MURS).

Tassew Woldehanna [Chapter 8]

Dr. Tassew Woldehanna is an Associate Professor in Economics at the School of Economics, Addis Ababa University, and Senior Research Fellow at the Ethiopian Development Research Institute. A development economist, he has done intensive research on child poverty as well as on education, health and nutrition, labour market microfinance, employment and food security, and the development of micro-scale and small-scale enterprises for Ethiopia. He obtained his PhD in Household Economics from Wageningen University, the Netherlands. He is one of the founders of the Young Lives Study, an international study of childhood poverty that follows 12 000 children in

Ethiopia, India, Peru and Viet Nam. He is the Principal Investigator of Young Lives Ethiopia. He has published various articles on poverty and children in international journals and books. Dr. Woldehanna also supported the Ethiopian government in developing a monitoring and evaluation framework for the Poverty Reduction Strategy Papers (PRSP) and since 1992 has led the periodic national level poverty analysis for Ethiopia's Ministry of Finance and Economic Development and Central Statistical Agency.

Chaofei Yang [Chapter 11]

Mr. Yang is the Vice President of the China Society of Environmental Sciences and is a seasoned professional in environmental administration, with over 30 years' experience. Having obtained his Master's in Environmental Law from China Wuhan University, he worked in various capacities at the Ministry of Environmental Protection (MEP), including as Director General of the Policy and Legislation Department, Director General of the Ecosystem Protection Department and Director General of the Publicity Department. He then became Chief Engineer of MEP. He has led the development of a wide range of environmental protection policies, regulations and guidelines, as well as a series of major research programmes, including the National Research Project on China's Ecosystem, the National Ecological Zoning Project, and China's Macro Strategy Research on the Environment.

Bok-hwan Yu [Chapter 11]

Dr. Bok-hwan Yu is Secretary-General of Korea's Presidential Committee on Green Growth. He has extensive experience as a policy maker on both economic and environmental issues. He has a BSc in Political Science and Diplomacy from Korea's Yonsei University, an MA in Economics and a PhD in Economic Policy from the United Kingdom's Cambridge University. Between 2002 and 2003, he was Advisor to the Executive Director at the European Bank for Reconstruction and Development. He also served as Director-General of the Policy Co-ordination Bureau at the Ministry of Strategy and Finance and as auditor at the Ministry of Environment (2009 to 2010), before being appointed as Secretary-General of Korea's Presidential Committee on Green Growth in January 2012. He has written extensively on Korea's development, environmental policies and green growth, and has published *Green is Money*.

Acronyms and abbreviations

ACP	Africa, Caribbean and Pacific Group of States
AEEP	Africa-EU Energy Partnership
AfDB	African Development Bank
BRICS	Brazil, Russia, India, China and South Africa
CEO	Chief Executive Officer
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalents
CPA	Country programmable aid
CRS	Creditor Reporting System (DAC)
CSO	Civil society organisation
DAC	Development Assistance Committee (OECD)
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EPOC	Environmental Policy Committee (OECD)
EU	European Union
EUEI	EU Energy Initiative
FAO	Food and Agriculture Organisation
FFW	Food for work
GAVI	Global Alliance for Vaccines and Immunisation
GDP	Gross domestic product
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GEF	Global Environment Facility
GNI	Gross national income
GWh	Gigawatt hours
HIPC	Heavily indebted poor country
IDB	Inter-American Development Bank
IEA	International Energy Agency
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
ITF	EU-Africa Infrastructure Trust Fund
LDC	Least developed country
MDG	Millennium Development Goal
MIC	Middle-income country
MW	Megawatt
NGO	Non-governmental organisation
ODA	Official development assistance
PES	Payments for ecosystem services
PPP	Purchasing power parity

PV	Photovoltaic
SDC	Swiss Agency for Development and Co-operation
SDGs	Sustainable development goals
SLCPs	Short-lived climate pollutants
UNCBD	UN Convention on Biological Diversity
UNCCD	UN Convention to Combat Desertification
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	UN Framework Convention on Climate Change
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
USD	United States dollar
WADA	Water and Development Alliance
WFP	World Food Programme

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Preface

by

Mary Robinson
President, Mary Robinson Foundation – Climate Justice

Last year, the OECD's Development Assistance Committee commemorated its 50th anniversary – a time to look back on its many achievements. Now we must look towards the next 50 years, at the challenges that need to be addressed and the action that must be taken.

While there have been significant development gains over the past 50 years, we are still a long way from an inclusive, equitable and sustainable world. This message was reinforced by the recent discussions at the Fourth High-Level Forum on Aid Effectiveness in Busan.[1] The world's overall GDP may have climbed at a steady rate between 1971 and 2010, but a wide gap still remains between the developed and developing world, and inequalities are growing in both.[2] Today, more than a billion people still go hungry and millions more live in dire poverty.

This year has seen a particular emphasis on sustainable development – rightly so, since sustainability is the foundation of all approaches to development. The three pillars of the Brundtland Commission's concept of sustainable development – economic growth, social equity and environmental sustainability – are as relevant as ever today.[3] Nonetheless, sustainable development remains mostly just that – a concept rather than an on-the-ground reality. To date, the focus has been heavily skewed towards the economic pillar, with less attention paid to the equally important pillars of social equality and environmental sustainability.

The need for social cohesiveness in our modern world is acute. In the European Union alone, the number of young people unemployed totals 24 million. How can development be sustainable if it does not give the young hope of finding employment?

Equally, environmental sustainability remains an elusive goal.

The record shows that we continue to use the Earth's natural resources at a rate that is simply not sustainable. We continue to increase our reliance on fossil fuels, pushing the planet closer and closer to irreversible damage. And we are using these resources in a way that is neither inclusive nor equitable. Around the world, 1.3 billion people still do not have access to electricity. And what of future generations? We continue to use our finite resources without consideration of the needs of our grandchildren and their grandchildren.

Climate change has far reaching impacts in every region of the world. Yet, it also raises an issue of basic injustice as only 19 countries are responsible for 80% of global CO_2 emissions. Those who have done the least to bring about climate change are the most severely affected.

It is my belief that a climate justice approach brings together the three pillars of sustainable development, linking human rights and development to achieve a human-centred approach; safeguarding the rights of the most vulnerable; and equitably and fairly sharing the burdens and benefits of climate change and its resolution. Climate justice is informed by science and responds to science, at the same time acknowledging the need for equitable stewardship of the world's resources.

It is time to scrutinise the way in which we have developed, to look at who has benefitted and at what cost. The global economic crisis of recent years demonstrates the need for a people-centred approach rather than a market-centred one. The UN High-Level Panel on Global Sustainability has recommended in its report *Resilient People, Resilient Planet*[4] that development should no longer be measured by GDP, and calls for a new sustainable development index or set of indicators.

The report also states that "any serious shift towards sustainable development must include gender equality". We must nurture and develop not half, but all of humankind's collective intelligence and capacity for the sake of multiple generations to come. The next increment of economic growth could well come from the full economic empowerment of women. Gender equality is a core principle of sustainable development and is essential for inclusive and equitable growth.

The 1992 Earth Summit in Rio de Janeiro was a landmark event. For the first time, world leaders acknowledged that the environment and social justice should be linked at the heart of development. Rio +20 provided the opportunity to take stock of progress on implementing the commitments made 20 years ago to work towards sustainable development but failed to give the political leadership needed. As we follow up on the Rio +20 Conference, we need broad partnerships representing governments, international institutions, civil society and the private sector to look at how we can all grow and prosper without overstretching our limited natural resources and without compromising the lives of many for the benefit of a few.

It is time to make sustainable development a reality. We have a moral duty to protect the fundamental human rights of all citizens of the world and to safeguard the Earth's precious natural resources for generations to come. Now is the time to imagine the future we want for the 9 billion people who will live on this planet in 2050. Now is the time to make sure that development will benefit everyone, regardless of who they are or where they live. We need to work together to make this vision a reality.

This edition of the OECD-DAC *Development Co-operation Report* brings together intellectual leaders and thinkers in the area of sustainable development to share their expertise and insights for how these challenges can be met. I hope this key reference tool for policy and decision makers will help DAC members as they follow up on Rio +20 to create the sustainable future we all want and need.

Notes

1. The Fourth High-Level Forum on Aid Effectiveness, Busan, Korea, 29 November-1 December 2011.
2. UNCTAD (United Nations Conference on Trade and Development) (2012), *Development and Globalization: Facts and Figures 2012*, UNCTAD, New York, *http://dgff.unctad.org/chapter2/2.1.html*.
3. Formally known as the World Commission on Environment and Development (WCED), the Brundtland Commission's 1987 report "Our Common Future" established these as the three main pillars of sustainable development.
4. United Nations Secretary-General's High-Level Panel on Global Sustainability (2012), "Resilient People, Resilient Planet: A Future Worth Choosing", *Overview*, United Nations, New York.

Executive summary

The *Development Co-operation Report 2012* comes at a critical moment for the planet. 2012 was the year that world leaders, along with thousands of participants from governments, the private sector, NGOs and other groups, came together in Rio de Janeiro to shape how we can reduce poverty, advance social equity and ensure environmental protection. Twenty years after the 1992 Earth Summit, the Rio +20 UN Conference on Sustainable Development renewed the urgency of addressing pressing economic and environmental challenges – moving towards greener growth, and helping advance countries' common aspirations towards sustainable development and poverty reduction.

In line with the Rio +20 Conference, this *Development Co-operation Report 2012* (DCR) provides insights and lessons on how to address the sustainable development challenge, with a focus on inclusiveness. Mary Robinson, in the Preface, says it well: The world's overall GDP may have climbed at a steady rate, but a wide gap remains between the developed and developing world, with growing inequalities within both. Poverty reduction still remains a pressing concern in many parts of the world. More than a billion people still go hungry; millions more live in dire poverty; 1.3 billion people lack access to electricity and 1 billion do not have clean drinking water. Demand for natural resources has doubled since 1966, and the world is currently using the equivalent of 1.5 times the resources needed to support global activities. In his introductory editorial, DAC Chair Brian Atwood warns that the scale and scope of future natural resource degradation and scarcity – compared to growing demand for these resources – will challenge development and future security. How can we ensure that our finite resources are equitably distributed among the people living today and those in the future?

At this key moment in our common story, this report looks back – at how the combined efforts of the development community have helped move us towards sustainable development – and ahead, at the challenges which we still face. The OECD is committed to supporting countries in implementing the decisions made at Rio +20 to help achieve *The Future We Want* (described below).

Looking back: Challenges and progress since the 1992 Rio Earth Summit

Izabella Teixeira, Brazil's Minister of the Environment, opens the 2012 DCR by summarising the key economic, social and environmental changes the world has seen since 1992. In the 20 years since the Earth Summit, world GDP has doubled, absolute poverty has declined, and global health and education have improved. At the same time, pressure on the planet's carrying capacity is increasing. In the 20th century, the world population has quadrupled, economic output has multiplied by 22 and fossil fuel consumption by 14. The competition this growth provokes over finite resources can be a source of conflict and social instability.

Several chapters in the report take stock of progress so far in managing environmental challenges that are at the heart of sustainable economic, social and environmental development – population growth, energy, the climate, water, land and mineral wealth:

- **Population** dynamics are inseparably linked to sustainable development. The world population has now passed the 7 billion mark and could, in the high-range scenario, reach 16 billion by the end of the century. In Chapter 4, Michael Herrmann of the United Nations Population Fund emphasises that a shift towards sustainable production and consumption will need to be accompanied by appropriate policies to address demographic change.
- The developing world needs sustainable **energy** to support its growth and to move people out of poverty. Worldwide 1.3 billion people still have no access to any electricity, and many developing countries are locked into polluting and high-GHG-emitting energy sources, with women and children being particularly vulnerable. The UN wants to make sustainable energy for all a reality by 2030. As described by EU Development Commissioner Andris Piebalgs in Chapter 5, the EU's 2011 *Agenda for Change* will go some way towards achieving this goal – it seeks to unleash the huge potential of sustainable energy to create job opportunities and help eradicate poverty.
- **Climate change** has far-reaching impacts on every part of the world and raises an issue of basic injustice. As Mary Robinson points out in the Preface, 80% of global CO_2 emissions are emitted by only 19 countries. Actions to reduce certain powerful but short-lived climate pollutants, such as methane and black carbon, might be the only way to quickly slow down global warming so that the global average temperature increase can remain below 2 °C. In Chapter 6, Sweden's Environment Minister Lena Ek describes initiatives underway to tackle these pollutants and at the same time bring clean air and income-generating opportunities to developing countries. Nonetheless, more global action will be needed.
- The world is now also waking up to the fact that **water** is a key to sustainable development. Previously seen as the "Cinderella" of the United Nations' many preoccupations, 2010 finally saw access to clean water and sanitation recognised by the UN as a human right. Despite some good progress driven by the Millenium Development Goals (MDGs), every year, unsanitary water kills more than 2.2 million children under the age of 14. According to Michel Camdessus, Gérard Payen and Pierre-Frédéric Ténière-Buchot, three eminent water policy experts (Chapter 7), the way forward is to see water as one of the key elements of future growth and to use innovative and integrated methods to manage it.
- Integration and joined-up thinking are common themes in this 2012 DCR. In fact, our most crucial failure has been the inability to mainstream environmental issues across sectoral policies and programmes. Lessons can be learned from Chapter 8, in which Nick Chisholm and Tassew Woldehanna, researchers from Ireland and Ethiopia, describe a successful integrated watershed management project in Ethiopia that has been scaled up to become a part of a national strategic approach to **food security**. Ethiopia's Climate-Resilient Green Economy Strategy is also benefitting from the improvements in the natural environment brought about through the success story of watershed management.
- Managing **mineral wealth** for the benefit of all is another challenge that can pay dividends for developing countries with the right governance mechanisms in place. In Chapter 9, Heikki Holmås, Norway's Minister of International Development, and Joe Oteng-Adjei, Ghana's Minister for Energy, describe how co-operation between the

two countries is helping Ghana to ensure economically, environmentally and socially responsible management of its petroleum resources.

The DAC's role in sustainable development

How has the OECD's DAC responded to these challenges? The DAC has been working on sustainable development as a major priority since the early 1990s, beginning before the first Rio Earth Summit in 1992. As described in Chapter 2, its main role has been to produce policy guidance to help providers of development co-operation address sustainable development in their bilateral and multilateral policies and operations. The figures presented in Chapter 3 and Part V show that this work is paying off – over the past decade, bilateral aid specifically for environmental sustainability has grown more than threefold, reaching USD 11.3 billion in 2009-10. There has been an even greater increase in aid targeting environmental sustainability within other sectors. Together, about USD 25 billion of development co-operation in 2009-10 has environmental sustainability as one of its objectives. Significant progress had also been made in ensuring that environment and development policies work more in tandem, and that the statistics managed by the DAC can track whether donors' spending matches their promises.

But despite the increase in aid to the environment and the success of the MDGs in triggering change and leveraging resources, we are still failing to cover all dimensions of development and human wellbeing. Environmentally, we are poised to cross critical thresholds, with potentially irreversible changes.

Did you know?

Looking back

- The Millennium Development Goals were shaped by the work of the DAC and helped focus development co-operation on some key elements of sustainable development.
- China managed to couple its impressive economic growth rate with a fall in energy consumption of 19% between 2005 and 2010.
- During 2012, deforestation rates in the Amazon have fallen to an all-time low.
- In 2011, official development assistance (ODA) from OECD countries fell in real terms for the first time since 1997.
- Today, 80% of resource flows from the United States to developing countries come from private sources, marking a dramatic shift in the development landscape.

Looking ahead

- Every year, unsanitary water still causes the death of more than 2.2 million children under the age of 14.
- By 2050, global water demand is expected to increase by 50%.
- Without urgent action, the global population could reach 16 billion by 2100.
- To feed even 9 billion people by 2050, we will need to increase agricultural output by 70%.
- World leaders have pledged USD 100 billion per year from both public and private sources in climate financing by 2020.

Looking ahead: Green growth and a new era for development

The new challenges facing developed, emerging and developing countries imply new ways of thinking and operating for development co-operation actors. Member countries have asked the OECD, including the DAC, to initiate work on green growth. More recently they have asked for a special focus on green growth in developing countries. As described by André Laperrière, Deputy Chief Executive Officer of the Global Environment Facility, sustainability is no longer equated purely with environmental protection, but is viewed potentially as a key economic and development driver by all countries. He outlines a sound "business model" for greening growth in Chapter 10, in which green growth provides a return on investment in the form of tangible and sustained benefits for people and the environment. This is underlined by the country examples of green growth strategies presented in Chapter 11. In this chapter, policy makers from China, Kenya and Korea, explain how they have made green growth a national project, integrating strategies into both national policy and sectoral level plans to harvest opportunities for greening their development pathways:

- China's latest development plan aims to use green economic development to reduce poverty, promote social development and to create at least 5.3 million green jobs.
- Korea, until recently a developing country itself, is now a pioneer in integrating green growth as a pillar of its national strategies and is also supporting developing countries in their own pursuit of green growth.
- Kenya has replaced traditional economic development models – based on GDP as the measure of growth – with a new model incorporating social dimensions of development progress.

Other shoots of green growth are emerging across the globe. For example, Cambodia has a National Plan for Green Growth; Mozambique announced at Rio +20 that it will adopt a new Green Economy Roadmap; Botswana, Colombia, Costa Rica, Madagascar and the Philippines are advancing their national policy-making process by taking into account the value of their natural capital and reflecting the true cost of economic growth on the balance sheet; and Rwanda is following a Climate Compatible Development Pathway.

Beyond development co-operation

Clearly, official development assistance will not be able to meet the sustainable development challenge alone: although the combined ODA of all DAC member countries has increased by 63% since 2000, and in 2011 amounted to over USD 133 billion, this was a 2.7% drop in real terms (*i.e.* after removing the effect of inflation) compared to 2010, the year ODA volumes reached their peak. This was the first decrease in net ODA since 1997 and reflects fiscal constraints in several DAC countries which have affected their ODA budgets.

There will be a need to engage the private sector much more, both in investment and in financing. The rewards will be substantial: new markets, new productive partnerships, new innovative technologies for developing countries, and more income and jobs. An important step was taken in Busan, Korea in 2011, where a new global development partnership was forged that embraces diversity and recognises the distinct roles that all stakeholders in co-operation can play to support development. The Busan Partnership for Effective Development Co-operation – embodied in a Global Partnership since June 2012 – is the culmination of the aid effectiveness process set in motion by the OECD-DAC in 1995. It sets a framework to modernise, deepen and broaden co-operation, involving state and

non-state actors that wish to shape an agenda that was until recently dominated by a narrow group of development actors.

This chorus of diversity is amplified in this *Development Co-operation Report* by the voice of the Vice President of Environment and Water Resources at The Coca-Cola Company, Jeff Seabright. In Chapter 12, he describes a revolution that is shifting environment and development action from governments to the private sector. He sketches out a vision for the future whereby business, government and civil society would all work as one, each doing what they do best, to create through collaboration and co-operation what none could achieve alone.

Greater awareness of and attention to development impacts from other policy areas will be increasingly important to achieve sustainable development. An inclusive green economy is not a natural market tendency – most of the numerous existing options for economic growth are not compatible with sustainability. Specific public policies will be needed if we are to green our economies. In the penultimate chapter, Achim Steiner, Executive Director of the United Nations Environment Programme, affirms that a true and lasting response to these challenges would adapt the current economic model to trigger a transition to a kind of economic development that is more efficient in resource use, limits environmental degradation and puts a premium on equity. Specifically this calls for:

- reform of our current fiscal systems to provide long-term incentives for sustainable production, consumption and investment decisions;
- appropriate price signals that capture the critical role played by environmental resources and services so that households, the private sector and decision makers can better balance the full costs and benefits of their actions; and
- new measurements to gauge our progress – beyond the traditional measurement of GDP – that take into account changes in human well-being, equity, natural capital and the environment.

The way forward

The outcome of the Rio +20 Conference was *The Future We Want*. This document, the culmination of two years of negotiations by 190 nations, is the world's newest roadmap for sustainable development. It outlines a plan to set global sustainable development goals (SDGs) and other measures to strengthen the management of environmental and natural resources, combat poverty, and promote a green economy paradigm for all. The statement reiterates the importance of natural capital and its value in achieving sustainable development. It advocates a more encompassing approach to development, while recognising poverty reduction as a continuing major challenge. Furthermore, it calls for a financing strategy, accompanied by technical assistance and capacity development, to ensure adequate support to developing countries.

How can development co-operation help achieve *The Future We Want* – a future in which green growth drives sustainable development? The final chapter of this report, contributed by the DAC's Secretariat, sees the following actions as crucial for development co-operation providers and the development community as a whole as we move beyond Rio +20:

- help define and establish sustainable development goals as part of the post-2015 agenda and use them to guide future official development assistance (ODA) and other flows;
- integrate and mainstream green growth thinking into all areas of development co-operation and provide more timely support to meet the emerging needs of developing countries;

- fulfil existing ODA-volume commitments, including the target of giving 0.7% of gross national income (GNI) for ODA to developing countries by 2015;
- implement the "DAC Recommendation on Good Pledging Practice, designed to help providers" of development assistance make credible and feasible commitments and enhance the accountability and transparency of aid;
- speed up more effective use of ODA and use it to leverage and partner with other sources of finance for sustainable development;
- improve and accelerate the sharing of information, skills and technology to strengthen capacity and resilience in partner countries;
- support developing countries to adopt natural capital accounting in their decision-making processes and support providers of development co-operation to use it in their own aid investments;
- strengthen environment-related finance, but without neglecting non-climate environmental issues, inclusive growth and other development priorities; and
- ensure all policy and financial support from DAC members is based on the demand and priorities of the partner country.

And above all, we need leadership by developed, emerging and developing countries alike. DAC Chair Brian Atwood calls for global leadership to galvanise political will to protect and manage our global commons, while recognising the vital role that inclusive and sustainable growth and poverty reduction play in the equation. He invites Heads of State and ministers across governments to champion long-term national green strategies and influence their neighbours and peers around the world.

Only by integrating ideas and understandings and creating the policy options that will foster innovation in our thinking, our institutions, our behaviour and technologies, will we move a step closer to the *Future We Want*.

Key facts and figures

Finally, as in previous DCRs, this report brings together important data, tracked and analysed by the DAC, on the performance of each of its members – as well as others – in 2010. This includes development co-operation flows in general, as well as finances they targeted to specific sectors such as environment (the Rio markers) and gender, and progress on untying aid.

Development Co-operation Report 2012
Lessons in Linking Sustainability and Development

Editorial: Integrating policy options to galvanise actions for sustainable development

by
J. Brian Atwood
Chair of the Development Assistance Committee

The 20th century American environmentalist John Muir said, "Everything is connected to everything else". Yet while this is true in the natural world, it is sadly still not true in the policy world, which is subject to a diversity of views, objectives and competing agendas – particularly when it comes to environmental issues. If we are to achieve the common goal of "sustainable development", more policy convergence is essential. This year's *Development Co-operation Report* (DCR) explores the ideas and orientations of leaders, thinkers and pioneers in diverse public policy areas and disciplines who are contributing to connecting everything to everything else in this sphere as well.

Creating the political interest and will to act comprehensively in the broad sustainable development arena is no easy task, as we were reminded once again at the 2012 Rio +20 Conference. Sustainable development has many elements and each discipline that engages on the issue tends to focus less on the whole than on its relative parts. We are beginning to see more integration, but disciplinary blinders still make communication and the sharing of concepts difficult. Add to this, cultural differences and the political and ideological polarisation that can divide groupings of countries, and one begins to comprehend the magnitude of the challenge we face.

The scale and scope of future natural resource degradation and scarcity – compared to growing demand for these resources – will challenge development and future security. This is where science and the environment confront our development models. The question before us is whether we will work together to find solutions, or continue to act in silos. While there have been positive movements in recent times, the numerous disciplines involved have not traditionally spoken the same language. I saw this several years ago when, as Dean of the Humphrey School at the University of Minnesota, I hosted a conference on climate change and development. R.K. Pachauri, representing the 2007 Nobel Peace Prize winning organisation, the Intergovernmental Panel on Climate Change (and a contributor to last year's DCR), and former UNDP Administrator Gus Speth

were both keynote speakers. They joined development professionals and scientists in a novel, thought-provoking dialogue that sought to view the climate issue through the eyes of development and *vice versa*.

We produced a report[1] that was much in demand at the time because of its uniqueness in attempting to bridge the disciplines. Several years later, we were still trying to do the same after the OECD released a report called *Towards Green Growth*. This report addresses mainly the situation of developed and emerging countries and has been very useful in this context. Yet this report did not adequately consider the perspective of developing nations, whose perceived need for growth far exceeds their concerns about energy use and climate change. To close this gap, the OECD is working on a new report that takes account of developing country partners' specific situations and has launched a consultative process on the draft report to ensure that their perspectives and realities are embedded in its analytical and policy work on green growth.

This DCR looks at practical ways and means the members of the DAC and our partners have found of closing many of these gaps. It brings together authors from the fields of environment, science, business, international finance and various development sectors that play a role in ensuring environmental sustainability, promoting inclusiveness and fostering green growth. Their experience suggests many valuable lessons.

The authors explore the use of official development assistance (ODA) in mitigating environmental degradation, natural resource scarcity and greenhouse gas emissions and in helping the poor to adapt and become more resilient to climate change. They also deal with relevant financing issues – notably the need to use the pool of ODA resources currently available to create partnerships and leverage other sources of finance, but also, as stressed at the Rio +20 Conference, the continuing importance of reaching our longstanding ODA commitments. The polemic surrounding the question of how we find the means to support the solutions we require is yet another deterrent to political action.

The demands of a growing population for energy, food and water, and the need to preserve these life-giving (and growth-inducing) commodities will surely increase tensions between industrialised and poor countries, but also among poor countries. Environmentalists and development professionals alike see unsustainable growth as part of the problem. Yet developing nations will always – understandably – place the emphasis on growth. They argue that developed countries were free to exploit resources and pursue their development strategies without heed for scarcity and sustainability and that they have already created the wealth to support a broad middle-class. Why should developing countries not be free to use their natural resources for expanding the economies of their countries? How, then, do we refocus the debate on the global commons and other shared resources that require collective – if differentiated – action?

One answer lies in new ways of defining and measuring growth – national leaders need to look beyond GDP as the only indicator of progress – agreeing on new approaches to value scarce resources. Policies should also be adjusted and reinforced, and market mechanisms deployed to create the right incentives for sustainable behavior at all levels. To reinforce trust among countries and exercise peer influence, a transparent and strategic process of defining sustainable development goals must be championed at the highest level, as proposed by the UN Secretary-General. When intergovernmental processes falter, voluntary coalitions and partnerships must forge ahead, prodded by peer pressure and accountability mechanisms.

The cover of this publication represents an effort to portray its message; several puzzle pieces are beginning to converge, but the circle remains incomplete. What is the missing piece? How can we create the link that will cause these disparate parts to come together around a common understanding of "sustainable development"? We need global leadership to galvanise political will to protect and manage our global commons while recognising the vital role that inclusive and sustainable growth and poverty reduction play in the equation. We need Heads of State and ministers across governments to champion long-term national green strategies and influence their neighbors and peers around the world. This DCR offers several examples of such leadership.

People living in low-income nations will give first priority to their ability to feed and shelter themselves and their families. Unless they are an island or coastal state, their governments are more likely to argue that growth is more important than reducing carbon emissions or protecting the environment. And yet, there are real dangers to ignoring the consequences, as the following observations attest:

- Demand for **natural resources** has doubled since 1966, and the world is currently using the equivalent of 1.5 times the resources needed to support global activities on a sustainable basis.
- In the 20 years since the initial United Nations Conference on Environment and Development in Rio de Janeiro, **global forest cover** has decreased by 3 million square kilometres – an area the size of India. All told, roughly a quarter of the forest lost over the past 10 000 years has been destroyed in the past 30 years.
- About one-third of global **freshwater biodiversity** has already been lost, and further loss is projected to 2050.
- **Biodiversity** in general declined globally by around 30% between 1970 and 2008 and by 60% in the tropics.
- Pollution, mostly **water and air pollution**, is responsible today for almost 10% of the deaths of people living in low-income and middle-income countries.
- Agriculture uses about 70% of water worldwide, but an estimated 60% of **irrigation water** still never reaches crops.
- Asia's high economic growth in recent decades has meant that its share in **global carbon emissions** jumped from 25% in 1990 to 44% in 2010.

The global challenge is already upon us, and we need solutions that major stakeholders can accept. This will call for a judicious balancing of priorities and incentives. For example, over the period of one year, two hectares of land in Rwanda could provide enough food for two average Rwandan families – or, alternatively, it could sequester the emissions of one European family-sized car. Where are the incentives for the Rwandan family to maintain the forest on their land if the choice that they face is between survival and sustaining the global environment? Protection of the global environment cannot threaten local livelihoods – solutions must be found where the two can co-exist.

Such solutions must include addressing issues of competing demands on limited financial resources. In a first-of-its-kind report issued early this year, the DAC announced that in 2010 its members had expended some USD 22 billion – a high-end estimate – on climate change-related activities. Possibly as much as USD 9 billion of this was spent on adaptation (*versus* mitigation), an amount that critics consider insufficient in the face of mounting needs. There are also charges that ODA expenditures on climate change are

"crowding out" resources that would otherwise be devoted to the social-sector goals of the MDGs. Yet, the consequences of doing nothing to combat the effects of climate change – and environmental degradation, more generally – would undermine development progress and threaten security. So we do not have an option to ignore environmental challenges. Ultimately, they will slow or hinder growth – it is simply a question of time. Do we ignore long-term consequences for what might be shorter-term gains? The OECD's *Environmental Outlook* projections show that acting now to mitigate climate change and manage natural resources is not only environmentally rational, it is also economically sound. Investing in reducing air pollution in emerging economies could yield benefits that outweigh costs by as much as 10 to 1. Investing in safe water and sanitation in developing countries can yield benefit-to-cost ratios as high as 7 to 1.

Given the prospect of OECD nations suffering recessions and/or slow growth scenarios in the future, where will we find the additional resources to address these issues? In 2011, DAC nations provided USD 133 billion in ODA, a 2.7% decrease from the previous year in constant dollars. Projections of forward spending show a leveling off of ODA – if not a decrease – in the future. This contrasts vividly with other projections showing that substantial ODA increases will be needed to meet the commitments DAC members have undertaken since 2005. Nothing better dramatises the "crowding out" problem. Where do we find the resources to address sustainable development challenges, including those prompted by climate change? Using ODA to catalyse other flows, such as private sector finance and investment, is an important way forward, as long as we understand the private sector's need for a balance between investment risk and returns. And we need to think innovatively about how to raise funds through unconventional channels. Auctioning credits for reductions in greenhouse gas emissions to fund climate adaptation in the developing world is one such idea.

In economics, that which is not captured in market exchanges is characterised as an "externality." This notion came home to me when – in the course of cabinet discussions regarding the US position on the Kyoto protocol negotiations – the US Treasury Department put forth a model that placed great emphasis on the depreciation rates of US power plants. The implication was that agreeing to a stringent emission target would place considerable strain on this important sector of the US economy. When I queried whether the healthcare costs of climate change had been part of the model, the response was that this was related to conventional air pollution, which was considered to be a market "externality". Yet the cost was real, even if it had not been estimated or captured in the model, and factoring it in might have led to a different outcome. There are real costs associated with such health risks, and, on the flip side, there are direct and indirect economic gains from protecting and improving human health. These benefits include a more productive workforce and the freeing up of resources that would have been spent to care for the sick to cover other, higher-return uses.

Part of the challenge is that most economic models do not calculate the cost of environmental degradation to our economies or our citizens. The economic valuation of natural resources and environmental services would go a long way in capturing the true economic costs and benefits of alternative growth paths – particularly for developing countries. Implementing much more widely worldwide the "polluter pays principle" – adopted by the OECD in 1972 – would provide incentives for changed behavior at both the firm and consumer levels in all countries. Putting a price on carbon would at once provide incentives to companies to reduce carbon emissions and generate important new sources of public revenues – and these resources in turn could enable policy makers to mobilise

and transfer financial resources to developing nations to support climate-related development projects. There are a variety of market mechanisms available to achieve this purpose, from the removal of fossil fuel subsidies to the use of carbon-emissions trading systems. Technology transfer and the creation of endogenous technologies could be expanded by extending the use of market mechanisms, such as the Clean Development Mechanism, to incentivise low-carbon development projects in developing countries.

Innovation in science and technology continues to hold great promise. Yet it is essential that we develop an integrated approach that brings science closer to the policy solutions we seek. The "producers" of scientific research need to understand the questions that policy makers and local stakeholders face so they can design their research to be more pertinent and useful. This can only be achieved if national leaders give high priority to innovation and if the scientific, environmental and development communities, including potential beneficiaries, engage in regular, iteractive dialogue in order to understand, work with and learn from one another over time.

As some of the authors in this publication argue, green growth and environmental work in the developing world must be led by the countries themselves. The aid-effectiveness principles of Paris, Accra and Busan[2] are as valid here as in any other development endeavor. This strong message is well-captured in the chapters contributed by China, Kenya and Korea – all of whom attach great importance to green economy and growth as their model for long-term development. We need to generate knowledge in this area that comes from and serves the roots of society. And we must use that knowledge to make better decisions that will allow us to move from the technocratic to the democratic. The critical step is to revisit assumptions and refine and reshape the options we consider using the evidence we have at hand. And we need global governance to work if local governance is to flourish.

We no longer have the luxury of operating in disciplinary or institutional silos. Development and sustainability are inextricably joined together. The message I want to convey here is that we must continue to integrate our ideas and understandings and create the policy options that will foster innovation in our thinking, our institutions, our behavior and technologies. That is the elusive piece of the puzzle that we are searching for – and it is within our grasp if we set our minds to thinking more openly, more inclusively, and more creatively about the collective good. This is the overarching message we can take home from the thought leaders from every corner of the world who have contributed to this report.

Notes

1. A consensus report from the Humphrey Institute workshop series on "Climate Change and Sustainable Development: Paths to Progress", Workshop 1: "The Developing World: The Global Climate and Economic Development", 14-15 October 2005.
2. The Paris Declaration on Aid Effectiveness was endorsed in Paris, France, in 2005. The Accra Agenda for Action was endorsed in Accra, Ghana, in 2008. The Busan Partnership for Effective Development Co-operation was endorsed in Busan, Korea, in 2011.

PART I

Challenges and progress since the Rio Earth Summit in 1992

Development Co-operation Report 2012
Lessons in Linking Sustainability and Development

PART I

Chapter 1

Brazil's journey from the Earth Summit to Rio +20

by
Izabella Teixeira
Minister of the Environment, Brazil

The 1992 Rio Earth Summit brought about a cultural shift as citizens and governments alike became increasingly aware of the need to protect the environment as economies progress. The summit led to the formulation of legal and institutional frameworks to protect the environment, and we have seen improvements in many environmental indicators, such as the banning of lead in gasoline and a significant increase in natural protected areas. Nonetheless, we are still failing to mainstream environmental issues across sectoral policies and programmes and environmental quality is worsening in many areas. The lack of a coherent approach has had clearly negative impacts, one of the most obvious examples being the persistence of subsidies for fossil-fuel-based energy in many countries. The author of this introductory chapter draws on lessons from her own country, Brazil, which has made significant strides towards sustainable development. She calls for a green economy focus that: links the environment and the economy; considers medium and long-term needs and challenges; and recognises the diversity of countries, their differing levels of development and the inequalities of wealth distribution among nations. Such an approach, however, is not a natural market tendency – specific public policies will be needed if we are to green our economies.

On Brazil's initiative, in June 2012, the United Nations held Rio +20, a follow-up conference to the 1992 UN Conference on Environment and Development (UNCED, also known as the Earth Summit). Part of the intention was to assess what has been achieved against the promises nations made at the 1992 Earth Summit to move towards global, sustainable development. In this opening chapter for the *Development Co-operation Report 2012*, I look back at the progress the world has made towards sustainable development over the past 20 years, before looking forward at the obstacles we must still overcome. I use my own country – Brazil – to illustrate both progress and challenges.

What progress have we made since the 1992 Earth Summit?

In rich and poor countries alike, people are now aware of the need to protect the environment.

Perhaps the most extraordinary development that has occurred in the past 20 years has been the cultural change among the world's citizens. In rich and poor countries alike, people have become aware of the need to protect the environment as economies progress and of future generations' entitlement to the same resource base enjoyed by current generations.

Legal and institutional frameworks to protect the environment

Most countries have developed legal and institutional frameworks to regulate, monitor and enforce environmental norms. Although the strengthening of institutional capacities remains a challenge in many quarters, a minimum set of rules has been put in place to regulate the way individuals, firms and the broader economy use a country's natural resources. Globally, numerous conventions and agreements have also been adopted and commitments have been made to provide technical co-operation and assistance in areas as varied as biodiversity, oceans, the ozone layer, water resources, climate change and renewable energy.

Environmental conservation

In terms of environmental conservation, there has been remarkable progress since the 1992 Rio Conference in many areas. UNEP's recent report *Towards a Green Economy* documents many environmental indicators that demonstrate significant improvement (UNEP, 2011). Examples include: the near elimination of ozone-depleting substances worldwide and a parallel reduction in the risk of depletion of the stratosphere's ozone layer; the expansion of natural protected areas, with resulting increases in the conservation of portions of the world's biodiversity; improvements in air and water quality in many regions; elimination of lead in gasoline, with resulting avoidance of over 1.2 million premature deaths per year (of which 125 000 are children); and reductions in deforestation levels.

What still needs to be done?

Despite this progress, the world is experiencing a worsening of environmental quality in many areas and sectors, not least the disturbing threats posed by climate change. The incidence and amplitude of extreme weather events have been steadily increasing; more vulnerable and fragile species and ecosystems – such as wetlands, mangroves and corals – have been diminishing and deteriorating in quality; water has become scarce in more places; and the number of species threatened by extinction has increased (OECD, 2012).

A number of challenges to the implementation of sustainable development were poorly assessed in 1992 or have proven more complex than expected. It is only in recent years that we have seized opportunities to improve social welfare by distributing resources more fairly, as well as to boost positive environmental impact from policies aimed at eradicating poverty. Yet, complex political economy drivers are still often protecting vested interests. The private sector is the effective driver of growth, and while better organised dialogue and strengthened partnerships between governments and the private sector have proven to be effective, these partnerships are still insufficient tools for sustainable development.

The 1992 Rio Earth Summit recognised that natural resource management – including conservation – is a development issue that requires an economic approach. Countries have taken advantage of many so-called "win-win opportunities", including energy efficiency and conservation, improved industrial and agricultural practices, sustainable forest management, new technologies and many others. It made sense to concentrate efforts on these "low-hanging fruits". But now that these relatively straightforward and isolated actions have been initiated, we must concentrate on mainstreaming environmental issues within countries' economic agendas, as well as in broader national development agendas.

The most crucial failure has been our inability to mainstream environmental issues across sectoral policies and programmes.

This is perhaps the most crucial area of failure since 1992: the failure to mainstream environmental issues within sectoral policies and programmes. Many sector ministries have "washed their hands" of dealing with environmental issues, arguing that this is the role of ministries in charge of the environment. The result of this disjointed thinking is sector-specific policies and programmes with clearly negative impacts, one of the most obvious examples being the persistence of energy subsidies in many countries. This is similar to what has been observed with regard to social protection and inclusion: the fact that these agendas are led by ministries specifically created to address social problems makes social justice and inclusion less prominent in other agendas and programmes. The cross-cutting nature of both social and environmental issues calls for a high level of co-ordination and co-operation among ministries.

While global population and economies continue to grow, relatively little has been done to ameliorate the impact of production and consumption patterns on natural resources. Without significant changes in these patterns worldwide, the future is clearly not promising as far as the planet's sustainability is concerned. Yet, while changes are required, it is also clear that individuals' aspirations towards higher living standards – particularly in developing countries – remain absolutely legitimate.

Towards an inclusive green economy

What can we learn from Brazil?

Brazil achieved the first MDG – to halve levels of extreme poverty – in 2006, almost a decade before the target date.

Brazil has made significant strides towards sustainable development. This is the result of years or even decades of steady efforts to put the national economy on a more sustainable growth path, while addressing key social challenges, consolidating the democratic regime with well-functioning institutions, and dedicating major efforts to the conservation and protection of the country's rich natural resource base. Brazil's average per capita income, which was stagnant for 20 years (rising from USD 9 520 in 1980 to only USD 9 960 in 2002) grew to USD 12 690 in the nine years between 2003 and 2011 with President Lula at the helm. Brazil achieved the first Millennium Development Goal (MDG) – to reduce extreme poverty to half of its 1990 value – in 2006, almost a decade in advance of the 2015 target date. More importantly, the per capita income of the poorest 20% of the population rose at rates higher than 8% per year, allowing Brazil to reduce extreme poverty by half every five years. Lastly, between 2006 and 2012, deforestation rates in the Amazon fell from the average levels observed when the monitoring started in 1988 – 18 500 km^2/year – to 6 200 km^2/year in 2012, an all-time low.

Brazil has also been at the forefront of technological developments that may be relevant to other countries in the common endeavour to promote sustainable development. The most significant and well-known of these are in the energy sector. Seventy-one per cent of Brazil's power comes from hydropower plants. While fossil-fuel sources supply the majority of the remaining demand, wind and biomass are catching up at a rapid pace. Subsidies are essentially nil for both power and fuels, and the prevailing ones are either channelled to very distant areas in Brazil, or they support programmes for energy efficiency and renewable energy. The famous Ethanol Programme, which currently receives no subsidies from the government, has helped improve air quality in cities significantly while also reducing carbon emissions from transport.* A similar programme is now supporting the expansion of biodiesel production by providing tax and financial incentives to producers. The price ratio between a TOE (tonne of oil equivalent) of biodiesel compared to conventional diesel narrowed from 46% to roughly 10% between 2005 and 2010, and today they are essentially being produced at the same cost.

Beyond the energy sector, Brazil has also proven to be a world leader in agriculture, both in its levels of production and agricultural research. Brazil has developed an agricultural sector programme to support the implementation of its National Climate Change Programme, involving the recuperation of degraded pastureland, implementation of agro-silvo-pastoral systems, zero tillage, an ambitious programme of biological nitrogen fixation, and an also ambitious reforestation programme. Most of these actions derive from important applied agricultural research sponsored by the Brazilian agricultural sector.

While Brazil took early advantage of its low-hanging fruit and continues to have a very clean and carbon-efficient economy, continuing to take advantage of such win-win

* Brazil's 37-year-old ethanol fuel programme is based on the most efficient agricultural technology for sugarcane cultivation in the world. In 2010, the US Environmental Protection Agency designated Brazilian sugarcane ethanol as an advanced biofuel thanks to its 61% reduction of total life-cycle greenhouse gas emissions.

opportunities will require renewed efforts, political will and ingenuity. The country will have to devise mechanisms to balance the benefits and costs of the sustainable use of its immense natural resource richness. As the economy grows, the middle class expands, and poverty is at last eradicated, it is natural to expect a steady increase in Brazil's consumption, with all the accompanying positive and negative externalities. An inclusive green economy must direct consumption towards greener goods and services and provide for a more just and prosperous society. Yet this will represent not only a social and political accomplishment; a cultural process will also need to be undergone, and this will take time to be absorbed by the larger populations.

The way forward

It will be a challenge to define and agree on a new structure that links the environment and the economy, that considers medium and long-term needs and challenges, and that recognises the diversity of countries, their differing levels of development and the inequalities of wealth distribution among nations. However, it is a challenge we must rise to; we only have one planet, and it is increasingly integrated and bound together. It must be our common objective and obligation to ensure that the planet remains prosperous, united and integral in terms of its natural resource base. While countries will naturally defend the interests of their own people, a high degree of solidarity is required.

Both the 2008 financial turmoil and the climate-change crisis have induced greater mainstreaming of environmental issues within the economic and political agendas of many countries. Rio +20 has provided the opportunity to rethink the nature of economic growth and to find ways of structuring a new economy which produces greener goods and services based on new consumption patterns. Such an economy will generate jobs, income and social well-being consistent with a growing global population, while addressing increasing aspirations for "traditional" consumption. Although these issues need to be recognised as a top priority by rich countries, we are all interested in and responsible for safeguarding our (only) planet.

Today, ministers of finance have a much bigger stake than they did in 1992.

Today, ministers of finance have a much bigger stake than they did in 1992 in view of the real threats posed by climate change, as well as the cost implications of the world "turning green". The concept of an inclusive green economy offers the opportunity to reconcile economic growth with social and environmental objectives. It is an instrument that can reorient current economic growth towards sustainable development, based on technological progress that also guarantees that social and environmental themes will be given the same priority as economic objectives. Nonetheless, an inclusive green economy is not a natural market tendency and the majority of the numerous existing options for economic growth are not compatible with sustainability. Specific public policies will be needed if we are to green our economies.

We will need specific public policies to green our economies.

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PART I

Chapter 2

The DAC's work to integrate environment and development

by
OECD – DAC Environment and Development Team

This chapter traces the Development Assistance Committee's (DAC) role in shaping policies for sustainable development. This has been a major priority for the Committee's member countries since the early 1990s. The DAC has produced a range of guidance that has helped providers of development co-operation to integrate environmental considerations into their policies and practices. Notable examples include introducing environmental impact assessment requirements into development projects and integrating the objectives of the three Rio conventions into development co-operation. Over the past 20 years, these efforts have built increasingly on co-operation between the OECD's Development Assistance and Environmental Policy Committees, to integrate sustainable development into development co-operation and to ensure that policies are coherent, and that they are informed by the comparative advantage of each policy community. Policy guidance has been the DAC's main tool for promoting sustainable development among its members, as well as among policy makers and development actors in partner countries. As a result, many development agencies have made progress in integrating environment into their operations based on the DAC's guidance. However, resource availability and partner country ownership are increasingly becoming critical issues.

Sustainable development intrinsically links environment and development through a long-term agenda to provide and maintain economic growth, environmental sustainability and social development for current and future generations. Globally, progress has been made in ensuring that environment and development policies work more and more in tandem and this trend must continue. As Minister Teixeria of Brazil reminds us in Chapter 1, "specific public policies are needed to lead to a green economy". This chapter traces the Development Assistance Committee's (DAC) role in shaping such policies.

The DAC was working towards sustainable development even before the 1992 Rio Earth Summit.

The DAC has been working on sustainable development as a major priority since 1991, increasingly together with the OECD's Environmental Policy Committee (EPOC). Their main role has been to produce policy guidance to help providers of development co-operation address sustainable development in their bilateral and multilateral policies and operations. The statistical overview in the next chapter (Chapter 3) demonstrates the significant impact of this policy guidance in increasing the volume of ODA targeting sustainable development. A recent synthesis of DAC peer reviews (OECD, 2011)[1] conducted during 2009-10 corroborates this finding with qualitative evidence that providers have indeed made important progress in addressing environment and sustainable development through their development co-operation (see also Part V).

The DAC's key role in sustainable development

In the early 1990s, before the Earth Summit in Rio, the DAC was already shining a spotlight on global environmental issues and capacity development needs. In 1991, a year before the first Rio Conference on Sustainable Development, OECD development and environment ministers issued a policy statement making sustainable development a "shared and common objective" of development co-operation. Following this commitment, the DAC produced a series of guidelines to address key environment and social issues in development co-operation. These included, for example, guidance on environmental impact assessment, as well as on policies related to pesticides, involuntary displacements and resettlement, and disaster management (see Annex 2.A1 at the end of the chapter for a list of key DAC and EPOC statements and products integrating environment and development).

The Millennium Development Goals were shaped by the DAC's work.

In 1996, the DAC's emphasis on sustainable development took a quantum leap forward, reflected in its landmark report *Shaping the 21st Century: The Contribution of Development Co-operation*. This report set a new vision for development co-operation, calling for the establishment of national sustainable development strategies in all countries by 2005, among other goals. Eventually this work formed the basis of the Millennium Development

Goals, including Target 7.A: "Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources." To support these commitments, the DAC produced guidelines on sustainable development strategies, as well as on integrating the objectives of the three Rio conventions (on biodiversity, climate change and desertification) into development co-operation.

Nevertheless, ten years after the first Rio Conference – and even after the World Summit on Sustainable Development in Johannesburg in 2002 – despite the rising awareness of and attention to sustainable development, the integration of environmental considerations into national development and poverty reduction strategies remained weak. In 2006, this limited progress prompted a joint meeting of the OECD's development and environment ministers – the first in 15 years. The ministers adopted a *Framework for Common Action Around Shared Goals* to spur progress towards sustainable development (OECD, 2006), stressing three key priorities: climate change adaptation, capacity development, and water supply and sanitation. In response to this ministerial mandate, the DAC and EPOC jointly developed guidelines in these three areas. In parallel, the DAC ensured that environment featured in successive agreements on aid effectiveness – in Paris, Accra and Busan[2] (see Chapter 14).

Sustainability is now viewed as a driver of economic growth and development.

The economic crisis of 2008 has added further impetus to promoting sustainable development, as a number of OECD countries have begun to see the "green" dimension of sustainable development as a potential engine for economic recovery and growth. In 2009, member countries asked the OECD, including the DAC, to initiate work on green growth. More recently they have asked for a special focus on green growth in developing countries. Sustainability is thus no longer equated purely with environmental protection, but is viewed potentially as a key economic and development driver by all countries. This marks an important change in thinking and attitudes. In 2012, the DAC endorsed a Policy Statement for the Rio +20 Conference to reaffirm its commitment to greener and more inclusive growth as a way to achieve sustainable development (OECD, 2012a). The statement recognises that many developing countries "have taken the lead in the responsible use of natural resources and are learning the lessons from the shortcomings of conventional development models". It emphasises the particular needs of developing countries, where green growth "must deliver on national development, poverty reduction and job creation objectives in the context of sustainable development".

From commitment to action

DAC policy guidance has helped shape member countries' development co-operation.

The following short overview illustrates how policy guidance has been the central channel for DAC promotion of coherent and effective approaches to sustainable development. Since 1991, the DAC has developed 17 sets of targeted guidelines on various aspects of environment and development (see Annex 2.A1). These guidelines, prepared in close co-operation with specialised non-governmental organisations and multilateral

partners and endorsed by all DAC members, have influenced the operation of development agencies both at headquarters and in the field. The DAC guidance series is not about what providers of development co-operation *should* do to solve the problems of partner countries; rather, it presents *options* on how donors can collectively support partner countries to solve their own problems. The guidance is increasingly geared to support policy makers and development actors in partner countries as well.

The DAC policy guidance on integrating environmental sustainability and development can be roughly categorised into two groups: guidance on specific policy issues and guidance on policy instruments.

Guidance on policy issues: For its guidance work, the DAC has selected specific environmental issues it considers as particularly important and relevant to development. These include guidance on pesticides, coastal management, natural resources and pro-poor growth, biodiversity, the Rio conventions, and climate change adaptation. DAC policy guidance provides principles, possible approaches and good practice to address specific environmental issues effectively through development co-operation.

The focus has gradually shifted from local issues (*e.g.* pesticides, coastal management) to global issues (*e.g.* biodiversity, climate change). This does not diminish the relevance of local environmental issues, but reflects how global environmental issues, particularly climate change, have moved to centre stage on today's development agenda. *Integrating Climate Change Adaptation into Development Co-operation* (OECD, 2009), the joint flagship publication of the DAC and EPOC communities, recognises that environmental degradation and extreme weather effects will hit poor people and countries the hardest. It has become the reference document for advocating ways of "climate proofing" activities and projects funded through development co-operation. This has guided DAC members in renewing their strategies for helping developing countries build their adaptive capacity and has also reinforced their commitment. Some of the outcomes include increased funding for developing countries to build climate-resilient infrastructures; long-term support to agriculture and rural development and to sustainable land and water management; and greater attention to local governments and their authorities in implementing policies that improve local incomes and livelihoods.

DAC and EPOC have jointly developed guidance to enhance capacity for greening development both in partner countries and within development co-operation agencies. This work proposes a comprehensive framework to ensure that new capacities such as natural capital accounting, sustainable public procurement and green energy investment are fully integrated into country systems (OECD, 2012b).

Guidance on policy instruments: The second type of guidance is on policy instruments that can be applied to a range of different environmental issues. The instruments include environmental fiscal reform, environmental impact assessment and strategic environmental assessment.

Environmental impact assessment was arguably the starting point for integrating environmental considerations into development co-operation. The *DAC Good Practices for Environmental Impact Assessment of Development Projects* was issued in 1991 to ensure that development projects kept negative environmental or social impacts to a minimum. Eventually, it became clear that assessing environmental impacts at the project level is not sufficient; such assessments also need to be done for policies, plans and programmes at regional and national levels. This realisation led to the endorsement of award-winning[3]

DAC guidance on strategic environmental assessment (OECD, 2006), a tool that has been taken up in legislation and practice by an increasing number of developing and developed countries (see below).

From action to impact

DAC guidance on environment and development has helped DAC and EPOC members to support partner countries in addressing environmental issues in their development process. Evidence of impacts is visible in the DAC'S peer reviews for 2009-10, in which six countries (Austria, Germany, Japan, Sweden, Switzerland and the United Kingdom) chose environment and climate change as the special chapter to be included in their peer reviews. The most visible progress in this group of countries was in the introduction of environmental impact assessment (EIA) and strategic environmental assessment (SEA) of their development programmes. Guided by the DAC *Good Practices for Environmental Impact Assessment of Development Projects* (OECD, 1992), the reviews found that all six reviewed countries had made EIA a mandatory process for major development projects.

By 2010, 50 strategic environmental assessments of policies, plans and programmes had been implemented.

The uptake of SEA, which is an important tool to address environmental concerns at an early stage of decision making, is increasing but uneven. European donors are bound by EU legislation to use SEA in their policy processes, but non-EU donors use SEA only partially. Nevertheless, as of 2010, 50 SEAs had been implemented by development agencies based on the DAC guidance. The report *Strategic Environmental Assessment in Development Practice: A Review of Recent Experiences* (OECD, 2012c) illustrates nine cases where SEA has made important impacts on the ground through joint efforts by development co-operation and partner countries. These case studies suggest the need for continued efforts to harmonise SEA approaches, by means such as linking SEA to multi-donor budget support and applying SEA to climate change funding initiatives.

Integrating environment and climate change into domestic legal frameworks has been another area of progress. The synthesis of *DAC Peer Reviews* (OECD, 2011) has revealed evidence of progress in this aspect:

Too much focus on climate change risks neglecting other important environmental challenges.

- Japan's charter on overseas development assistance states that environment and development should be pursued in tandem.
- In Austria, environment is one of the three legally enshrined objectives for development co-operation.
- In Germany, the Federal Ministry for Economic Co-operation and Development has a Programme of Action on Climate and Development.
- In 2008, the Norwegian Ministry of Foreign Affairs introduced a *Practical Guide for Assessment of Sustainability Elements/Key Risk Factors* to provide an environmental and climate risk assessment framework for all new projects and programmes.

- In Sweden, environment and climate change constitute one of the three thematic priorities for development co-operation and the government has adopted a *Policy for Environmental and Climate Issues in Swedish Development Co-operation*.
- Switzerland's *Foreign Development Report* requires development co-operation to be in line with national environmental policy.
- The UK government's White Paper *Eliminating Poverty* has a strong focus on climate change.

The way forward

The DAC statistics in the next chapter clearly show the increasing trend of environment-related aid – including for climate change, biodiversity and desertification. It also illustrates where aid integrates environmental considerations into other sectors, such as transport and water. In this sense, the DAC's commitment to address sustainability has made visible progress.

However, an increasingly important and debated issue is the perceived competition between ODA for environment *versus* for other concerns, especially given the exceptionally strong political interest in climate change. There is a general concern in developing countries that the focus on "climate finance" – a financial transfer from developed countries to developing countries – may reduce the availability of ODA for non-climate issues. The *DAC Peer Review* synthesis (OECD, 2011) also stresses the danger of focusing exclusively on climate change and neglecting other key environmental issues such as biodiversity and desertification. The pressures on aid budgets in today's economic and financial environment add to these concerns.

As the world rapidly shifts towards green growth, it is important that DAC members continue to strengthen environment-related finance; but they must do so without neglecting non-climate environmental issues, inclusive growth and other development priorities. In addition, for development to be sustainable over the long term, developing country governments must exercise effective "ownership" of the development process. Developing country governments must take the lead in establishing and implementing their national sustainable development strategies through a broad consultative process. And they must ensure these strategies are fully integrated into policies, plans and programmes in all relevant sectors. This means that all policy and financial support from DAC members needs to be based on the demands and priorities of the partner country. Finally, greater awareness of and attention to development impacts from other policy areas will be increasingly important to achieve sustainable development. Many of these challenges are addressed in the last chapter of this report (Chapter 14), which provides five key challenges for development co-operation following the major UN conference on sustainable development held in Rio in June 2012 (Rio +20).

Notes

1. Each DAC member country is peer reviewed roughly every four years with two main aims: 1) to help the country understand where it could improve its development strategy and structures so that it can increase the effectiveness of its investment; 2) to identify and share good practices in development policy and strategy. The reviews are led by examiners from two DAC member countries.

2. The Paris Declaration on Aid Effectiveness was agreed in Paris, France, in 2005; the Accra Agenda for Action was agreed in Accra, Ghana, in 2008; the Busan Partnership for Effective Development Co-operation was agreed in Busan, Korea in 2011.
3. The award was given by the International Association for Impact Assessment (IAIA) in 2006.

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ANNEX 2.A1

Key OECD statements and products on environment and development

The policy statements, guidance and other products listed here result from the work programmes of the OECD's Development Assistance Committee (DAC) and Environmental Policy Committee (EPOC), often carried out jointly. The committees were supported by their subsidiary bodies, the DAC Network on Environment and Development (ENVIRONET) and the EPOC Working Party on Global and Structural Policies (WPGSP).

1991	**Meeting of OECD Ministers for Environment and Development endorsed:**
	– Policy Statement of the Meeting of OECD Ministers on Environment and Development
	– Good Practices for Country Environmental Surveys and Strategies
	– Good Practices for Environmental Impact Assessment of Development Projects
	– Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects
	– Guidelines for Aid Agencies on Global Environmental Problems
1992	**Rio Earth Summit**
1993	– Guidelines for Aid Agencies on Chemicals Management
1994	– Guidelines for Aid Agencies on Pest and Pesticide Management
	– Guidelines for Aid Agencies on Disaster Mitigation
	– DAC orientations for donor assistance to capacity development in environment
1995	– Guidelines for Improved Conservation and Sustainable Use of Tropical and Sub-Tropical Wetlands
	– Guidelines for aid agencies on global and regional aspects of the development and protection of the marine and coastal environment
1996	– Shaping the 21st Century: The Contribution of Development Co-operation
2001	**Millennium Development Goals adopted by the UN**
	– Strategies for Sustainable Development – Guidance for Development Co-operation
2002	**Johannesburg World Summit on Sustainable Development**
	– Integrating the Rio Conventions into Development Co-operation
2005	– Environmental Fiscal Reform and Poverty Reduction Guidance
	– Bridge Over Troubled Waters: Linking Climate Change and Development
2006	– Applying Strategic Environmental Assessment: Good Practice Guidance for Development Co-operation
	DAC-EPOC Joint Ministerial Meeting endorsed:
	– Declaration on Integrating Climate Change Adaptation into Development Co-operation
	– Framework for Common Action around Shared Goals
2007	– Natural Resources and Pro-Poor Growth: The Economics and Politics
2008	– Policy Statement on Strategic Environmental Assessment (SEA)
	– Rio Markers become a mandatory part of the DAC Creditor Reporting System
2009	**DAC-EPOC Joint Ministerial Meeting endorsed:**
	– Policy Statement on Integrating Climate Change Adaptation into Development Co-operation
	– Integrating Climate Change Adaptation into Development Co-operation Guidance

	– Working Together For Environmental Sustainability – Report to Ministers: Progress Since the 2006 Joint Ministerial Meeting
	– Adaptation Marker introduced into DAC Creditor Reporting System
2010	– Policy Statement on Integrating Biodiversity and Associated Ecosystem Services into Development Co-operation
2012	**Rio +20 Conference**
	– Policy Statement for the Rio +20 Conference
	– Greening Development: Enhancing Capacity for Environmental Management and Governance
	– Green Growth and Developing Countries Report (consultation draft)
	– *Development Co-operation Report: Lessons on Linking Sustainability and Development*

PART I

Chapter 3

Trends in aid to environment, a component of sustainable development finance (1991-2011)

by
OECD – DAC Statistics Division

With the fresh impetus for sustainable development and green growth highlighted in this Development Co-operation Report, *it is essential that we have robust and credible methods for measuring the financial resources pledged and allocated to achieve these goals. This chapter, contributed by the statistics team in the OECD's Development Assistance Committee, explains how aid to sustainable development is measured, how it has grown over the years and what challenges remain. The current marker system has already helped to raise awareness in donor agencies of the importance of mainstreaming environment in all development co-operation as demonstrated in the statistics presented elsewhere in this report. Future efforts are called upon to facilitate tracking international official and private flows in support of the Rio conventions and environmental objectives more generally.*

The previous chapter has outlined how sustainable development is a key focus for the work of the Development Assistance Committee (DAC), and, therefore, of the development co-operation programmes of the 24 DAC members, many of the largest providers of aid to the developing world. In this chapter the members of the DAC's statistical team analyse the data to examine whether the words are matched by actions: is aid increasingly being allocated to environmental activities, and to activities which promote sustainable development more broadly? In answering this question, the authors outline how DAC statistics actually work to measure and compare aid to these areas from each DAC donor.

Box 3.1. **From environment to sustainable development: A brief history of how DAC measures aid**

The first DAC discussions of the environmental impacts of aid-funded projects took place in the 1980s. Since then, various tools have been developed to help monitor the extent to which donors address environmental concerns in their aid programmes. The first tool was a simple question on the statistical reporting form asking donors to indicate, activity by activity,* whether an environmental impact assessment had been carried out. The focus soon changed to identifying activities that promoted environmental sustainability (as opposed to avoiding negative impacts) and resulted in data collection on "environment-specific" and "environment-integrated" aid dating from 1991. In 1997, data collection methodology was revised. Since then environmental sustainability has been considered as a policy objective of aid, defined as follows:

> An activity should be classified as environment-oriented if: *a)* it is intended to produce an improvement, or something considered as an improvement, in the physical and/or biological environment of the recipient country, area or target group concerned; or *b)* it includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development.

"General environmental protection" has been identified as a separate category in the DAC sector/purpose of aid classification since 1995. This includes specific environmental protection activities (for example biodiversity conservation), environmental policy and planning and environmental research.

Today, the DAC's mandate is to "promote development co-operation and other policies so as to contribute to sustainable development, including pro-poor economic growth, poverty reduction, improvement of living standards in developing countries, and to a future in which no country will depend on aid". As part of this mandate, the DAC must "monitor, assess, report, and promote the provision of resources that support sustainable development, as specified above, by collecting and analysing data and information on ODA and other official and private flows" (OECD, 2010).

* The term "aid activity" covers all types of aid including projects-type interventions, provision of technical assistance, budget support, training courses, contributions to non-governmental organisations, etc.

What type of sustainable development activities is being supported?

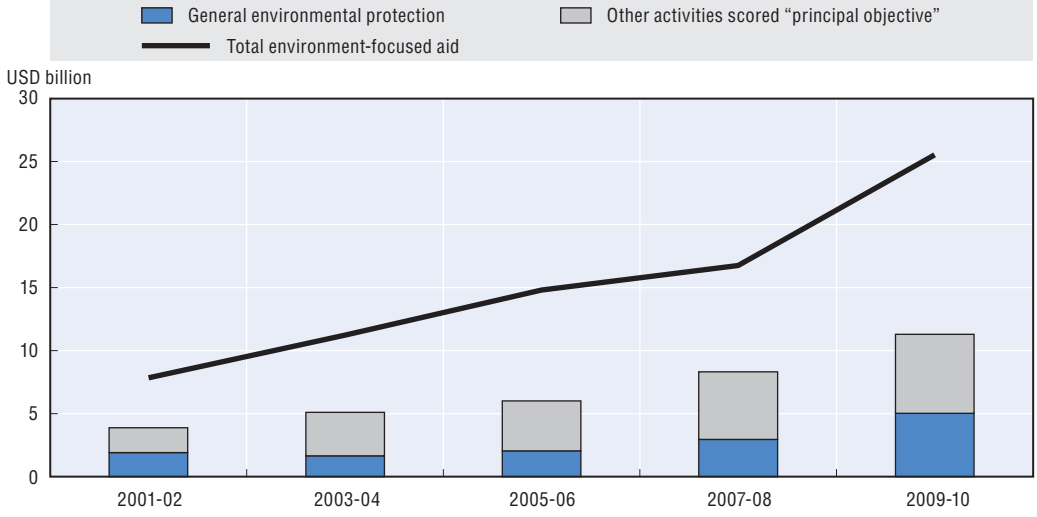
Aid to the environment

25% of bilateral sector allocable ODA in 2009-10 had environmental sustainability as one of their objectives.

Aid to the environment has been measured in DAC statistics since 1991. Since 1997, environmental sustainability has been considered as one policy objective of aid, reported on by using a policy marker system (Box 3.1). These measurements show that over the past decade, bilateral aid[1] targeting environmental sustainability as a "principal objective" has grown more than threefold, reaching USD 11.3 billion in 2009-10 (Figure 3.1).[2] This category includes both general environmental protection activities and environment-focused aid in various economic sectors, such as energy or water. There has been an even greater increase in aid targeting environmental sustainability as a "significant objective" (see Box 3.2 for definitions). The sum of the activities scored as principal and significant – referred to as the "upper-bound estimate" of environment-related aid – exceeded USD 25 billion in 2009-10, representing a quarter of bilateral sector allocable ODA. While the trend is obviously set by the largest donors, an analysis of figures for each donor (Table 3.1) indicates that the increase is general.

Figure 3.1. **Trends in aid to the environment, 2001-10**

Bilateral commitments, annual average, USD billion, constant 2010 prices



StatLink http://dx.doi.org/10.1787/888932699801

Mainstreaming environmental sustainability across aid activities

The data above demonstrate that all DAC members are increasingly taking environmental considerations into account in their aid programmes and are, thus, supporting sustainable development which rests on three pillars, environmental protection and social and economic development. The activities marked "significant objective" help identify the activities that integrate all these pillars.

Figure 3.2a shows that, setting aside activities directly targeting environmental protection, most environment-related aid from DAC members in 2009-10 went to water

Box 3.2. **The DAC's Creditor Reporting System and the policy marker tool for flagging aid to the environment**

The Creditor Reporting System (CRS) is the DAC's Aid Activity database, containing statistics on individual aid activities. It covers the activities of all 24 DAC members, as well as those of multilateral development banks, some UN agencies and other providers of development assistance. The CRS records over 100 000 new grant and loan commitments every year and is regularly updated. The reports include descriptive and financial information. The objective of the CRS Aid Activity database is to provide a set of readily available basic data: 1) that enables analysis on where aid goes, what purposes it serves and what policies it aims to implement; and 2) which are comparable across all providers of aid.

Since the 1980s, various tools have been developed to help the DAC monitor the extent to which donors address environmental concerns in their aid programmes. These have evolved over the years, with aid to the environment receiving increasing attention (Box 3.1). Today donors use a policy "marker" to identify aid volumes wholly or partly dedicated to environment activities. This distinguishes between activities that target environmental sustainability as a "principal objective" or "significant objective". The category "principal" means environmental sustainability is an explicit objective of the activity and fundamental in its design (*i.e.* the activity would not have been undertaken without this objective, such as a sustainable forest management programme). The category "significant" means environmental sustainability is an important, but secondary, objective of the activity (*i.e.* not one of the principal reasons for undertaking the activity). This marker system enables analyses of environment-oriented aid in all economic sectors. However, the downside of the system is that figures can only be considered as best estimates (data for activities with the score "significant" are less precise than those with the score "principal").[1] In general, analyses should take into consideration both categories, but should present each separately.[2]

1. It may happen that only a proportion of an activity scored "significant" targets environmental sustainability, whereas the amount recorded in the database relates to the entire activity.
2. When examining the share of a donor's aid that targets environmental sustainability, it is necessary to also take into account the score "not targeted" which means that the activity has been screened against, but was found not to be targeted to, environmental sustainability (please note activities not screened against the objective should be excluded from the total amount).

supply and sanitation (19% of the total), followed by energy generation and supply (15%), transport (14%), and agriculture and forestry (13%). Water supply and sanitation projects have been mostly reported as targeting environmental sustainability as a principal objective, while in the energy and transport sectors the significant score has been predominant (Figure 3.3).

Environment-related aid in the transport sector mainly consists of urban rail transport systems in big cities, which are indeed likely to "produce an improvement in the physical environment of the country concerned" as required by the environment marker definition.[3] In the energy sector the focus has been on promoting sustainable use of energy resources, *e.g.* power generation from renewable sources of energy (hydro, geothermal, solar and wind) and more efficient energy transmission networks. Such activities address environmental sustainability at the global level (*i.e.* by aiming to mitigate climate change), while their impact on the physical environment at the country level is less clear-cut (there are past examples of large hydro-power projects having devastating consequences on biodiversity). The descriptive information on the marked activities available in the online

Table 3.1. **DAC members' aid to the environment, 2005-10**

Bilateral commitments, annual average, USD million, constant 2010 prices

	General environment protection and other activities scored "principal objective"			Activities scored "significant objective"			% of sector allocable bilateral aid
	2005-06	2007-08	2009-10	2005-06	2007-08	2009-10	2009-10
Australia	87	108	69	73	14	*221*	*8*
Austria	25	23	24	38	56	*31*	*15*
Belgium	54	91	171	190	185	*192*	*29*
Canada	61	32	219	161	97	*457*	*24*
Denmark	151	138	154	371	208	*272*	*32*
EU institutions	568	646	985	2 300	917	*1 728*	*25*
Finland	60	107	175	155	85	*193*	*45*
France	228	720	1 423	259	681	*687*	*32*
Germany	715	1 132	1 482	1 273	1 523	*2 338*	*43*
Greece	4	9	8	14	12	*2*	*5*
Ireland	2	7	2	0	49	*69*	*16*
Italy	120	112	33	5	157	*201*	*36*
Japan	2 667	3 512	3 701	1 930	1 698	*3 706*	*56*
Korea	4	127	75	0	89	*165*	*14*
Luxembourg	2	4	7	0	20	*44*	*27*
Netherlands	287	352	162	47	17	*114*	*6*
New Zealand	13	5	4	43	34	*36*	*19*
Norway	155	277	470	113	239	*505*	*34*
Portugal	3	3	27	2	1	*5*	*13*
Spain	88	244	317	69	362	*940*	*39*
Sweden	315	204	317	848	613	*650*	*52*
Switzerland	37	37	63	0	0	*100*	*18*
United Kingdom	85	106	842	510	457	*551*	*23*
United States	283	330	596	388	916	*1 023*	*7*
Total	**6 015**	**8 326**	**11 328**	**8 787**	**8 429**	***14 230***	***27***

Note: The above statistics exclude non-sector allocable aid since several members do not apply the environment marker on these forms of aid. This category includes programme assistance, *e.g.* general budget support, debt relief and emergency aid.

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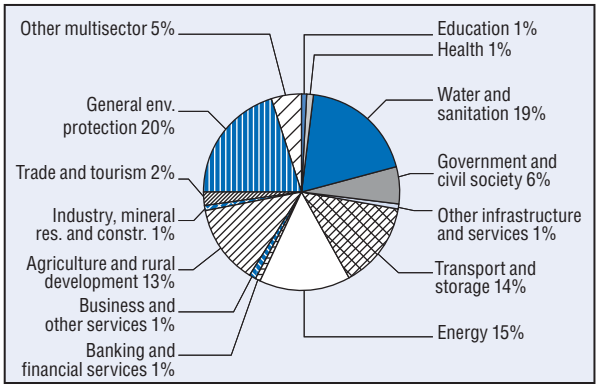
Figure 3.2. **Sectoral breakdown of aid to environment, 2009-10**

Panel A. Activities scored as "principal" and "significant"
As percentage of total marked activities
Calculation based on USD amounts



Panel B. Activities scored as "principal" and "significant"
As percentage of all marked activities
Calculation based on number of activities

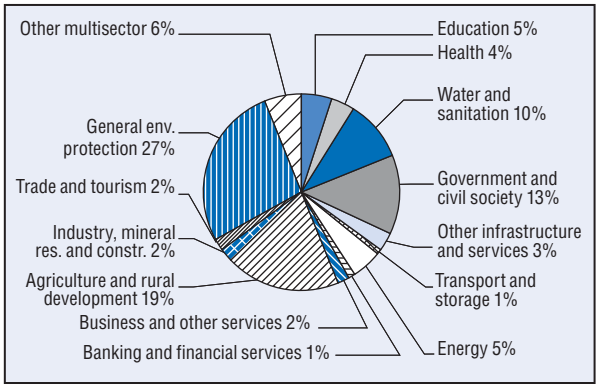


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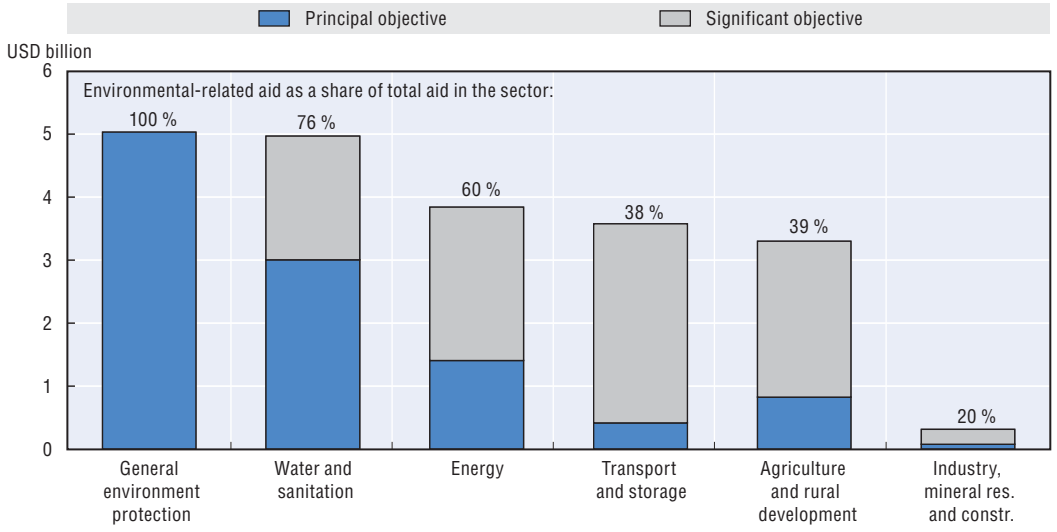
Figure 3.3. **Aid to environment by sector, 2009-10**

Bilateral commitments, annual average, constant 2010 prices



StatLink http://dx.doi.org/10.1787/888932699839

database (*www.oecd.org/dac/stats/idsonline*) can be used as a starting point for further research in this respect.

There is a high focus on environment in the water supply and sanitation sector.

Aggregate data of the kind presented in Figure 3.2a can, however, give a distorted picture of donors' approaches. Analyses that only draw on financial data may inadequately reflect the real level of donors' efforts, since capital-intensive investment projects will dominate the data, hiding smaller-scale capacity building activities. Figure 3.2b, therefore, presents the sectoral breakdown of environment-related aid based on the number of projects reported. Comparison with Figure 3.2a reveals that the large amounts of environment-related aid in transport and energy consist of just a few large projects, primarily addressing global environmental concerns. However, donors promote environmental sustainability through numerous other activities – including in education, health and government and civil society; these hardly show up in the aggregate statistics based on the volume of aid.

Aid to global biodiversity, climate and desertification goals

Since 1998, the DAC has also been tracking aid targeting global environmental objectives – the UN Convention on Biological Diversity (UNCBD), UN Framework Convention on Climate Change (UNFCCC) and UN Convention to Combat Desertification (UNCCD). At the request of the conventions' secretariats, three new "Rio markers"[4] were created to identify aid helping developing countries implement the conventions (see Part V of this report). Another aim was to help DAC members report financial data in their national reports (known as national communications) to the UNCBD, UNCCD and UNFCCC, as well as to help standardise these data so that they could be aggregated and compared across donors.

DAC donors were asked to report against these Rio markers on a trial basis until 2007; they have been included in standard CRS reporting since 2008. The conventions' secretariats requested of the DAC to keep collecting these data as they were the only set of internationally comparable and harmonised data on aid directed at their goals. The secretariats use these marker data in a variety of ways:

- To analyse trends in various background papers for the Conferences of Parties to the UNCBD, UNFCCC and UNCCD.
- As part of the Biodiversity Indicators Partnership of the UNEP World Conservation Monitoring Centre.
- To monitor the new UNCBD targets for 2020 (agreed at COP10).
- To update the FIELD system (Financial Information Engine on Land Degradation) and to produce aggregate statistics for various communication purposes and for decision making by the Global Mechanism (GM, the financial mechanism of the UNCCD).
- To analyse financial flows (Standard Financial Annex to the National Communications for the UNCCD).

Aid to biodiversity, climate change mitigation and desertification increased between 2005 and 2010.

Figure 3.4 presents data on the trends in aid to biodiversity, climate change mitigation and desertification between 2005 and 2010 (see Box 3.3 for climate change adaptation). The data on activities marked "principal objective" indicate a major increase in aid to climate change mitigation, while aid spending on biodiversity and desertification stagnated or declined. However, when "significant objective" information is included (the green line in each graph), all three Rio markers show an increasing trend. Critics might suggest that these patterns are due to donors' aid allocations being driven by self-interest (addressing a major global threat is a primary objective, while preserving the livelihoods of poor people, for example in drought-prone areas, is only a secondary objective). However, the fact that the three Rio conventions are interlinked should also be taken into account in the interpretation of the trends, with some climate change mitigation activities also promoting biodiversity and desertification measures (see below). Part V of this report includes figures for each DAC donor showing their contributions to the objectives of the Rio conventions between 2007 and 2010.

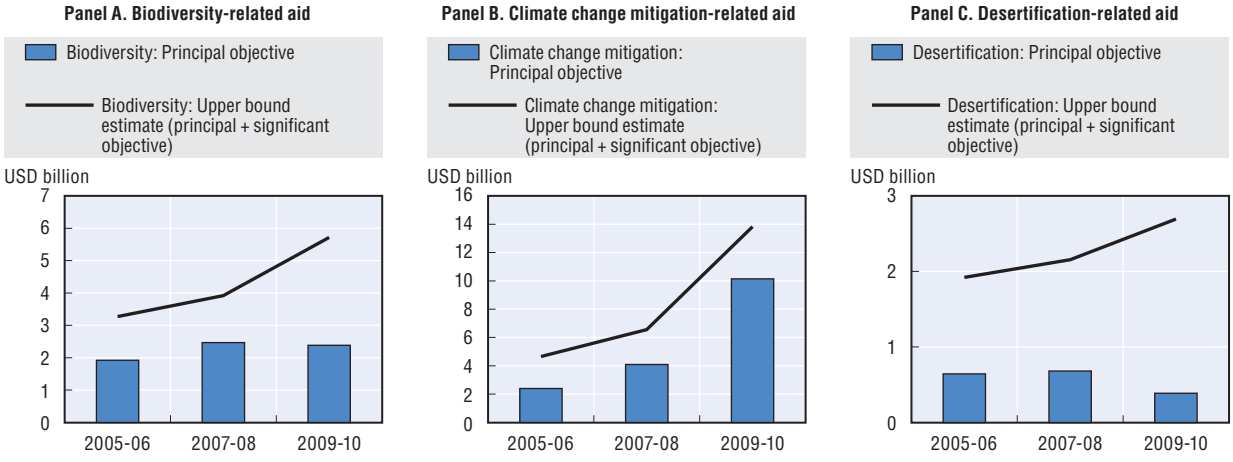
Challenges in measuring aid for environmental sustainability

Data overlaps

A key feature of the marker methodology is that one activity can address several policy objectives at the same time, causing some overlap in reporting and a risk of double accounting. Figure 3.7a demonstrates the overlap for 2009-10 data. It shows that over half of total environment-related aid had also been marked against one of the Rio conventions. Twenty-three per cent of climate change mitigation activities and 60% of desertification activities were at the same time biodiversity related. While this may well be correct – the three Rio conventions are mutually reinforcing – the overlap poses a problem for aggregating data for the three markers. To avoid double or triple-counting, therefore, biodiversity, climate change and desertification-related aid should *not* be added up.

Figure 3.4. **Trends in aid to biodiversity, climate change mitigation and desertification, 2005-10**

Bilateral commitments, annual average, USD billion, constant 2010 prices



Note: **Biodiversity-related aid** is defined as activities promoting one of the three objectives of the Convention on Biological Diversity (CBD): The conservation of biodiversity, sustainable use of its components, or fair and equitable sharing of the benefits of the use of genetic resources.

Note: **Climate change mitigation-related aid** is defined as activities that contribute to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

Note: **Desertification-related aid** is defined as activities that combat desertification or mitigate the effects of drought in arid, semi-arid and dry sub-humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land.

StatLink http://dx.doi.org/10.1787/888932699858

Using the Rio marker data with care

Many donors use the Rio markers for assembling their data to report on their commitments under the Rio conventions. Given the problems with overlap described above, can Rio marker data be used for reporting accurately on financial support and capacity building to developing countries, for example in the national communications to the UNCBD, UNFCCC and UNCCD?

The marker data are quite well-suited for describing individual donors' various activities, and the overlap among them is not an issue when examining the national communications for one developed country at a time. However, the Rio markers *do not* allow the identification of "new and additional resources"[5] as stipulated in the conventions,[6] and a problem arises from the moment donor reports are summarised and compared with one another, or when the data are used for pledge-monitoring purposes (Box 3.4). Without an internationally harmonised approach for tracking "new and additional" resources, each donor is free to apply their own definition of the term.

Our analysis shows that donors may be counting the same activity against several pledges (Figure 3.7a). For example, activities counted as fast-start climate finance are also reported as primarily targeted at reducing biodiversity loss or desertification. This seems inappropriate. When we only consider the principal objective score, the overlap between the Rio markers diminishes but does not disappear (Figure 3.7b). To avoid double counting there, it would be necessary to establish a rule stating that the principal objective score can only be reported against one marker.

Given the problems of the marker data for pledge-monitoring purposes, and the need for more accurate quantitative data at the national level, some donors have started refining the

Box 3.3. **Tracking aid to climate change adaptation**

In December 2009, members of the DAC approved a policy marker to track ODA for climate change adaptation activities. This complements the marker on climate change mitigation, now allowing us to present a full picture of all aid for developing countries' efforts to address climate change.

Adaptation-related aid is defined as activities that aim to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. It encompasses a range of activities, from information and knowledge generation to capacity development, planning and implementation of climate change adaptation actions.

Aid for climate change mitigation was estimated at USD 17.6 billion in 2010, and climate change adaptation at USD 8.9 billion. In certain cases, the same activity can be tagged as both mitigation and adaptation-related. This overlap amounts to about USD 3.9 billion (see Table 3.2).

Table 3.2. **DAC members' aid to climate change mitigation and adaptation, 2010**

USD million, current prices

	Bilateral contributions marker-based statistics, commitments					
	Climate change mitigation-related aid		Climate change adaptation-related aid		For reference: Aid marked both mitigation and adaptation	Total climate change-related aid
	Principal objective (a)	Significant objective (b)	Principal objective (c)	Significant objective (d)	(e)	(a + b + c + d – e)
Australia	130.9	216.1	104.2	348.3	288.3	511.2
Austria	10.6	11.8	2.3	3.3	2.4	25.6
Belgium	60.7	73.7	2.4	131.7	47.3	221.2
Canada	24.0	69.0	26.6	10.2	0.4	129.4
Denmark	75.4	282.6	8.9	361.6	312.3	416.1
EU institutions	317.4	469.8	114.0	572.2	263.9	1 209.5
Finland	21.9	128.1	17.2	186.4	93.3	260.3
France	2 502.3	92.5	435.5	0.0	257.1	2 773.2
Germany	1 625.2	1 594.6	66.1	480.4	290.0	3 476.3
Greece	2.7	0.6	4.4	0.0	3.4	4.4
Ireland	0.0	0.8	0.2	23.2	0.0	24.2
Italy	1.3	35.7	1.5	3.5	2.4	39.7
Japan	5 980.3	151.8	1 170.2	1 090.3	635.1	7 757.4
Korea	23.5	36.5	82.1	160.5	38.8	263.9
Luxembourg	0.9	1.8	1.3	4.4	2.2	6.2
Netherlands	128.5	39.9	26.2	621.2	37.8	778.0
New Zealand	1.0	4.6	2.2	29.0	2.2	34.5
Norway	762.0	109.5	68.1	86.3	79.5	946.4
Portugal	0.1	52.8	0.0	2.0	1.4	53.5
Spain	204.6	225.4	68.1	830.2	217.7	1 110.5
Sweden	34.8	349.6	47.1	404.7	276.5	559.7
Switzerland	68.5	51.4	61.9	122.4	52.9	251.3
United Kingdom	836.2	149.9	841.9	246.1	978.3	1 095.8
United States	636.1	t.b.c.	t.b.c.	t.b.c.	0.0	636.1
Total	**13 448.8**	**4 148.5**	**3 152.3**	**5 717.9**	**3 883.0**	**22 584.5**

Notes: Data in this table refer in all cases to DAC members' own contributions to developing countries (including through the Climate Investment Funds), not to their contributions to multilateral agencies. Thus, for EU members, the figures exclude their contributions to the EU institutions; however, the outflows of EU institutions to developing countries are shown against the relevant line. For the United States, changes in financial reporting systems are required to report against the markers; hence, some data are still to be determined. However, please see the United States Fast-Start Finance Report which includes USD 1.6 billion in FY 2010 appropriated grant-based support for climate change mitigation and adaptation: *www.state.gov/faststartfinance*.

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Box 3.3. **Tracking aid to climate change adaptation** *(cont.)*

Figures 3.5 and 3.6 highlight the geographical distribution of climate change mitigation and adaptation aid, respectively. Donors' aid for these objectives is mostly allocated to Asia (51% for mitigation and 41% for adaptation), followed by Africa (30% and 37% respectively) and the Americas (13% and 14%).

Figure 3.5. **Aid to climate change mitigation**

2010 USD million, current prices

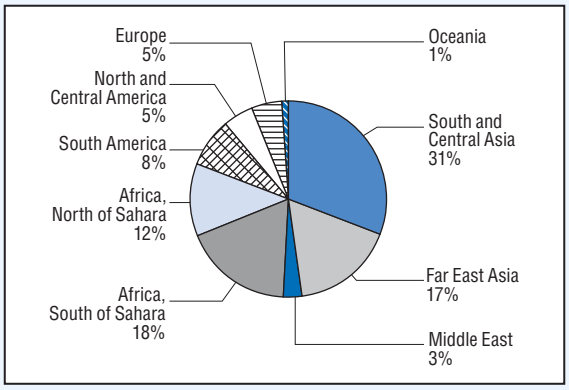

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Figure 3.6. **Aid to climate change adaptation**

2010 USD million, current prices

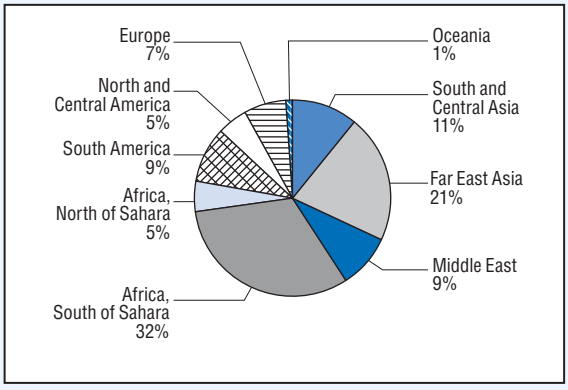

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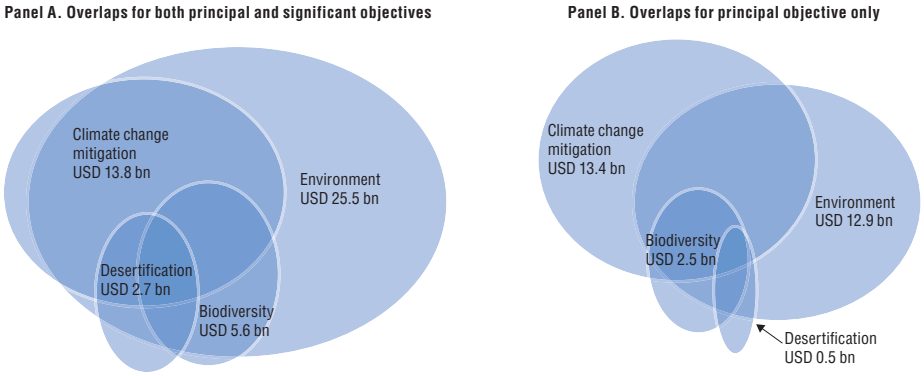
Figure 3.7. **Overlaps in DAC members' aid marked under the environment marker and the Rio markers, 2009-10**

Annual averages, USD billion, constant 2010 prices



scoring system for their own use (Box 3.5). The analysis comparing a donor's internal reporting with its DAC statistics in two highly environmentally relevant sectors, forestry and water, is of particular interest (Table 3.3). It confirms that aid activities reported as targeting environmental sustainability or the Rio conventions as a significant objective help to describe the multitude of ways in which donors provide support for environmental policy objectives. However, the number itself is a very rough estimate which requires careful explanation; in general statistical presentations it should only be referred to as an element in the calculation of the upper-bound estimates of environment-related aid. A key message from the work described in Box 3.5 is that it is feasible for national administrations to do more detailed data collection and analysis (using the data in project documents and budgets). However, this

Box 3.4. **DAC Recommendation on Good Pledging Practice**

Pledges are donor governments' political commitments to provide a certain amount of financing for a specific purpose. Pledges are usually announced at major international conferences, but with very little precision about the contents. The DAC has developed a new Recommendation on Good Pledging Practice to help bring greater clarity, comparability, precision and credibility to international aid pledges. The recommendation was included in the Accountability Report for the G8 summit in Deauville, France, in 2011, and reads as follows:

Conscious of the need to ensure that donor aid pledges are credible, achievable, and properly monitored, DAC members* will strive to observe, to the largest extent possible, the following principles in their future pledging practice in respect of financial undertakings towards developing countries.

1. **Clarity.** Pledges should specify all parameters relevant to assessing their achievement. These include, but are not limited to, the date or period covered, the source and terms of finance, and the baseline against which to assess any claims of additionality to existing flows or existing commitments.
2. **Comparability.** Global pledges by the donor community should be an actual sum of individual donor pledges, and these pledges should as far as possible be compatible in their terms, dates, baselines and units of measurement.
3. **Realism.** Pledges should be made for periods and amounts over which those pledging have an appropriate degree of control and authority. The pledges should be reasonable and achievable in the donor's budgetary and economic circumstances.
4. **Measurability.** Pledges should be made on the basis of existing measures of aid and other resource flows wherever possible. If the data necessary for monitoring a pledge are not already available, then monitoring responsibilities should be specifically assigned.
5. **Accountability and transparency.** Pledges should respond in a timely and efficient fashion to priority needs identified by aid beneficiaries, and donors should provide information sufficient to allow beneficiaries and third parties to track performance.

* The recommendation was endorsed by all DAC members except Greece, which abstained from approving the recommendation.

Source: OECD (2011), "DAC Recommendation on Good Pledging Practice", OECD, Paris, *http://acts.oecd.org/Instruments/ListNoGroupView.aspx?order=title*.

requires either hiring an expert to screen project budgets *ex post* or else integrating the additional data collection into desk officers' project-management procedures.

Tracking multilateral and non-ODA flows to the environment

In addition to their bilateral aid, donors provide funding for environmental activities through multilateral agencies. In order to obtain a more complete picture of the total ODA effort a donor makes for the environment, we must also estimate the share of its contributions through the multilateral system, *e.g.* multilateral development banks (MDBs), the global funds or UN agencies. A strength of the DAC's statistical reporting system is that it can extrapolate these multilateral allocations in support of environment using a common methodology for all donors. For example, statistics on donors' support for climate change should include a part of their contributions to the Global Environment Facility Trust Fund (GEF). To estimate that specific amount (referred to as the "imputed amount"), the share of the GEF's outflows targeted to climate change (estimated as expenditures within the "climate change focal area" and prorated portion of "multifocal area") is applied to donors' contributions to the GEF. Specific amounts can be imputed in a similar way for any multilateral agency

Box 3.5. **Donor improvements to Rio marker data analysis**

Finland and Switzerland have both reviewed their Rio marked activities and assessed the share of their budgets that are allocated exclusively to each objective.

Switzerland looked at climate change mitigation and adaptation data. Applying a "climate-specific" share to activity expenditures, the analysis revealed that the country allocated USD 105 million overall for "climate-specific" aid in 2010 (including disbursements by the Swiss Agency for Development and Co-operation and multilateral contributions). This is less than half the amount reported by Switzerland to the CRS using Rio marker commitment data (USD 251.3 million).

Finland looked at its exclusive spending on climate mitigation, adaptation, biodiversity and desertification, applying percentages (based on in-depth analysis of project budgets). This reveals a large difference in total amounts obtained in relation to each marker, especially where many activities were reported as "significant objective" in the CRS. However, the difference is smaller when assessing principal objectives and, at the aggregate level, for all markers combined.

In the internal Finnish system, percentages for Rio markers need to add up to a total of less than 100%; this deliberately avoids overlaps (see Table 3.3 for an example from the forestry and water sectors). In the CRS system, on the other hand, overlaps need to be carefully explained to data users and excluded from totals for several Rio conventions.

Table 3.3. **Comparison of CRS reported data and national budget percentages, Finland**

Panel A. Forestry sector, 2010 commitments

Markers	USD million			% of total aid to forestry	
	Marker-based DAC statistics		Applying Finnish internal percentages (%)	Marker-based DAC statistics (significant and principal) (%)	Applying Finnish internal percentages (%)
	Significant	Principal			
Environmental sustainability	9.5	22.2	27.4	100	86
Rio markers					
Mitigation	31.7		14.4	100	45
Adaptation	22.2	1.8	4.1	76	13
Biodiversity	31.1		4.0	98	13
Desertification	24.1	0.0	3.1	76	10
Total adjusted for all markers, to avoid double counts	31.7		25.6	100	86

Panel B. Water sector, 2010 commitments

Markers	USD million			% of total aid to water	
	Marker-based DAC statistics		Applying Finnish internal percentages (%)	Marker-based DAC statistics (significant and principal) (%)	Applying Finnish internal percentages (%)
	Significant	Principal			
Environmental sustainability	44.6	39.9	45.3	100	54
Rio markers					
Mitigation	19.7		3.7	23	4
Adaptation	40.5	1.8	7.4	50	9
Biodiversity	17.3		3.6	20	4
Desertification	16.9	0.4	2.9	20	3
Total adjusted for all markers, to avoid double counts	84.5		45.3	100	54

StatLink http://dx.doi.org/10.1787/888932699953

which reports on its environment, biodiversity, climate change or desertification-related expenditures in DAC statistics,[7] provided donors' core contributions to the agency are identifiable in the data through the channel of delivery codes.[8]

The DAC Secretariat is working on the Environment and Rio markers with MDBs and other multilateral agencies so as to be able to include multilateral flows in all analyses of aid to environment in the future. This has included discussions with the MDB Working Group on Tracking Climate Finance on how best to link the Rio markers with the banks' approach which, instead of scoring a project as targeting mitigation/adaptation as a principal or significant objective, reports an activity as "providing mitigation or adaptation co-benefits".[9] The term "co-benefit" is used to stress the fact that the primary objective of the MDBs is development, even though they increasingly take account of the climate effects of their projects in a way that generates climate co-benefits.[10]

Similarly, the DAC statistical framework can be easily adapted to collect data on environment-related non-ODA development finance.[11] A first step in this direction was taken in June 2011 when DAC members agreed to extend the application of the Rio markers to non-concessional financing from development finance institutions. In relation to climate finance where the pledge of USD 100 billion is stated to consist of financing from both public and private sources, how can we track whether these pledges are being respected? The DAC is collaborating with the UNFCCC Expert Group on Climate Change (CCXG) to: *i)* improve the sectoral data on export credits to help identify those which could potentially mitigate climate change; *ii)* clarify definitions of various categories of private flows; and *iii)* introduce possible new statistical categories for official sector interventions that leverage private finance.

The way forward

Our ability to be transparent and accurate in measuring official development assistance has come a long way. While in the 1990s, the emphasis was on aggregate aid statistics and activity-level reporting was limited to the main aid agencies (thus excluding many technical co-operation programmes), the last decade has brought about a general drive for transparency in aid. From 2001 onwards, DAC donors' reporting to the CRS Aid-Activity database has covered their total bilateral ODA. Their reporting on the policy markers has improved progressively; this is largely in response to the international environmental conventions and the need to demonstrate to various constituencies in donor countries that aid also supports global objectives, such as the fight against climate change, biodiversity loss or desertification.

All in all, the DAC policy marker system is part of a solid statistical framework which can be further developed to incorporate more detailed reporting on aid in support of environmental policy objectives when such data become available in donors' internal systems. Encouraged by the first results of active collaboration with the MDBs and other stakeholders, efforts will be pursued to facilitate tracking international official and private flows in support of the Rio conventions and environmental objectives more generally. The mere existence of the marker system has helped to raise awareness in donor agencies of the importance of mainstreaming environment into all development co-operation as demonstrated in the statistics presented elsewhere in this report.

Notes

1. Bilateral aid is provided directly by a donor country to an aid recipient country, whereas multilateral aid is when a donor country makes contributions to the core budget of a multilateral agency, such as the World Bank.
2. While donors can only be praised for improved reporting on environment-oriented aid, the progress in the coverage of the database complicates the analysis of long-term trends. The data presented below, therefore, focus on the last ten years for which coverage is complete and marker data reasonably consistent across DAC members.
3. Environmental sustainability in aid reporting is defined as follows: "An activity should be classified as environment-oriented if: *a)* it is intended to produce an improvement, or something considered as an improvement, in the physical and/or biological environment of the recipient country, area or target group concerned; or *b)* it includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development." (CRS Reporting Directives, Annexes 6 and 7).
4. The developed countries that signed the three Rio conventions in 1992 committed themselves to assist developing countries in the implementation of these conventions. Since 1998, the DAC has monitored aid targeting the objectives of the Rio conventions through its Creditor Reporting System (CRS) using the so called "Rio markers". Every aid activity reported to the CRS should be screened and marked as either: *i)* targeting the conventions as a "principal objective" or a "significant objective", or *ii)* not targeting the objective.
5. Referred to in the jargon as "additionality".
6. In a policy brief to COP10, the UNCBD BirdLife International notes there are "only a handful of biodiversity-targeted assistance programmes", while a large proportion of the bilateral spend is "part of previously committed development aid and, therefore, is neither new nor additional". The overlaps in the marker data confirm this (Figure 3.7).
7. So far, only the World Bank reports on Rio markers. The Inter-American Development Bank is expected to start its reporting on the Rio marker of climate change mitigation on their 2011 flows in late 2012.
8. Channels of delivery identify the first implementing partners of donors' aid programmes; channel codes are used to distinguish among different implementing partners, *i.e.* public sector, NGOs, public-private partnerships, multilateral agencies and private sector. Hence, channel codes permit the identification of core funding to specific multilateral organisations.
9. The World Bank applies this system at the project component level, which allows the estimation of the percentage of each project's budget addressing climate change.
10. For adaptation, the MDB methodology is still being finalized.
11. Many DAC members give developing countries official finance that does not qualify as ODA either because the operations are clearly not development-motivated (*e.g.* export-related operations) or because the finance is extended at non-concessional terms (*e.g.* non-concessional loans from bilateral development finance institutions). See Part V for more information.

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PART II

High stakes for people and natural resources

PART II

Chapter 4

Factoring population dynamics into sustainable development

by
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Although population growth has decelerated in most countries, the world's population is still growing at a high rate. Without a significant and rapid drop in fertility rates it could reach 16 billion by 2100, according to the latest projections of the United Nations Population Division. Population growth, coupled with higher consumption, raises the stakes in our efforts to reduce poverty, create employment, provide food, water and energy security, while safeguarding the natural environment. These facts were well-known nearly 20 years ago when, shortly after the 1992 Rio Declaration, the 1994 International Conference on Population and Development Programme of Action outlined a two-pronged approach to promote sustainable development. This approach called for a shift towards sustainable production and consumption, together with appropriate policies to address demographic change. Yet action is long overdue. To promote sustainable development pathways, developing countries and their partners will need to ensure: i) *universal access to sexual and reproductive health care and family planning;* ii) *investment in education with a particular focus on gender parity;* iii) *empowerment of women; and* iv) *systematic integration of population projections in development strategies and policies.*

People are central to sustainable development.

People are the central concern of sustainable development (Rio Declaration, 1992, Principle 1). Efforts to promote more sustainable development pathways must take account of people – their numbers, location and age structures, as well as their living conditions, ambitions and opportunities (IIASA and UNFPA, 2011). A focus on people is also essential to better understand the linkages among social, economic and environmental development, and for a strong and more meaningful integration of these dimensions of sustainable development.

How population dynamics link to sustainable development

Population dynamics are strongly and inseparably linked to sustainable development. The world population has now passed the 7 billion mark and, according to the UN's projections, it will continue to grow. Population growth raises the stakes in our efforts to reduce poverty, create employment, and provide food, water and energy security, while safeguarding the natural environment (WEF and UNFPA, 2012).

To feed 9 billion people we will need to increase agricultural output by 70%.

Population growth paired with higher consumption increases the pressure on all natural resources. More than 1 billion people throughout the world suffer from poverty and food insecurity. Lifting these people out of poverty and ensuring a decent quality of life for succeeding generations will require major development efforts. Not only is it important to ensure a more equitable distribution of economic resources – a growing challenge in an increasingly unequal world; higher economic output is also essential (Herrmann, 2012). Feeding a world population of 9 billion, which will likely be reached before the middle of this century, will require an overall increase in agricultural output of about 70% according to the FAO (2010). In addition to increasing the output of the agricultural sector, countries will also need to increase production of many other vital goods and services. People will require clothing, housing, water, sanitation and infrastructure; they will also demand health care and education, for example. The ambition to reduce poverty and raise living standards for a growing world population will place mounting pressures on all natural resources, including climate, water, land and forests.

By 2050, the population of the least developed countries will double.

The world's least developed countries are the most immediately affected, but the challenges demand global policy responses. The poorest countries have the highest rates of population growth. They also have the highest incidence of poverty and food insecurity and confront the greatest challenges in raising and maintaining per capita spending on

health and education for their growing populations. Furthermore, while a comparatively small share of their populations is outright unemployed, with scarce unemployment benefits, the vast majority suffers from unproductive and often precarious underemployment, as well as from vulnerable employment (ILO, 2011). By 2050, the population of these countries will double and their collective available labour force will continue to expand by about 33 000 young people each day (UNFPA, 2011a). Meeting the needs of their current and future populations, while promoting environmental sustainability, is an increasing development challenge for many of the poorest countries.

Even though to date the world's poorest countries have contributed least to global greenhouse gas emissions, they are disproportionately affected by climate change, which is reinforcing exposure to natural hazards, including shifts in precipitation and increases in desertification that have a direct impact on agriculture. Nonetheless, pressures on agricultural land, forest and water resources are not only attributable to climate change; they also result from patterns of consumption and production in the poorest countries themselves. Many of these countries rely heavily on the exploitation of their natural resources to spur economic growth – notably extractive industries and large-scale agriculture and timber production – and many of the poorest households depend on wood and other natural resources for their daily needs. Recently, UNFPA (2011a) has drawn attention to the fact that the world's least developed countries are suffering most from a rapid degradation and depletion of their natural resources, and that this is effectively undermining a sustainable catch-up with more advanced countries (see also UNCTAD, 2011). Between 2000 and 2008, the average rate of real economic growth in the least developed countries was almost as high as in other developing countries (6.5% compared with 6.6%, respectively); but when adjusted for population growth and environmental degradation and depletion, this amounted to almost half of what it was in other developing countries (2.5% compared with 4.7%, respectively) (UNFPA, 2011a).

Although the impacts of population growth and environmental degradation are most pronounced in the least developed countries of Sub-Saharan Africa and South Asia, these challenges inevitably have serious global implications that demand globally co-ordinated responses. The world is not only bound together by trade and financial flows, but also by environmental and demographic change. Efforts to meet rapidly growing demands for water, food and energy, for example, will affect all countries. Likewise, failure to meet people's needs, reduce poverty, raise living standards and ensure greater equity will threaten stability, security and sustainability throughout the world.

The Programme of Action agreed upon at the International Conference on Population and Development (ICPD) in Cairo in 1994 identifies policy priorities for sustainable development. Its preamble clearly identifies the focus and objectives of this landmark document: "The population and development objectives and actions of the present Programme of Action will collectively address the critical challenges and interrelationships between population and sustained economic growth in the context of sustainable development" (Paragraph 1.9). Echoing the Rio Declaration of 1992 (Principle 8), the ICPD Programme of Action (Principle 6) outlines a two-pronged approach to promote sustainable development, notably a shift towards sustainable production and consumption – which is the hallmark of a green economy – and the development and implementation of appropriate policies to address demographic change.

Demography is not destiny

Without urgent action we could be living in a world of 16 billion people by 2100.

Whether the world population will grow over 9 billion by mid-century and level off at about 10 billion by the end of the century, or grow instead to over 10 billion by mid-century and reach about 16 billion by the end of the century depends on policies that countries pursue today. The difference between the mid and high-range UN population projections boils down to only an additional 0.5 children per woman (UNFPA, 2011b; UN, 2010). Every decade of delay in reaching replacement-level fertility implies continued, significant population growth for decades to come (UN, 2011).

All countries, especially the poorest, must use population data and projections to inform their development strategies.

Countries can address population dynamics through effective, human-rights based policies and good planning. Together, universal access to sexual and reproductive health care, voluntary family planning, investment in the education of youth with a particular focus on girls, and the empowerment of women can make a big difference. These measures will not only help to improve quality of life by reducing infant, child and maternal mortality; arresting the spread of communicable diseases; and reducing unintended pregnancies of young women – they will also contribute to reducing fertility and slowing population growth. Yet, even if fertility levels were to drop quickly to replacement levels, populations would continue to grow for decades to come because of the sheer number of women of child-bearing age. In the poorest countries, urban populations will grow at an even faster pace than rural ones. It is critical that all countries, including the poorest, systematically use population data and projections to inform their development strategies. Through planning, countries can address the many challenges associated with rapid urbanisation by seizing the immense opportunities this process offers for economic, social and environmental development. Demographic change can provide opportunities for sustainable development. Rural-urban migration can also ease pressures on natural resources and enable people to adapt to changes in economic and environmental conditions. In this way, urban population growth – accelerated by rapid migration in many of the poorest countries – can contribute positively to sustainable development. As populations increase, it makes economic and environmental sense for people to move closer together in urban areas, where they tend to consume less energy – adjusted for income – than in rural areas. Energy savings are particularly large in the urban housing and transport sectors, allowing governments to deliver essential infrastructure and services at lower costs per capita than in rural areas.

Demographic change can provide opportunities for sustainable development.

Furthermore, a fall in fertility levels will temporarily reduce dependency ratios and open a window of opportunity for households and countries to increase investment in their productive resources. For instance, higher investment in young people can contribute to a healthier, better-educated and more productive labour force; if those young people find

jobs, it will trigger higher and more sustained economic growth. The ICPD Programme of Action noted that "slower population growth has in many countries bought more time to adjust to future population increases. This has increased countries' ability to attack poverty, protect and repair the environment, and build the base for future sustainable development. Even the difference of a single decade in the transition to stabilisation levels of fertility can have a considerable positive impact on quality of life." (ICPD, 1994)

The way forward

The inseparable linkages between population dynamics and sustainable development hold concrete policy implications for developing countries and their bilateral and multilateral development partners. Today, there is wide consensus that population matters for sustainable development and that it is fundamental to spell out the implications of their inter-relations to develop a credible agenda. To promote sustainable development pathways, developing countries and their partners will need to ensure: *i)* universal access to sexual and reproductive health care and family planning; *ii)* investment in education with a particular focus on gender parity; *iii)* the empowerment of women; and *iv)* the systematic integration of population projections in development strategies and policies. Planning for the projected changes in population size and age structures, or migration and urbanisation, is an indispensable precondition for sustainable rural, urban and national development, as well as for efforts to mitigate and adapt to climate change and reduce the risks of natural disasters. Without planning for these demographic transitions and seizing their benefits, governments will be forced to operate in a permanent crisis mode, reacting to demographic challenges as they arise – which is typically more costly and less effective.

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Development Co-operation Report 2012
Lessons in Linking Sustainability and Development

PART II

Chapter 5

Delivering sustainable energy for all

by
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European Commissioner for Development

The developing world needs sustainable energy to support its growth and to move people out of poverty. Worldwide, 1.3 billion people still have no access to electricity, and up to a billion more have to cope with unreliable access at best. In particular, rural Sub-Saharan Africa has an electrification rate of only 12% and the total number of people without access to electricity continues to rise steadily. The UN, under its Sustainable Energy for All initiative, is seeking to ensure universal access to modern energy services by 2030. In this chapter, the author describes how the European Union, which provides more than half of all global official development assistance (ODA), is contributing to the UN initiative, placing the emphasis on access to modern energy services; regional integration, focusing on projects with a regional reach; and broad-based renewable power generation. Nonetheless, he notes that official development assistance will not be able to meet the challenge alone. The private sector will need to engage much more actively, both through investment and through financing. The rewards will be substantial: new markets, new productive partnerships, new innovative technologies for developing countries, and more income and jobs.

The developing world needs energy to support its growth and to move people out of poverty. It needs sustainable development, and this means sustainable energy. Without electricity, how can developing country governments hope to bring clean water to every citizen? How can they ensure good education? How can they provide basic health care? How can they generate new jobs? And yet, today, many of the world's poorest citizens still have no access to reliable supplies of electricity.

If the world is to achieve sustainable energy for all by 2030, we need action now.

In September 2011, the UN Secretary-General Ban Ki-moon launched the Sustainable Energy for All initiative. It aims, by 2030, to: 1) ensure universal access to modern energy services; 2) double the global rate of improvement in energy efficiency; and 3) double the share of renewable energy in the global energy mix. This is a formidable challenge, requiring huge investments and concerted efforts by all stakeholders. And action is required now.

President Kagame of Rwanda put it eloquently when addressing his ministers: "Why don't our citizens have electricity? We need electricity, and not stories about electricity. We have had enough of that and I want us to do something about it. We can't wait any longer."

We in the EU are prepared to play our role in supporting the initiative by stepping up our activities. Where there is a strong government commitment we must be there as a partner, with our development aid and with support from our private sector.

Access to modern energy

When Ban Ki-moon decided on his vision to bring sustainable energy to all by 2030, the decision was not taken on a whim. It stemmed from a realisation that had been growing ever stronger since the World Summit on Sustainable Development in Johannesburg in 2002: namely, that energy poverty is a key constraint to economic development and to the eradication of poverty in developing countries.

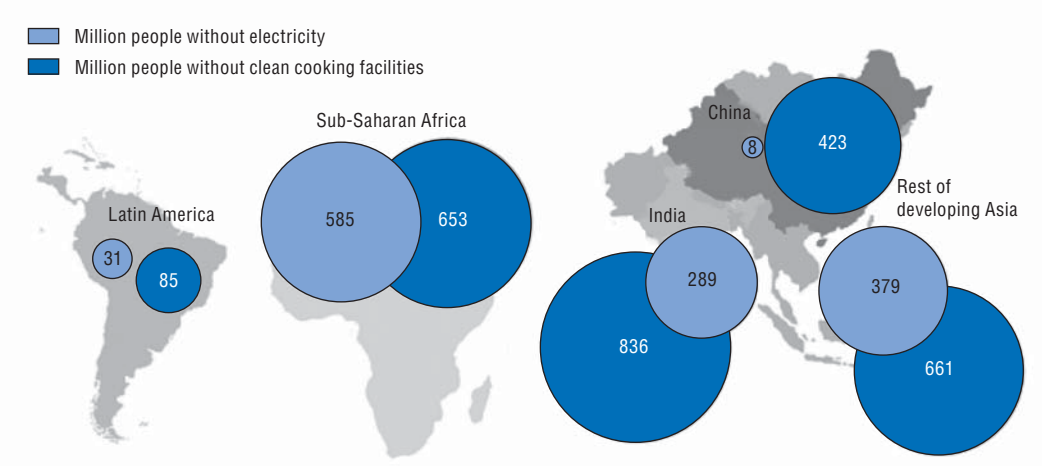
Access to modern energy sources improves people's lives in many ways. Most importantly, it increases their ability to earn a living and escape from a subsistence lifestyle. Without adequate access to affordable energy, people can be trapped in poverty because they lack the means to work their way out of it. The important link between poverty eradication and the productive use of energy has been highlighted recently by numerous studies (Practical Action, 2010; EU Energy Initiative and GIZ, 2011). Agriculture – the main activity on which almost half of all people in the developing world rely for their livelihoods – provides clear examples: increased energy access has considerable impact on productivity and returns at each stage of the value chain, from production, post-harvest processing and storage, to marketing.

Without further efforts, the number of people without electricity will remain above 1 billion in 2030.

In recent decades, some countries have made remarkable progress in increasing their citizens' access to modern energy services. Access to electricity in China is the standout example, but many other countries in Asia, together with some in Africa, have done well in this regard. And yet, the current analyses show that unless we step up efforts even further, the number of people without electricity will remain above 1 billion in 2030, and there will be no decrease in the number of people who lack clean cooking facilities.

Energy poverty is not evenly spread around the world. In its annual publication, *World Energy Outlook*, the International Energy Agency uses the limited data sources available to follow and analyse progress. The most up-to-date data are represented in Figure 5.1.

Figure 5.1. **How energy poverty is spread throughout the world, 2009**



Source: IEA (International Energy Agency) (2011), *World Energy Outlook 2011*, OECD Publishing, Paris.

One stark statistic emerges from this figure: more than 95% of the people who are deprived of modern energy services are living either in Sub-Saharan Africa or in the developing areas of Asia.

In Sub-Saharan Africa, at least 88% of the rural population has no access to electricity.

It is vital that our efforts to tackle the energy access problem include a special emphasis on Africa. Most of the poor in Africa live in rural areas, where access to electricity is only 23%. The figure for rural Sub-Saharan Africa is even lower: a meagre 12%. In Sub-Saharan Africa as a whole, less than 30% of the population has access to electricity. Furthermore, this is the only region in the world where the total number of people without access to electricity continues to rise steadily; unfortunately, this worrying trend is expected to continue. Finally, in parts of Sub-Saharan Africa today, the proportion of the population relying on biomass as their primary fuel for cooking is as high as 90%.

The EU's energy initiative

The EU was one of the first to address the energy access problem, launching – at the World Summit on Sustainable Development in Johannesburg (2002) – the EU Energy Initiative (EUEI). *Energy for the Poor* (DFID, 2002), published in connection with the summit, provided the context for the EUEI, highlighting the important relationship between energy access and poverty reduction and identifying energy as the missing Millennium Development Goal. The EUEI's aim was threefold: to raise political awareness among high-level decision makers; to bring coherence and synergy into energy-related activities; and to attract new resources (capital, technology and human resources) from the private sector, financial institutions, civil society and end users. The EU formed the EUEI Partnership Dialogue Facility[1] to support developing countries' efforts to integrate energy into their poverty reduction strategies, and launched the first ACP[2]-EU Energy Facility[3] to pursue a bottom-up approach to tackling the energy access problem.

The focus on energy in Africa received a strong boost in Lisbon in December 2007, when the EU and Africa decided to create the Africa-EU Energy Partnership[4] (AEEP) as part of a Joint Africa-EU Strategy. Built directly on the EU Energy Initiative, the AEEP was devised as a long-term framework for structured political dialogue and co-operation between Africa and the EU on energy issues of strategic importance, reflecting both African and European needs. I attended the high-level partnership meeting in Vienna (September 2010) where we agreed with our African partners on three joint targets: to provide modern energy services to an additional 100 million people by 2020; to double the capacity of energy interconnectors in Africa, and between Africa and Europe; and to construct an additional 10 000 MW of hydropower, 5 000 MW of wind power and 500 MW of solar energy. So even before the Sustainable Energy for All initiative had been launched, we were on the right track with the AEEP.

2010 saw the EU step up its funding to energy access projects in Africa.

In May 2009, the Council of the European Union, in its conclusions related to energy and development,[5] put a special emphasis on supporting increased access to modern energy services in the rural and peri-urban areas of Africa, with support being based on decentralised solutions and focusing on renewable energy. In response to these Council conclusions, financing for the ACP Energy Facility was increased from EUR 200 million to EUR 400 million.

Overall, the European Commission has spent an average of about EUR 315 million a year over the past seven years[6] to improve the state of the energy sector in developing countries, including efforts to increase access to modern energy services (Box 5.1). A new blending instrument was created in 2010, pooling the EU's grant resources with lending from European development finance institutions (EDFIs) to scale up the projects promoted through the Energy Facility to improve energy access. In addition, the European Investment Bank (EIB) has prioritised energy, resulting in billions of euros being granted to developing countries over recent years in the form of preferential loans.

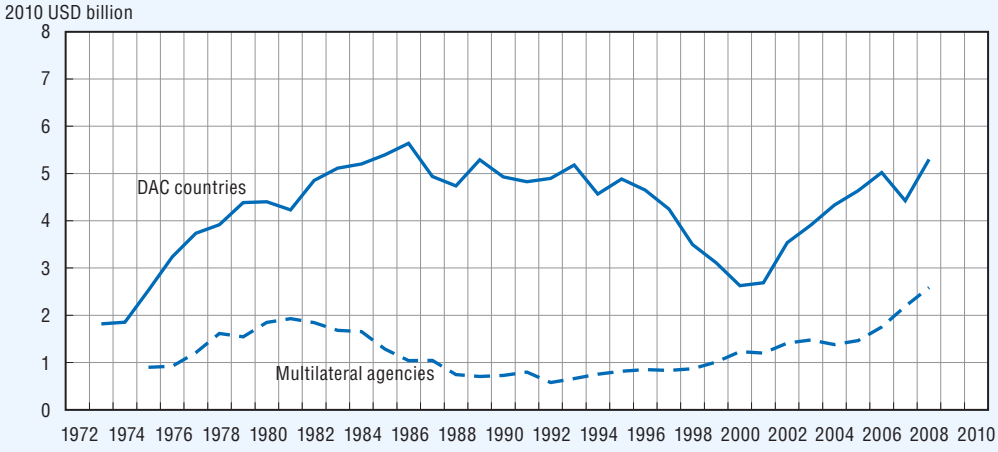
In its 2011 *Agenda for Change* (EC, 2011), the EU proposes a greater focus on investing in the drivers of inclusive and sustainable economic growth. Sustainable energy is central to such growth. Unleashing the huge potential of sustainable energy will create job opportunities while enabling the conservation of – and investment in – key natural resources,

Box 5.1. **Trends in aid: Energy**

Between the mid-1980s and early 2000s, aid to energy fell from more than 8% of sector allocable aid to around 4%. In the last decade, however, it has risen again and is now close to its mid-1980's peak in real terms. The fall started when the "Helsinki package" came into force in 1992. This precluded the use of tied aid for commercially viable projects, which led to a fall in aid for energy projects and a shift to capacity development (*e.g.* to help elaborate energy policies) that involved smaller amounts of aid. Aid to energy started rising again in the early 2000s, after the Kyoto Protocol stimulated donor interest in renewable energy projects.

Figure 5.2. **Trends in aid to energy**

Commitments 1973-2010, 5-year moving average, constant 2010 prices



Note: Five-year moving averages, *e.g.* 2008 = average of 2006-10.

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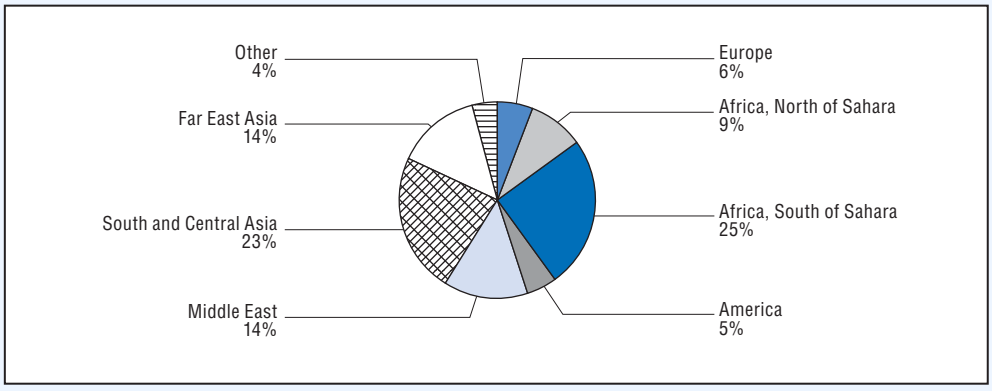
In 2009-10, total annual average aid commitments to energy amounted to almost USD 10 billion. Among DAC members, the largest donors in 2009-10 were Japan (USD 2 billion) and Germany (USD 1.6 billion). On the multilateral side, the International Development Association (IDA), the soft loan window of the World Bank, is the predominant agency (USD 1.6 billion).

Figure 5.3. **Regional breakdown of aid to energy by all donors**

2005-10 commitments



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Box 5.1. **Trends in aid: Energy** *(cont.)*

Over the period 2005-10, aid flows to energy primarily targeted Asia, including the Middle East (51%), followed by Africa (34%).

Table 5.1. **Aid to energy by donor, 2005-10**

Annual average commitments and disbursements, shares in total sector allocable aid, constant 2010 prices

	Commitments, USD million			% of donor sector allocable			Disbursements, USD million		
	2005-06	2007-08	2009-10	2005-06	2007-08	2009-10	2005-06	2007-08	2009-10
Australia	10	25	14	*1*	*1*	*0*	7	15	14
Austria	8	9	15	*3*	*2*	*4*	5	9	12
Belgium	5	30	59	*1*	*3*	*5*	3	5	36
Canada	16	11	3	*1*	*0*	*0*	14	9	11
Denmark	53	47	17	*4*	*5*	*1*	45	51	28
Finland	38	6	58	*8*	*1*	*7*	4	10	14
France	106	108	304	*3*	*2*	*5*	94	126	105
Germany	558	849	1 582	*10*	*12*	*18*	239	470	1 040
Greece	0	1	1	*0*	*0*	*1*	0	1	1
Ireland	0	0	0	*0*	*0*	*0*	0	0	0
Italy	197	27	3	*24*	*3*	*0*	102	78	41
Japan	1 415	1 848	2 065	*13*	*14*	*16*	980	1 435	1 469
Korea	2	127	161	*1*	*11*	*10*	17	15	46
Luxembourg	1	2	1	*0*	*1*	*0*	1	2	1
Netherlands	66	139	168	*2*	*4*	*4*	43	80	105
New Zealand	3	1	1	*1*	*0*	*0*	1	1	0
Norway	84	186	203	*4*	*8*	*7*	127	256	134
Portugal	1	0	25	*0*	*0*	*10*	1	0	25
Spain	41	261	271	*3*	*9*	*8*	52	73	306
Sweden	45	59	69	*2*	*4*	*4*	46	51	57
Switzerland	23	22	27	*3*	*2*	*3*	25	17	14
United Kingdom	114	37	97	*3*	*1*	*2*	63	42	108
United States	1 269	1 476	940	*7*	*7*	*4*	1 629	1 108	605
Total DAC countries	**4 052**	**5 272**	**6 084**	***7***	***7***	***7***	**3 496**	**3 854**	**4 172**
Kuwait (KFAED)	. .	. .	243	. .	. .	*47*	. .	. .	111
United Arab Emirates	. .	. .	112	. .	. .	*9*	. .	. .	9
Other bilateral donors	**. .**	**. .**	**356**	***. .***	***. .***	***20***	**. .**	**. .**	**120**
AfDF	57	204	345	*4*	*14*	*14*	43	41	101
Arab Fund (AFESD)	. .	316	538	. .	*46*	*46*	. .	198	431
AsDF	39	77	352	*3*	*5*	*18*	0	0	46
EU Institutions	508	445	272	*5*	*5*	*3*	153	252	319
GEF	. .	. .	67	*0*	*0*	*11*	. .	7	2
IDA	717	1 361	1 627	*8*	*11*	*12*	469	782	992
IDB Sp. Fund	20	23	59	*4*	*8*	*9*	. .	. .	27
Isl. Dev. Bank	. .	. .	6	. .	. .	*3*	. .	. .	0
Nordic Dev. Fund	. .	. .	15	. .	. .	*30*	. .	. .	1
OFID	. .	. .	104	. .	. .	*17*	. .	. .	25
Other UN	1	6	25		*11*	*0*	1	3	13
Total multilateral	**1 342**	**2 433**	**3 410**	**6**	**9**	**10**	**665**	**1 285**	**1 957**
Memo: European Inst. + EU member states[1]	1 739	2 021	2 942	5	5	6	849	1 250	2 197
Total	**5 393**	**7 705**	**9 850**	**6**	**8**	**8**	**4 160**	**5 138**	**6 249**

Note: Data on DAC members' aid targeting environmental concerns are compiled with the help of the policy marker on aid to environment. DAC members screen and mark each aid activity they report to the Creditor Reporting System (CRS) as either: i) targeting environment as a "principal objective" or a "significant objective"; or ii) not targeting the objective. "Principal" means that environment is an explicit objective of the activity and fundamental in its design. "Significant" means that environment is an important, but secondary, objective of the activity.

1. The *memo* line "EU Institutions + EU member states" shows the sum of EU members' contributions to developing countries and the outflows of "EU Institutions" to developing countries.

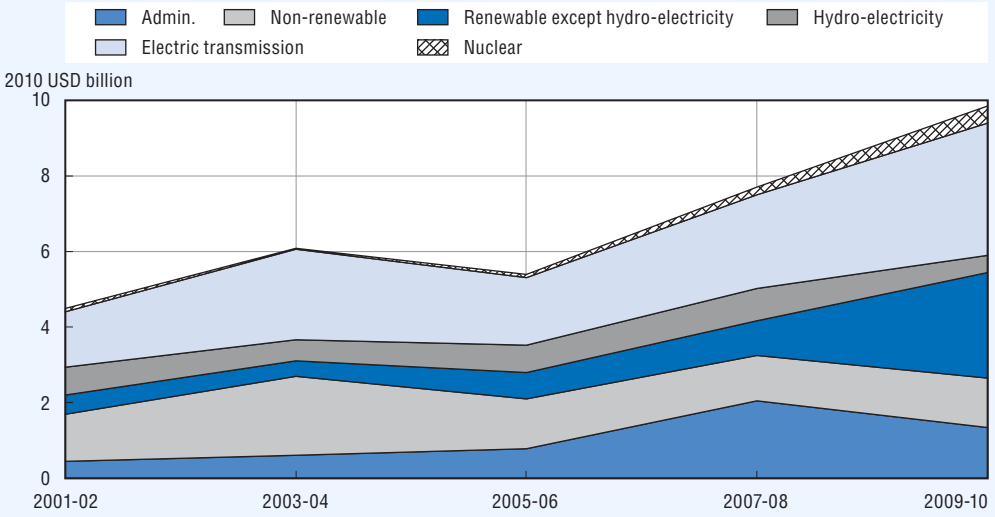
StatLink http://dx.doi.org/10.1787/888932700067

Box 5.1. **Trends in aid: Energy** *(cont.)*

Over the last decade, donors have shifted their aid from non-renewable to renewable sources of energy. By 2009-10, more than half of DAC members' aid programmes in the energy sector addressed environmental concerns either as a significant or principal objective.

Figure 5.4. **Sub-sectoral breakdown of aid to energy, all donors**

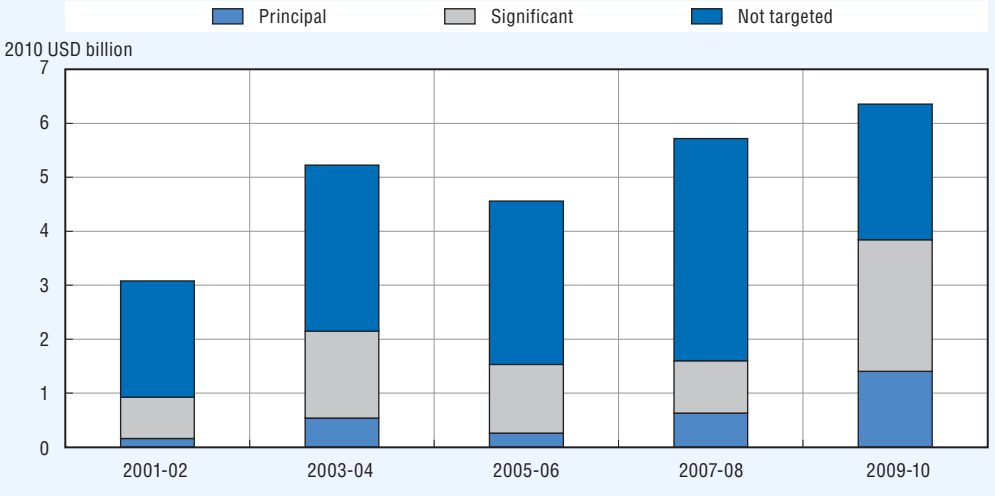
Annual average commitments, constant 2010 prices



StatLink http://dx.doi.org/10.1787/888932700010

Figure 5.5. **DAC members' environment-focused aid in the energy sector**

Annual average commitments, constant prices



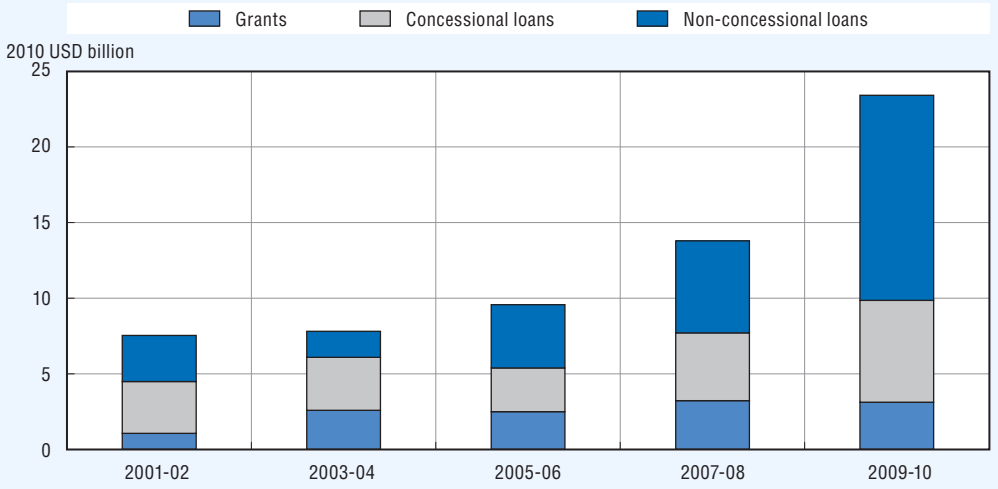
StatLink http://dx.doi.org/10.1787/888932700029

Box 5.1. **Trends in aid: Energy** *(cont.)*

While aid for energy rose, non-concessional energy finance rose even faster: non-concessional flows rose from 22% of total flows to the energy sector in 2003-04 to 58% in 2009-10. Multilateral agencies are the main source of these non-concessional flows.

Figure 5.6. **Total flows to energy: Grants, concessional and non-concessional loans**

Annual average commitments, constant prices



StatLink http://dx.doi.org/10.1787/888932700048

Source: www.oecd.org/dac/stats/energy.

moving towards low-carbon and resource-efficient solutions and helping to eradicate poverty. Recognising that without access to energy there can be no real development, the *Agenda for Change* seeks to make energy work for development.

Access and integration

Sustainable energy is central to inclusive and sustainable economic growth.

Making sustainable energy for all a reality by 2030 will mean working on all aspects of electricity supply – from energy generation and transmission to final distribution and effective reach to customers. It will also mean stepping up efforts to modernise cooking fuels and develop productive uses of energy. The European Commission has brought experience and financial instruments to bear on all three targets set under the Africa-EU Energy Partnership, namely access to modern energy services, regional integration and broad-based renewable power generation.

Energy access. Through the ACP-EU Energy Facility the EU has been involved in more than 130 projects in ACP countries. With resources of about EUR 340 million committed, the facility has leveraged about the same amount from other public and private sources. Overall, the countries involved have been able to bring modern energy services to

between 12 and 13 million people. The projects have also enabled us to amass valuable experience, generating many good examples of how to improve electricity supply and use biomass resources in a more efficient way. The Providing Access to Modern Energy in Northern Uganda (PAMENU) project in Uganda, co-financed by GIZ,[7] is a case in point. Working with very limited funds, the project has extended modern energy services to more than 1 million people, including 220 social institutions and small and medium enterprises. The technologies applied include efficient cooking stoves, micro-hydro power, and solar photovoltaic (PV) systems.

Unreliable power can cost an economy between 1% and 2% of its GDP.

Regional integration. With Africa's poorly interconnected national power systems, the reliability of energy supply is low; and power infrastructure only delivers a fraction of the services found elsewhere in the world. The economic costs of unreliable power supplies can easily rise to as much as 1% or 2% of GDP.

Projects with a regional reach can play a central role in improving interconnectedness. This is the case for the EU-Africa Infrastructure Trust Fund (ITF),[8] a financing tool that supports infrastructure investments with a regional impact. The fund, which has been operating since June 2007, combines grant resources from the European Commission and EU member states with the lending capacity of the EIB, EDFIs and the African Development Bank (AfDB). Since its creation, the ITF has raised almost EUR 400 million in funds. Of the EUR 300 million committed so far, 50% or so has been in the energy sector, supporting about 30 major energy projects and leveraging investments exceeding EUR 1 billion. One of the first projects supported was the Félou hydropower plant on the Senegal River. With a generation capacity of 60 MW and a cost of about EUR 200 million, the plant was co-financed by the Africa-EU Infrastructure Trust Fund. Operating as a run-of-the-river plant (*i.e.* without a big dam), it is harnessing the natural power of the Félou waterfalls, on the Senegal River about 15 kilometres upstream of the town of Kayes in Mali. In this area, plagued by chronic electricity shortages, it provides low-cost hydroelectricity to Mali, Mauritania and Senegal.

The Félou project has been followed by many others. For example, the Caprivi interconnector is a 970 kilometre-long HVDC[9] transmission line with a capacity of 300 MW; it connects Zambia with Namibia and also provides support for rural electrification in northern Namibia. The ITF has also supported a risk mitigation facility for developing geothermal power plants in three East African countries. Regional projects such as these will contribute to better energy security, improved resilience in the face of climate change and more reliable electricity supply.

Renewable energy projects that leverage private capital are excellent examples of high-impact aid.

Finally, to mobilise private investments for renewable energy and energy efficiency the EU has provided financing to the EUR 108 million Global Energy Efficiency and Renewable Energy Fund (GEEREF),[10] created to address market failure in the financing of small and medium-size projects in developing countries. As an anchor investor, GEEREF operates by creating and supporting regional funds, which in their turn provide risk capital to projects in the form of equity. GEEREF invests globally, but gives priority to less

developed countries. One of its most important roles is to facilitate the emergence of a new class of fund managers dedicated to increasing access to sustainable energy and to fighting climate change on a financially-sound basis. Through its technical assistance facility, GEEREF is also able to provide critical support in the creation phase of the regional funds. Its current portfolio includes hydropower, wind power and biomass projects in Asia and Africa. These projects leverage a significant amount of private capital, providing an excellent example of high-impact aid.

Challenges and barriers

> "In low-income countries, expanding access has to be our priority. We need private financing on a scale not yet seen. We need a change that increases energy production, transmission and distribution, and the deployment of off-grid technologies, not on the order of ten or twenty Giga Watts, but hundreds of Giga Watts. And we need to focus on countries and regions such as Sub-Saharan Africa, where the access gap is the biggest." (Statement by Vijay Iyer, Director of the Sustainable Energy Department at the World Bank during the *World Energy Future Summit*, Abu Dhabi, February 2012.)

This statement reminds us of the huge challenges ahead. With about 1.3 billion people still lacking any access to electricity, and up to a billion more having to cope with unreliable access at best, it is clear that we need to up our game. Making sustainable energy for all a reality by 2030 requires a substantial increase in investment, in power generation, in energy transmission and in its distribution.

Aid will not be enough to meet the sustainable energy challenge.

Given the gigantic financial commitment needed to reach the targets of the Sustainable Energy for All initiative, the interaction among policies and financial resources is of paramount importance. Official development assistance (ODA), as essential as it is, will not suffice to meet the challenge. Success will depend on the ability to engage the private sector to a far greater extent, both in investment and in financing. If we are to unlock the development potential of energy as much as possible, it will be crucial for our developing country partners to have in place institutional and legal frameworks that demonstrate the transparency and accountability needed to attract substantial private investment. They will also need the ability to define and prepare bankable projects.

The EU *Agenda for Change* emphasises the need to get the most from development aid, using grants to leverage private financing. While the above examples demonstrate that we are putting this approach into action, we now need to scale up our efforts substantially. It is also worth remembering that investments in energy do not always need huge grant-related assistance. In fact, with appropriate management and cost-recovery mechanisms in place, these investments can produce regular income. While this may not always be sufficient to cover all initial capital costs, it demonstrates that relatively limited funds can generate high-impact aid.

With its ambitious 20-20-20 energy programme,[11] the EU is well-placed to provide technical expertise and support. A leader in renewable energy technology and efficiency, the EU has valuable experience in the legal and administrative measures necessary to catalyse investment in modern energy technology – be it through renewable energy, advanced networks or energy efficiency.

Yet, technology alone will not make investments happen. While the Sustainable Energy for All initiative presents our partner countries in the developing world with opportunities, it also presents challenges – such as setting priorities, getting policies right and providing an enabling business environment. This will be crucial if developing countries are to establish a climate of confidence in which the private sector and investors feel comfortable – and the appropriate climate must be backed by solid political commitment.

The EU is prepared to work in partnership to accomplish this. The Sustainable Energy for All initiative provides perhaps some of the greatest opportunities of the 21st century – both for the EU and for our partner countries – in these difficult financial times. Yet, as we move forward, new markets will be created and new productive partnerships forged; our partner countries will avail themselves of new innovative technologies; and income and jobs will be increased, directly and indirectly. In fact, what we are engaged in is nothing short of an energy revolution.

The way forward

The UN's Sustainable Energy for All initiative calls for concerted efforts by all stakeholders. The EU, which provides more than half of all global ODA, stands fully behind the three targets of the initiative and is fully committed to achieving them. Indeed, they very much tally with the aims and policies the EU has already adopted at home.

Investors need a climate of confidence backed by solid political commitment.

With the necessary political will, the UN Secretary-General's goals are perfectly achievable and there are real benefits to be had. At the EU we are determined to make these benefits work for our partner countries in the developing world by creating synergies between internal and external policies. We remain steadfast in our commitment to play a major role in meeting the goals, drawing on our wealth of experience and expertise, and to match promises with results and funding.

Now the hard work must begin in earnest. As partners, we must focus on the practical aspects of quickly finalising a concrete but ambitious action plan that will deliver results. We must work together to get National Energy Access Strategies up and running as soon as possible in developing countries. And ownership by beneficiary countries must be the cornerstone of our initiative.

With clear, monitored and transparent commitments, even the most ambitious plans can be achieved – the EU knows this from its own experience. What seemed highly ambitious just a few years ago in the EU member countries is now accepted as self-evident, becoming "business as usual". So let's not be afraid to be ambitious. When it comes to sustainable energy for all, we must believe that the sky is the limit.

Notes

1. *www.euei-pdf.org*.
2. ACP: Africa, Caribbean and Pacific.
3. *http://ec.europa.eu/europeaid/where/acp/regional-cooperation/energy*.
4. *www.africa-eu-partnership.org*.

5. Council conclusions on access to sustainable energy sources at the local level in developing countries, Brussels, 19 May 2009.
6. Energy ODA committed, 2005-11, Commission's internal database.
7. *Gesellschaft für Internationale Zusammenarbeit*, or German Agency for International Co-operation.
8. *www.eu-africa-infrastructure-tf.net*.
9. HVDC: high voltage direct current.
10. *http://geeref.com*.
11. By 2020: 20% reduced greenhouse gas emissions; 20% of EU's energy consumption to come from renewable resources; and a 20% reduction in primary energy use to be achieved by improving energy efficiency.

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PART II

Chapter 6

Tackling air pollutants for long-lasting climate benefits

by
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Minister for the Environment, Sweden

Short-lived climate pollutants (SLCPs) are chemicals that remain in the atmosphere for only a few days or a few decades at the most. They include black carbon particles (or soot, emitted from wood fires, for example); methane (from oil and gas production and municipal waste); and tropospheric ozone (from motor vehicles). In addition to being powerful greenhouse gases, these are dangerous air pollutants, with various detrimental impacts on human health, agriculture and ecosystems. Yet, there is little public awareness of the threat these chemicals pose. Actions to reduce SLCPs might be the only way to slow down global and regional warming in the short term (10-30 years) and, at the same time, provide immediate air quality benefits. In this chapter, the author provides examples of initiatives underway to tackle these pollutants and, at the same time, bring benefits to developing countries. Many of these measures are low-cost, with initial investments offset by subsequent cost savings, for example, from reduced fuel use or harnessing of recovered methane. Global action is needed to raise awareness, enable and encourage national and regional initiatives, and support the widespread implementation of SLCP control measures. In March 2012, Sweden, Bangladesh, Canada, Ghana, Mexico and the United States launched the Climate and Clean Air Coalition, a global partnership to help developing countries scale up their efforts to combat SLCPs.

Environmental impacts of short-lived climate pollutants

Global carbon dioxide (CO_2) emissions continue to increase, reaching a record level of 32 billion tonnes in 2010. We are rapidly approaching concentration levels of long-lived greenhouse gases that are projected to lead to an annual and global average temperature increase of more than two degrees Celsius (2 °C) by the year 2100. The best available scientific knowledge tells us that if we are to have a chance of limiting global climate warming to 2 °C, we need to decrease global CO_2 emissions significantly by 2015, cutting them by at least 50% by 2050.

Reducing SLCPs could be vital for keeping global warming below 2 °C.

Focusing on short-lived climate pollutants (SLCPs, Box 6.1) is an effective way of mitigating climate change impact in the short term – without losing sight of the fundamental importance of reducing emissions of long-lived greenhouse gases. SLCPs are, after CO_2, the most important contributors to human (anthropogenic) enhancement of the global greenhouse effect. The latest scientific evidence confirms that reducing SLCPs could have a substantial effect on climate change within 10 to 30 years, which is indispensable if we are to limit global warming to 2 °C by 2100 (UNEP, 2011a).

Short-lived climate pollutants are also dangerous air pollutants, with various detrimental impacts on human health, agriculture and ecosystems (Box 6.2). According to a recent study carried out by the United Nations Environment Programme (UNEP, 2011a), broad implementation of 16 existing measures to reduce emissions of SLCPs through 2030 could have the following benefits:

- 4 million premature deaths resulting from outdoor air pollution and a further 1.6 million deaths resulting from indoor air pollution could be avoided each year.
- Annual harvest losses of 52 million tonnes per year of rice, maize, soya beans and wheat could be avoided thanks to lower concentrations of ground-level ozone.
- Global warming could be reduced by up to 0.5 °C by 2050; by 2040, warming in the Arctic could be reduced by 0.7 °C.

Reducing black carbon and methane emissions can save lives and money and bring about development.

In many developing countries, the need to abate SLCP emissions is vital, especially for health and food production. At the same time, developing countries have the least financial resources to carry out abatement actions. This is why it is particularly important to find actions that can actually save money. In view of the additional savings that can be made in the areas of public health and food production, this offers a strong argument for SLCP abatement measures to be integrated into a country's development and poverty reduction strategy.

Box 6.1. **What are SLCPs?**

SLCPs, or short-lived climate pollutants, are chemicals that remain in the atmosphere for only a few days or a few decades at the most. They include black carbon, methane and tropospheric ozone.

Black carbon, present in the atmosphere as particles, has a warming impact on climate 460-1 500 times stronger than CO_2. With a lifetime that varies from a few days to a few weeks, black carbon is a major component of soot and is produced by incomplete combustion of fossil fuel and biomass. When deposited on ice and snow, black carbon causes both atmospheric warming and an increase in melting rate. It also influences cloud formation and affects regional atmospheric circulation and rainfall patterns. In addition, black carbon is a primary component of particulate matter in air pollution, the major environmental cause of premature human death globally.

Methane (CH_4), a greenhouse gas, is over 20 times more potent than CO_2 in terms of its climate-warming impact. With an atmospheric lifetime of about 12 years, it is produced through natural processes (*e.g.* the decomposition of plant and animal waste) and is also emitted from man-made sources, including coal mines, natural gas and oil systems, and landfills. Methane directly influences the climate system and also has indirect impacts on human health and ecosystems, in particular through its role as a precursor of tropospheric ozone.

Tropospheric or ground-level ozone (O_3) is present in the lowest portion of the atmosphere (up to 10-15 kilometres above the ground) and is responsible for a large part of the human enhancement of the global greenhouse effect. With a lifetime of a few days to a few weeks, it is not directly emitted, but rather is produced through sunlight-driven oxidation of other agents, called ozone precursors: primarily methane (CH_4), but also carbon monoxide (CO), non-methane volatile organic compounds (NMVOCs) and nitrogen oxides (NO_X). Tropospheric ozone is a harmful pollutant that has detrimental impacts on human health and plants, causing important reductions in crop yields.

Source: Climate and Clean Air Coalition website: *http://hqweb.unep.org/ccac/ShortLivedClimatePollutants/tabid/101650/Default.aspx*, accessed 11 June 2012.

Box 6.2. **Regional impacts of short-lived climate pollutants**

Many regions of the world suffer from accelerated climate change. These include the Arctic region, South Asia, parts of Africa and various mountainous or densely populated areas of the world. In South Asia, for example, short-lived climate pollutants are causing threats to regional climatic systems, such as monsoons, and hydrological balances, with implications for food security as well as for water supply. In the Arctic, emissions of SLCPs – primarily black carbons – transported through the atmosphere at high latitudes are deposited on snow and ice, where they have a deleterious effect on the surface albedo in the form of heating and increased melting. Emissions of black carbon in the Arctic region are expected to increase as the northeast and northwest passages are more frequently opened to shipping; this, in turn, will further accelerate the heating and melting phenomena.

Regions taking action to reduce black carbon emissions, in particular, would perceive immediate health benefits. They also would benefit significantly from reduced regional warming, reduced disruption of regional weather patterns, and substantial reductions in crop losses resulting from high ozone levels. Reducing indoor emissions from cook-stoves

alone would also have important implications for gender equality, as the population that suffers the severest exposure to these emissions consists primarily of women and children.

What can be done to reduce short-lived climate pollutants?

According to UNEP (2011b) there are a number of measures for reducing black carbon and ozone precursors that could begin to protect climate, public health, water, food security, and ecosystems immediately. They include recovering methane from extraction of coal, oil, gas, as well as from transport; capturing methane in waste management; using clean-burning stoves for residential cooking and diesel particulate filters for vehicles; and banning open burning of agricultural waste. Full implementation of these measures is achievable with existing technology but would require significant strategic investment and institutional arrangements.

About 50% of methane and black carbon emission reductions can be achieved through measures that result in net cost savings (as a global average) over their lifetime. These savings come about from initial investments being offset, for example, by reduced fuel use or the use of recovered methane. A further one-third of the total methane emission reduction could be addressed at relatively moderate costs.

Developing countries can target the most significant SLCP sources, knowing that the benefits will be multiple.

In developing countries, efforts to reduce SLCPs can build on existing institutions, policies and regulatory frameworks for air quality management, and, where applicable, climate change. For many developing countries, these efforts can be connected to development goals and mainstreamed into development policies and sustainable development strategies. Action to replace domestic cook stoves with new efficient ones, for instance, offers a good example of a policy decision with visible development benefits.

Countries can take action now to rapidly implement control measures to address the most obvious SLCP sources knowing that multiple benefits will result. Efforts to combat SLCPs are not new. Projects and programmes at the global, regional and local levels have been supported by OECD member countries and international organisations for decades. Some of these are described briefly below. The lessons learned from initiatives such as these can help countries to scale up efforts and develop national SLCP action plans in priority areas.

Improved cooking to reduce black carbon. The Global Alliance for Clean Cookstoves is a public-private initiative to save lives, improve livelihoods, empower women, and combat climate change by creating a thriving global market for clean and efficient household cooking solutions. It comprises a range of organisations – from cottage industries to large-scale companies – that are supplying clean, efficient, affordable, and user-desired stoves and fuels on a large scale, while constantly innovating to improve design and performance, and to lower costs.

We already have the technology to recover up to 88% of global methane emissions. What we need now is a co-ordinated global effort.

Methane capture. Globally, solid waste landfills emit large amounts of methane. In 2010, landfills were estimated to be the third largest source of total anthropogenic methane emissions, responsible for 11% of the global total (GMI, 2011). Methane is released

when the biodegradable organic matter in landfills decomposes. This gas, also called natural gas, can be recovered, providing valuable clean energy. Up to 88% of global methane emissions could be recovered using techniques already available today (*ibid.*); technologies and practices to do this are already known and used, to varying degrees, all over the world.

The Global Methane Initiative expands on existing efforts to advance the abatement, recovery and use of methane. It pools the collective resources and expertise of 41 participating countries to facilitate technology transfer, capacity building and market development. Thirty-four of these countries also promote landfill gas energy projects, working to identify proven technologies and practices adapted to different local contexts.

OECD countries account for 30% of global methane emissions.

Nonetheless, apart from GMI there is no co-ordinated global effort to recover methane from landfills, and consequently the emissions are projected to increase. The OECD region is expected to remain the largest emitting region up until 2030, accounting for 30% of total emissions (OECD, 2012). Simultaneously, the developing countries – with their growing economies and their expanding and urbanising populations – are expected to generate increasing emissions. This is complicated by the fact that: 1) the high initial capital costs of implementing measures to recover methane gas are associated with a low price for captured gas – although long-term savings are made from reduced fuel use and minimal maintenance costs; and 2) the separation of organic matter from other waste requires a behavior change in society.

Partnerships for clean air. The UNEP Partnership for Clean Fuels and Vehicles (PCFV) is a public-private partnership with over 120 partners worldwide. Their goal is to reduce air pollution in developing countries through technological improvements in the transport sector and the adoption of clean fuel and vehicle strategies. Through the PCFV initiative, UNEP encourages national governments to implement measures on unleaded petrol and low-sulphur fuel outlined in regional agreements across Africa. There is considerable potential for these processes to promote action on SLCPs.

The Global Air Pollution Forum (GAP Forum) brings together regional networks, international organisations and other stakeholders to develop effective policies and programmes that protect public health and the environment from the harmful effects of atmospheric pollution. The GAP Forum was established in 2004 as a joint initiative of the International Union of Air Pollution Prevention and Environmental Protection Associations (IUAPPA) and the Stockholm Environment Institute (SEI).

The Swedish International Development Cooperation Agency (SIDA) has supported work on air quality in Asia and Africa for more than ten years, including the GAP Forum and the ABC Project (see below). It also supports the Regional Air Pollution in Developing Countries (RAPIDC) project, to mitigate air pollution in South Asia and Africa. SIDA also supports the ENERGIA network, which focuses on the linkages between energy and women's role in societies, including improved cook stoves. In the Hindu Kush Himalayas, Sweden is supporting the International Centre for Integrated Mountain Development's (ICIMOD) Regional Program on Reducing the Impacts of Black Carbon and Other Short-Lived Climate Forcers.

Tackling the atmospheric "brown cloud"

The atmospheric brown cloud is a layer of *air pollution* that recurrently covers, for example, parts of South Asia, namely the northern Indian Ocean, India and Pakistan.

Viewed from *satellite photos*, the cloud appears as a giant brown stain hanging in the air over much of South Asia and the Indian Ocean every year between January and March. Atmospheric brown clouds are created by a range of airborne particles and pollutants from combustion (*e.g.* wood fires, cars and factories), *biomass* burning and industrial processes.

At the regional level, the joint UNEP and Asian Institute of Technology project – Atmospheric Brown Cloud (ABC) – assesses the impact of these clouds on human health, hydrology and agriculture. The project has increased understanding of the impacts of air pollution on climate in South Asia. As a component of ABC, Project Surya in India aims to mitigate the regional and global impacts of anthropogenic climate change by immediately and demonstrably reducing atmospheric concentrations of black carbon, methane and ozone through deploying inexpensive solar and other energy efficient cookers in rural India.

Producing cleaner bricks for cleaner air

It has been shown that better fuel use in producing bricks for building construction can significantly reduce air pollution while generating important savings in energy and greenhouse gas emissions. At present, most global brick production takes place in Asia (China produces approximately 50% of the world total, followed by India with 10%). The structure, size and number of production facilities, as well as the type of fuel used, vary from region to region and even among and within countries. For instance, there are about 100 000 large operating units in India; in Mexico, there are around 20 000 artisanal, non-mechanised brick kilns, mostly small and medium-sized; in Bangladesh, most of the 6 000 units are old, large-scale kilns with fixed chimneys. Several local and regional projects supported by the Global Environment Facility (GEF) and the United Nations Development Programme (UNDP) are focusing on improving the energy efficiency of brick production.

The way forward

There is general, science-based agreement that SLCPs affect climate, human health and crop yields. More action is needed. The synergistic effects of tackling SCLPs are significant, with immediate benefits. Abatement of long-lived greenhouse gas emissions is vital to getting control of climate change, but SCLP action provides an invaluable opportunity to win precious time in the battle. In fact, this might be the *only* way to slow down global and regional warming in the short term (10-30 years) and at the same time provide immediate air quality benefits.

For developing regions, a decrease in emissions of SLCPs implies improved health, gains in food production and avoidance of premature deaths from air pollution. These improvements, in turn, will facilitate development.

The term "short-lived climate pollutants" must become much more widely known.

However, a major challenge is the lack of public awareness about the harmful effects of short-lived climate pollutants on human health, food production and climate – and what can be done about them. "Short-lived climate pollutants" is not yet a household expression, unlike climate change or air pollution; there is an urgent need to raise awareness of the main messages about SLCPs among a range of stakeholder groups, including governments, international organisations, the general public and not least, the private sector.

Public awareness is especially important to create grassroots' acceptance for actions that in one way or another affect people's lives. Important barriers include cultural patterns (*e.g.* the preference for the taste of bread baked on traditional, smoky cook stoves or the cultural importance of traditional barbecues). Much of the work to date on raising awareness and overcoming barriers has been done by NGOs, and they can continue to play an important role in the future.

Ministries across government – from health to environment and agriculture – must together develop a strategy to tackle SLCPs.

In many countries, institutional arrangements may also be barriers to integrating measures for SLCP abatement into government decision making. In particular, the diverse sectors that need to be involved often come under different ministries and government agencies, and institutional arrangements and policies on climate and air pollution are often separated. A whole-of-government approach is needed to allow ministries of environment, agriculture, and public health to work together in drawing up a comprehensive cross-sectoral strategy for SLCP abatement.

OECD countries can contribute by taking action now to reduce domestic emissions of SLCPs, at the same time supporting action to abate SLCP emissions in developing regions. The Climate and Clean Air Coalition provides a platform for this action (Box 6.3).

Box 6.3. **The Climate and Clean Air Coalition**

In March 2012, Sweden, Bangladesh, Canada, Ghana, Mexico and the United States launched the Climate and Clean Air Coalition (CCAC), a global partnership to support developing countries in scaling up their efforts to combat SLCPs. The partnership aims to:

- increase awareness of the advantages of reducing SLCP emissions;
- identify and discuss common strategies for new measures, or to promote and reinforce measures taken by other organisations;
- promote the development of national or regional action plans and follow up on the development of programmes and commitments;
- mobilise funds for reducing SLCP emissions;
- mobilise funds for regional platforms and for increasing private sector investment in emissions reductions.

The coalition will complement work to reduce emissions of long-lived climate forcers under the UN Framework Convention on climate change. At the same time, it demonstrates a new way of working: a bottom-up approach in which each participating country undertakes actions at home similar to those being promoted at the global level. In order to join the CCAC, countries will have to share the coalition's emissions-reduction objectives and be willing to promote work on achieving them. Non-governmental organisations and representatives of the business sector are also welcome to participate under the same conditions.

UNEP will play an important role in this partnership, hosting a secretariat, contributing in-depth analysis of scientific findings and lending support for its activities.

The Climate and Clean Air Coalition offers a co-ordinated approach to combating SLCPs that can build on existing institutional arrangements, contribute financial support, enhance capacity and provide technical assistance at the national level. Global initiatives like these can raise awareness while enabling and encouraging national and regional actions to support the widespread implementation of SLCP measures.

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Development Co-operation Report 2012
Lessons in Linking Sustainability and Development

PART II

Chapter 7

Building awareness of water's vital role

by
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The world is waking up to the fact that water is key to sustainable development. Previously seen as the Cinderella among the United Nations' many preoccupations, 2010 finally saw access to clean water and sanitation recognised by the UN as a human right. Not a moment too soon – OECD modelling suggests that if we continue current trends, by 2050, 2.3 billion additional people will be living in river basins that are under extreme water stress. Despite some good progress driven by the Millennium Development Goals, water statistics continue to alarm: every year, for instance, dirty water causes the death of more than 2.2 million children under the age of 14. This chapter, written by three senior water policy makers, calls for a profound rethink of how we tackle the water crisis, including:

- *seeing water as one of the key elements of future growth;*
- *using innovative methods to fund the water challenge to the tune of 1-2% of individual countries' GDP over the next 20 years;*
- *taking an integrated approach to water resources management;*
- *bringing together multiple partners and stakeholders to manage water in the context of decentralised and transparent governance; and*
- *including such innovative water policy in the overall context of other development.*

We live in a world that is increasingly discovering its limitations. Water, which every culture on Earth recognises as the source of life itself, is no exception. For this reason, it is increasingly moving to centre stage whenever and wherever people meet to discuss humanity's response to the major conundrum of how to match growing needs to insufficient or dwindling resources.

Today, the international community is striving to put all of the key components of a sustainable development strategy on the table to analyse their interactions, substituting a systemic vision for the "silo" approach that has prevailed until now. This is driven by the realisation – albeit a bit late in the game – that a fragmented approach can only lead to sub-optimal solutions.

By 2050, water demand is expected to increase by 50%.

The central role of water policies must, therefore, be acknowledged, and we must also take stock of the insufficient progress made to date to meet the Millennium Development Goals (MDGs). Only after recognising water as a human right and its role at the heart of the great challenges of our time (climate, food, health care, energy, security, etc.) will we be able to devise appropriate measures.

The comments that follow are intended as food for thought in the search for a new development model, focusing particularly on the special case of Africa where water-related problems are most acute.

Is water rising up the development agenda?

A great deal was done in the first decade of the 21st century to incorporate concerns for drinking water and sanitation into development strategies. The context significantly changed for the better with two fundamental actions: the inclusion of access to drinking water and, subsequently, basic sanitation in the MDGs; and the confirmation by the United Nations, in 2010, of access to water as a universal human right.

Today, water is acknowledged as a central concern of the United Nations system, whereas at the end of the past century it was considered to be merely of secondary interest. At the same time, ideological quarrels over water – regarding, for instance, the respective roles of the state and the private sector in water management and pricing, or the advisability of large dams – are gradually being resolved. This is creating favourable conditions for bolder investment strategies, enlisting all players. It is about time.

Work by the Intergovernmental Panel on Climate Change (IPCC) has revealed, in fact, the urgent need to increase the scale of efforts to date, especially in Africa and in central and southern Asia. OECD projections show that by 2050, 2.3 billion additional people will be living in river basin areas suffering from severe water stress (OECD, 2012a). By mid-century, aggregate demand for water is expected to rise by approximately 50% as a result of population growth, industrial activity, thermal energy production and household and

agricultural uses. In Africa, the situation is expected to be extremely tense, involving a variety of risks such as groundwater depletion, brakes on growth in certain sectors and the destruction of ecosystems.

This new awareness has mobilised most stakeholders. In 2003, the G8 summit in Evian adopted a global action plan for water.[1] An international consensus on official development assistance has also taken shape within the framework of various multi-stakeholder meetings on effective aid hosted by the Development Assistance Committee (DAC) in Paris in 2005, Accra in 2008 and Busan in 2011.[2] This consensus enshrines four principles of particular relevance to the water sector: ownership of development priorities by the beneficiary countries; a focus on results; development partnerships open to all; and transparency and mutual accountability.

All of this has resulted in a significant increase in water's share in aid allocations; according to DAC's Creditor Reporting System, the sector's share rose from less than 4% in 1980 to 7% in 2009-10 (*i.e.* from USD 2 billion in 1980 to USD 8 billion in 2009-10). Forty per cent of this assistance was allocated to the poorest countries, with close to one-third of the resources going to Africa. With this it can be said that water has finally found its role in international strategies.

In 1990, 23% of the world's population lacked access to improved water – today the figure is 11%.

By the end of 2010, access to improved water sources had been provided to a billion more people than in the previous decade. Today, the number of people still thought to lack access to improved water is only 780 million, or 11% of the world population, compared to 23% in 1990. Progress has also been made on improving sanitation. The proportion of the population with no basic sanitation (hygienic toilets in the household) has been reduced from 51% in 1990 to 37% today, although the MDG is far from being achieved.[3] As efforts to pursue the MDGs have gathered pace, there have also been innovations and advances – sometimes modest but in a variety of areas – thanks to exchanges of experience.

No development without water

Although real progress has been made with these renewed efforts, can we really be satisfied with what we have achieved to date? The answer to that question is "no".

While the recognition of access to drinking water and sanitation as a basic human right is fundamental, viewed from another perspective the picture is, in fact, tragic. The definition of "access to improved water" is quite minimalist – *i.e.* water that is not shared with animals! A more stringent definition reveals that 2 billion human beings continue to have access only to unhealthy water, and between 3 and 4 billion – roughly half the human race – continue to drink water of dubious quality. In addition, as urban environments expand, the supply of water and sanitation infrastructure will not be able to keep up with population growth.

Every year, 2.2 million children die from drinking unhealthy water.

The result is a cruel form of injustice, suffered in silence, in which:

- Women are exhausted by having to fetch water.

- Girls are deprived of schooling because they want to help their mothers with household chores such as fetching water or because they have to put up with a lack of privacy in school toilets.
- Unhealthy water kills 2.2 million children under 14 years of age each year.
- Half of Africa's hospital beds are filled with people suffering from a water-related disease.
- Slum-dwellers pay up to 20 times as much for water as their neighbours who are connected to a drinking-water supply network.

Box 7.1. **Gender and water-smart policies in Kenya**

In spite of its importance in development and poverty reduction, the water sector has had one of the largest gaps between what women do and the influence they actually have. In Kenya, women are still underrepresented in water governance structures at all levels, yet they are the most negatively affected by unavailability of water. The World Bank, the Kenyan Ministry of Water and Irrigation, the global Water and Sanitation Program, and local NGOs came together to radically improve the integration of gender into water-sector operations and policies. Through this partnership, gender-mainstreaming skills were substantially strengthened and gender-smart water sector reforms are emerging, for example: disaggregation of project-monitoring process to measure the percentage of women and men rating water-access services as satisfactory and integrating gender within the water-services regulatory-board framework.

Strengthening gender-smart capacities. A capacity building model to strengthen the capacities of Gender Focal Points in the water sector was developed and widely replicated: instances include urban water utility companies; rural areas; the Italian development co-operation offices; and district officers in arid areas. Exchange visits also have been used to promote south-south learning on gender practice in the water and sanitation sector. A similar capacity building initiative is also being conducted in the energy sector, with support from the World Bank's Gender and Energy Program.

Showing results. Today, rapid and sustained increase in women's access to water is being registered thanks to: the removal of requirements to present title deeds as collateral for a water connection; a reduction in the connection fee; and the introduction of an arrangement for meter repayment. Women's participation in planning services and their access to paid work in water and sanitation infrastructure development has also increased. Led by the Ministry of Water and Irrigation, the emerging community of practice on gender and water has been using these experiences to integrate a gender perspective into current water sector reforms.

Sustaining gender-smart approaches. Kenya's Gender Sector Coordination Group brings together all of the country's key development partners under the leadership of the government of Kenya, ensuring alignment and complementarity with gender-sector activities. The lessons learned from these activities have been widely shared through a knowledge strategy, creating important opportunities for replication, spin-offs and further partnerships.

In addition, delays in improving access to drinking water and sanitation have consequences far beyond considerations of the human condition. Delays in capital investment to improve access to water in rural areas of Africa can almost be viewed as tantamount to delays in Africa's adaptation to climate change. The international

community, increasingly mindful of the need for fairness in its strategies, cannot accept such a situation.

How can we dream of green pastures and a new model of growth for the coming decade if our failure to take the necessary action today to achieve straightforward MDG water goals is undermining broad development? How can we speak of green growth if our failure to adapt to climate change now results in hordes of "climate migrants" being forced to leave their ancestral lands and swell the populations of coastal slums or embark on perilous journeys to countries in the north? Action must be taken now.

Key steps for putting water back into sustainable development

There will be no "green" without "blue": water is fundamental to growth.

The assessment outlined above suggests that a "green economy" is inconceivable without a strong emphasis on water policies; there will be no green without blue. The following vital avenues of work – by no means exhaustive – must be explored if water resources and access to such resources are to be matched to the demands of sustainable global development:

- We need new targets, beyond the MDGs, for water and sanitation.
- We need new funding methods.
- We need to take a new, catchment-area approach.

New targets for fulfilling the human right to water

The kinds of water targets being created raise the question of the delicate balance between the short and long term. The long-term objective (which, nonetheless, needs to be attained as quickly as possible) must be access for all, as a human right, to truly drinkable water and suitable sanitation under satisfactory conditions. The African Ministers' Council on Water (AMCOW) set the objective of providing universal access to drinking water by 2025.[4] While this deadline will probably have to be extended, the objective recognises that what is needed is not simply improved water, but rather healthy water, including parallel measures to link access to water with sanitation. Clearly, meeting this goal will entail stepping up the pace of short-term efforts to achieve the Millennium Development Goals as they are defined today.

Once the initial target has been reached, heightened efforts will need to be made to achieve universal access as soon as possible. This is a necessary prerequisite to full implementation of a green and sustainable economic model, in terms both of social inclusion and of economic development.

New funding methods

Africa could save USD 2.7 billion every year from more efficient water use.

The funds that will need to be harnessed could as much as triple, or even quadruple, the amounts mobilised today (Box 7.4). Consequently, it would not be USD 1.6 billion in grants that would have to be harnessed for Africa, but at least some 6 billion. This will very probably

entail harnessing approximately 1 to 2% of the GDP of all countries over the next 20 years. However, there are also savings to be made by prompt action in the following areas:

- Reducing all sources of waste and inefficiency could save significant amounts of money. Throughout the world, the amount currently wasted in the water sector through lack of efficiency was evaluated in a 2010 report by the World Bank and the French Development Agency at around USD 2.7 billion.
- Launching new partnerships for innovative financing schemes (such as adding a 1% voluntary contribution to the price of water in developed countries, with the proceeds going to water projects in developing countries). Such funding schemes should be encouraged as supplements to (and not substitutes for) the aid mechanisms discussed above. They also provide opportunities for increasing public awareness and enabling local communities to work together in a spirit of reciprocal accountability to implement decentralised co-operation programmes.
- Seeking north-south and south-south "triangular" funding arrangements as recommended at the recent Busan conference on aid effectiveness.[5] This means supplementing DAC donor aid with internal African solidarity, where high-growth African countries help out those whose economies are still shaky (Box 7.2).

Box 7.2. **Africans helping Africans**

At the 6th World Water Forum in Marseilles (12-17 March in 2012) eight African countries agreed for the first time to contribute as donors to less fortunate neighbouring countries. This contribution, part of the ongoing reform of the African Development Bank's Rural Water and Sanitation Initiative and the African Water Facility Two Water facilities, aims to substitute a demand-based funding approach for the supply-based approach that has prevailed until now. The new approach is geared towards demand from projects in the field. Any local and national support will be added to by the African Development Bank and then topped up by external donations from DAC members, multilateral agencies as well as a number of African countries. This eliminates the substantial drawbacks of top-down approaches, which are largely driven by donor country agendas and leave little room for local priorities. This change in strategy in no way weakens the role of the central government.

Thanks to income from oil, mining commodities, farm products and timber, many African countries have been experiencing sustained economic growth over recent years. While their need for external aid may, therefore, become less acute, these countries should not lose sight of water as a priority.

- Maximising the revenue-raising power of the "three Ts": tariffs, taxes and transfers. This could offer an opportunity for incentivising the sustainable management of water resources.
- Developing a financial market in Africa; this has been neglected for too long. This should be pursued without further delay, especially now that a phase of intense investment in infrastructure is beginning.

New integrated approaches to water management

It is a well-known fact that any national water policy includes at least two complementary components: drinking water and sanitation; and water resources management. Co-ordinating projects within an integrated water resources policy could

lend relevance to national or, in the case of a shared basin, cross-border water policies. This would override distinctions between "urban water" and "rural water", which make little sense hydrologically. A more comprehensive approach, associating the development of large cities with the modernisation of rural areas, would allow the transfer of incentives for both urban and rural areas.

Around 50 African countries share a water basin with another country.

Sub-Saharan Africa contains a very large number of countries (nearly 50) that share about a dozen river and lake basins. It is, therefore, essential to apply as systematically as possible the principles of integrated water resource management (IWRM), rather than managing these resources from the narrow national standpoint of each country's hydrological situation. From this perspective, cross-border management, and the bodies responsible for it, are vital. For this, we need greater commitment by governments and the mechanisms to transcend national frameworks. Water does not stop at a country's borders, whether it is surface water or groundwater. Solidarity between the upstream and downstream areas of a catchment basin, with regard to either the quantities of water available or control over effluents, requires co-ordinated management by the relevant national stakeholders (see Chapter 8 for an example from Ethiopia). The same is true of access to water from a cross-border aquifer.

Legislative and financial consequences must be calculated at the regional and local levels (Box 7.3), as well as in relation to international aid. The signature of a Pact for Better Basins Management at the end of the Marseilles World Water Forum, following the initiative of the International Network of Basin Organisations (INBO), is one positive step. The same can be said of the 1997 Convention on the Law of the Non-navigational Uses of International Watercourses and the long awaited ratification of this convention by enough countries to enable it to become a standard within national legislations.

Box 7.3. **An African institution for water and sanitation**

Run by Africans, the Pan-African Intergovernmental Agency Water and Sanitation for Africa (WSA) is developing sustainable and innovative water and sanitation solutions to improve the lives of Africans. With 22 African member countries, Water and Sanitation for Africa (WSA)[1] contributes to the development of African countries by promoting initiatives in the water and sanitation sector and mobilising international financing.

Why is this important? Although access to clean water and sanitation is recognised as a fundamental human right, over one-third of the African population still lacks access to these basic services. This situation has serious adverse consequences for African countries, not only in terms of public health and education but also from ethical, productive, economic and environmental points of view. The impact on poor populations living in peri-urban and rural areas – especially children, women and the elderly – is particularly devastating. Without a doubt, many African countries will fail to meet the seventh Millennium Development Goal by 2015.

WSA recognises that new practices and knowledge are needed. Technological and methodological choices must, more than ever before, be based on equity and inclusion. Innovative approaches, such as community-led total sanitation (CLTS),[2] must be leveraged

Box 7.3. **An African institution for water and sanitation** *(cont.)*

to change people's behaviour. Economic models of sanitation must be redesigned to cover the entire value chain, managing waste, protecting the environment and living conditions, while generating business and jobs for private operators.

For more than two decades WSA has been recognised as the benchmark institution for water and sanitation issues on the continent, working to promote lasting and sustainable access to water and sanitation for the poorest members of the population in Africa's peri-urban and rural areas.

Note: For more information, see *www.wsafrica.org*.
1. Its official name is French: *Organisation Eau et Assainissement pour l'Afrique* (EAA).
2. See *www.communityledtotalsanitation.org/page/clts-approach*.

The way forward

Action in the three realms described above will be essential to create the healthy and productive water base on which green growth and sustainable development depend. These agree with the recommendations made by the OECD in its study *Meeting the Water Reform Challenge* (OECD, 2012b). Coherence in governance and strategic directions will also be fundamental:

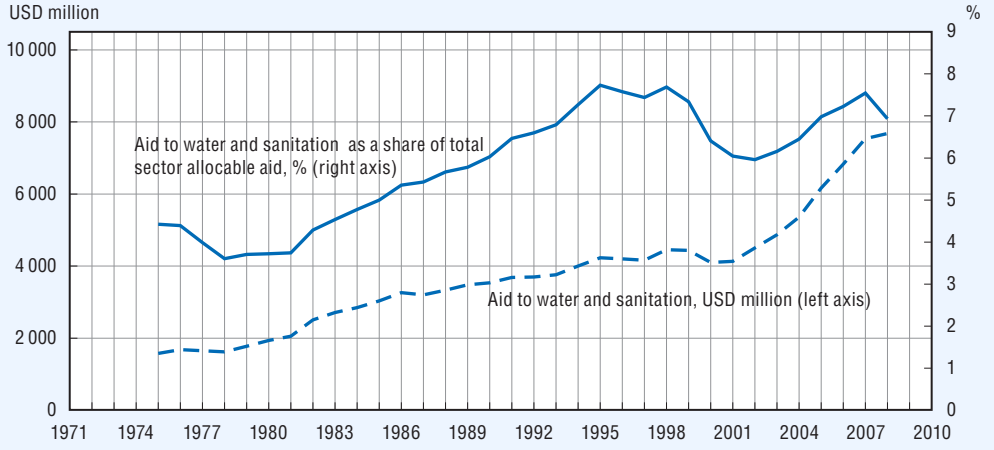
- **Consider water as one of the keystones of future growth.** In 2015, water and sanitation should no longer be a modest component of the seventh Millennium Development Goal but rather a fully fledged priority.
- **Expand decentralised and transparent governance.** Multiple partners and water management stakeholders should be brought together in an atmosphere conducive to trust.
- **Include innovative water policy in the overall context of other policies.** This is vital to the success of policies for energy, food, health care and environment, as well as for water policy. By taking into account the numerous systemic links among these realms while seeking to shape their future, it will be possible to achieve reasoned and coherent growth (see Box 7.1).
- **Align public, private and civil society institutions.** Aligning these institutions to the search for coherence will help achieve the best possible governance in all countries wishing to take this important step forward.

Box 7.4. **Trends in aid: Water supply and sanitation**

After a temporary decline in the 1990's, aid for water and sanitation has risen since 2001, at an average annual rate of 5% in real terms, with bilateral aid rising at 7% p.a. and multilateral aid at 3% p.a. (Figure 7.1). In 2009-10, total annual average aid commitments to water and sanitation amounted to USD 8.3 billion, representing 7% of total sector allocable aid. The largest bilateral providers of development assistance in 2009-10 were Japan (on average USD 2.4 billion per year), Germany (USD 768 million) and France (USD 624 million). While aid to water supply and sanitation has increased in recent years, these contributions still seem insufficient considering the funding needs.*

Figure 7.1. **Trends in aid to water and sanitation**

1971-2010, 5-year moving average commitments, constant 2010 prices



Note: Five-year moving averages, *e.g.* 2008 = average of 2006-10.

StatLink http://dx.doi.org/10.1787/888932700086

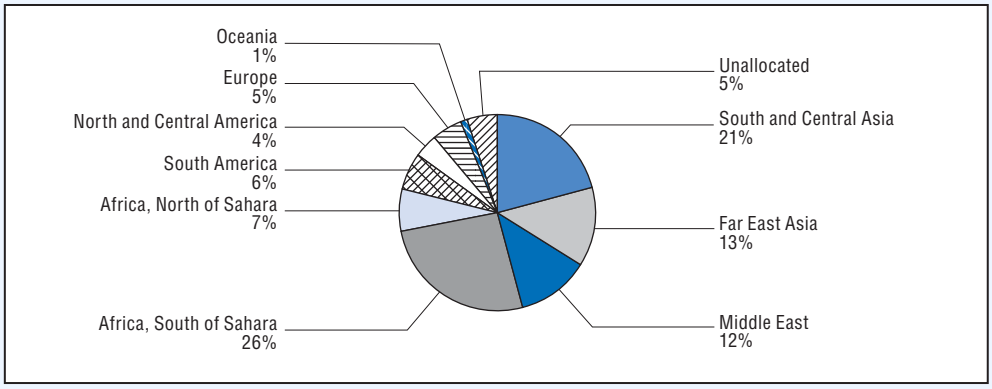
Geographical targeting of resources

Aid to water and sanitation is of course directed to poor countries in arid regions: **Sub-Saharan Africa received 26% of total aid to the sector, and South and Central Asia 21%**. The poorest income groups (LDCs and other LICs) received **41%** of total aid.

According to the 2011 MDG Report, every region has made progress in improving access to clean drinking water. In Sub-Saharan Africa, the proportion of the population with access to

Figure 7.2. **Distribution of aid to water and sanitation by region**

2009-10, commitments, constant 2010 prices

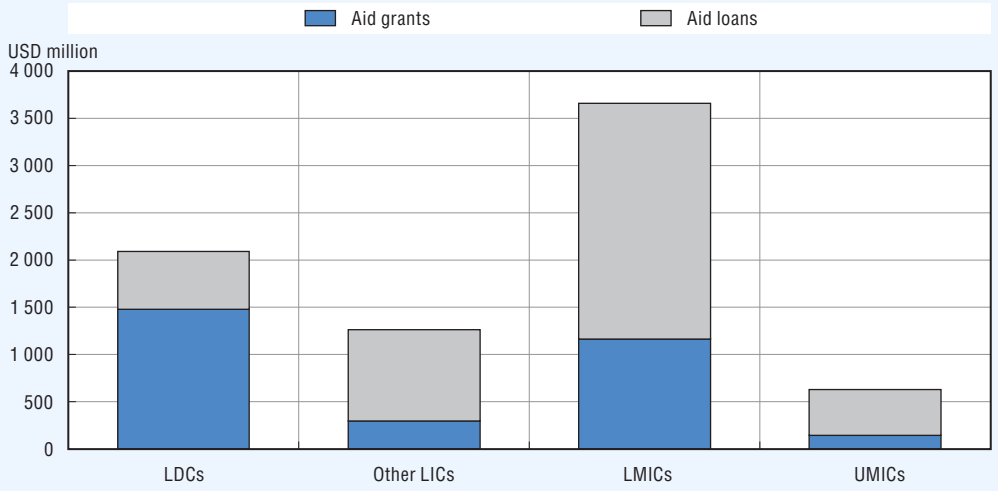


StatLink http://dx.doi.org/10.1787/888932700105

Box 7.4. **Trends in aid: Water supply and sanitation** *(cont.)*

Figure 7.3. **Distribution of aid to water and sanitation by income group**

2009-10, commitments, constant 2010 prices



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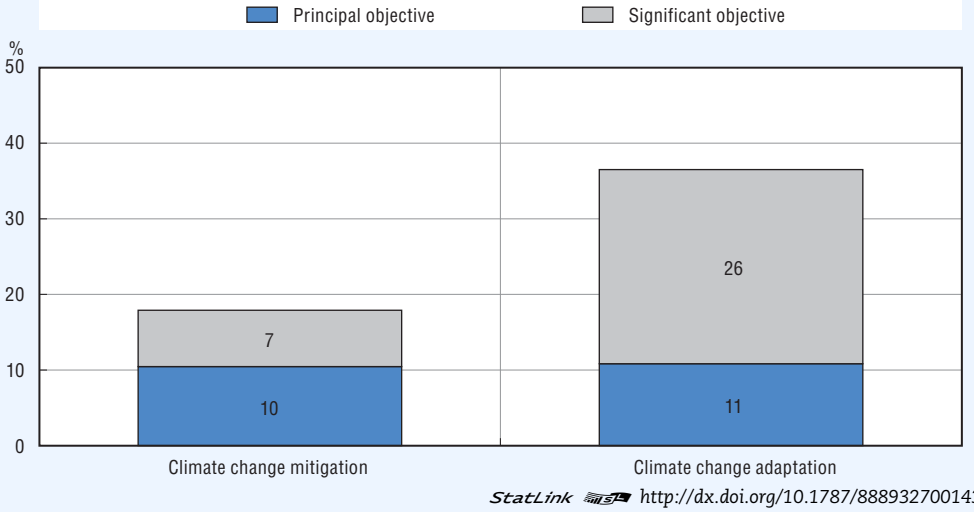
an improved drinking water source rose from 49% in 1990 to 60% in 2008. For sanitation, progress has been much slower, and the sanitation target is unlikely to be met by 2015.

Aid to water supply and climate change

Climate change might increase developing countries' vulnerability in the field of water by affecting water availability and consumption needs. It is, therefore, important to monitor how providers of development assistance take climate change concerns into account in their programmes for water and sanitation. Since 1998, the OECD/DAC has monitored aid flows targeting climate change mitigation, and since 2010 climate change adaptation. The marker methodology used in the monitoring of these flows was established in close collaboration with the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC). In brief, aid activities marked as having a "principal" climate objective (mitigation

Figure 7.4. **Climate change-related aid in the water supply and sanitation sector**

Share in DAC members' 2010 commitments



StatLink http://dx.doi.org/10.1787/888932700143

Box 7.4. **Trends in aid: Water supply and sanitation** *(cont.)*

or adaptation) would not have been funded but for that objective; activities marked "significant" have other prime objectives but have been formulated or adjusted to help meet climate concerns. For more details see *www.oecd.org/dac/stats/rioconventions*.

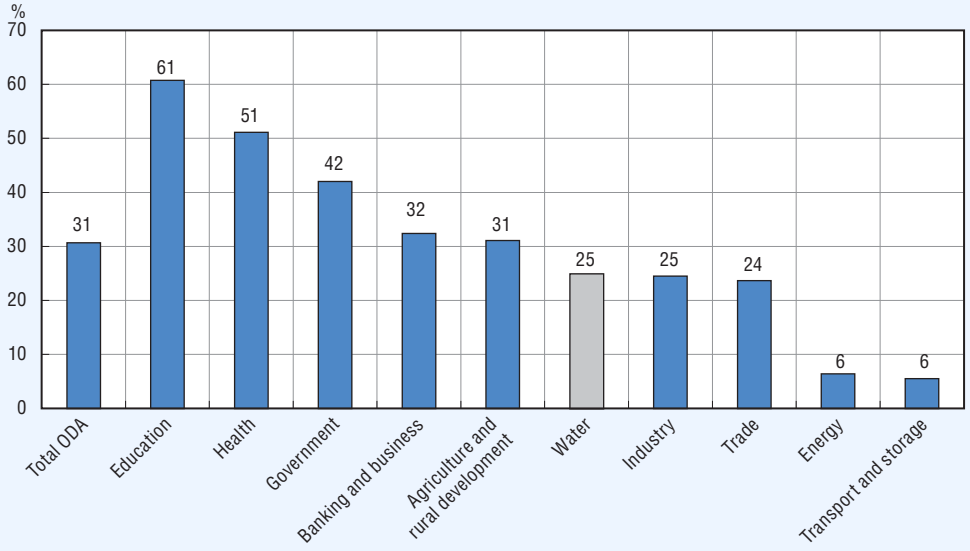
In 2010, more than a third (37%) of DAC members' activities in the water sector addressed climate adaptation concerns, *e.g.* reuse of treated waste water. A smaller share (17%) aimed at mitigation *e.g.* reducing greenhouse gas emissions through low-methane waste management systems. Some activities (10%) targeted both mitigation and adaptation; overall, 44% of aid to water-targeted climate change concerns – mitigation or adaptation – to some extent.

Most mitigation projects had mitigation as the principal objective, whereas most had adaptation as only a significant objective. In volume terms, **USD 2.6 billion** of aid to water-targeted climate change to some extent (USD 1.9 billion for adaptation; USD 1 billion for mitigation; and an overlap of USD 0.3 billion where both adaptation and mitigation were targeted).

Aid to water supply and gender equality

Figure 7.5. **Gender equality focused aid**

Share by sector, DAC members' 2009-10 commitments, constant 2010 prices



StatLink http://dx.doi.org/10.1787/888932700162

Initiatives that help women carry out everyday chores more efficiently, such as the supply of piped water, reduce the amount of time women spend on arduous tasks such as fetching water and free up time for educational opportunities, productive work, participation in community life and decision making (OECD, "Women's Economic Empowerment", *Issues Paper*, 2011). However, the gender dimensions of water programmes are often ignored: only a quarter of aid to water addressed gender equality concerns while the share is closer to one-third for total aid (31%). In social sectors other than water, the share is much higher: 61% for education, 51% for health, 42% for government and civil society. It is also higher for a number of productive sectors such as agriculture and rural development (31%). For further information, see *www.oecd.org/dac/stats/gender*.

* It is estimated that about USD 18 billion per year are needed to expand water services in developing countries to achieve the water and sanitation Millennium Development Goals. To maintain the existing water infrastructure, another USD 54 billion of investments per year are needed.

Source: OECD (2011), *Meeting the Challenge of Financing Water and Sanitation: Tools and Approaches*, OECD Publishing, Paris.

Notes

1. *www.g8.fr/evian/english/navigation/2003_g8_summit/summit_documents/water_-_a_g8_action_plan.html*.
2. *www.oecd.org/document/32/0,3746,en_2649_3236398_46582624_1_1_1_1,00.html*.
3. One of the sub-objectives of MDG 7 is: By 2015, reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation.
4. African Vision, AMCOW.
5. The Fourth High-Level Forum on Aid Effectiveness, Busan, Korea, November-December 2011, *www.oecd.org/document/12/0,3746,en_2649_3236398_46057868_1_1_1_1,00.html*.

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Development Co-operation Report 2012
Lessons in Linking Sustainability and Development

PART II

Chapter 8

Managing watersheds for resilient livelihoods in Ethiopia

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The concept and principles of sustainable development have been accepted for several decades as being central to societal progress. Yet, we are still trying to shift to a truly sustainable development model. This chapter illustrates sustainable development in action through the story of an integrated watershed management project in Ethiopia in which the authors were involved. The project has regenerated and enhanced natural resources, improved incomes and food security, and provided a range of social benefits. It has also improved people's resilience in the face of climate change, while contributing to carbon sequestration. The success of this approach to watershed management lies in the fact that it is not solely a technical approach. Full participation of local resource users has been fundamental, as has social capital and a supportive institutional environment. The project's approach has now been scaled up to the national level, influencing key areas of national policy, including the Productive Safety Net Programme and Ethiopia's Green Economy Strategy. Too many sustainable development approaches never go beyond the pilot project. An important lesson from this experience is that while a successful local approach can and should be applied at the national level, doing so requires institutional and policy commitment from governments and from civil society, as well as the investment of enough funds to enable scaling-up. As the initial project was inspired by similar work in India, it also demonstrates the value of sharing experiences.

Since the 1992 Rio Earth Summit, countless programmes and policies have been developed and implemented on the basis of sustainable development principles. Yet, the developing world is still characterised by high levels of extreme poverty and food insecurity, natural resource degradation, and growing threats and adverse impacts from climate change. All of this indicates the immense scale of the challenge society faces in shifting to a development model that is truly sustainable.

While many small-scale sustainable development actions are successful, for success to spread over a larger scale we need to understand how to use them to inform national policy, which may continue to promote and even incentivise unsustainable practices. This chapter describes experiences with watershed management in Ethiopia, where learning from a pilot project in the Tigray Region has informed key areas of national policy development, in particular with relation to food security and to the country's Green Economy Strategy. The pilot project itself built on experiences elsewhere (in India), demonstrating the potential for and importance of sharing knowledge.

Local participation is essential for integrated watershed management.

What is integrated watershed management and why is it sustainable?

Watershed management is a landscape-based strategy that aims to implement natural resource management systems for improving livelihoods and promoting beneficial conservation, sustainable use, and management of natural resources. Integrated watershed management (IWM) has been promoted in many countries as a suitable strategy for improving productivity and sustainable intensification of agriculture (Shiferaw *et al.*, 2008).

Integrated watershed management involves protecting and rehabilitating watersheds in a way that increases production, generating both short-term and long-term benefits for people living in the watershed area; it also ensures that downstream communities are not adversely affected by land-use practices in the watersheds. Watershed management fits squarely with sustainable development principles, combining gains in the environmental (conservation of natural resources), economic (gains from sustainable agriculture, forestry, healthy ecosystems and related products) and social spheres (strengthened social capital, reduced migration, enhanced nutritional status, increases in women's income and reductions in their workloads). This approach to sustainable intensification does not involve trade-offs between increased production and provision of ecosystem services.[1]

Protective activities in IWM normally include soil and water conservation, reforestation, and area closure to allow vegetation to regenerate. These activities result in increased groundwater availability for agricultural production; increased biomass and biodiversity, and a reduction in downstream flooding and siltation, which reduces losses in downstream economic activity.

Full participation by local resource users is a necessity in an integrated approach. While watersheds exist at different scales, all include numerous households, often made up of resource-poor smallholder farmers. To realise the benefits from watershed management, co-operation of all resource-users is needed, including downstream communities that are affected by land uses upstream. Their diverse needs can be addressed through combinations of local collective-action arrangements (*e.g.* including representatives from upstream and downstream communities), local-level institutional structures to address potential conflicts (*e.g.* sanctions to discourage unsustainable activities), and environmental instruments such as payments for ecosystem services (PES).[2]

A key issue in watershed management – and sustainable development approaches in general – is the need to reconcile potential trade-offs between short-term and long-term benefits, particularly where resource users are poor and need immediate returns. For instance, in the initial stages of natural resource rehabilitation people may be worse off in the short term if parts of the watershed are made off-limits for land uses such as livestock grazing. Such problems need to be addressed in the design and management process. In the Tigray project they were managed through food-for-work approaches (described below).

Before the project arrived, Tigray was losing 100 tonnes per hectare of soil a year to erosion.

Watershed management in Tigray

In 1997, the Irish development co-operation programme (Irish Aid) began to lend support for a watershed management programme in the Tigray Region; it began in five watersheds and expanded to 12, with the approach eventually being taken to a national scale. The pilot watersheds are typically about 1 000 hectares in area and support upwards of 500 households. While these watersheds are, in turn, part of larger catchments, it is at the watershed level that local collective action arrangements appear to work best; sustainable catchment management is achieved through management at the watershed scale.

At the time of the start-up of the pilot project, integrated watershed management approaches combining conservation and production objectives barely existed in Ethiopia. Separate development approaches were being taken to deal with soil and water conservation on the one hand, and increasing agricultural production on the other. This disjointed approach was reflected in the organisational structure and *modus operandi* of the Ministry of Agriculture and Natural Resources: outputs such as "… numbers of terraces and bunds built, and the area of hillsides closed" (Keeley and Scoones, 2003) were regarded as development outcomes in their own right, while agricultural extension approaches focused on the provision of standardised input packages to boost agricultural production, with limited reference to the potential for production increases offered by groundwater recharge in watersheds.

The development history of the Tigray Region partly explained this gap in development approaches. With a history of drought and chronic, recurrent food insecurity, the region was one of the main centres of the devastating 1984-85 famine. Over many decades, poverty, marginalisation and conflict had contributed to processes of environmental degradation. The extent of this degradation was dramatically highlighted in the FAO Ethiopian Highlands Reclamation Study (FAO, 1986), which estimated that over

50% of the land area was significantly eroded; net annual soil losses from cropland were estimated at about 100 tonnes/ha.[3]

The EHRS analysis provided a justification for large-scale technical soil conservation interventions using Food for Work (FFW), supported by the World Food Programme (WFP). This approach was, however, implemented by the former Ethiopian government (the "*Derg*") in a top-down manner with little genuine farmer involvement. During the transition to a new government in 1991, farmers spontaneously destroyed many of the conservation structures established during the programme (Admassie, 1995).[4] Thus, these purely technical approaches to address soil erosion in watersheds largely failed because they did not also involve local people in a meaningful way.

One of the positive outcomes of the social mobilisation in Tigray during the struggle against the *Derg* was the creation of a system of village-level development committees (*baito* councils), which provided the social capital required for watershed management and other development activities. Nonetheless, conservation and production approaches continued to be largely separate until the introduction of the Irish Aid-supported pilot project.

The new programme, implemented by the Tigray Bureau of Agriculture and Natural Resources (BoA&NR), was grounded in India's experience with participatory watershed management (Box 8.1).

Box 8.1. **India's participatory watershed management history**

The Ethiopian experience drew initial lessons from India's particularly rich experience in participatory watershed management, often involving NGOs. The government of India regards watershed management as a key strategy for rural development, particularly in rainfed and drought-prone areas (*i.e.* areas with similar agro-climatic characteristics to the Tigray Region). Analyses of the impacts of watershed management in India (*e.g.* Shiferaw *et al.*, 2008; Kerr *et al.*, 2001) identify social organisation and collective action as key requirements for effective results.

Tigray Region government staff visited projects in India and an experienced Indian practitioner conducted extensive training programmes with staff in Tigray's BoA&NR, focusing on the benefits of involving both natural resource and agricultural staff in planning and implementation, in tandem with the local community. Although the approaches adopted by the two countries differed, both were integrated and participatory.

The Indian experience provided solid evidence of the economic benefits that could be obtained from water harvesting in the upper catchments of the watershed, permitting rapid groundwater recharge in the lower parts of the catchment. In this way, areas that were previously totally dependent on unreliable rain-fed production were transformed with remarkable speed into areas of irrigated production, with rapid and substantial growth in micro-irrigation at the farm level as farmers built their own hand-dug wells* and, in some cases, invested in small motor or treadle pumps. Other water harvesting approaches were also attempted, including micro-dams (covering up to 100 hectares) and lined ponds; nonetheless, when these activities did not build on the integrated approach they were generally unsuccessful.

* Up to 200 wells were dug in some of the pilot watersheds.

Cash payments help farmers overcome their "investment poverty".

Complementary government investments were required to realise the full potential of this watershed management approach. The move towards land certification in Tigray was probably another enabling factor, providing tenure security and incentives to farmers to make on-farm investments both in irrigation and in tree crops. More direct supports included provision of seeds and extension to promote irrigated vegetable and fruit-tree production, as well as cereal production; supply of improved bee hives to increase honey production; provision of new breeds of chickens; and support to hatcheries for egg production. A virtuous circle of farm-level diversification, increased incomes[5] and increased investment was thereby created.

Women were actively involved in the soil and water conservation work in the watersheds and considerable benefits have accrued to them, including:

- Many of the economic activities stimulated by the watershed approach, including honey and egg production, are largely undertaken by women.
- Diversification of production has led to increased dietary diversity and improved nutrition for women and children.
- Women's workloads and travel times for the collection of water and fuel wood have been significantly reduced.

The project created a virtuous circle of farm diversification, increased income and investment.

These benefits were underpinned by the Ethiopian government's generally progressive approach to gender equality, the existence of strong women's organisations at many levels and the priority given to gender equality in the Irish Aid programme. Yet, to facilitate these benefits, the potential trade-offs between short-term and long-term gains had to be addressed. In Tigray, the strength of social capital organised through the *baito* system enabled mass labour mobilisation for natural resource rehabilitation. However, such mobilisation has its limits, and food or cash payments played an important role in meeting immediate food security needs and, at the same time, giving people an incentive to undertake resource conservation activities. Irish Aid initially supported cash payments as a sort of environmental payment system in a context of chronic food insecurity. They helped to overcome the "investment poverty" referred to by some analysts (*e.g.* Vosti and Reardon, 1997), which prevented farmers from undertaking conservation work despite being aware of the long-term benefits of doing so. At a later stage, as the approach expanded through the Productive Safety Net Programme (see below), Food for Work (FFW) and Cash for Work (CFW) were both used. The FFW differed from previous programmes in: *i)* the participatory process used, building on the social capital created; *ii)* the rapid realisation of economic benefits through exploitation of irrigation potential; and *iii)* the more integrated approach adopted by the BoA&NR.

The impacts of the approach

The immediate outcomes of watershed management interventions include rehabilitation of natural resources, including recharge of the groundwater table; reforestation of upper catchments; reduction in soil erosion and associated downstream siltation; and

regeneration of plant resources. These outcomes in turn contribute to increased agricultural output,[6] diversification of food and income sources, reduced migration and improved biodiversity. The resultant development impacts include increased food and nutrition security, improved status for women, reductions in poverty and an improved natural environment (Box 8.2). These outcomes and impacts are achieved at a low cost and require simple technologies; but they also rely on the existence of social capital, supportive institutional and policy environments, and, ultimately, availability of financing for farm-level investments.

Box 8.2. **The Abrha Atsbha Natural Resource Management Initiative**

Each year, the UNDP-supported Equator Prize recognises 25 indigenous sustainable development solutions that benefit people and nature, and promote resilient communities. In 2012, the community of Abrha Atsbha, one of the watersheds supported by Irish Aid, was selected for the prize from among more than 800 entries from around the world. The prize acknowledges the community's work to reclaim land through targeted water, soil and forest management, including tree planting and construction of water catchment ponds and soil conservation structures. These measures have resulted in improved soil quality, higher crop yields, greater biomass production, groundwater functioning and flood prevention. Honey production has increased by 300% over three years and incomes from vegetable and spice production have also tripled. Farmers have developed agro-forestry systems, integrating high-value fruit trees – avocado, citrus, mango, coffee, etc. – on their farms to generate improved incomes, food security and nutrition. The Abrha Atsbha example shows how relatively small investments, with strong community involvement and technical support, can generate multiple benefits for both people and nature.

Benefits in the Tigray Region continue to build on the initial success. Some communities are leasing out community hillsides to landless youth groups, thereby enabling a wider sharing of benefits. In two of the watersheds, Irish Aid has supported an additional programme that applies a farmer-centred approach to identify and test crop and livestock technologies on-farm, focusing on the wider dissemination of successful approaches. Irish Aid has also promoted a consortium arrangement among key agricultural stakeholders to address key constraints. Over time, these "second-generation" benefits will multiply the initial gains from watershed-level investments.

From pilot project to national strategy

Over recent years, Ethiopia has made the watershed management approach a central component of two major national-level undertakings: the Productive Safety Net Programme (PSNP) and, more recently, the Climate-resilient Green Economy Strategy.

Productive safety nets

The scaled-up programme is supporting up to 8 million people every year.

The PSNP was launched in 2005 across 262 "chronically food insecure" *woredas* (districts) in the rural areas of the regional states of Amhara; Oromia; Southern Nations, Nationalities

and Peoples; and Tigray. The PSNP is one of the largest social protection programmes in Africa, receiving substantial attention from not only the Ethiopian government, but also from donors such as the World Bank, the UK's Department for International Development (DFID), the United States Agency for International Development (USAID), the EU, the Swedish International Development Co-operation Agency (Sida), and Irish Aid. It is currently supporting between 7.5 and 8 million people a year, providing income and food security to vulnerable households in the form of predictable payments in cash or kind, usually for a period of six months every year. At the same time, the PSNP builds community-level assets through the rehabilitation of natural resources, and through soil and water conservation. Finally, the PSNP also supports the construction and maintenance of social infrastructure such as schools, health posts, farmer training centres and waste disposal facilities.

The soil and water conservation activities practised under Ethiopia's PSNP over the past seven years are implemented in an integrated manner, following the watershed approach. This represents a shift from previous food-for-work programmes, and reflects the conviction that if investments are carried out in an integrated and participatory fashion, and are complemented by household-level support, they will have a positive impact on productivity-enhancing natural resources. The PSNP aims to achieve sustainable livelihoods over the long term, while reducing food insecurity in the short term.

With its large-scale operations, the PSNP has the potential to have significant development impacts. Initial expenditure in 2005 was 674 million Ethiopian Birr (ETB) (USD 39 million); in 2009, it was ETB 2 billion (USD 115 million).[7] Experiences with pilot projects such as the Tigray watershed management project have helped to promote greater development effectiveness in the scaling-out of the PSNP.

The PSNP is complemented by the Other Food Security Programme (OFSP) and the Household Asset Building Programme (HABP): these important programmes support household-level investments as well as the public infrastructure created through the PSNP. A recent impact evaluation study found positive impacts on household food security from these programmes (Berhane *et al.*, 2011). The evaluation found that households benefitting from the PSNP were able to extend the annual amount of time their households were food secure by 1.05 months, while beneficiaries of all three programmes were able to extend the length of food secure time by 1.53 months; crop production and holdings of livestock units increased; and children's meals increased by 0.15 month in the lean season. For recipients of the PSNP, access to the OFSP/HABP increased their likelihood of using fertiliser by nearly 20%, and of investing in stone terracing by 13% (*ibid.*). The improvements in household assets, incomes, food production and nutrition resulting from these food security programmes are founded on the integrated approach initially piloted in the Tigray watersheds.

A strategy for a climate-resilient green economy

Ethiopia's Climate-resilient Green Economy (CRGE) strategy (FDRE, 2011) is also benefitting from the improvements in the natural environment brought about through integrated watershed management. The strategy rests on four pillars: improved crop and livestock production; forest protection and rehabilitation; expansion of electricity generation through renewable energy sources; and adoption of clean technologies in transport, industry and building. The integrated watershed management approach contributes directly to the first three pillars, while also providing additional development benefits.

The main climate-related benefit from watershed management for the CRGE is the reduction of carbon emissions from soil: "Within this lever, massive community-based soil

Ethiopia's green economy strategy has a greenhouse gas abatement potential equivalent to 40 million tonnes of CO_2.

conservation activities on watershed development and natural resources management through different interventions are highly important. The adoption of such lower-emitting techniques has an abatement potential of 40 Mt CO_2e" (FDRE, November 2011). Other benefits include carbon sequestration from reforestation, reductions in nitrous oxide emissions as a result of improved soil fertility, and reduced downstream siltation and sedimentation, which are threats to the viability of Ethiopia's developing hydro-electric power generation investments.

In addition to these climate-mitigation impacts, the positive effects of watershed management – for example, improved water harvesting, regeneration of vegetation, and micro-climatic effects – also enable farmers to adapt and be more resilient to the impacts of climate change.

The Green Economy strategy is aligned with commitments made in the Ethiopian government's recent Growth and Transformation Plan (GTP), which states that the country will avoid emissions of atmospheric pollutants and pursue a clean path of development (MOFED, 2010). Implementation of this plan involves social mobilisation in line with the approach developed in the Tigray watershed, as well as co-ordination with non-state actors in order to tap the dynamic potential of Ethiopian society.

The way forward

Action is required at many levels to achieve green growth and sustainable development. It is critical that we learn from what has been shown to work locally and bring this experience to bear on national and international policy and practice, as in this example from Ethiopia.

Integrated watershed management offers an example of sustainable development in action. It is a triple-win sustainable development approach: it allows for re-generation and enhancement of natural resources, improved incomes and food security, and a range of social benefits. The approach also delivers adaptation and mitigation benefits to offset the negative impacts of climate change through a number of pathways, for example by enhancing people's resilience to the impacts of climate change, and also by contributing to carbon sequestration. In the year of Rio +20, it is particularly appropriate to focus on such development approaches and to identify other actions that provide similar multi-dimensional benefits.

Integrated watershed management is the type of sustainable agriculture and sustainable food system required for the development of the Green Economy. It also offers opportunities, for example through carbon sequestration and sustainable nutrient management, for climate financing, as has been clearly recognised by the Ethiopian government. Yet, realising the full benefits from watershed-level investments requires social capital and collective action; financial investment and technical support; and complementary investments at the household level. The returns to such investments are high.

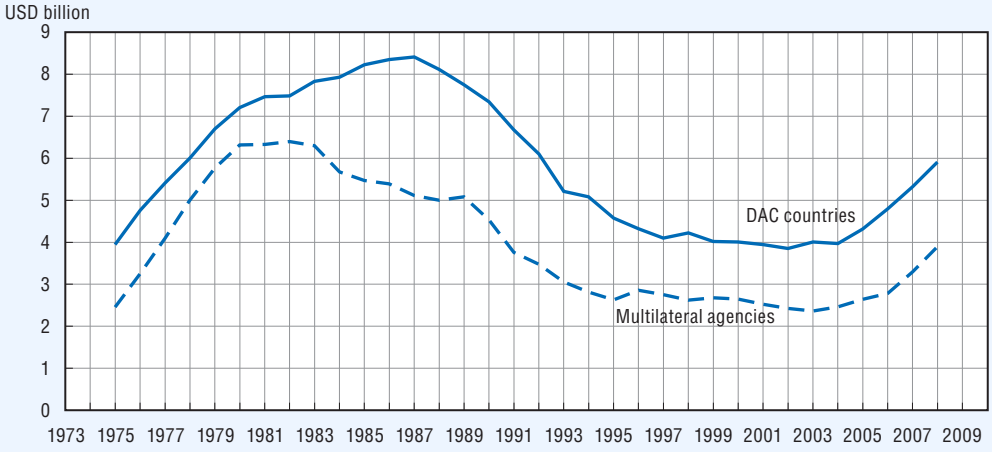
For such projects to become national policy, they need institutional and policy commitment from government and civil society, as well as investment of a scope that will enable scaling-up. This is clearly happening in Ethiopia. What is needed now is commitment and resources from governments and the international donor community to replicate such experiences globally (Box 8.3).

Box 8.3. **Trends in aid to agriculture and rural development (ARD)**

Aid to agriculture and rural development has fallen from 23% of sector-allocable aid in the mid-1980s to only 9% today, representing total annual average commitments of USD 11.8 billion. A slump in the 1980s and 1990s had at least two main causes. Initially, donors turned away from agriculture because of the perceived failure of large integrated rural development projects in the 1970s. Then, from the early 1980s, there was a surge in aid to governance, as donors focused on building social capital and helping fragile states. In recent years, however, aid to agriculture has increased again. Part of this is due to the increase in total ODA since 2002, but it also responds to increased food security concerns and to a renewed interest in agricultural technology for the poor.

Figure 8.1. **Trends in aid to ARD**

1971-2010, 5-year moving average commitments, constant 2010 prices



Note: Five-year moving averages, *e.g.* 2008 = average of 2006-10.

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Table 8.1. **Aid to ARD and other food-security-related sectors in 2005-10**

Annual average commitment, USD billion, constant 2010 prices

	2005-06	2007-08	2009-10
DAC countries			
Agriculture/Forestry/Fishing	3.6	5.1	5.9
Rural development	0.7	0.8	0.9
Developmental food aid	1.1	1.3	1.5
Emergency food aid	2.2	2.4	2.6
Total DAC countries	**7.7**	**9.6**	**10.8**
Multilateral agencies			
Agriculture/Forestry/Fishing	1.8	2.5	3.4
Rural development	0.6	0.9	1.6
Developmental food aid	1.0	0.5	0.6
Emergency food aid	0.3	0.6	0.4
Total multilateral agencies	**3.6**	**4.4**	**6.0**
Total	**11.3**	**14.0**	**16.9**

StatLink http://dx.doi.org/10.1787/888932700238

Including developmental food aid and emergency food aid, aid to agriculture, rural development and other food-security-related sectors amounted to USD 16.9 billion in 2009-10.

Box 8.3. **Trends in aid to agriculture and rural development (ARD)** *(cont.)*

Focus on environment sustainability in the ARD sector

Data on DAC members' aid targeting environmental concerns are compiled with the help of the policy marker on aid to environment. DAC members' screen and mark each aid activity they report to the Creditor Reporting System (CRS) as either: *i)* targeting environment as a "principal objective" or a "significant objective"; or *ii)* not targeting the objective. "Principal" means that environment is an explicit objective of the activity and fundamental in its design. "Significant" means that environment is an important, but secondary, objective of the activity.

Figure 8.2. **DAC members' environment-focused aid in the ARD sectors**

2005-10 average commitments, constant 2010 prices

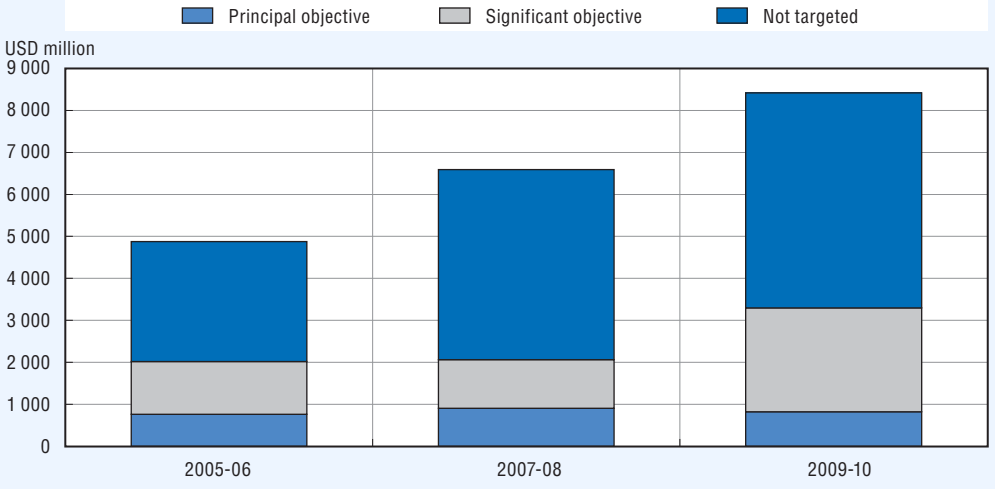

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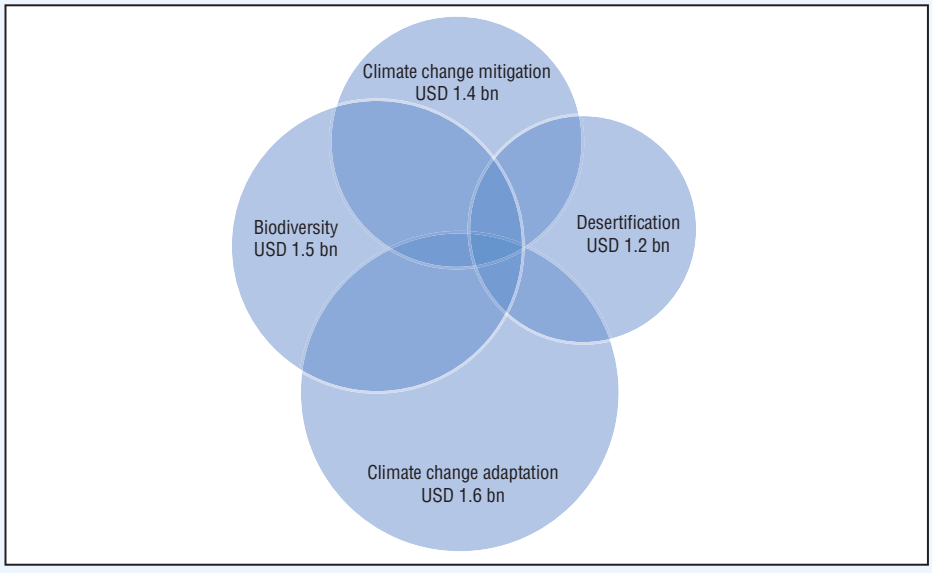
Figure 8.3. **Overlap between environmental objectives of activities in the ARD sector**

2010 commitments



Box 8.3. **Trends in aid to agriculture and rural development (ARD)** *(cont.)*

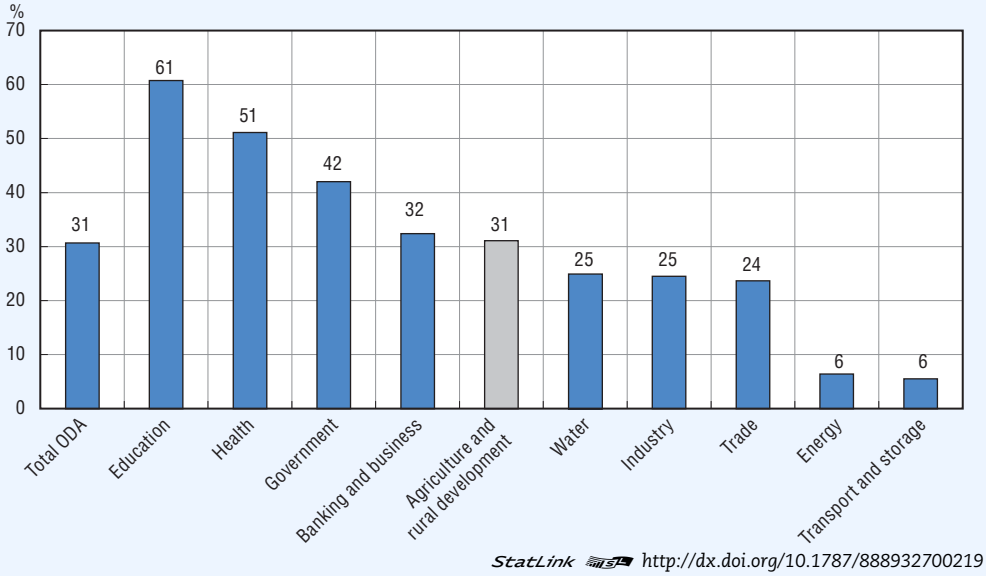
In the period 2009-10, 41% of DAC members' aid activities to the ARD sector addressed environmental concerns either as a significant or principal objective. Rio markers permit the identification of their specific environmental objectives: 18% of aid in the ARD sector targeted biodiversity, 14% desertification, 15% climate change mitigation and 21% climate change adaptation (2010 data only). There is an overlap between these objectives, and some activities can target several objectives at the same time.

Aid to ARD and gender equality concerns

In 2009-10, 31% of aid provided by DAC members addressed gender equality concerns in the ARD sector, the same share as for total ODA.

Figure 8.4. **Gender equality focused aid in the ARD sector**

DAC members, 2009-10 average commitments, constant 2010 prices



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Although less emphasis is provided on gender equality in the production sectors, within the banking and business sector, micro-credits help support women's entrepreneurship, and the large share of aid that focuses on gender in the agriculture and rural development sector recognises women as key actors in this sector as they produce most of the food and are responsible for household security in rural areas.

Notes

1. A recent joint UNEP-IWMI publication calls for "… a deeper understanding of the enormous economic importance of ecosystems and the broad suite of services they provide. For example, well-managed agro-ecosystems not only provide food, fibre and animal products, they also generate services such as flood mitigation, groundwater recharge, erosion control and habitats for plants, birds, fish and other animals" (UNEP/IWMI, 2011).
2. The payments for ecosystem services approach to watershed management is becoming more widespread, particularly in Latin America and the Caribbean (Pagiola, 2008; UNEP/IWMI, 2011). There, payments made by utilities companies and municipalities promote sustainable land management upstream, provide clean water for domestic and industrial use, and prevent downstream impacts such as siltation and flooding. In rural areas with no major downstream

economic entity, such schemes are not always viable; in these cases, community-based management is essential, including local-level institutional arrangements to adjudicate disputes.

3. This figure was later disputed by other analysts. Bojo and Cassells (1995) based their analysis of economic losses resulting from soil erosion on estimates made by Hurni (1988), who placed average soil losses at 42 tonnes/ha/year; this compares with "normal" rates of soil regeneration of 3-7 tonnes/ha/year. The cause of erosion was attributed by some to incorrect land use resulting from population growth and expansion of cultivation. Other analyses have focused on different explanations, including topography, soil type, poverty, insecure and uncertain property rights, unequal power relations between the state and the peasantry, and the impact of environmental shocks (*e.g.* Rahmato, 2001).
4. A more participatory approach, the Local Level Participatory Planning Approach, was piloted in the early 1990s by the WFP and the then Ministry of Natural Resources Development and Environmental Protection, but this approach still focused primarily on soil conservation and reforestation.
5. The absence of clear baseline studies makes the extent of income gains difficult to establish, but research conducted at the local Mekelle University suggests that average annual household incomes reached and surpassed ETB 4 000 (USD 230) in local watersheds, at least double the incomes in the pre-intervention period. Similarly, households' ability to meet their food consumption needs from their own production substantially increased. Some innovating households with larger cultivated land area (including rented land) now have substantially increased earnings from integrated and highly productive crop-tree-livestock systems.
6. Farmers in some of the watersheds claim to detect a micro-climate effect of natural resource regeneration, with improved local rainfall patterns and potential for planting more productive local crop varieties.
7. On average (using 2005 to 2009 expenditure on PSNP), the highest share of budget went to the Amhara Region (39%), followed by Oromiya (22%), SNNPR (21%), and Tigray (17%), with limited but increasing amounts going to the Dire Dawe, Harari, Afar and Somali regions.

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Lessons in Linking Sustainability and Development

PART II

Chapter 9

Breaking the mineral and fuel resource curse in Ghana

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In many countries, wealth in oil, gas, diamonds, gold and other minerals can be a curse rather than a blessing. When poorly managed, such natural resource wealth can result in poor economic performance, weak and unbalanced growth, poverty, conflict, environmental damage, and ineffective or authoritarian rule. In this chapter, the authors argue that the resource curse is not, however, inevitable. They provide a detailed account of how co-operation between Norway (a country with four decades' experience of managing large oil reserves) and Ghana has helped the African country to manage its oil for the benefit of the population as a whole. Drawing on the experience of Norway's Oil for Development programme and its principles of good governance, Ghana is striving to ensure economically, environmentally and socially responsible management of its petroleum resources. The Ghanaian government has focused on developing and improving relevant legislation, establishing and developing institutions, and building competence. Twinning arrangements between public sector institutions in Ghana and their sister institutions in Norway have ensured continuity, sustainability and a holistic approach. Placing emphasis on the principles of transparency, accountability and anti-corruption, the experience offers practical lessons that can prove useful for other countries.

It is a well-known fact that abundance in natural resources does not automatically translate into growth and development. In fact, in many countries, natural resources have become a curse rather than a blessing. If not well managed, wealth in oil, gas, diamonds, gold and other minerals may contribute to poor economic performance, weak and unbalanced growth, impoverished populations, aggravated conflict, environmental damage, and ineffective or authoritarian rule.

The reasons for this curse are numerous. Lack of democracy, accountability and transparency may foster rent-seeking. A focus on natural wealth may cause leaders to neglect the manufacturing and agricultural export sectors, making them uncompetitive (a problem called the "Dutch disease"). The notorious volatility of oil prices may destabilise an economy. Natural resource wealth can encourage corruption, impinge on the quality of institutions, promote excessive borrowing and lead to the subsidising of uncompetitive industries. In addition, unsustainable extraction of resources, without proper preventive and corrective measures, may seriously damage the environment. All of the above are permutations of the resource curse.

Resources, infrastructure, governance, civil society and transparency need to be developed in parallel.

Nonetheless, the resource curse is not inevitable. Recent research has questioned earlier assumptions that abundance in non-renewable resources, notably oil, necessarily damages the growth prospects of developing countries (Luong and Weinthal, 2010). The determining factors here, as for other development challenges, are the quality of related governance mechanisms and institutions, and, ultimately, the mindset of a country's leaders. Basic decisions taken at an early stage are crucial in determining whether the development of natural resources will benefit ordinary citizens. Essentially resources, infrastructure, governance, civil society and transparency need to be developed in parallel. This chapter tells the story of two countries: Norway, which has 40 years' experience of managing its oil wealth for the benefit of its citizens; and Ghana, which with Norway's help is just starting out on the road towards responsible natural resource management.

Forty years of oil management experience: lessons from Norway

Oil was discovered on the Norwegian continental shelf in the 1960s. With daily production at more than 2.1 million barrels of oil, Norway is now the 7th largest oil exporter and the 14th largest oil producer in the world. Moreover, in 2009 it was the world's 2nd largest gas exporter and 5th largest gas producer.

The Norwegian government derives around 25% of its total revenues from petroleum.

Norway has created a framework for using its petroleum revenues wisely to ensure the country's economic growth and for funding the welfare state (Box 9.1). Over more than 40 years, petroleum production has added some USD 1 600 billion to the country's GDP. In 2010, the petroleum sector represented 21% of the country's total value creation, and the government's income from petroleum amounted to about a quarter of its total revenues.

Box 9.1. **A roadmap for making the most of natural resource wealth**

Professor Paul Collier (Oxford University) has, together with an international team, developed a very useful *Natural Resource Charter* – a roadmap for how governments should deal with non-renewable resources. It contains 12 simple principles covering the entire development chain, from the decision to develop resources to, for example, revenue management choices that can benefit people at large. The *Natural Resource Charter* is supported by the Norwegian government although it was developed long after Norway discovered its oil. In retrospect, although mistakes were made (and amended), it is clear that Norway has largely complied with the Charter's precepts and indeed may have served as something of a model.

Source: The *Natural Resource Charter* is available at *www.naturalresourcecharter.org*.

Norway's petroleum revenue is deposited in its Government Pension Fund Global. At the end of 2011, the fund was valued at well over USD 500 billion, or more than USD 100 000 per inhabitant. There is broad political agreement that, as a rule, Norway's structural budget deficit should not exceed the expected return on the fund's capital, estimated at 4% a year on average; the idea is to phase petroleum revenues into the economy sustainably, in the interests of future generations and regardless of price fluctuations.

Norway has spent USD 300 million on helping countries manage their oil revenues sustainably.

Four decades of experience in the oil and gas sector have provided Norway with unique expertise in the management of these resources. In the early 1980s, the government decided to share this experience with developing countries. This led to a development co-operation programme on petroleum-related issues, eventually including more than 30 countries; expenditure so far has been in the order of USD 300 million (Box 9.2).

Oil for Development

Norway's current co-operation programme, Oil for Development, was launched in 2005.[1] Its comprehensive approach covers resource, revenue and environmental management. Essential principles of good governance – transparency, accountability and anti-corruption – are emphasised throughout, and support is provided to government institutions as well as to civil society. The goal is to promote economically, environmentally and socially responsible management of petroleum resources while safeguarding the needs of future generations.

The Oil for Development programme co-operates with a range of international institutions, including the Extractive Industries Transparency Initiative (EITI), the International Monetary Fund, the World Bank – through its Petroleum Governance

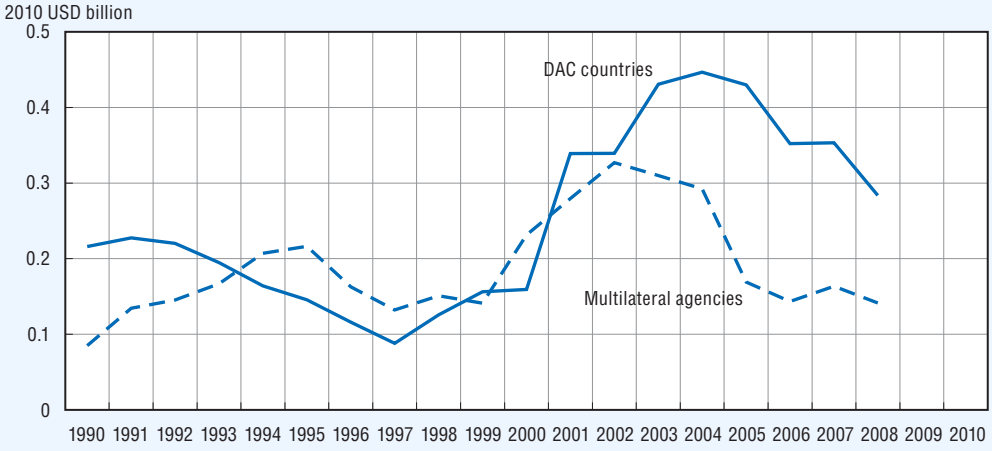
Box 9.2. **Trends in aid: Mineral resources and mining**

The DAC definition of aid to mineral resources and mining includes mining and minerals policies and programmes, geology and extraction of metals, minerals and fuels. It does not, however, cover the full range of the "Oil for Development" approach described by Norway, which also includes interventions in energy generation and supply, industry (energy manufacturing including petroleum refineries), government and civil society (legislation) and general environmental protection.

The mineral resources and mining sector represents a small component of ODA, *i.e.* less than 1% of total sector allocable aid. In 2009-10, total annual average aid commitments to the sector amounted to USD 461 million. This lucrative sector attracts sufficient resources from private investors and companies and is not considered a traditional sector of intervention for aid agencies.

Figure 9.1. **Trend in aid to mineral resources and mining**

Commitments 1984-2010, 5-year moving average, constant 2010 prices



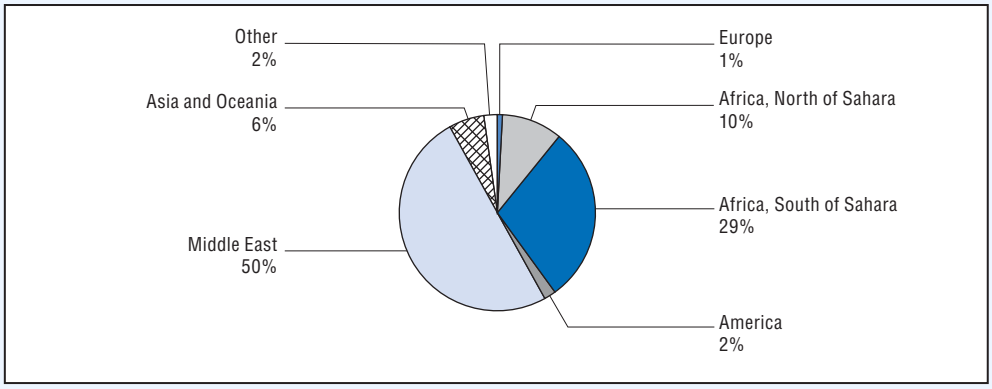
Note: Five-year moving averages, *e.g.* 2008 = average of 2006-10.

StatLink http://dx.doi.org/10.1787/888932700257

The fall in bilateral aid during the 1990s was due to the implementation of the "Helsinki Package", which precluded the use of aid resources for commercially-viable projects and led to a considerable reduction in aid for infrastructure including mining. This did not affect multilateral flows to this sector which had always taken commercial viability into account and reserved aid in this sector for smaller projects with a poverty focus.

Figure 9.2. **Regional breakdown of aid to mineral resources and mining, all donors**

2005-10 commitments



StatLink http://dx.doi.org/10.1787/888932700276

Box 9.2. **Trends in aid: Mineral resources and mining** *(cont.)*

Over the period 2005-10, the Middle East attracted half of official development assistance flows, mainly due to projects on oil pipelines in Iraq in 2005 and 2008. The other large recipient of this aid was Africa receiving nearly 40% of total aid for mining and mineral resources.

Over the period 2005-10, the United States, IDA and Japan were the largest providers of official development assistance in the mineral resources and mining sector.

Among the 439 new commitments reported by DAC members under mineral resources and mining in 2009-10, only 9 activities were tagged as addressing climate change mitigation concerns. One of these, financed by France in Morocco, was noticeably large (USD 318 million), consisting of an ODA loan to finance a system for transport of phosphates.

Contributions to the Extractive Industries Transparency Initiative International Secretariat (EITI) are reportable as bilateral ODA under various sectors (mineral resources and mining but also governance, energy or trade). They can be separately identified in the DAC Creditor Reporting System (CRS) through a specific channel of delivery code introduced in 2009 and are included in the figures shown in Table 9.1.

Table 9.1. **Aid to mineral resources and mining by donor, 2005-10**

Annual average commitments, constant 2010 prices, USD million

	Commitments		
	2005-06	2007-08	2009-10
Australia	0.40	0.40	0.7
Belgium	0.50	1.90	1.2
Canada	1.30	4.30	0.9
Denmark	0.00	0.60	0.1
Finland	0.02	0.90	3.4
France	0.00	0.50	158.9
Germany	4.20	1.70	0.1
Ireland	0.00	0.03	0.0
Italy	0.00	0.10	0.0
Japan	22.10	295.70	18.2
Korea	0.10	0.30	1.2
New Zealand	0.00	0.00	0.0
Norway	8.50	14.00	39.5
Portugal	0.60	0.10	0.1
Spain	3.00	0.60	1.6
Sweden	0.10	0.20	1.7
Switzerland	0.00	0.00	2.6
United Kingdom	28.80	1.90	4.2
United States	478.20	14.80	2.0
Total DAC countries	**548.00**	**338.00**	**236.0**
AfDF	4.50	0.00	0.0
Arab Fund (AFESD)	0.00	5.10	0.0
AsDF	0.00	0.00	2.5
EU institutions	65.60	2.10	3.1
IDA	70.80	72.10	219.3
UNDP	0.03	0.50	0.2
Total multilateral	**141.00**	**80.00**	**225.0**
Memo: Total EU institutions + EU member states[1]	112.00	25.00	214.0
Total	**689.00**	**418.00**	**461.0**

1. The *memo* line "EU institutions + EU member states" shows the sum of EU members' contributions to developing countries and the outflows of "EU institutions" to developing countries.

StatLink http://dx.doi.org/10.1787/888932700295

Box 9.2. **Trends in aid: Mineral resources and mining** *(cont.)*

Examples of Norwegian contributions in the context of the "Oil for Development" programme as reported to the CRS

In this Chapter, Norway describes its "Oil for Development" programme, which is designed to capitalise on Norway's expertise in this field and help developing countries with access to oil resources to maximise the developmental benefits.

- Year 2010: USD 15 million committed to support Ghana on a long-term programme within petroleum-related environmental management, with the participation of a large number of Norwegian public institutions.
- Year 2008: USD 11 million committed in Timor-Leste for assistance in management of petroleum resources.
- Year 2008: USD 375 million committed in Bolivia for assistance in the hydrocarbon sector: legal assessment of the Bolivian Hydrocarbon Law regarding energy legislation and production-sharing agreements.

Initiative and the Global Gas Flaring Reduction Partnership – and the African Centre for Economic Transformation. It also engages in international co-operation on environmental aspects, for example with the International Association for Impact Assessment.

There is considerable demand for Norway's Oil for Development assistance among emerging petroleum-rich nations. Today, the programme is engaged in more than 20 countries worldwide; 14 of these are in Africa, with Ghana, Uganda, Sudan, South Sudan and Mozambique being the main partners.

The Norwegian-Ghanaian partnership is a good example of how the Oil for Development programme helps emerging producers, such as Ghana, to exploit their resources in a sustainable manner. We hope that the story of our co-operation can afford some practical lessons for other countries, and serve as an inspiration.

Ghana's success story: A flagship of democracy in Africa

Ghana is no novice in handling rich natural resources. This emerging middle-income West African nation of some 24 million people remains one of the world's top gold producers. In addition, cocoa, timber, diamonds, bauxite and manganese provide other major sources of foreign exchange earnings.

Over the years, Ghana has developed a robust democracy, including the rule of law and well-functioning institutions. The country's fifth democratic election since the end of military rule in 1992 took place in 2008; it stood out as the best-managed and most peaceful election in African history. John Atta Mills won the presidential race by a very small margin; commendably, the losing party accepted the voters' verdict. This was the second time the opposition had taken power in Ghana (the first time was in 2000), confirming the country's position as a flagship of democracy in Africa.

Ghana stands out as an African success story, both politically and economically.

Yet Ghana stands out as an African success story in more than just political terms. The economy has grown vigorously for many years, and continues to do so, with a growth of 13% in 2011. This is accompanied by a decline in population growth and in the proportion of people living in poverty. More than 90% of all Ghanaian children of school age attend school and access to electricity today stands at more than 70%. Life expectancy has risen and child mortality has fallen.

Sustainable and equitable oil management

Ghana's oil reserves should earn the country more than USD 1 billion in revenues every year.

In 2007, significant oil discoveries were made in Ghana's offshore Jubilee field. In fact, Jubilee was the largest single discovery in the world that year. The field's recoverable reserves are estimated at more than 700 million barrels, with a maximum potential of 1.8 billion barrels. Commercial production started in December 2010 with average production in 2011 at about 78 200 barrels of oil a day. Ghana's oil revenues are expected to exceed USD 1 billion every year from 2012. In comparison, total international development assistance to the country in 2010 was USD 1.7 billion. Even so, Ghana's oil reserves are relatively small on a global scale. Even if its reserves turn out to be at the upper end of estimates, they will only put Ghana approximately 50th in the world ranking of proven oil reserves, significantly below major oil producers such as Nigeria, Angola and Norway.

When the Jubilee discovery was made, Ghana's method of mineral extraction was rather unsustainable. With this in mind – and to avoid the oil curse – former UN Secretary-General and Ghanaian citizen Kofi Annan approached Norway about Oil for Development co-operation. In February 2008, the Ghanaian government signed a Memorandum of Understanding (MoU) with the Norwegian government, with an initial focus on managing the Jubilee field. Under this MoU, Norway's Ministries of Petroleum and Energy, and of the Environment, its Petroleum Directorate, the Oil for Development Secretariat, and Petrad (a training agency) agreed to assist the Ghana National Petroleum Company (GNPC), the Office of the President, the Ministries of Energy (MoE), and of Environment, Science and Technology, and the Environmental Protection Agency in various ways to prepare the ground for sustainable development.

A major initial step was the publication of a white paper on Ghana's petroleum policy; this provided the basis for new legislation and for developing a petroleum master plan. After the 2008 election, the new Ghanaian government decided to intensify Oil for Development co-operation with Norway. Ghanaian officials, led by the Minister of Energy (co-author of this article) and the Minister for Environment, Science and Technology, travelled to Norway for a series of seminars and visits to Norwegian institutions. More Norwegian institutions became involved, such as the Petroleum Safety Authority, the Directorate for Nature Management, the Climate and Pollution Agency, the Mapping Authority, the Institute of Marine Research, the Coastal Administration and the independent research institution SINTEF.

Ghana's EITI listing reflects the transparency and accountability of its extractive industries.

In the second half of 2010, just weeks before the start of oil production at the Jubilee field, Ghana qualified as EITI-compliant in its oil and gas activities (the mining sector had already qualified),[2] laying the foundation for transparency and accountability among oil companies, the government and civil society.

In December 2010, two five-year agreements were signed for institutional co-operation on resource and environmental management, respectively, between Ghana and Norway.

These agreements directly address the challenges of managing the sustainable development of Ghana's deep-water petroleum discoveries. In particular they seek to support:

- sustainable exploration, development and production of Ghana's oil and gas endowment;
- judicious management of oil and gas revenues for the overall benefit and welfare of all Ghanaians;
- indigenisation of related knowledge, expertise and technology to increase local ownership.

It took Norway 25 years to set up an oil fund for the future: Ghana did this in 25 days.

In some areas, these agreements provide for co-ordination of activities with other development partners. The main elements of the co-operation include:

- **Policy and regulatory advice.** Effective policies and regulations are crucial for ensuring sustainability in resource management and fairness in revenue distribution. To this end, the Norwegian Ministry of Petroleum and Energy and the Norwegian Petroleum Directorate, together with external Norwegian experts, are providing extensive advice on resource management to the Ghanaian MoE and GNPC. Furthermore, Norway has helped with implementing Ghana's recently-approved Petroleum Revenue Management Act. This is modelled to a large extent on its Norwegian equivalent, exemplifying the benefits of learning from others. It took Norway 25 years to establish the Government Pension Fund Global, whereas for Ghana, it took approximately 25 days from the start of oil production to establish a similar fund. More legislation is required to improve the investment environment whilst securing national control. To this end, a revised Petroleum Exploration and Production Bill is in the final stages of preparation. Norway is also helping Ghana to draw up regulations for spatial and land-use planning in western Ghana, where most of the petroleum exploration support facilities will initially be located. The objective is to ensure that the development of the region is socially, economically and environmentally sustainable.
- **Capacity strengthening.** Seminars for the Ghanaian Parliamentary Committees on Energy, Environment and Finance have been held both in Ghana and in Norway. The seminars were designed to deepen the knowledge of legislators and to give them the opportunity to scrutinise proposed legislation so as to ensure that the nation's resources are exploited sustainably.
- **Technical assistance.** The Norwegian Petroleum Directorate has helped Ghana to establish the National Petroleum Data Repository and provides technical assistance and training in geological, geophysical and sub-surface issues and data systems. This has helped to build the government's capacity to supervise offshore activities. The World Bank will complement this effort by funding the procurement of technical equipment. The Norwegian Ministry of the Environment is advising its Ghanaian counterpart on environmental and legal matters and is also assisting the Ghana Environmental Protection Agency with organisational development, strategic environmental impact assessments and emergency preparedness. Finally, technical assistance has been provided to help in identifying baseline data for environmental monitoring of oil exploration activities.
- **Institution strengthening.** Following advice on the drafting of legislation, Ghana established a Petroleum Commission along similar lines to the Norwegian Petroleum Directorate; the Commission has also visited Norway for training. Assistance provided to the National Gas Task Force, appointed by the President to support the use of natural gas

from the Jubilee field, paved the way for the establishment of the publicly-owned Ghana National Gas Company in 2011.

- **Industry support.** In January 2011, Norad (the Norwegian Agency for Development Co-operation) signed a three-year agreement with SINTEF to help Ghana develop its petroleum-related supplier industry. Ten Ghanaian companies will participate in a programme to boost their capacity to win contracts related to petroleum activity. SINTEF is also working closely with companies, research institutions and universities in Ghana to increase the viability of the Ghanaian petroleum industry.

Ghana is determined to use its oil wealth for the development of the country and its people.

This story highlights the clear importance the Ghanaian government gives to developing and improving legislation, establishing and developing institutions, and building competence in managing its oil industry. It is making optimal use of lessons from the Norwegian experience, adapting them to the Ghanaian context. Twinning arrangements between public sector institutions in Ghana and their sister institutions in Norway are helping to ensure continuity, sustainability and a holistic approach.

Thanks to its firm foundation in Ghanaian-Norwegian co-operation, Ghana's new oil age is off to a good start. While much remains to be done and with many challenges still to be met, Norway is deeply committed to helping Ghana improve the lives of Ghanaians by ensuring local ownership of and participation in the oil industry, and by supporting the development of infrastructure, health care, education and living standards in general.

The way forward

There are many other developing countries blessed (or cursed) with abundant mineral or petroleum wealth. The Norway-Ghana collaboration holds many useful ideas for these countries. What distinguishes Ghana from many other nations in Africa and the rest of the developing world is the consensus and commitment of its leaders to use the country's oil wealth for the development of the country and its people. Such unity of purpose, coupled with the non-political support of developed countries like Norway, will make it possible for countries like Ghana to escape the natural resource curse and ensure prosperity for all their citizens.

Notes

1. For more information, see *www.norad.no/en/thematic-areas/energy/oil-for-development*.
2. The Extractive Industries Transparency Initiative (EITI) increases *transparency* over payments by companies from the oil and mining industries to governments and to government-linked entities, as well as transparency over revenues by those host country governments. To be listed as EITI-compliant countries must complete at least one reconciliation report checking revenues paid by companies to governments.

Reference

Luong, P. and E. Weinthal (2010), *Oil is Not a Curse: Ownership Structure and Institutions in Soviet Successor States*, Cambridge University Press, Cambridge.

PART III

Green growth for sustainable development

Development Co-operation Report 2012
Lessons in Linking Sustainability and Development

PART III

Chapter 10

A green growth business model

by
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Green growth strategies are logical and natural ways of dealing with many of the major challenges we face: higher prices for goods, joblessness, scarcity of resources, food shortages, high risk of diseases and rising instability. In this chapter, the author outlines a sound business model for greening growth. He stresses the need to ensure: 1) sufficient and timely returns/benefits (financial, political and social) to make the investment worthwhile and sustainable; 2) inclusiveness, involving beneficiaries in the conception of green growth initiatives in order to make sure they are suitable culturally, technically and socially, as well as to ensure long-term buy-in; and 3) partnerships, not just public-private partnerships, but any that provide the necessary financial leverage, risk-sharing, technical expertise and stakeholder empowerment. The "supply" side of the green growth equation should include the stimulation of new markets, innovation (often adapting knowledge acquired by local populations), and the use of locally-available resources. These fundamental elements, required to generate and sustain green growth, are illustrated in this chapter by numerous examples of successful projects funded by the Global Environment Facility.

Recent estimates tell us that by 2050, the Earth's population will have increased by more than 40%, from 7 billion people in 2012 to at least 10 billion (Chapter 4 and UN, 2004). Inevitably, this growth will place significant pressure on essential resources such as clean water, food and energy. But it will also threaten what is perhaps our most fragile resource: the global economy. Demographic pressure will generate real challenges in the form of higher prices for goods, lost jobs, increasing scarcity of resources, food shortages, elevated risk of diseases and rising instability. Without concrete action, these pressures will affect all of us. In this context, green growth is the logical and natural way forward (Box 10.1).

Box 10.1. **Green growth: What is it?**

According to the OECD, green growth means fostering economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. To do this, it must catalyse investment and innovation which will underpin sustained growth and give rise to new economic opportunities. Green growth has not been conceived as a replacement for sustainable development, but rather should be considered a subset of it. It is narrower on the international level. To achieve green growth, the catalysts should be implemented in parallel with initiatives centered on the broader social pillar of sustainable development.

The OECD green growth strategy develops an actionable policy framework that is designed to be flexible enough to be tailored to differing national circumstances and stages of development. It provides a strong focus on fostering the necessary conditions for innovation, investment and competition that can give rise to new sources of economic growth, consistent with resilient ecosystems. Currently, the OECD is working with developing countries on building their understanding of green growth and ensuring green growth could contribute to their national development and poverty reduction objectives.

Source: OECD (2011), *Towards Green Growth: A Summary for Policy Makers,* OECD, Paris, *www.oecd.org/dataoecd/32/49/48012345.pdf*.

While green growth has much to offer the environment, the other benefits it can bring about are often overlooked. In this chapter, I therefore examine green growth from the economic perspective, an angle that has too often been overshadowed by the charged statements and denial of scientific evidence that have accompanied the very emotional debates about the reality and impact of climate change.

Many of the terms familiar to those working in environment and development are complementary or even interchangeable with those used in the investment and business worlds. I will discuss the importance of "results-based investment" in green growth, as well as the need for a viable "business model" with sufficient and timely return on investment to create not only environmental benefits but also economic sustainability. I will provide examples in which buy-in by local populations to programmes designed under the principle of inclusiveness is critical to success. I also touch on the importance of clear and compelling

communication of critical policy messages to achieve that buy-in and to develop the partnerships that help spread the risks – and benefits – of green-growth programmes.

I illustrate these concepts with examples from the numerous projects funded by the Global Environment Facility (GEF),* which have produced tangible and measurable benefits.

Green growth is more than a plan for human survival; it is the route to prosperity and quality of life for all.

While the pathways to green growth are multiple, for the purpose of this discussion I will attempt to group them into the economic categories of supply and demand, as action is required on both sides.

Increasing demand for green growth

Green growth provides a return on investment in the form of tangible and sustained benefits for people and the environment.

The economic laws of demand follow basic biological principles: just as thirst triggers a desire to drink, profitability (whether political, operational or monetary) triggers investment. But investors need evidence of profitability if they are to be persuaded to invest. In other words, demand must be evidence-based. We, therefore, need better business models that ensure tangible returns for those investing in green growth. Second, our business models have to be built in a way that ensures continuity of benefits (returns) in order to secure sustainability and growth.

GEF has supported thousands of projects – big and small, simple and complex – over the past 20 years; in all of these, sustainability has been at the centre of our interventions, and, hence, return on investment (tangible, sustained results) has always been part of the equation.

Paying for ecosystem services

GEF pioneered the Payment for Ecosystem Services (PES) scheme – the practice of offering incentives to farmers or landowners in exchange for managing their land to provide some sort of ecological service. Under this framework, those who pay are fully aware of what they are buying, and those who "sell" guarantee the sustainability of their enterprises by applying proactive strategies to protect and preserve their key resources. To this day, GEF has invested USD 222 million and leveraged USD 900 million more for such systems (GEF, 2010a).

Green growth business case study

The Regional Integrated Silvopastoral Management Initiative in Colombia, Costa Rica and Nicaragua grew out of a GEF pilot project. The programme pays ranchers to combine the use of livestock, fodder crops and woody perennials to increase biodiversity (especially

* The Global Environment Facility (GEF) is an independent financial organisation that provides grants to developing countries and economies in transition for projects that benefit the global environment, linking local, national and global environmental challenges and promoting sustainable livelihoods. It was established in 1991 and is today the largest funder of projects to improve the global environment. It unites 182 member governments – in partnership with international institutions, non-governmental organisations and the private sector.

of birds), carbon sequestration (in trees and via reduced fertiliser use) and water quality. Although some farmers in the area were already using silvopastoral practices before the project started, about 63% of the area was under extensive pasture with minimal tree cover. Most farmers had difficulty adopting silvopastoral practices because of relatively high starting costs, prevalent perception of low profitability and the time lag between investment and returns. By paying land users to adopt silvopastoral practices, the project helped them overcome these start-up obstacles. The overall landscape impact was an increase in the effective forest cover to 31% across the landscape. Realising that this land-use model is more profitable than the previous mode of ranching in degraded pastures, most ranchers continued to use it even after the initial PES scheme ended. This is a win-win example of a sound business model based on simple, innovative thinking. It shows how securing livelihoods and improving the environment can go hand in hand.

Timely returns

To address climate change, politicians and economic leaders must have the courage to invest in the medium to long-term future. On the other hand, poor populations – especially those in less-developed countries (LDCs) – have an immediate need for assistance. Severe poverty forces people to choose unsustainable pathways, such as using inefficient agricultural methods on already depleted land; deforesting areas for firewood or charcoal, or for cultivation; overharvesting of already diminished fishery stocks, and so on. In these situations, lack of development capacity operates like the lid of a tightly-sealed pressure cooker, causing the pressure to mount to unsustainable levels.

For green growth to be meaningful in LDCs, therefore, returns need to be realised at a pace that meets the populations' most urgent needs.

Green growth business case study

In 2001, GEF started a project with the fishing community of Punta Allen, Mexico to address their decreasing lobster catches and damaged marine environment due to over fishing. Using modest GEF financing, the community adopted a more sustainable technique (lobster field maps, lobster traps, daily records of capture, and geographic positioning systems). At the same time, the community strengthened its capacity to administer and regulate both its marine and financial resources. The result was the elimination of 95% of the fishing nets, which helped to conserve coral reefs and generated 30% more income for the villagers. The conversion to sustainable methods of fishing helps avoid both unintentional damage to reefs and fish refuges and the catching of non-target fish species.

In 2005, the co-operative model used in Punta Allen inspired the *Bahía del Espíritu Santo* co-operative in Cozumel, Mexico to improve their practices and the ecosystem. Through this project, the co-operative was able to demonstrate that a combination of better fishing techniques, use of geographical positioning systems and systematic recording of daily catches led to sustainable, profitable results both for fishermen and for the environment. The credible results achieved by the two projects enabled the concept to spread through the region via exchanges with fishermen and authorities from Belize, Guatemala, Honduras and Panama, to mention only a few. Here again, the demand for long-term green growth benefits was met and lessons were learned and replicated.

Empowering populations through inclusive approaches

Too many development projects have failed because of top-down approaches that ignore the specific needs of the recipient community; or because they lack the financial and managerial capacity to sustain a project beyond the initial investment phase; or, most importantly, because they lack buy-in from the intended beneficiaries.

Inclusive approaches – *i.e.* involving target communities in green growth concepts – is the only route to ensure appropriate technology, capacity building and unconditional buy-in from the beneficiaries.

Green growth business case study

In Panama, with a very limited investment from GEF's Small Grants Programme, the *Comité de Salud* led a project to harness the hydrologic potential of the Darien agricultural region while promoting forest conservation for renewable energy production. In the Darien watershed, the *Comité de Salud* began by creating a management committee to oversee the installation of two micro-hydroelectric generators and a small electricity grid. It also put in place a payment system to secure the project's economic sustainability.

Today, this small initiative provides continuous electricity to 43 households and a communal school, benefiting 190 individuals, 68 of whom are children. As for the environment, the micro-installation will produce 42 000 kWh of clean energy, avoiding the emissions of 1 657 tonnes of CO_2 over the life of the project and achieving numerous forest conservation objectives.

The local population has benefited from a reliable, constant supply of electricity; they have also reduced by two-thirds their monthly energy spending on unhealthy kerosene, disposable batteries and candles. This has freed up income for necessities they could not previously afford. Sustainability is ensured not only thanks to the savings these families realise, but also through the payments they willingly make for electricity, thereby allowing for the maintenance of the micro-generators and network. Based on this success, authorities in Panama have decided to replicate this type of initiative in critical watershed areas throughout the country.

Partnerships for investment

For each dollar invested by GEF from funds provided by donor nations, ten dollars more are raised from other sources, thus, spreading the risk and increasing the impacts.

Investments in green growth – especially in new technologies – tend to be rated at a higher risk level than in other sectors, often limiting the incentives for financial commitment. Financial partnerships help overcome this bottleneck by expanding the pool of funds available and spreading the risk across a greater number of investors. Another way to look at this is in terms of financial leverage for those involved in such business models. The most recent work programme approved by the GEF Council illustrates this "leverage" effect: for each dollar invested by GEF from funds provided by donor nations, USD 10 more are raised from other sources (a ratio of 1:10), substantially enhancing the depth of impact.

While the financial leverage allows for the quantitative expansion of the financial side of the green growth equation, partnerships add value by bringing in technical expertise otherwise unavailable to the beneficiaries.

Green growth business case study

A GEF investment in Mexico of less than USD 10 million stimulated an energy-efficiency initiative worth USD 860 million.

In Mexico, a GEF investment of less than USD 10 million triggered a USD 700 million programme to promote residential energy efficiency, replacing old air conditioners and refrigerators, and using energy-efficient appliances and fixtures to supply lighting. The World Bank contributed USD 250 million in the form of a loan, as well as USD 50 million from its Clean Technology Fund. The National Development Bank of Mexico, NAFIN, provided USD 127 million. The balance came from the private sector, including the end consumers. Through this partnership, the national electricity company gives credits to customers to enable them to replace their appliances. They repay the loans through their regular electricity bills. Even taking into account the loan repayments, consumers' electricity bills are lower than before.

By 2015, 45 million inefficient lamps will have been replaced with compact fluorescent lamps, and more efficient units will take the place of 1.7 million refrigerators and air conditioners; this process also will help to develop additional manufacturing capacity (and jobs) in the country. Over the first five years of the project, these measures will cut chlorofluorocarbon (CFC) emissions significantly, reducing CO_2 emissions by more than 5 million tonnes and save 9 300 gigawatt hours (GWh) of electricity. This represents 25% of Mexico's national target towards energy efficiency for the period. In financial terms, this investment in green growth is projected to deliver an overall rate of return of 40% and a net present value of USD 860 million, even at this very early stage of the project.

Increasing the supply of green growth inputs

The previous section has discussed the importance of sound business models, timely returns on investment, inclusiveness and partnership as fundamental elements for generating and sustaining results-based demand for green growth services. Of course, there cannot be any demand for products, technology or expertise that do not exist; hence, I now turn to the importance of the supply side of the green growth equation.

Stimulating new markets

I referred above to the essential role of partnerships in responding to green growth demand. Partnerships also play an important role in creating networks of people and organisations that share an interest in green growth. In doing so, they facilitate exchanges of expertise, economies of scale and innovation in and among developed and developing countries.

Green growth business case study

The GEF Solar Thermal Hybrid Project in Egypt has been designed to concentrate solar power so as to generate electrical power. It shows benefits over traditional turbine-cycle gas method. The new technology will increase national renewable electricity by an estimated

33.4 GWh a year; in addition, it will reduce CO_2 emissions by 500 000 tonnes over the life of the project of 25 years. Beyond demonstrating the viability of concentrated solar power in Egypt, the project has helped stimulate a new market for local suppliers of various components, positioning the country as an international source of expertise and equipment.

On another front, in 1998 GEF launched a project to help the government of Tunisia develop and implement policies to promote energy-efficient refrigerators. Not only did this project lead to the adoption of three laws on energy efficiency and appliance labelling; it has also reduced Tunisia's electricity consumption by 560 GWh annually, equivalent to 10% of the national energy consumption at 1994 levels. In addition to these environmental benefits, Tunisia's manufacturers and retailers have now developed both domestic and export markets for these appliances, creating and preserving well-paying jobs.

Local innovation

All too often projects fail because the attempt to implement new technologies cannot be supported locally. Simple, reliable, and sustainable solutions can be generated by capitalising on the knowledge acquired over the years by local populations. Adapting that knowledge to modern techniques and materials can allow a range of technologies to emerge: from low-cost high-efficiency cookers to geothermal energy or biomass.

Green growth business case study

In Bangladesh, the brick-making industry provides jobs for millions of people. A GEF project has invested in promoting widespread adoption of energy-efficient kilns and practices by the industry. This has lowered the consumption of fossil fuels and reduced greenhouse gas emissions and local air pollution (see Chapter 6), while cutting costs and improving competitiveness.

Green innovation does not have to be high-tech: simple, low-cost ideas are often much more effective and locally appropriate.

Often innovation can spring from simple, low-cost ideas that do not require sophisticated or expensive technology; what is needed is simply a different way of looking at and doing things. The silvopastoral project described above is a good example: instead of cutting trees to make room for pasture, most are now being left in place for their fruits to be harvested. Cattle can still graze, now with the additional shelter provided by the trees, which are, in turn, fertilised naturally by the cattle (instead of using expensive and polluting chemical fertilisers). Thus, from a simple idea great benefits emerge.

Local resources

Green growth is most sustainable when it maximises the use of locally-available resources. The use of biomass for producing electricity and heat exemplifies this approach.

Since 2001, GEF has funded biomass power generation projects in 37 countries. In Thailand, for example, the goal was to stimulate both supply and demand activity by building good financial models, increasing access to commercial financing of biomass projects and providing information to potential biomass investors. Upon completion in 2009, the GEF project had facilitated the installation of 398 megawatts of electricity generation capacity, demonstrating feasibility and cultivating knowledge in an experience that is now being replicated by other interested parties.

The way forward

Demographic reality demands increased and sustained ecological productivity…

GEF's experiences in the design and implementation of green growth business models confirm that they can lead to more sustainable livelihoods for those who both invest in, and benefit from, such approaches. This is especially – but not exclusively – the case for people in developing countries. Beyond providing the increased and sustained ecological productivity that the world's demographic reality requires, green growth can contribute to overall quality of life through environmental improvements that bring with them new and enhanced economic opportunities for all.

… not to mention other benefits: jobs, health and security.

The principles reviewed in this chapter provide a clear business plan for moving forward along the path towards true, sustainable green growth. This involves attention to both the demand and supply sides:

Demand

- Improving how we communicate about green growth – a poorly-known or abstract concept to many – by emphasising the benefits that resonate beyond the environmental community: jobs, health and security, for example.
- Ensuring that a good business model is at the root of green growth initiatives, including sufficient and timely returns/benefits (financial, political and social) to make the investment worthwhile and sustainable.

Supply

- Involving beneficiaries in designing green growth initiatives to: 1) ensure they are culturally, technically and socially appropriate; and 2) ensure the buy-in required for long-term sustainability.
- Treating partnerships as one of the key pillars for sustained green growth. Public-private partnerships are only one of the many combinations that can and should be explored to provide the financial leverage, risk-sharing, technical expertise and stakeholder empowerment that characterise good green growth projects.

Beyond providing the increased and sustained ecological productivity that the world's demographic reality requires, green growth can contribute to overall quality of life through environmental improvements that bring with them new and enhanced *economic* opportunities for all.

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PART III

Chapter 11

Green growth as a national project in China, Kenya and Korea

by
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This chapter reports on three countries that are integrating crucial elements of green growth into national policies and sectoral plans to achieve concrete results: China, Kenya and Korea.

China is applying green economic policy to reduce poverty and promote social advances. For example, it aims to create at least 5.3 million green jobs within two or three years through energy savings, pollution reduction, adjustments to the industrial structure, technical innovation and biogas projects.

Kenya has replaced GDP-based traditional economic development models with a new model incorporating social dimensions of development progress. With a focus on sectoral implementation overseen by an inter-agency National Steering Committee, the country aims to reach long-term sustainable development through a broad, participatory green economy approach.

Korea aims to create growth engines and jobs out of green technology and clean energies. Korea's targets include reducing CO_2 emissions by 30% and quadrupling renewable energy supplies by 2030. Korea is also providing "green aid" to support developing country partners.

Promoting green growth is a valuable investment in a nation's natural capital. In the face of growing economic activities and world population, it can promote technological and economic advancement, jobs and development while offering solutions to climate change, biodiversity loss, accelerated urbanisation, energy insecurity and raw material scarcity. Recognising the important role green growth could play in meeting national self-interests, many countries are already taking a clear leadership role in various green growth initiatives and are using domestic policy mechanisms such as economic instruments and regulations to achieve concrete results.

In this chapter, policy makers from China, Kenya and Korea explain how they have made green growth a national project, integrating strategies into both national policy and sectoral level plans to harvest opportunities for greening their development pathways. Furthermore, as an emerging donor in the development community and the newest member of the DAC, Korea has expanded its efforts by providing "green ODA" to ensure Korean development co-operation is supporting developing country partners in achieving sustainable development.

Green economic development in China

Despite its impressive economic growth rate, China's energy consumption fell by 19% between 2005 and 2010.

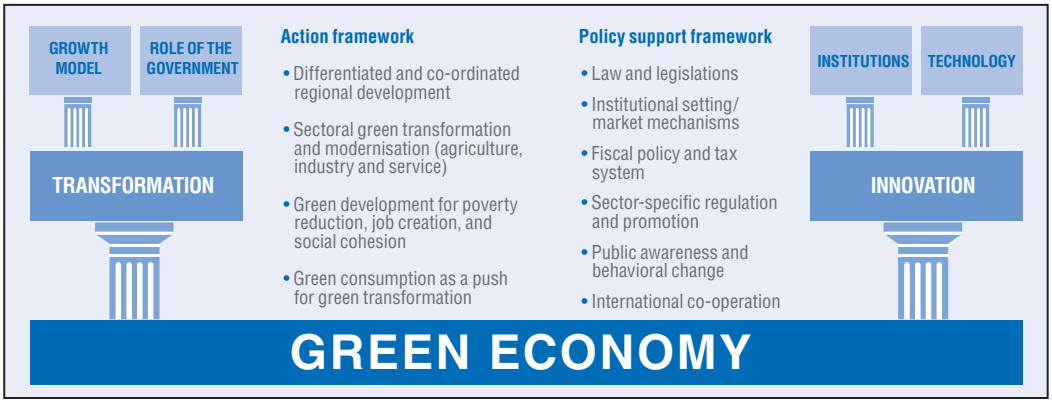
Since China's reform and opening up in the late 1970s, the country's economy has grown at an average annual rate of 9%. Environmental protection has also made significant progress: between 2005 and 2010, energy consumption per unit of GDP decreased by 19.1%, chemical oxygen demand dropped by 12.5% and sulphur dioxide emissions were reduced by 14.3%.

Despite this progress, China's rapid economic growth has had environmental costs, with air pollution, soil degradation and biodiversity losses rising dramatically. Rapid economic development has also produced large and fundamental social changes. China now finds itself caught in a vicious circle in which resource bottlenecks, environmental degradation and social unrest are causing serious economic problems and undermining steady and sustainable economic growth. A green transformation of the Chinese economy would be the most strategic choice if the country is to curb resource constraints and ecological degradation while at the same time improving economic efficiency, social inclusion and stability.

China's 12th Five-Year Plan of National Economic and Social Development sets the strategic framework for achieving green growth and sustainable development. This green development plan provides the direction for both the five-year period covered by the plan (2011-15), as well as the medium to long-term period. Its overall strategic goal is to achieve inclusive, green and competitive economic development.

China's green economic development plan rests on two strategic pillars: transformation and innovation (Figure 11.1). Transformation focuses on the growth model and the role of the government, with an emphasis on effective division of labour, and on partnership between the public and private sectors. Innovation centres on technology, institutional governance structures and policy, including the establishment of fiscal and taxation systems that are conducive to transformational economic development; the promotion of innovative policies for financing, industry and trade; and the strengthening of environmental supervision to provide protection for the development of the green economy.

Figure 11.1. **Strategic framework for China's green development**



Sustainable forest management could create 20 million jobs in China by 2020.

Scientific and technological progress will, in turn, provide the power base for green economic development, enabling it to reduce poverty and promote social development. China's green economic development will increase employment opportunities in several fields, including: the renewable energy industry, ecological conservation, green services and the environmental protection industry. According to a study completed by the Chinese Academy of Social Sciences and supported by the International Labour Organisation, at least 5.3 million green jobs will be created over two to three years from investments in energy savings, pollutant emission reduction, adjustment of industrial structure and technical advancement and biogas (Chinese Academy of Social Sciences, 2010).

In addition, the green transformation of the Chinese economy should reduce poverty through the creation of green jobs, in particular in forestry. From 2005 to 2020, 20 million jobs – which is equivalent to more than 1 million jobs per year – could be created in afforestation, reforestation, and forest management activities in China. Although mostly temporary, these activities should bring unprecedented opportunities to rural migrant and currently unemployed workers, helping socially vulnerable groups and reducing poverty in under-developed regions.

Priority areas and indicators of progress

China is expected to become the world's largest market in green technologies, products and services.

Priority areas for green economic development identified by the government include:

- **Rural areas:** enhancing food security, strategic adjustment of the agricultural structure, and improving the modern agriculture industry; managing pesticides, fertiliser, plastic sheeting and other sources of pollution; prevention and control of livestock pollution; protecting rural drinking water; accelerating the implementation of centralised rural waste treatment; and strict prohibition of the spread of urban and industrial pollution into rural areas.
- **Industry:** transforming and upgrading traditional manufacturing industries through technological innovation, improved energy efficiency and reviews of environmental performance; assisting small and medium entrepreneurs; nurturing and developing strategic emerging industries (such as those focusing on energy saving and environmental protection, the next generation of information and communication technologies, biotechnology, high-end equipment manufacturing, renewable energy, new sources of material production, and electric and hybrid vehicles). In 2015, these strategic emerging industries are expected to account for 8% of China's GDP.
- **Services:** accelerating the development of the service sector; and promoting the integration of services and advanced manufacturing (specific actions include expanding the financial services industry, vigorously developing modern logistics management and high-tech services, and standardising and improving business service practices). Over the plan period, China's energy saving and environmental protection industries are projected to grow at the rate of 15-20% and China is expected to become the world's largest market in green technologies, products and services.
- **Consumption:** creating incentives to encourage sustainable consumption (*e.g.* for purchasing energy and water-saving products, green vehicles, and energy-efficient and land-saving housing; reducing the use of disposable products; and reducing the purchase of products with excessive packaging); increasing the availability of recycling facilities; and implementing regulations on green public procurement.

The plan contains a total of eight green economic development indicators directly related to macroeconomic and environmental development, including: reductions in energy consumption (coal) per unit of GDP; water consumption; chemical oxygen demand; emissions of sulphur dioxide, ammonia nitrogen and nitrogen oxide; carbon intensity; as well as increases in the percentage of non-fossil energy used in primary energy consumption and in forest coverage rates.

Kenya's first steps towards a green economy

"Kenya believes that the concept of a green economy is not a substitute for sustainable development, but a shift to a future that places emphasis on the natural capital base and ecosystem services" (His Excellency, President Mwai Kibaki, 2011).

"Kenya shares the ambition to be part of a transition to a low carbon, resource efficient 21st century green economy" (Rt. Hon Prime Minister Raila Amolo Odinga, 2011).

Kenya's political leaders believe that a green economic development framework has the potential to support growth and environmental sustainability simultaneously, as shown in these statements, made during the 26th session of the United Nation's Environment Programme's (UNEP) Governing Council/Global Ministerial Environment Forum in 2011.

These statements have served as major drivers of change in the country's environmental governance systems, propelling a quick response by state and non-state actors alike to reorient resource use and consumption towards a green economy.

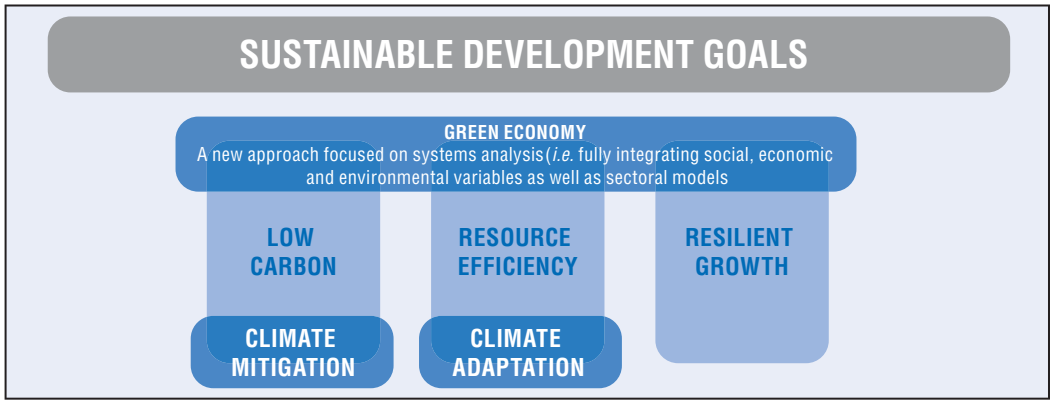
Kenya's green economy programme is anchored in its Constitution.

The result is that the green economy is now the foundation of Kenya's drive for sustainable development, a national value anchored in Article 10(2)(d) of the Kenya Constitution 2010 (Government of Kenya, 2010). Indeed, the Constitution has guided the conceptual framework and process for developing the country's green economy programme. Especially crucial are the articles relating to people's rights to enjoy a clean and secure environment, to live a good quality life and to participate in governance – including the formulation of policies, laws and development programmes.

The national programme for transitioning to a green economy was initiated in January 2011. It is founded on wide participation, guided by an inter-agency national steering committee drawn from the ministries in charge of water resources, energy, environment, infrastructure, transport, forestry, youth, gender, culture and children's affairs; the Kenya Private Sector Alliance; and representatives of civil society organisations.

As shown in Figure 11.2, to arrive at this framework, the old economic development models – which were based on GDP as the measure of growth – were compared with a new model incorporating social dimensions of development progress.

Figure 11.2. **Conceptual framework for the transition to a green economy in Kenya**



Source: Green Economy Consultative Workshop, 15 February 2012, *www.unep.org/french/greeneconomy/Servicesconsultatifs/VersuneEconomieverteauKenya/tabid/101210/Default.aspx.*

Kenya's goal to grow at an annual rate of 10% will only be realised by sustaining its natural assets.

Crucial actions at the sectoral level

The national development blueprint, *Kenya Vision 2030*, sets the goal of an average growth rate of 10% a year.[2] This will enable Kenya to achieve middle-income status by 2030. This growth rate will continue to be challenged by dwindling natural resources, such as water, energy and biological diversity. For Kenya to succeed in implementing a green economy, therefore, the following sector-level actions will be critical:

Energy:

- Conduct feasibility studies for high-potential renewable energy technologies, such as biomass, waste to energy solution, geothermal and wind.
- Increase access to renewable energy finance, including through the African Carbon Asset Development facility.
- Implement the Energy Act, accompanied by capacity building for energy managers; enforce the energy efficiency regulation; and push for the target of installing the capacity to produce 2 GW power from geothermal sources by 2013.

Green buildings and sustainable housing:

- Provide support for appropriate building centres, including through the UNEP Sustainable Construction and Building Initiative (SCBI).
- Develop and implement the sustainable building code.
- Create a Green Building Council and facilitate networking with other green building councils.

Tourism:

- Establish a platform of actors and stakeholders.
- Develop a sustainable tourism strategy, including issues related to the impacts of climate change on tourism, as guided by the Marrakech Task Force on Sustainable Tourism.[3]

Water:

- Collaborate with other ministries on resource accounting, building on systems developed to date, in particular for the restoration of all types of water catchment areas and indigenous forest landscapes such as the five "water towers" of Kenya (*i.e.* the Mau Forest Complex, Mount Elgon, Mount Kenya, the Cherengani Hills and the Aberdare Range).

In addition, Kenya will focus on training and capacity building in environmental accounting and evaluation.

Kenya recognises that climate change is a key driver of change, offering opportunities to trade in terrestrial and soil carbon to generate revenue for development. Carbon offset programmes can also enable resource-poor communities to engage in tree growing as an enterprise with low investment costs.

Challenges and solutions

The development and promotion of a green economy in Kenya has not been without challenges. One of the main ones has been the constitutional requirement for public consultations during programme development, which is a costly process. Other challenges to date have included lack of co-ordination among the numerous activities, as well as lack of clear standards on exactly what constitutes a green economy. The Ministry of Environment and Mineral Resources is making efforts to set up a database that will

systematically track technologies and good practices across the 47 counties that are working to meet green economy objectives.

The political will at the highest level will be vital to sustain Kenya's transition to a green economy. Also essential, will be an understanding of the issues involved in creating and sustaining such an economy, including empirical evidence of the potential for solving practical challenges of scarce environmental resources, as well as the implications for national development, growth, job creation and poverty eradication.

For Korea, green growth is an economic necessity.

Green growth fuels Korea's economy

In August 2008, in his speech marking Korea's 60th anniversary, newly-elected President Lee Myung-bak declared green growth to be the paradigm for the modern republic's economic and social development over the next 60 years. Since then, substantiating and promoting green growth has become one of the country's top priorities. In essence, green growth in Korea is an action-oriented approach to achieving sustainable development based on know-how and experience acquired through the country's own concentrated economic development.

Korea's national vision and strategy for green growth arose out of necessity, as the growth model that had created almost mythically high growth rates on the Korean peninsula over the past 60 years was beginning to show rapidly diminishing rates of return. Indeed, since the early 1990s the failure to generate adequate employment was calling for new engines of economic growth.

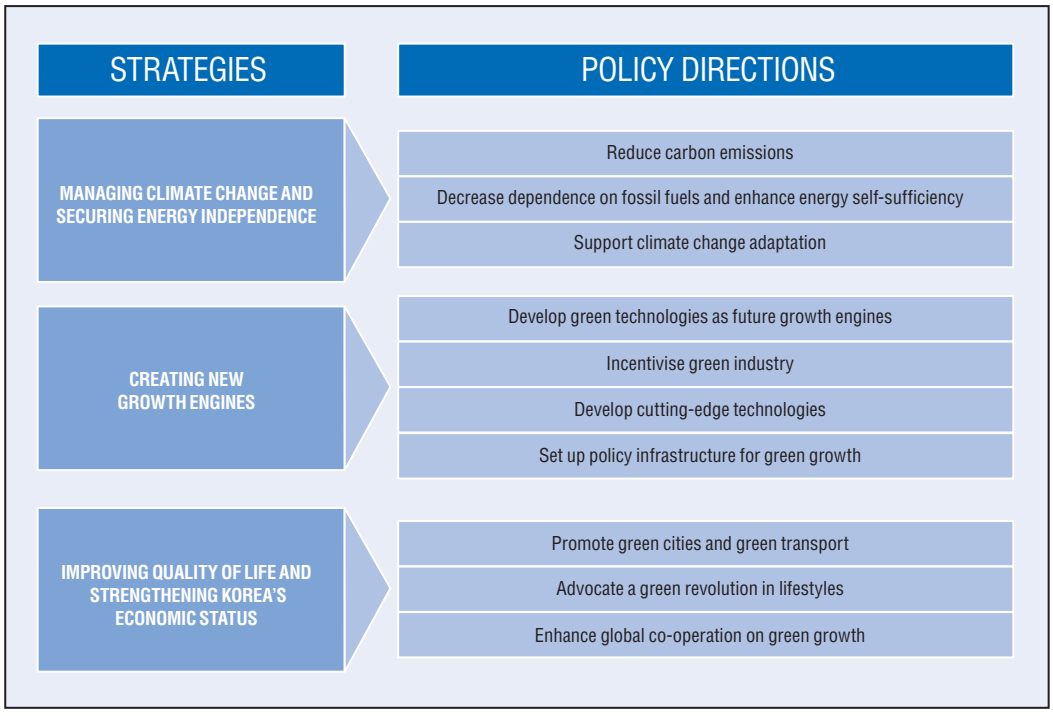
Korea's energy insecurity also indicated that green growth could be a sensible development paradigm. Korea is the world's sixth largest importer of petroleum; even so, the country's energy efficiency falls short of the OECD country average (UNEP, 2010). At the same time, global warming and domestic environmental pressures from rapid industrialisation and urbanisation are problems shared with many other nations.

All of this makes green growth a viable national strategy for achieving sustainable development, applying a package of policies to meet the needs of the present and of the future with political determination and commitment. As President Lee Myeng-bak put it: "Green growth means achieving sustainable growth by reducing greenhouse gas emission and environmental degradation. [It] constitutes a new national development paradigm which seeks to create new growth engines and new jobs out of green technology and clean energies" (Myung-bak, 2008).

Korea's choice of the term "green growth" over "green economy" highlights the synergies the country seeks among environmental, economic and social growth objectives. These synergies will promote increases in income and jobs, help alleviate poverty and improve the quality of life, and strengthen the social fabric. This philosophy was embodied in Korea's National Strategy for Green Growth, which identified three key strategies and ten policy directions (Figure 11.3).

The cross-sectoral nature of Korea's green growth policies means that a holistic approach is a prerequisite. The country's Framework Act on Low Carbon Green Growth provides the legal foundation for developing and monitoring the National Strategy for

Figure 11.3. **Korea's Five-Year Green Growth Strategy: Three strategies and ten policy directions**



Source: Based on Presidential Committee on Green Growth.

Table 11.1. **Framework for implementing Korea's Green Growth Strategy**

Element	Action	Date
Vision	The President proclaims "Low Carbon/Green Growth" to be the nation's vision to guide development during the next 50 years	September 2008
	Announcement of the National Strategy for Green Growth up to 2050	July 2009
Institutional framework	Establishment of the Presidential Committee on Green Growth and its secretariat	January 2009
	Creation of local green growth committees in each of the 16 metropolitan cities and provinces	November 2009
	Start of monthly implementation evaluation meetings, chaired by the Prime Minister	September 2011
Medium-term plan	Launch of the Five-Year Plan for Green Growth (2009-13)	July 2009
Emission target	Announcement of a target to reduce greenhouse gas emissions by 30% relative to business as usual by 2020	November 2010
	Setting of reduction targets by sector and industry	July 2011
Legal foundation	Enactment of the Framework Act on Low Carbon, Green Growth	January 2010
	Passage of the bill to introduce an emissions trading scheme (ETS) in 2015	May 2012

Source: Presidential Committee on Green Growth.

StatLink http://dx.doi.org/10.1787/888932700314

Green Growth. The Five-Year Plan for Green Growth (2009-13) is the blueprint for government action (Table 11.1).

Because green growth requires wide transformational changes, the Korean strategy has been framed as a national growth agenda and not just a sectoral agenda. Implementation plans include: setting specific national targets for green growth; putting in place enabling conditions, namely demand-side and supply-side policies; establishing a solid legal and institutional framework for implementation; and monitoring and evaluating progress on a regular basis.

Korea's targets for greenhouse gas mitigation, set following consultation with various stakeholders, include voluntary reduction of CO_2 emissions by 30% by 2020, as announced at the Copenhagen Climate Change Conference (COP15) in 2009. Korea also aims to be 100% energy independent by 2050. To achieve this, the country's renewable energy supply will be quadrupled by 2030. To provide an enabling environment for green growth, demand-side and supply-side policies have been put in place, including carbon pricing and setting of regulations and standards.

From strategy to implementation

For a strategy to be successful, however, implementation is crucial. The Korean Framework Act on Low-Carbon Green Growth is a critical step in this direction. To ensure consistency, the government also established the Presidential Committee on Green Growth to plan, co-ordinate and assess green growth policies. In recognition of the importance of collaborating with other stakeholders within and outside the government, green growth strategies have been implemented in close partnership with local governments and other stakeholders, including NGOs and businesses.

Korea will invest 2% of its GDP every year to drive its green growth.

Finally, an unfinanced plan will achieve nothing. The Korean government is committed to investing 2% of the nation's annual GDP between 2009 and 2013 (totalling USD 90 billion) to leverage private investment in green areas as a central driving force.

From developing country to green donor

Korea became a member of the OECD Development Assistance Committee (DAC) in 2010, bringing valuable lessons from its own successful transition from one of the world's least-developed countries to a donor country. Korea has now begun implementing a number of initiatives to mainstream green growth into its development co-operation. This focuses on two types of partnership with developing countries: financial contributions and technical co-operation. Korea is planning to scale up its official development assistance (ODA) from 0.1% of gross national income (GNI) in 2009 to 0.25% by 2015; the country will also expand its share of green ODA from 12.4% in 2009 to 30% by 2020 (Box 11.1).

To facilitate green growth at the global level, Korea's green growth strategy has the promotion of global co-operation as one of its ten key policy areas. As the G20 Chair in 2010, Korea proposed integrating development co-operation into the G20 agenda and played a leading role in the adoption of the Seoul Development Consensus for Shared Growth as well as the Multi-Year Action Plan on Development. Korea will continue to work towards mainstreaming green growth as a central development co-operation agenda for the G20 as well as in other development co-operation fora, demonstrating the country's solid commitment to mainstreaming green growth into global co-operation and its determination to act as a global partner in making the best use of the tremendous opportunities offered by green growth.

Box 11.1. **Korea's green ODA and global development initiatives**

Greening ODA is one of Korea's key agendas. To this end, in 2008 the government established the USD 200 million East Asia Climate Partnership (EACP) Initiative, covering the five-year period from 2008 to 2012. The EACP includes 29 projects in five areas of green growth: water management, low-carbon energy, low-carbon cities, waste treatment, and forestation and biomass. Through the EACP, the proportion of Korea's green ODA increased from 11.3% of total bilateral ODA in 2007 to 13.6% in 2010. Korea has also increased its contributions to various green-related multilateral funds.

On the technical co-operation front, Korea led the establishment of the Global Green Growth Institute (GGGI) in 2010. This research centre shares knowledge of good practice on green growth and assists developing countries in building sustainable green growth models that integrate economic, environmental and social development objectives. So far, the organisation has attracted Australia, Denmark, Japan and the UAE as major donors and has been working on green growth planning in developing economies such as Brazil, Cambodia, Ethiopia, Indonesia, Kazakhstan, Mongolia, the Philippines and Thailand. Korea intends to make the GGGI a treaty-based international organisation.

The way forward

It is widely recognised that there is no single green growth formula that can be applied to all nations. Different policy instruments and targets will have different effects and feedbacks depending on country economies and contexts, and individual countries will choose their own green growth pathways to achieve sustainable development.

These three inspiring national cases provide clear examples of green growth in action, and of green visions for the future. They raise many interesting ideas from which other countries, and not only developing countries, can choose as they consider their own green growth pathways to sustainable development:

- Green economic development is seen as a necessity for China's long-term growth and brings tremendous practical opportunities for the country to meet its sustainable development goals. Together with many like-minded countries around the world, China is committed to continuing on this journey, tackling the challenges and ensuring that this development paradigm brings benefits for all its population.
- Kenya's national green economy programme is still being formulated, yet the country is committed to a green economy as the means of achieving the objectives expressed in the national development blueprint, *Kenya Vision 2030*. Already, state and non-state actors, especially the private sector, are adopting technologies and innovations that promote resource-use efficiency, the creation of "green jobs" and environmental protection through reduced generation of waste.
- Korea believes that the transition towards green growth offers the potential to generate new opportunities in areas such as poverty reduction, job creation, environmental improvement and the creation of more equitable societies. It plans to do this by bringing more resource-efficient and disaster-proof infrastructure to its people, developing productive and climate-resilient livelihoods, alleviating poor health associated with environmental degradation and increasing access to lower cost energy.

While the contexts and challenges of these three countries are all different, there are some common factors underlying the strength of their green growth initiatives. These

include: 1) political commitment to greening growth from the very highest political levels; and 2) the development of national frameworks for green growth including a clear vision backed by legal foundations, well-structured plans, institutions to co-ordinate and oversee implementation, measurable targets and dedicated finance.

Notes

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2. For more information, see: *www.vision2030.go.ke*.
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Chapter 12

The private sector driving green growth

by
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A revolution is occurring in the business arena: for many leading companies worldwide, social and environmental action is no longer solely about compliance or resource efficiency; it is about garnering competitive advantage. In this chapter, the author outlines a vision for the future in which business, government and civil society all work together, each doing what they do best, to create what none of them could achieve alone. He draws on many examples of such partnerships, such as the Water and Development Alliance (WADA) between The Coca-Cola Company and the United States Agency for International Development (USAID), which is benefiting over half a million people globally. Green paths that the business sector can follow include: mainstreaming resource efficiency into operations; valuing natural capital; and leveraging the resources of the private sector against those of the public sector to multiply the impact. The free flow of creative knowledge and expertise through partnerships is essential to drive the social and environmental changes needed to ensure a vibrant and prosperous future.

The private sector is today – perhaps more than at any other time – poised to be a real driver of sustainable solutions for development.

Today 80% of resource flows from the United States to developing countries come from private sources, marking a dramatic shift in the development landscape.

The landscape of development assistance has changed dramatically since the 1960s, with significant growth in the role of the private sector. What once was a government-dominated field is now increasingly filled with leading private-sector companies. Thirty years ago, 70% of resource flows from the United States to the developing world came in the form of official development assistance (ODA). Today, 80% of those resource flows come from private sources, underscoring the rising importance of the private sector in the development process (USAID, 2007). The growing role of businesses is evidenced by the proliferation of groups – like the World Environment Centre – that bring together companies, NGOs, governments and other key players to elevate sustainability and performance across many arenas.

Sustainability as a driver of opportunity

"We will not achieve our goals without the engagement of the private sector. The business calculus has changed dramatically as well… More and more business leaders accept that principles and profits go hand-in-hand" (UN Secretary General Ban Ki-moon, 2010).

In the landmark book *Green to Gold – How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage* (Esty and Wilson, 2009), Dan Esty notes that a revolution is occurring in environmental progress that is shifting the action from governments to the private sector. Leading companies are realising significant competitive advantages by growing green and creating breakthrough technologies and business models.

In a globalised economy, Esty says, "access to natural resources, access to low-cost labour and access to capital is no longer a premium driver of competitive advantage because these are available to all. Therefore, companies have to look for new ways to differentiate themselves." Key ways in which companies can outperform the competition and achieve distinction are through innovation, embedding sustainability in their supply chains and engaging their consumers in better practices.

Companies are working towards green development to garner competitive advantage, not just to comply with regulations.

In our business, we are seeing this shift from a compliance mindset to one of opportunity in our suppliers, customers and consumers. It is a real game-changer. As companies increasingly help address not just economic but also social and societal needs, governments are opening the doors for businesses to continue to grow. Over the past five years, 85% of the world's economies have made it easier to do business (World Bank, 2011). As businesses grow, however, so too must their emphasis on upholding the tenets of sustainability. The expanding influence of companies beyond their brands, products and services into the realms of development and general welfare has made the role of business in achieving sustainable development clear. Leading companies are no longer striving towards green development solely for compliance or resource efficiency; they are doing so to garner competitive advantage.

The notion of competitive advantage through sustainable development blurs the neat line that, in the past, divided philanthropy and business. Michael Porter said it best in his Harvard Business Review article: "When a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organisation" (Porter and Kramer, 2006, p. 92). As leading companies integrate new models of social investment that embrace business traditions – putting customer/supplier relationships, networks, and in-market skills at their core – these companies achieve the idea of shared value. This is when powerful economic returns are created in a way that also generates value for society by addressing its needs and challenges (Porter and Kramer, 2011). Below we discuss how this is manifesting itself in terms of resource efficiency within companies and along entire value chains, by paying and accounting for natural capital, and by unleashing the power of partnerships.

Resource efficiency

Today we are seeing innovative technologies being developed in business operations, production, and retail outlets for the sake of resource savings. From lighting systems that are sensitive to employee movements to systems that reduce water use, companies are leading the way in the growth of the green economy (Box 12.1). In-house resource efficiency is not only a matter of compliance with government or international standards, but also speaks to the accounting bottom line. Savings in energy, water and raw materials mean lower operating costs and therefore more profit. Corporations, and now nations,[1] are approaching resource efficiency through the lens of risk, where resource efficiency equals increased value by avoiding resource loss.

New systems and efficient technologies like these are reducing company energy use and encouraging improvement across all lines of business. Furthermore, when companies make the shift to more efficient resource management, they train their employees globally, spreading capability and awareness. By leading the way and applying their own insights, these companies are spreading a culture of greater resource efficiency to the global community.

With supply chains stretching across the globe, good practice in sourcing and processing can have significant impact.

Box 12.1. **Business examples of saving resources and money**

Between 2000 and 2010, the Ford Motor Company cut its global water use by 10.5 billion gallons – 62% of their water consumption. Part of this reduction was achieved through the use of minimum-quantity-lubrication (MQL) machining, also known as dry-machining, in several engine facilities around the world.* By 2015, the company expects the amount of water it uses to make a vehicle to drop from the 2000 level of 9.5 m^3 to approximately 3.5 m^3 (Ford, 2012).

Lighting is responsible for about 70% of energy use in retail operations. Levi Strauss is maximising its resource use efficiency by installing new, high-efficiency lighting in its retail stores, enabling the company to increase its revenue while reducing its energy footprint. The new lights are expected to save from 30 to 50% of total lighting energy use; and because these lights also will decrease summer cooling needs, total energy savings of up to 40% can be achieved.

* In MQL machining, the cutting tool is lubricated with a very small amount of oil, unlike traditional methods requiring millions of gallons of metal-working fluids to cool and lubricate the cutting tools and remove the metal chips from the machines.

Sustainable value chains

When practices to conserve resources are implemented along a company's value chain, they extend from its own operations, out its front doors and right up the supply chain. In today's business environment, the supply chain of a company can extend from a rural Brazilian farm to a parts supplier in semi-urban China. By building shared models, leading corporations are bringing the imperative of green growth not only to their own businesses, but also to their supply chains, consumers and customers, spanning billions of people on a daily basis.

Expanding the practice of resource stewardship along a company's supply chain also can have ripple effects around the globe. Increasingly, companies are joining together to

Box 12.2. **Spreading ripples of sustainability along global value chains**

In 2009, the Consumer Goods Forum (which brings together 400 global consumer goods manufacturers) pledged to achieve zero net deforestation by 2020. This ambitious goal will be reached by sustainably sourcing key commodities that might otherwise contribute to deforestation, including palm oil, soy, beef, timber and wood fibre. In pursuit of the vision of "better lives through better business," the manufacturers that make up the forum developed common positions on key strategic and operational issues, establishing best practices along the value chain. With the weight of these leading companies behind this type of initiative, together with their combined revenue (over USD 2.8 trillion), the change will be profound (CGF, 2010).

BONSUCRO (formerly the Better Sugar Cane Initiative) has provided a common platform for industry to advance its approach to sustainable sugar production and sourcing. Through BONSUCRO, NGOs, governments, and businesses – including The Coca-Cola Company – engage in constructive dialogue to define, develop and encourage the adoption and implementation of practical and verifiable performance-based measures and baselines for sugarcane production and its primary processing. By doing so, companies that use sugar in their products are promoting more sustainable sugar sourcing at a global scale. In the long run, they are investing in their future resource needs.*

* See Bonsucro website, *www.bonsucro.com*.

establish standards and commitments on supply chain sourcing, creating a tipping point that forces suppliers to meet this new and growing demand for "green" goods.

The value chain also extends beyond sustainable sourcing to what Ernst and Young have identified as "the third billion": women.[2] Women comprise the most dynamic emerging market, building businesses at a faster rate than men and thereby contributing to the social fabric of development. At The Coca-Cola Company, we are engaging women entrepreneurs through our "5 BY 20" initiative. This involves using our value chain to empower 5 million women entrepreneurs in the Coca-Cola franchise system by 2020, providing them with access to financing, business skills, mentors and business networks. By enabling more women to fulfil their potential, we are generating significant development impacts, supporting families, strengthening communities, and inspiring more to do the same.

Valuing natural capital

In addition to mainstreaming resource efficiency into operations, a few companies are looking at integrating natural resource valuation into their own accounting cycles and systems (Box 12.3). At the edge of forward thinking, the approach known as payment-for-environmental-services (PES) seeks to pay for and assign market value to the benefits provided by healthy ecosystems (see Chapter 10). The European Carbon Market offers a successful example of how trading carbon credits can integrate natural capital into traditional accounting. When a company begins to assess the value of ecosystem services within its own financial considerations, it achieves further competitive advantage.

Box 12.3. **Paying and accounting for natural capital**

The largest beverage company in Latin America and Coca-Cola's largest bottler, FEMSA, is investing in the value of natural resources. Since 2008, FEMSA partnered with the Inter-American Development Bank (IDB) to initiate the AquaFund, a leading example of the type of progressive thinking needed to implement the vision of shared value. The fund invests in upstream environmental services, such as rural water infrastructure, waste-water treatment and water resources management to protect water quality and quantity for both community and commercial use. With 20 grants totalling over USD 11 million, the AquaFund has helped countries prepare and secure USD 1 billion in water infrastructure projects, to be financed by the IDB and bilateral donors.*

PUMA, a leading sport and lifestyle company, has created an environmental profit and loss account. This account reveals the environmental impacts of greenhouse gas emissions, water use, land use, air pollution and waste along PUMA's full supply chain. Developed in partnership with PricewaterhouseCoopers, the analysis shows an overall impact for 2020 of EUR 94.4 million, with greenhouse gases accounting for EUR 47 million and water EUR 47.4 million. Identifying the most significant environmental impacts will allow PUMA to develop solutions to address these issues, minimising both business risks and environmental impacts. The PPR Group, PUMA's majority shareholder, has announced that the economic-valuation-methodology will be implemented across all of its sport and lifestyle as well as luxury brands – such as Gucci, Yves Saint-Laurent, and Cobra Golf – by 2015.

* IDB website: *AquaFund in Action*, *www.iadb.org/en/topics/water-sanitation/aquafund-in-action,2356.html*, accessed 29 March 2012.

The power of partnership

Beyond the workings of their own businesses, leading companies are exploring new partnership models to address pressing social and environmental issues. By combining the business acumen of the private sector with the political savvy of government and civil society, far greater impact can be achieved than from isolated efforts (Box 12.4). In addressing issues central to their business, consumers or supply chains, leading companies are seeking out partners across all spheres of society to generate a multiplier effect.

Box 12.4. **Unleashing the power of partnerships**

The Global Alliance for Vaccines and Immunization (GAVI) is one of the most successful partnerships today in leveraging the resources of the private sector against those of the public sector. Through the International Finance Facility for Immunisation (IFFIm), GAVI converts long-term government commitments into available cash by issuing "vaccine bonds" on the capital markets. IFFIm is backed by the governments of Australia, France, Italy, the Netherlands, Norway, Spain, Sweden, South Africa and the United Kingdom (and recently Brazil), which together have pledged to contribute more than USD 6.3 billion to IFFIm over 23 years. These long-term government pledges are used to repay IFFIm bonds. This mechanism has enabled GAVI to double the resources available for immunisation programmes. Further, the alliance channels its partners' specific skills into a single and cohesive agenda, instead of duplicating the services of the many players in the field of health and vaccines. With the immunisation of more than 280 million children worldwide, GAVI has leveraged USD 7.2 billion to date.

Source: The GAVI Alliance website, *GAVI Facts and Figures*, *www.gavialliance.org/advocacy-statistics*, accessed 26 June 2012.

At The Coca-Cola Company, we have seen in our own work the tremendous promise of new partnership paradigms. Our approach to shared value focuses on water, and we have made significant commitments across the globe. Together with our partners, Coca-Cola has supported nearly 400 community water projects across 94 countries with a total investment of almost USD 250 million. Roughly two-thirds of this investment has come from our partners, including United Nations agencies, bilateral donors and private sector actors. In Africa alone, The Coca-Cola Africa Foundation will provide access to safe water for 2 million Africans by 2015 through the Replenish Africa Initiative.

Engaging in innovative partnerships is a cornerstone of our strategy. One powerful example is the Water and Development Alliance (WADA), launched in 2005 in collaboration with USAID. WADA has amplified the company's investment in community water partnerships with a one-to-one match from the US government. We are also leveraging the networks of our civil society partner, the Global Environment and Technology Foundation, to have a positive impact on peoples' lives and on ecosystem health in 23 countries worldwide, 18 of which are in Africa. Ultimately, over half a million people will benefit from this partnership globally.

Shared value and social enterprise as new business norms

"To create economic value in a way that also creates value for society by addressing its needs and challenges […] businesses must reconnect company success with social progress" (Porter and Kramer, 2011).

Michael Porter's recipe above for shared value is simply put. Whether exploring new partnership models or advancing resource efficiency through the value chain, companies are taking a proactive approach to creating shared value. Companies are merging more and more closely their improvements to the bottom line with achieving greater social impact in both business decision making and sustainability investments. As an extension of shared value, companies are developing a portfolio approach to their sustainability investments, favouring a business approach and social-impact investment over traditional philanthropy. Social enterprise takes the human, technical and financial capital of traditional business models and applies it to serious environmental and social challenges, thereby creating markets for sustainable development both at the local and the global level.

The social enterprise WaterHealth International earns revenue by addressing a pressing social need: providing clean drinking water to more than 5 million people in developing countries.

Take for example WaterHealth International (WHI). This for-profit venture sells safe water to communities at an affordable price by creating decentralised water purification and distribution plants. Like any traditional business, WaterHealth bases its sitting of water plants on rigorous analysis to ensure that the market determines successful venture and price-points. Where WaterHealth diverges from the norm is that its core revenue stream addresses a pressing social need of nearly 800 million people's lack of access to clean drinking water. In addition to meeting this need, WHI creates local employment and opportunities for secondary ventures like water distribution. As local people are employed to filter and sell water, training and community involvement are not just "nice to have", but a "must do" for business success in this social enterprise.

The way forward

As we look to the future, there are increasing opportunities to tap the diverse assets of the private sector for green growth and sustainable development. While recognising that we have made much progress since the first Rio summit 20 years ago, we need to be "constructively discontent" with the *status quo* and continue to elevate new business models for development.

Creative thinking is the future of the global marketplace for sustainable development.

The reality is that the challenges we face today are much greater than the solutions we are currently putting forth. Tough economic times are here to stay and pressures on our natural resources will only grow. This chapter has given us a glimpse of a future that we will all share: shared value and social enterprise must become the new business norms. Two critical steps will help us make strides toward that future: making collaboration more dynamic and creating new platforms for social enterprise.

Making collaboration more dynamic

"We need to bring the three together in… the Golden Triangle – business, government and civil society – each doing what they do best, all working as one, creating through

collaboration and cooperation what none could achieve alone." (Muhtar Kent, Coca-Cola Chairman and CEO)[3]

We have seen the potential of such dynamic collaboration. In their own ways, WADA and GAVI have changed the *status quo*, engaging previously disparate actors and applying innovative financing models. Involving capital markets in the effort to prevent childhood death through immunisation, while not initially obvious, now makes perfect sense. Such creative thinking about how to encourage diverse actors to contribute their expertise – leveraging the whole to be more than the sum of its parts – is the future of the global marketplace for sustainable development.

Creating new platforms for social enterprise

Applying business models and discipline to drive social impact and the development agenda creates new opportunities for innovation and growth. WaterHealth International has used its social enterprise model to bring together organisations like Diageo, the International Finance Corporation, local West African foundations and The Coca-Cola Company into a new platform for sustainable enterprise. Through the Safe Water for Africa Partnership, WaterHealth will reach over 2 million West Africans by 2013. This perfectly captures how potential can be unleashed when the power of social enterprise is leveraged by the catalyst of innovative partnership.

Twenty years from now, at the 40th anniversary of the original Rio Conference, what will we see? Business models will drive the sustainable development agenda. Optimum resource efficiency will be the *de facto* standard for all businesses. As Melinda Gates noted in her pivotal talk, the same tactics that underpin the success of a company like Coca-Cola will routinely be applied to achieving social good (Gates, 2010). This free flow of knowledge and expertise through partnership can and must drive the social and environmental changes we need to ensure a vibrant and prosperous future.

Notes

1. See the Intelligence Community Assessment on Global Water Security, *www.dni.gov/nic/ICA_Global%20Water%20Security.pdf*.
2. The Third Billion, Preparing Women to Drive Global Economic Growth, *www.thethirdbillion.org*.
3. Muhtar Kent, Chairman and CEO of The Coca-Cola Company, speaks at Colorado State University about shared values for a sustainable future, *www.today.colostate.edu/story.aspx?id=6472*, accessed 29 March 2012.

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PART IV

Towards the future we want

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PART IV

Chapter 13

Right-sizing ODA and greening the global economy

by
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A true and lasting response to the challenges raised in this 2012 Development Co-operation Report 2012 can only come about by transitioning to economic development that is more efficient in resource use, limits environmental degradation and puts a premium on equity. In this chapter, the author argues that economic progress without environmental and social progress cannot lead to a progressive, equitable, poverty-free future. He stresses the importance, on the one hand, of ensuring that aid strategically and coherently promotes the three dimensions of sustainable development equally. He also argues that the global economy should be recalibrated in many ways: removing damaging subsidies; reforming fiscal systems to provide long-term incentives for sustainable production, consumption and investment; establishing appropriate price signals to capture the critical role played by environmental resources and services; and using new measurements to gauge progress that take into account human well-being, equity, natural capital and the environment.

Four decades after the UN Conference on the Human Environment in Stockholm* and two decades after the 1992 Rio Earth Summit, we have cause for both celebration and concern. We have made significant strides forward in putting in place the institutional, legal and scientific infrastructure needed to achieve sustainability: from landmark treaties on endangered species and hazardous wastes, to climate change, biodiversity and land degradation. Globalisation and the major economic developments of the intervening years have lifted millions out of poverty, especially in countries such as Brazil, China and India.

Natural assets can represent nearly 90% of GDP for poor communities.

But this has left the world with an environmental bill for the damage done to the atmosphere, fresh water, land and sea. This bill is being paid, in particular, by the poor and the vulnerable, for whom natural or nature-based assets are especially crucial. They represent in some states close to 90% of the GDP of the poor. Yet many of the Earth's life-support systems – from forests and freshwaters to coral reefs and fertile land – are reaching tipping points. Very little additional stress may be required to push them – as well as the multi-trillion-dollar services they generate – into a state of dramatically lessened productivity or irreversible decline.

Current approaches to development have left many of the poor and vulnerable countries in the category of least developed countries (LDCs). Over the past three decades, only three countries graduated from that category, while the overall number of LDCs actually doubled. More disturbing is the trend by which persistent resource degradation and depletion undermines wealth creation in poor countries. According to the *Least Developed Country Report 2010,* when adjusted for depletion of natural resources national savings in LDCs have declined since the late 1990s, reaching almost zero in 2008.

A resource-intensive development model will continue to lead to rising costs, loss of productivity and disruption of economic activity. Estimates based on the International Labour Organization's Global Economic Linkages model suggest that in a business-as-usual scenario, productivity levels in 2030 would be 2.4% lower than today and 7.2% lower by 2050.

There is also cause for growing and fundamental social concern – in rich and less-rich countries alike – signaled by the crisis of youth unemployment. How to find decent jobs for the 1.3 billion underemployed or unemployed and the half billion likely to be seeking jobs in the next decade is a major preoccupation of governments worldwide. Yet rapid changes are taking shape in labour markets, with promises of new waves of decent work in many parts of the world. The report *Working Towards Sustainable Development* (ILO, 2012) has documented that employment in environmental goods and services in the United States

* The "Stockholm Conference" was an international conference convened under United Nations auspices held from 5-16 June 1972. It was the UN's first major conference on international environmental issues, and marked a turning point in the development of international environmental politics. It also established the UN Environment Programme (UNEP).

in 2010 was 3.1 million (2.4%) and growing, while in Brazil, 2.9 million green jobs (6.6% of formal employment) were recorded in 2010 in sectors aimed at reducing environmental harms. The renewable energy sector, in which developing countries hold significant potential, has recorded a particularly strong growth in employment, increasing globally at a pace of 21% per annum.

Today, with the growing realisation that our planet of 7 billion people will expand to over 9 billion by 2050 (Chapter 4), there is paramount need for urgent, serious and fresh commitment to reorient policies and investment decisions and seize new opportunities for sustainable development. Economic progress without environmental and social progress cannot lead to a progressive, equitable, poverty-free future; it will, rather, lead to additional and increasingly severe crises.

Economic progress without environmental and social progress is a road to nowhere.

For these reasons, two decades after the Rio Earth Summit many countries are embracing the green economy concept as a path to sustainability. Some countries, such as China, Kenya and Korea, have set out ambitious domestic overarching policies to achieve green growth across whole swathes of their economies (see Chapter 11). Other countries and groupings of nations, including the European Union (see Chapter 5), are also shifting their assistance to developing economies onto a new and more sustainable footing. It is important to highlight these steps forward as we continue to celebrate the more than 50 years' work of the OECD's Development Assistance Committee. Moves such as these can help to achieve the poverty-related Millennium Development Goals by the target date of 2015; they can also contribute to our thinking in designing action-oriented universal sustainable development goals as agreed upon at the Rio +20 Conference (see Chapter 14).

A suite of other instruments are at the international community's disposal, many of which have already demonstrated their potential to accelerate sustainable development in the developing and least-developed economies, if given better support and broader application.

Strategic and coherent ODA

It is clear that if the opportunities offered by the transition to a green economy are to be realised, *all* nations need to be brought on board – including the refocusing of official development assistance (ODA) to support green economy and growth in developing countries. For the poorer countries, however, big obstacles remain; these range from complex issues – such as improved governance – to simple realities, such as the currency exchange risks that dampen the enthusiasm of investors, no matter how vast the opportunity offered by a wind or solar resource project may be. If carefully and strategically deployed, ODA could play a catalytic role in overcoming some of these barriers, as could implementing and financially supporting a green climate fund.

Many developed and developing countries are already embarking on programmes to make the transition. ODA can play a role in accelerating and scaling-up the transitions already underway. Countries wishing to make this transition will require technical support, capacity enhancement and appropriate policy advice. The greening of ODA by some countries signals a wider commitment. For example, at the Global Green Growth Summit in Seoul in May 2012, Korean President Lee Myung-bak pledged to green some 30% of his

country's ODA (see Chapter 11). By putting in place the means of implementing sustainable development, they are embarking on a journey that delivers growth and employment but does not push humanity's footprint over planetary boundaries.

Recalibrating the global economy

Much of the USD 1 trillion spent globally on subsidies is fuelling environmental and social decay.

Focusing ODA to redirect national, regional and global economies towards a far more sustainable path can reinforce efforts to recalibrate the global economy. Fundamentally reorienting public and private investment will be central to achieving more sustainable patterns of growth and development. The *Green Economy Report* (UNEP, 2011) finds that investing an additional 2% of global GDP in key economic sectors can create decent employment, inclusive economic growth and greater environmental sustainability.

Today there are over USD 1 trillion in subsidies for areas ranging from fisheries to fertilisers and fossil fuels. Much of this money is actually fueling environmental decay, such as climate change; engendering collapse of fish stocks and damage to coastal systems; and aggravating social and economic challenges. Removing these distorting, environmentally harmful and socially under-performing subsidies would completely change the incentive structure, promoting sustainable consumption and production and freeing up 1-2% of global GDP every year, which could enable governments to upscale funding for basic social needs. Ghana's reform of fuel subsidies while reorienting public spending to basic health care and education (see Chapter 9) is an illustration of possible ways to make better use of scarce resources to help the poor.

Public purchasing of goods and services generally accounts for 8-30% of GDP worldwide. As such, sustainable public procurement could offer countries, both developed and developing, a powerful tool to stimulate market creation and job opportunities, locally and internationally, in environmentally sustainable products.

Establishing appropriate price signals – such as deploying carbon tax or pollution charges to capture the true value of environmental resources and services – should also be advocated and scaled up at international, national and regional levels. This could provide a means for households, the private sector and policy makers to better balance the costs and benefits of their actions.

Furthermore, GDP is almost universally considered as *the* measure of a nation's wealth. Many governments are convinced that a broader indicator, comprising both economic and non-economic measures of human well-being, could go a long way in rectifying the current narrowly-based decision making. A new indicator of wealth that factors in environmental and social progress may also shape more sustainable flows of official development assistance.

Since the UN Conference on the Human Environment in 1972 and the Rio Earth Summit in 1992, much has been achieved. At the same time, our knowledge regarding the complexities and challenges of attaining sustainable development has grown. Yet this knowledge has yet to be applied and implemented. The outcome at Rio +20 and the green economy approach offer a multitude of opportunities for translating knowledge into action. As part of this, making ODA "smarter" and recalibrating the global economy to ensure it is fit for purpose are essential steps toward our common sustainable future.

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PART IV

Chapter 14

Challenging development co-operation post-Rio +20

by
OECD DAC Environment and Development Team

This final chapter examines the implications of the Rio +20 Conference for development co-operation. The outcome document of Rio +20 – The Future We Want *– outlines a plan to set global sustainable development goals (SDGs) and other measures to strengthen the management of environmental and natural resources, combat poverty, and promote a green economy paradigm for all. The statement reiterates the importance of natural capital and its value in achieving sustainable development. It advocates a more encompassing approach to promote development, while recognising poverty reduction as a continuing major challenge. Furthermore, it calls for a financing strategy, accompanied by technical assistance and capacity development, to ensure adequate support to developing countries. Achieving the sustainable development mission requires actions from the public and private sectors and civil society alike. More voluntary commitments, like those launched at Rio +20, are necessary and welcome.*

For development co-operation actors, these outcomes imply new ways of thinking and operating. Among other things, development co-operation will need to:

- *help establish SDGs as part of the post-2015 development framework and use them to guide future official development assistance (ODA) and other flows;*
- *mainstream green growth thinking into all areas of development co-operation and provide more timely and targeted support to meet the needs of different types of developing countries – from the poorest to those that are medium income and rapidly developing;*
- *inspired by the many voluntary commitments made at Rio, speed up more effective use of ODA and use it to partner with and to leverage other sources of finance for sustainable development;*
- *improve and accelerate the sharing of information, skills and technology to strengthen capacity and resilience in partner countries;*
- *support the adoption of natural capital accounting by developing countries in their decision-making processes, as well as its use by development co-operation agencies in their own aid investments.*

The Rio +20 Conference ended on 22 June 2012 with the outcome document *The Future We Want* (UNCSD, 2012a), a 50-page report that is meant to guide all nations in their implementation of sustainable development. The document was the culmination of two years of negotiations by 190 countries and a two-week long conference involving more than 40 000 participants as follow up to the 1992 Rio Earth Summit. *The Future We Want* outlines a plan to set global sustainable development goals and other measures to combat poverty, strengthen global environmental management, protect natural resources of all kinds, improve food security, and promote a green economy for all.

If we all follow the consumption patterns of Americans or Europeans, we would need three planets to support ourselves.

Urgent action is required to address the challenges highlighted by the Rio +20 Conference, and many of them are reflected in this *Development Co-operation Report 2012*. Today, 1.4 billion people still live on less than USD 1.25 a day and almost 1 billion people still face food insecurity; 1.3 billion lack access to electricity and 1 billion do not have clean drinking water. At the same time, we are living way beyond our means. And climate change and environmental degradation threaten future progress towards development objectives. If we all follow the consumption patterns of Americans or Europeans, we would need three planets to support ourselves (WWF, 2012).

Environmental and sustainable development objectives have long been included in development co-operation programmes (Chapter 2). But a key question we face at this junction is: How should the outcomes of Rio +20 change the way development co-operation works? What should providers of development co-operation do differently now?

Following Rio +20, this chapter outlines five critical areas of work that development co-operation should focus on:

1. Helping to define and agree on sustainable development goals (SDGs) and using them to guide official development assistance (ODA) and other forms of development activities.
2. Mainstreaming green growth into all development policies and activities.
3. Doing more to make ODA effective and to leverage other sources of finance to support development.
4. Improving and accelerating the sharing of information, skills and technology to strengthen resilience and capacity in developing countries.
5. Supporting the adoption of natural capital accounting by developing countries in development planning as well as its use in development co-operation activities.

Defining and using sustainable development goals as a framework to guide future development co-operation

One of the most important agreements at the Rio +20 Conference was to develop a process to design universal SDGs for developed and developing countries alike. The SDGs are expected to be integrated with the Millennium Development Goals (MDGs) after 2015. World leaders called for the SDGs to "be action oriented, concise and easy to communicate, limited in number, aspirational, global in nature and universally applicable to all countries while taking into account different national realities, capacities and levels of development and respecting national policies and priorities" (UNCSD, 2012a).

The MDGs have guided development co-operation agencies since 2000 in allocating their development co-operation resources and building international partnerships to achieve poverty reduction. They have helped focus political attention internationally to combat hunger, prevent children's deaths, provide universal education and manage environmental sustainability. While some progress has been made to date, in particular in poverty reduction and improving water access, the agreed date for meeting all MDGs is 2015 and the pace of change must be accelerated if they are to be achieved (UN, 2012).

Looking beyond the MDGs, both providers and recipients of development co-operation recognise that new challenges lie ahead. For example, severe impacts of climate change and natural resource deterioration put at risk economic assets and local livelihoods in many developing countries; widening social equality gaps undermine the positive effects of economic growth and limit opportunities for disadvantaged social groups; and the shift in where the poor are located – from low-income to middle-income countries, and from rural to urban areas – is intensifying competition for land, water and food for basic survival, as well as increasing demands for greater equity. The impacts of environmental degradation and climate change may most severely limit the potential for growth in middle-income countries unless adequate attention is paid to adjusting their resource-intensive, "business-as-usual" development paths.

So what do these challenges mean to the development community? How could we strike a balance between our support to poor rural populations in the Sahel – who face frequent food insecurity – and poor peri-urban populations in countries like Indonesia, who are experiencing the negative consequences of massive urbanisation and extreme weather events? How can we ensure, on the one hand, that our limited ODA boosts the current 12% electrification rate in Sub-Saharan Africa to allow more economic growth, while on the other hand supporting countries like Thailand that have critical decisions to be made in choosing a sustainable development path by using ODA to leverage private sector investment in renewable energy? And most important, where do we find additional development resources to help countries – with a strong commitment to pursuing a green growth and development model – realise these potential benefits?

The SDGs will become an important framework at a critical moment to address these evolving global challenges. To do so, they are likely to include components of all three pillars of sustainable development – economic growth, environmental protection and social sustainability. Providers of development co-operation need to take an active part in shaping the SDGs given their previous instrumental role in designing the MDGs, and at the same time rethink their future strategies in allocating resources to priority areas and countries. ODA should be broadened to address wider sustainable development concerns, focusing on a broader range of developing countries, while prioritising poverty reduction,

equity and human development objectives. Partnerships and climate financing need to be integral components of the post-2015 financing for development concept. In applying a sustainable development lens to development co-operation policies and activities, providers of development co-operation will need above all to align with the new priorities of their developing country partners.

In a more operational sense, development resource allocations may evolve from current sectoral approaches to whole-of-government approaches – meaning orienting the bulk of funding to finance national sustainable development plans rather than transferring sectoral budgets to agriculture and energy ministries. This could help developing countries to address national development issues in a more comprehensive manner. It may call for redirecting ODA, in combination with other resources, and using a full spectrum of financing instruments and aid modalities to ensure partners' urgent needs are addressed in a timely manner.

Mainstreaming green growth into all development co-operation activities

Rio +20 recognised the concept of the green economy as a critical tool for achieving sustainable development. This means that urgent action is required to halt unsustainable patterns of production and consumption. All nations should enhance their ability to manage natural resources sustainably and with lower negative environmental impacts, to increase resource efficiency, and to reduce waste. Some developing and emerging countries are at the front of the "green wave", being already well advanced in recognising the opportunities to green economic development and growth. Ethiopia's Climate Resilient Green Economy Strategy, Cambodia's National Plan for Green Growth and Rwanda's Climate Compatible Development Pathway, together with cases described in this report (China, Kenya and Korea, Chapter 11), are only a few examples of the firm commitment of countries to pursue green growth for a better future.

Providers of development co-operation have a strong role to play by integrating green economy concepts or green growth thinking into their programmes. The *OECD DAC Policy Statement for the Rio +20 Conference* commits DAC members to support such mainstreaming for a more sustainable future in partner countries (OECD, 2012b; and see Chapter 2). For instance, sustainable natural resource management is now a priority focus of many bilateral aid programmes and environmental impact assessments are a standard requirement of all significant aid-funded infrastructure projects in developing countries. We have also seen significant uptake in the use of Strategic Environmental Assessment to facilitate decision making at a higher level. ODA's contribution to green growth in developing countries can be further strengthened by ensuring that climate proofing and disaster risk reduction approaches are mainstreamed into aid-funded investments to avoid maladaptation, a scenario under which business-as-usual development inadvertently increases exposure and vulnerability to climate change.

Similarly, aid-for-poverty reduction needs to promote livelihoods that are secure and resilient to climate change and environmental degradation. Development co-operation should aim to assist with major developmental shifts, such as urbanisation, where the scale of necessary infrastructure investment is large and where sustainable land-use planning is particularly important for advancing green growth. Last but not least, technical assistance and capacity building efforts should be adjusted and reinforced so the growing demand from developing countries for assistance to green development is met in a timely manner.

Using ODA effectively and as a catalyst for sustainable development finance

In 2011, ODA from OECD countries fell for the first time since 1997.

Rio +20 also reinforced the need to identify and examine the use, sources and effectiveness of ODA and other development finance to support developing countries' sustainable development pathways. In 2010, ODA from OECD countries amounted to almost USD 130 billion – mostly directed at achieving the Millennium Development Goals. This was an increase of over 60% since 2000. There has also been a growing focus on environmental challenges, with ODA for environmental protection increasing almost threefold since 2001-02, reaching USD 5.1 billion a year in 2009-10; support for other aid activities related to environmental sustainability rose to USD 20.3 billion over the same period (Chapter 3). However, given the current challenging economic and financial situations in many development co-operation provider countries, raising ODA to support sustainable development may prove difficult. ODA in 2011 registered a 2.7% drop in real terms – the first decrease since 1997. Hence, the critical questions are: How to ensure that current ODA financing for sustainable development is used more effectively; and what other sources of financing might ODA be able to leverage.

At the Rio +20 Conference, developing countries proposed a USD 30 billion per annum global fund for sustainable development. Although this proposal was eliminated from the final text, *The Future We Want* recognises that it will be crucial for developed countries to fulfil their existing ODA-volume commitments, including the targets of reaching, by 2015, 0.7% of gross national product (GNP) as ODA (see Part V), with a sub-target of 0.15 to 0.2% of GNP as ODA to the least developed countries.

The Future We Want further calls for continuing efforts to improve the quality of ODA and to increase its development impacts and effectiveness. An intergovernmental process will be established to assess financing needs; to consider the effectiveness, consistency and synergies of existing instruments and frameworks; and to evaluate initiatives in order to define an effective sustainable development financing strategy (Box 14.1).

Box 14.1. **The Busan Building Block for coherent climate and development financing**

A first step towards the more effective deployment of all sources of finance for sustainable development was taken at the 4th High-Level Forum on Aid Effectiveness in Busan, Korea (December 2011). There, countries agreed to increase coherence across climate finance and other development assistance through the Busan Building Block: Climate Finance and Development Effectiveness. Already, 27 countries and institutions are taking part in this partnership to support climate change policies as an integral part of developing countries' overall national development plans and to ensure that associated financial flows are used in accordance with internationally agreed effectiveness principles. Nepal, Indonesia and Honduras already have pilot schemes in this area, effectively integrating external finance into national budgets to address climate change while using aid to leverage other domestic resources.

Source: OECD (2012), "Busan Building Block: Climate Finance and Development Effectiveness", OECD, Paris, *www.oecd.org/dataoecd/63/39/50145480.pdf*.

ODA can be catalytic in fostering private sector development as well as in stimulating investment and trade flows. Increasingly complex sustainable development challenges may require an increased effort to partner ODA with private capital through loans and guarantees designed to leverage private investment. Many chapters in this report have illustrated successful experiences in using public finance, including ODA, to leverage other sources of financing for sustainable development. A recent initiative is the Green Growth Action Alliance,[1] launched at the Business 20 (B20) Summit in Los Cabos in June 2012. Comprised of nearly 50 companies, international organisations and development finance institutions, this initiative aims to unlock and use private sector investment; it also seeks to identify ways to use innovative public financing to "de-risk" and otherwise support investment in clean energy, transport, agriculture and other green growth sectors. Raising development finance through innovative channels can also enable uptake of green economy policies in a wide range of developing countries – this is the case of the well-known International Climate Initiative[2] (ICI). Initiated by the German government, ICI has raised EUR 556 million from auctioning emission allowances since its launch. This has been used to fund 256 projects (as of November 2011) in all regions to build a climate-friendly economy, fortify climate resilience and contribute to combating deforestation and forest degradation.

Improving and accelerating knowledge sharing to enhance institutional and human capacity

Capacity and resilience are central to achieving sustainable development. Such capacity is needed to identify environmental challenges and priorities; to make the economic case for greener growth; to undertake environmental risk assessment; to adapt and deploy "best fit" green technologies; and to incorporate environmental issues into whole-of-government decision making, especially multi-year national and sectoral planning and budgetary processes. Building capacity to govern sustainable development planning processes can also help to ensure the participation of civil society and the private sector, and also engage finance, planning and sectoral ministries, as well as local governments. Moreover, capacity building activities can be designed to help developing countries put in place more coherent policies across the governments. Development co-operation can support this through policy dialogue, enhancement of in-country and cross-country knowledge sharing and targeted technical co-operation. Just to give a few examples: The EU funded Environmentally and Socially Responsible Tourism Capacity Development Programme is strengthening the capacity of Vietnamese Ministry of Tourism and provincial tourism administrators with respect to sustainable tourism planning, branding, product development and marketing with emphasis on environmental sustainability and poverty reduction aspects.[3] The Latin American and Caribbean Environmental Economics Programme (LACEEP) is another initiative of this kind. Supported by the Swedish International Development Agency and the Canadian International Development Research Centre, LACEEP provides research grants in environmental and resource economics in the LAC region to build human capital improve the management of natural resources at all levels of government, NGOs and the private sector in order to better understand how sustainable environment can contribute to accelerated economic growth.[4]

At the same time, development co-operation agencies can help promote innovation and accelerate the dissemination of green technologies by working in partnership with developing countries to ensure a conducive regulatory framework that facilitates trade in

environmental goods and services, and innovation, and transfer of technology. Research confirms that numerous tariff and non-tariff barriers remain in place around the world inhibiting the free flow of environmental goods. The aid-for-trade agenda advocates trade liberalisation and appropriate sequencing of capacity building projects and trade reforms.[5] By applying whole-of-government approaches, such an agenda can contribute to improvements in trade policy which could otherwise inhibit green growth. Nonetheless, development co-operation practitioners need to be sensitive to green protectionism and work with partner countries to prevent it.

Investing in natural capital

Rio +20 participants agreed to examine ways of placing a higher value on nature, including using alternatives to GDP as a measure of wealth – ones that account more for environmental and social factors. They also agreed to make an effort to assess and pay for environmental services, such as carbon sequestration and habitat protection. Recognition of the value of natural capital to developing countries – and its role in supporting their development and reducing poverty – has significant implications for development co-operation. In particular, there is a need for development partners to support developing countries to:

- adopt measures of well-being that reflect natural capital;
- increase the value and welfare derived from natural capital by sustainably managing natural resources and exploring value addition activities;
- develop markets and payment mechanisms for the maintenance and enhancement of ecosystem services;
- increase domestic revenue and equitable income sharing from natural resource use and extraction;
- develop more comprehensive national accounts to provide credible and robust monitoring over time (Box 14.2).

Box 14.2. **Making WAVES in natural accounting**

A global partnership to promote payment for ecosystem services is taking off in the shape of the Wealth Accounting and the Valuation of Ecosystem Services (WAVES) Initiative, with financial and technical support from Australia, Canada, France, Japan, Norway and the United Kingdom. WAVES is already helping countries such as Botswana, Colombia, Costa Rica, Madagascar and the Philippines to advance their national policy-making process by taking into account the value of their natural capital and reflecting the true cost of economic growth on the economic balance sheet. This is achieved through establishing an institutional framework with engagement of all key ministries and stakeholders to gain wide support; developing feasibility studies to identify critical natural resource policy issues, key entry points for policy making and relevant components of environmental accounts; and formulating a four-year work plan covering data collection, technical capacity strengthening and clarifying roles of different agencies in the work process.

Source: www.wavespartnership.org/waves.

Natural capital investment pays greater social dividends than investing in carbon-intensive infrastructure.

Development co-operation providers should also better reflect the value of natural capital in their own development portfolios. With the limited development resources available to many agencies today, decisions need to be made about whether to invest more development financing in physical, natural or human capital. More and more evidence shows that investing in natural capital could help developing countries to reduce poverty; on the other hand, investing in carbon and/or resource-intensive infrastructure may provide short-term economic opportunities, but in the long term could threaten livelihoods and development. Given that many development co-operation provider countries have begun to explore beyond-GDP measurement at home, it is likely that they will begin also to integrate natural capital valuation into their financial transfers to developing countries where value for money will be most visible.

The way forward

Rio +20 has given us much more than its negotiated outcome document. The Conference Secretariat, together with the UN Global Compact and the Sustainable Energy for All Initiative, have received over 700 "Rio +20 voluntary commitments" from local and national governments, companies, NGOs and labour unions for actions to bring the planet onto the sustainable path we all want (Box 14.3). These tangible commitments are expected to mobilise more than USD 500 billion towards sustainable development in the near future (UNCSD, 2012b).

Box 14.3. **A taste of the Rio +20 voluntary actions**

The hundreds of voluntary commitments made at Rio +20 are inspirational and instructive, as illustrated by the following examples:

- The countries in the Congo Basin are working together to control illegal timber trade and conserve the world's second largest rainforest.
- Twenty of the world's largest companies have committed to greening their supply chain by purchasing only beef, soy, palm oil, timber and paper that are produced without destroying forests.
- The President of Mozambique announced that his country will adopt a new Green Economy Roadmap, demonstrating how developing countries, including some of the LDCs, are more convinced than ever that green and growth go hand in hand.
- Finland, Norway, the United Kingdomand the United States have pledged to support efforts to meet universal energy access and water and sanitation by providing substantial finance.

The closing of the Rio +20 Conference marks only the beginning of a long journey. It has provided governments, the private sector and civil society with a roadmap to explore a new growth and development model which ensure that green and growth go hand in hand. Development co-operation practitioners must take into account the outcomes of this Rio +20 Conference. They can help overcome sustainable development challenges of the 21st century by adhering to internationally agreed principles as a basis for global

partnership: partner country ownership, transparency, accountability, alignment, harmonisation and co-ordination. Only when sustainability and development are fully linked through strategies owned and led by partner countries can our development co-operation efforts truly support *The Future We Want,* remembering that the future is now.

Notes

1. *www3.weforum.org/docs/WEF_B20_GreenGrowthActionAlliance_Factsheet_2012.pdf*.
2. *www.bmu-klimaschutzinitiative.de/en*.
3. *http://eeas.europa.eu/delegations/vietnam/press_corner/all_news/news/2010/20101006_en.htm*.
4. *www.laceep.org/index.php*.
5. *www.oecd.org/document/52/0,3746,en_2649_34665_39145396_1_1_1_1,00.html*.

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PART V

Profiles and policies of bilateral donors

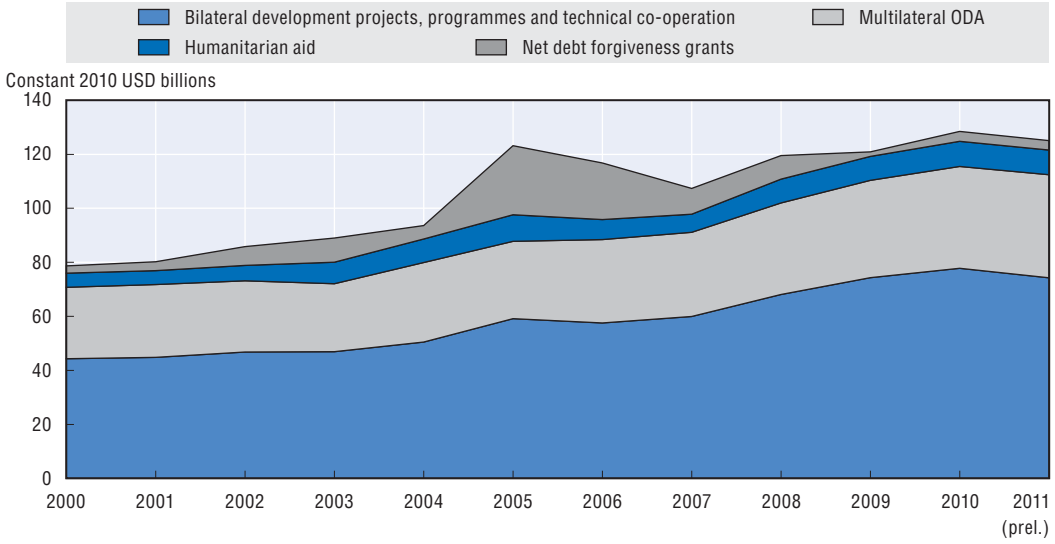
Development Assistance Committee members' aid performance in 2011

According to preliminary data, in 2011 net official development assistance (ODA) from Development Assistance Committee (DAC) members decreased by 2.7% in real terms compared to 2010. This represents the first drop in net ODA since 1997 and an important reversal of the upward trend observed from 2000-10. The decrease reflects fiscal constraints that have affected the budgets of several DAC countries. ODA has long served as an important cushion for the immediate impact of financial crises in developing countries, but there is growing recognition of the importance of non-ODA financing for development. While total net private flows from DAC members sharply decreased in 2008, they have been on the rise since 2009. Country programmable aid – the subset of total ODA that is generally included in multi-year forward expenditure plans, represents 57% of DAC members' gross bilateral ODA (USD 66 billion in 2010). This chapter also presents data on: components of net ODA, composition of bilateral ODA, untied aid status, ODA commitments for gender equality and women's empowerment, and ODA commitments targeted at the objectives of the Rio conventions.

In 2011, preliminary data reported by members of the Development Assistance Committee (DAC) show that net official development assistance (ODA) was USD 133.5 billion, representing 0.31% of their combined gross national income (GNI). This was a 2.7% drop in real terms compared to 2010, the year ODA volumes reached their peak. Disregarding years of exceptional debt relief, this was the first decrease in net ODA since 1997 and reflects fiscal constraints in several DAC countries which have affected their ODA budgets. In fact aid budgets fared less well in 2011 than average government spending in OECD countries, which saw marginal growth in real terms between 2010 and 2011.[1]

Within total net ODA, aid for core bilateral projects and programmes (*i.e.* excluding debt relief grants and humanitarian aid) fell by 4.5% in real terms.

Figure V.1. **Components of DAC donors' net ODA, 2000-11**



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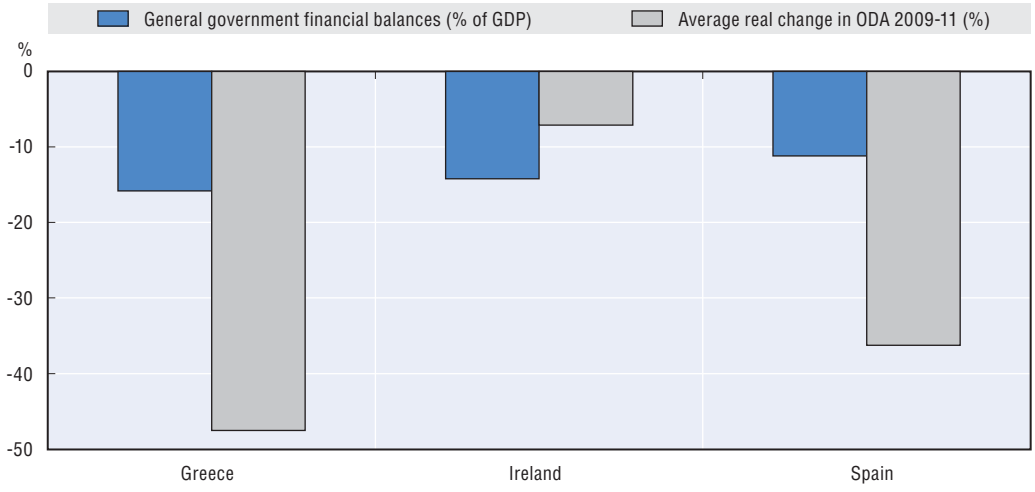
Donor performance

In 2011, the largest donors were the United States, Germany, the United Kingdom, France and Japan. Denmark, Luxembourg, the Netherlands, Norway and Sweden continued to exceed the United Nations' ODA target of 0.7% of gross national income. In real terms, the largest rises in ODA were registered in Italy, New Zealand, Sweden and Switzerland. By contrast, ODA fell in 16 DAC countries, with the largest cuts recorded in Austria, Belgium, Greece, Japan and Spain (see Table A.1 in Statistical Annex).

In the decade up until 2011, aid had been steadily increasing. Net ODA rose by 63% between 2000 and 2010, the year it reached its peak. ODA has long been a stable source of development financing and has cushioned the immediate impact of previous financial crises (*e.g.* after the Mexican debt crisis in the early 1980s and the recession of the early 1990s). However, a recession in several DAC donor countries has already severely

squeezed government revenue. Large budget deficits in some DAC countries since 2009 have pushed them to cut their aid budgets, and pressure may mount on other donors to do the same in the years ahead. An OECD report issued in April 2012, shows that three of the largest donors – the United States, the United Kingdom and Japan – require rapid and sustained fiscal consolidations of 8-12% of GDP in order to limit debt/GDP ratios to 50% by 2050 (OECD, 2012a).[2] If the adjustments are met solely through spending cuts, this will require reductions in outlays of 12-20%.

Figure V.2. **Aid cuts to DAC countries with large fiscal deficits, 2009**



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Looking at aid from the recipients' perspective, the OECD-DAC *Survey on Donors' Forward Spending Plans for 2012 to 2015* (OECD, 2012b)[3] suggests that global country programmable aid (CPA, defined below) to developing countries may rise by some 6% in real terms in 2012. This rise is mainly due to expected increases in soft loans from multilateral agencies funded from capital replenishments during 2009-11. After 2013, global CPA is expected to stagnate, reflecting a similar observation after the recession of the early 1990s that it takes between three and five years for the full impact to be felt on aid flows (OECD, 1996).

Last year, members of the DAC approved a *Recommendation on Good Pledging Practice*,[4] designed to help providers of development assistance make credible and feasible commitments and enhance the accountability and transparency of aid. This recommendation may provide a useful reference point in upcoming conferences on global goals and their financing. The OECD-DAC is closely monitoring and contributing to these initiatives, including Rio +20, and efforts to agree new development goals after 2015.

It is important to note that only preliminary ODA figures are available for 2011, and these are shown for each DAC member in the following chapters. The analysis and detail presented in these country profiles are, however, based on data for the period up to 2010. While most of the information presented is straightforward, some words of explanation are needed for the data on country programmable aid, untied aid, development co-operation for gender equality, aid to the environment and climate change.

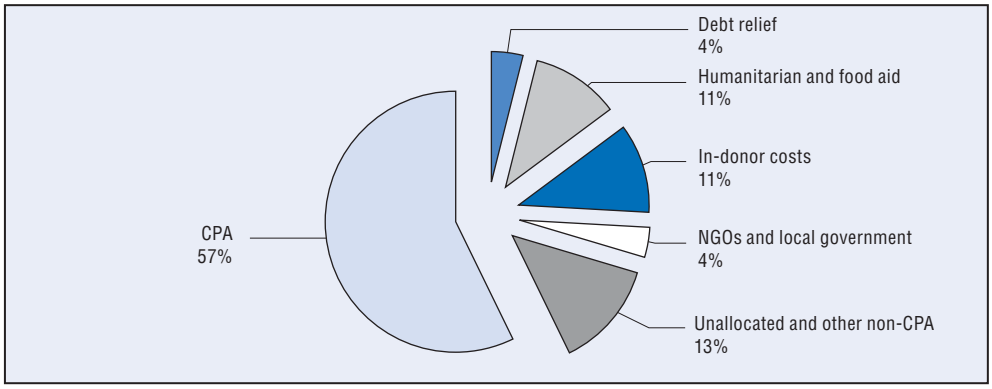
Country programmable aid

Country programmable aid (CPA) is the subset of total ODA that is generally included in multi-year forward expenditure plans. CPA is also a good proxy for the overall flows appearing in country aid information systems, and thus can be useful to partner countries. CPA is measured in disbursement terms and does not net out loan repayments since these are not usually factored into country aid decisions. CPA is derived from the standard DAC and Creditor Reporting System (CRS; described further below).

CPA is defined through exclusions, by subtracting from total gross bilateral ODA activities that: *i)* are inherently unpredictable (humanitarian aid and debt relief); *ii)* entail no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and costs related to research and refugees in donor countries); *iii)* do not form part of co-operation agreements between governments (food aid, aid from local governments, core funding to NGOs, ODA equity investments, aid through secondary agencies and aid which is not allocable by country or region).

DAC members' total CPA, including the EU institutions, was USD 66 billion in 2010, representing 57% of DAC members' gross bilateral ODA. CPA as a share of total bilateral ODA has been stable since 2004, apart from a temporary drop in 2005 and 2006 when the DAC gave exceptionally large amounts of debt relief to Iraq and several African countries.

Figure V.3. **Composition of DAC members' bilateral ODA, 2010**



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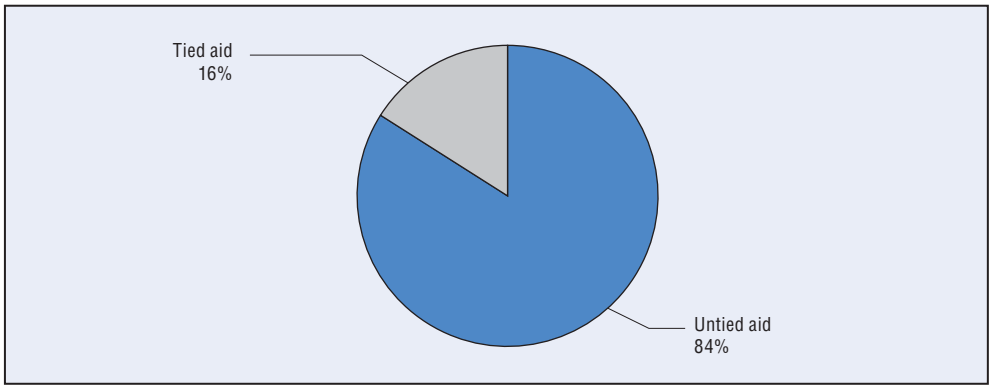
Untied aid

Untied aid is defined by the DAC as loans and grants whose proceeds are fully and freely available to finance procurement from all OECD countries and substantially all developing countries. All other loans and grants are classified as tied aid, whether they are tied formally or through informal arrangements. The DAC has focused on the issue of untying aid since its inception (1961). The purpose of reporting the status of tied aid is to show how much of members' aid is open for procurement through international competition. Internationally competitive procurement promotes cost-effective sourcing of aid inputs and promotes free and open trade. DAC reporting on tying does not address the status of multilateral ODA (core contributions to multilateral agencies) as data is collected on bilateral ODA only. In this field, as in others, the DAC has for many years given special consideration to the needs of least developed countries (LDCs). In 2001, the DAC agreed the *Recommendation on Untying ODA to Least Developed Countries*. In 2008, it expanded this

recommendation to include all heavily-indebted poor countries (HIPCs) (OECD, 2001; OECD, 2008). The data presented in these country notes summarise the tying status of DAC members' total bilateral aid (excluding donors' administrative costs and technical co-operation) for all countries supported. DAC reporting on tying does not include multilateral ODA (core contributions to multilateral agencies). While the total DAC untied aid using this definition peaked at 87% in 2008, it has since declined to 85% in 2009 and then to 84% in 2010.

Figure V.4. **Tied status of DAC countries' aid, 2010 (excluding donors' administrative costs and technical co-operation)**



Note: As data on untied aid for 2010 are not available for Australia, the share of untied aid in the figure refers to the remaining 22 DAC donors. Data exclude donors' administrative costs and technical co-operation.

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Development co-operation for gender equality and women's empowerment

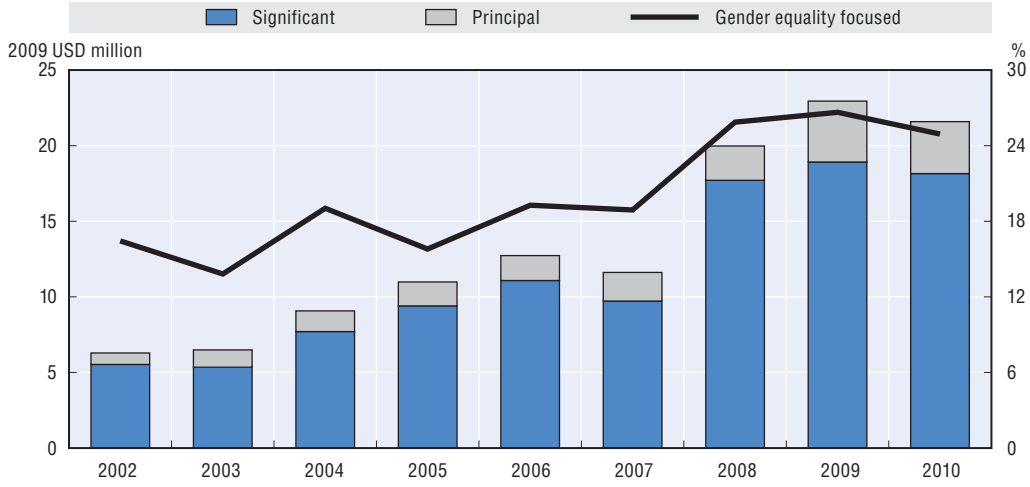
With regard to the information presented on aid in support of gender equality and women's empowerment, all DAC members, except the United States,[5] screen their activities against the DAC gender marker. This marker is used to classify donor-supported activities in terms of their gender equality focus. The classification of "principal" means gender equality was an explicit objective of the activity and fundamental in its design. "Significant" means gender equality was an important but secondary objective of the activity.

In the notes that follow, ODA supporting gender equality and women's empowerment is presented for each country in terms of: *i)* the volume of ODA committed for significant or principal activities (in the figures shown in the country notes later, this is the left-hand scale and is measured by the bars); and *ii)* the percentage of sector allocable ODA that this volume (the amount committed to significant *and* principal activities) represents (in the figures this is the right-hand scale and is measured by the line). It should be noted that, in some cases, fluctuations in a DAC member's aid for gender equality may be partly due to variations in the way the gender marker has been applied from one year to the next. As shown in Figure V.5, total DAC aid commitments for gender equality and women's empowerment increased significantly in 2008 and 2009, but decreased slightly in 2010.

Development co-operation for the environment and climate change mitigation

The United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Convention on Biological Diversity (UNCBD) and the United Nations Convention to Combat Desertification (UNCCD), collectively known as the Rio conventions,

Figure V.5. **Total DAC members' ODA commitments for gender equality and women's empowerment, 2002-10**



Note: Donors are included in this figure from the year the coverage of their reporting on the gender marker is considered "good" by the DAC Secretariat. The same principle applies to figures for individual donors.

Source: OECD DAC statistics 2011.

StatLink http://dx.doi.org/10.1787/888932700409

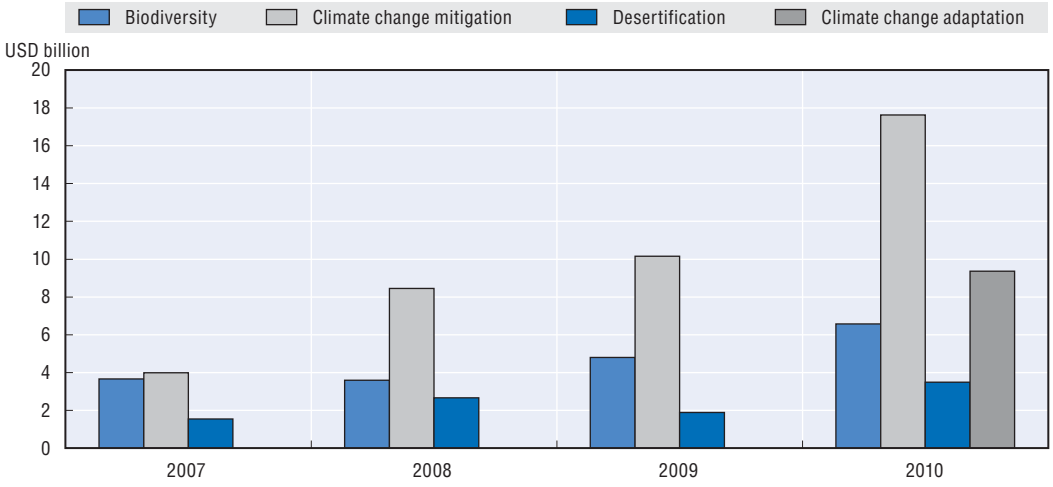
were all negotiated and signed in the run-up to the 1992 United Nations Conference on Environment and Development at Rio de Janeiro. The conventions reflect the commitment of signatory countries to incorporate the principles of sustainable development and global environmental concerns into their national development agendas while providing developing countries with financial and technical resources for this purpose. The developed countries that signed the three Rio conventions in 1992 committed themselves to assist developing countries in implementing them. Since 1998, the DAC has monitored aid commitments targeting the objectives of the Rio conventions through its Creditor Reporting System using the "Rio markers". Every aid activity reported to the CRS should be screened and marked as either: *i)* targeting the conventions as a "principal objective" or a "significant objective"; or *ii)* not targeting the objective. As for the gender equality marker, the Rio markers measure ODA commitments rather than actual disbursements. It should be noted, however, that in some cases fluctuations in a DAC member's aid for environment and climate change may be partly due to variations in the way the Rio markers have been applied from one year to the next.

In 2010, the total DAC ODA commitments targeted at all the objectives of the Rio conventions were higher than the previous year, in part due to better reporting. Commitments reached USD 6.6 billion for biodiversity, USD 17.6 billion for climate change mitigation and USD 3.5 billion to combat desertification. In 2010, DAC members also started to report on ODA commitments for climate change adaptation, for which they committed USD 9.4 billion.

Development financing beyond aid

In recent years, there has been growing recognition of the importance of non-ODA financing in the development finance picture. Many DAC members give developing countries official finance that does not qualify as ODA either because the operations are clearly not development-motivated (*e.g.* export-related operations) or because the finance

Figure V.6. **Total DAC ODA commitments targeted at the objectives of the Rio conventions, 2007-10**



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is extended at non-concessional terms (*e.g.* non-concessional loans from bilateral development finance institutions). Since last year, the DAC has been paying more attention to these flows and is implementing a special workstream to improve DAC statistics in this area[6] (this includes studying private financing leveraged by public interventions).

Current DAC statistics show that in 2010, after a sharp increase over the previous two years, net disbursements of DAC members' "other official flows" amounted to USD 4.8 billion – a drop of 50% compared to 2009. On a two-year average basis (2007-08, 2009-10), gross disbursements were relatively stable and reached USD 23.8 and 24 billion respectively, the largest providers being Japan, Korea, Canada, Germany and the United States.

DAC members' total net private flows to developing countries at market terms recorded a sharp decrease in 2008 (from USD 318.6 billion in 2007 to USD 129.9 billion in 2008), probably due to the financial crisis. They have increased since 2009. In 2010, the United States, Japan and France were the largest providers of private flows at market terms to developing countries. In parallel, DAC members' total net private grants have recorded a progressive and regular increase since 2007, with the United States being the major player in this field (making up 74% of DAC members' total private grants to developing countries).

Notes

1. Average OECD government spending fell from 44.6% to 44% of GDP between 2010 and 2011. However, this was more than compensated for by a 1.9% increase in GDP, so that overall government spending rose by about 0.5% between the two years (OECD, 2011).
2. See OECD (2012a), Figure 2.
3. The final 2012 survey results included for the first time detailed programming information for those countries that have agreed to make these data available. It is expected that these results will shape donor headquarter-level discussions on future aid allocations.
4. *http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=269&Instrument PID=274.*
5. In the case of the United States, gender equality-focused aid is not comparable with that reported by other donors. The United States has reviewed how it collects gender marker data and has decided it will significantly modify its methods for the sake of reliable and valid reporting.

6. So far, two major statistical reviews have been carried out (export credits and Development Finance Institutions operations – DFI). These highlight a certain number of issues to be solved, such as the coverage (incomplete for both series), the classification (to better reflect the variety of financial instruments) and the measurement (net *vs.* gross disbursement).

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Notes on DAC members

This section presents notes on DAC members in alphabetical order. The notes include country charts of the key ODA data for each member:

- *Net and gross bilateral and multilateral ODA for 2011 and historical trends since 2006.*
- *ODA by income group, by regions, by sector and top ten recipients of gross ODA.*
- *Composition of bilateral ODA.*
- *Bilateral co-operation focus on priority countries and least developed countries (LDCs).*
- *Untied aid.*
- *ODA commitments to support gender equality and women's empowerment.*
- *ODA commitments to support environment and climate change mitigation.*
- *Development financing beyond aid.*

Australia

Australia is among the few DAC members to increase ODA in 2011, having escaped the global economic and financial crises without a recession, and being relatively unaffected by the current euro area turmoil. In 2011, Australia's net ODA was USD 4.8 billion, a 5.7% increase in real terms over 2010. This funded larger bilateral grants in 2010 and 2011 and has kept the annual growth rate of Australia's ODA at 6% since 2006.

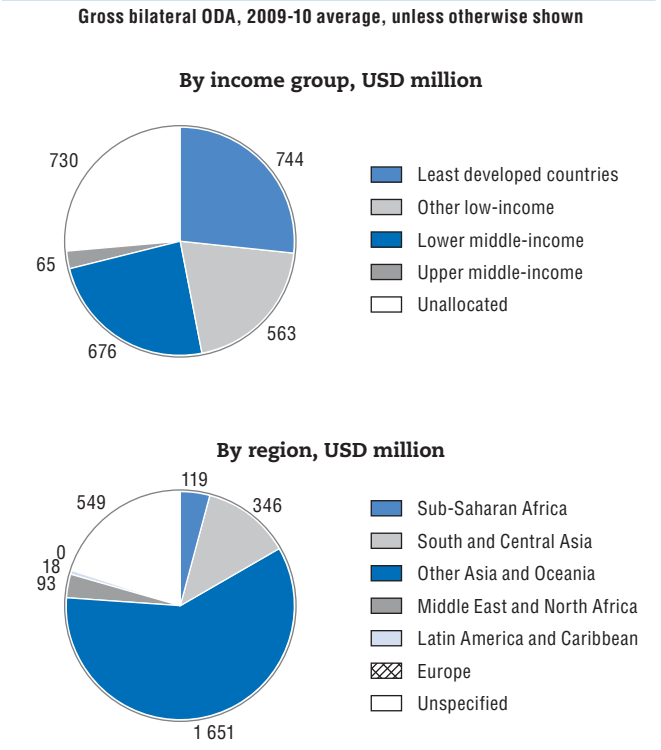
Australian ODA also grew as a share of its national income, reaching 0.35% in 2011, up from 0.32% in 2010. In May 2012, Australia reaffirmed its commitment to reach its target of 0.5% of ODA/GNI, but postponed the target date to 2016-17.

Figure V.7. **Official development assistance: Australia**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	2 762	3 826	4 799	25.4
Constant (2010 USD m)	3 415	3 826	4 044	5.7
In Australian dollars (million)	3 535	4 171	4 651	11.5
ODA/GNI (%)	0.29	0.32	0.35	
Bilateral share (%)	84	85	85	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Indonesia	349
2 Papua New Guinea	344
3 Solomon Islands	211
4 Philippines	100
5 Afghanistan	98
6 Timor-Leste	92
7 Viet Nam	92
8 Pakistan	78
9 Sri Lanka	52
10 Iraq	52
Memo: Share of gross bilateral ODA	
Top 5 recipients	40%
Top 10 recipients	53%
Top 20 recipients	66%



Bilateral and multilateral ODA

Increases in Australian ODA between 2006 and 2011 lead to larger allocations to both bilateral and multilateral channels – according to preliminary data for 2011, USD 4.08 billion and USD 716 million respectively. The proportion of bilateral ODA remained one of the highest of all DAC members (86% on average as compared to the DAC average of 68%).

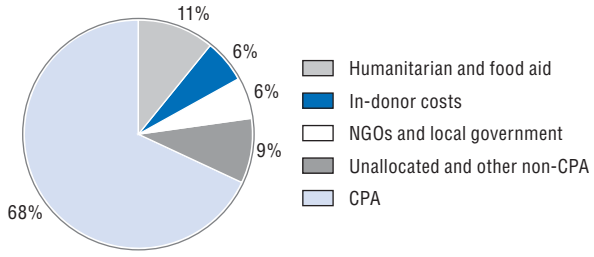
Composition of bilateral ODA

Australia's country programmable aid (CPA) amounted to 68% of its gross bilateral ODA in 2010, well above the DAC average of 57%. General budget support – which is part of CPA – constituted 2.6% of Australia's bilateral ODA. Australia's bilateral humanitarian and food aid accounted for 11% of gross bilateral ODA.

Focus on priority countries and LDCs

Australia's development co-operation remains focused on East Asia and the Pacific. It also makes significant contributions to partner countries outside these regions such as Afghanistan and Iraq. The ten top recipients of Australia's total assistance received 52% of Australia's gross bilateral ODA in 2010, down from 65% in 2007 – this fall in concentration is mainly due to a decrease in the considerable contributions to Iraq since 2009. The share of Australia's ODA received by its top 20 recipients also declined: from 73% in 2006-07 to 66% in 2009-10.

Composition of bilateral ODA, 2010



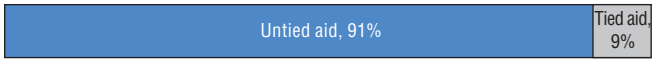
The number of Australia's "significant relations" (countries to which Australia provides more than its global share of CPA and/or for which it is among the top donors that cumulatively provide 90% of CPA) increased from 22 out of 60 partners in 2007 (equivalent to 37%) to 29 out of 73 in 2010 (40%). Australia's CPA has therefore become slightly more concentrated over the last year despite the increase in total partners.

Australia has steadily increased its allocations to LDCs, from 23% in 2007 to 28% in 2010. Gross ODA to LDCs amounted to USD 900 million in 2010.

Untied aid

Australia is among the DAC members with a limited share of tied aid: 9% in 2009. After reaching a low of 2% in 2007, Australia's tied aid share rose to 3% in 2008 and continued to increase in 2009.

Tied aid status, 2009
(excluding administrative costs and technical co-operation)



Note: Data on untied aid are not available at an aggregate commitment level for 2010, so 2009 data are shown instead.

ODA to gender equality and women's empowerment

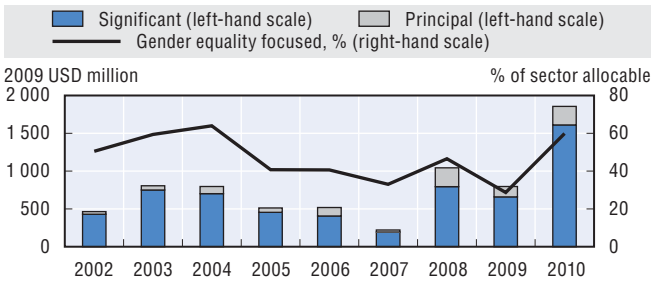
The last OECD/DAC peer review of Australia's development co-operation (2008) reported that gender equality and women's empowerment are well integrated into Australia's bilateral programme, backed by strong leadership from senior management and appropriate resources. Australia also placed renewed emphasis on gender equality in the aid policy statement for its 2009-10 budget, which it re-affirmed in its 2010-11 budget.

While amounts committed to activities targeting gender as a principal or significant objective varied considerably between 2002 and 2009, support to such activities increased sharply in 2010, reaching USD 2.3 billion (up from USD 797 million in 2009).

ODA to environment and climate change mitigation

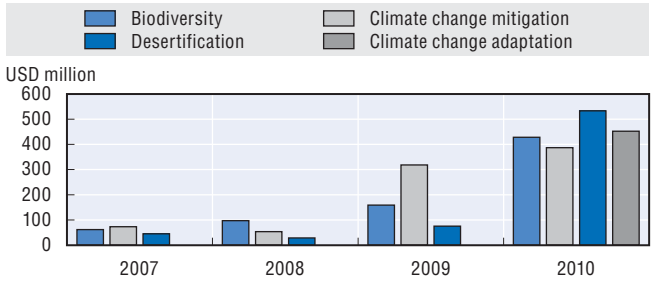
Since 2007, Australia has made positive steps to improve the integration of environment and climate change into its aid programme. Between 2008 and 2010, Australia significantly and steadily increased support to activities related to the Rio conventions. In 2010, all Rio markers reached a peak level, as Australia committed USD 428 million to biodiversity, USD 387 million to climate change mitigation and USD 533 million for the fight against desertification. In 2010, DAC members also started to report commitments supporting climate change adaptation; Australia allocated USD 453 million in 2010.

ODA for gender equality and women's empowerment, 2002-10



Note: Australia reports negative commitments as an aggregate that are not allocated by sector and that refer to the cancellation of commitments made in earlier years. The negative amounts are not included in the data shown above.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Note: Australia reports negative commitments as an aggregate that are not allocated by sector and that refer to the cancellation of commitments made in earlier years. The negative amounts are not included in the data shown above.

Development financing beyond aid

Australian net disbursements recorded as "other official flows" – mainly equities and other bilateral assets – are very small compared to Australia's ODA flows, totalling USD 266 million in 2010. While considerable flows to developing countries derive from Australian grants from private voluntary agencies (USD 928 million in 2010) and net private flows at market terms (USD 9.51 billion in 2010), trends for both of these sources were erratic between 2007 and 2010.

StatLink http://dx.doi.org/10.1787/888932700447

Austria

In 2011, Austria's net ODA amounted to USD 1.11 billion. Compared to 2010 – the year when Austrian ODA recovered after dipping significantly in 2008 and 2009 – the 2011 ODA level represents a drop in real terms of 14.3%.

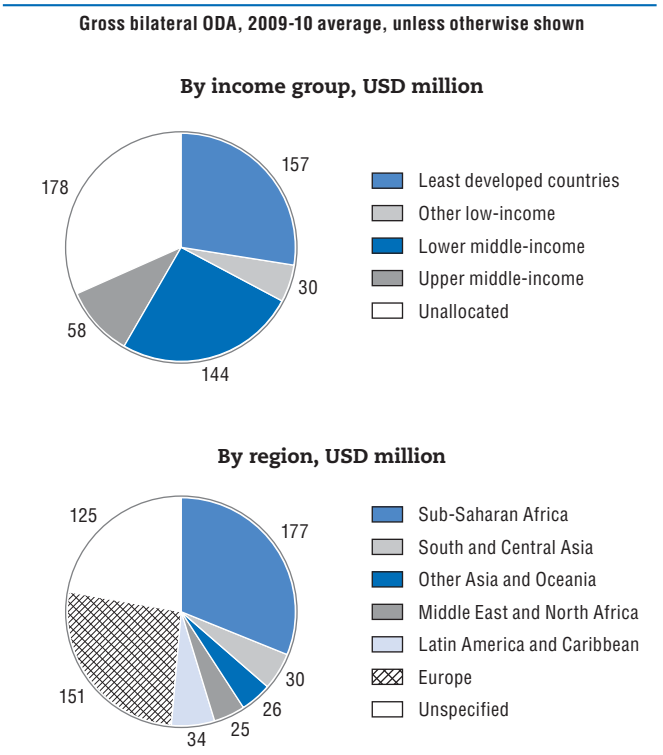
Despite rising to 0.32% in 2010, the Austrian ODA to GNI ratio fell short of the EU intermediate target of 0.51% for that year, and contracted to 0.27% in 2011. Austria has reaffirmed its commitment to reach the EU target of 0.7% ODA/GNI, but recognises that it will not be able to do so by the deadline of 2015 as domestic budget cuts have been announced that will run until 2014.

Figure V.8. **Official development assistance: Austria**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	1 142	1 208	1 107	–8.4
Constant (2010 USD m)	1 104	1 208	1 036	–14.3
In euro (million)	820	912	796	–12.7
ODA/GNI (%)	0.30	0.32	0.27	
Bilateral share (%)	44	51	43	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	66
2 Bosnia and Herzegovina	30
3 Turkey	27
4 Kosovo	19
5 China	15
6 Uganda	13
7 Serbia	13
8 Ethiopia	11
9 Côte d'Ivoire	11
10 Chad	10
Memo: Share of gross bilateral ODA	
Top 5 recipients	28%
Top 10 recipients	38%
Top 20 recipients	51%



Bilateral and multilateral ODA

While averaging about 73% in 2006-08, the bilateral share of Austrian net ODA was drastically reduced during the contraction of ODA in 2009, falling to 44%. When net ODA increased in 2010, the bilateral share also grew, reaching 51%. However, it fell again in 2011, showing – as for many EU member states – that ODA cuts mainly affect the bilateral programme, as multilateral ODA is often largely made up of assessed contributions to the EU institutions. In 2010, Austrian bilateral ODA totalled USD 612 million, while multilateral ODA was USD 596 million.

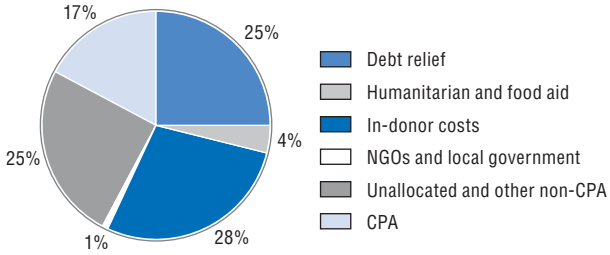
Composition of bilateral ODA

In 2010, only 17% of Austria's gross bilateral ODA was country programmable, well below the DAC members' average of 57% for that year. General budget support – which classifies as country programmable aid – amounted to USD 4.24 million, equivalent to 0.7% of bilateral ODA. The bilateral humanitarian and food aid provided by Austria accounted for 4% of gross bilateral ODA.

Focus on priority countries and LDCS

The total number of Austria's recipient countries decreased between 2007 and 2010, from 117 to 111. Despite this, bilateral ODA is now more thinly spread throughout its recipients: the share of Austria's ODA allocated to its top ten recipients fell from 78% in 2007 to 45% in 2010, and the share to its top 20 recipients dropped from 83% to 57% over the same period.

Composition of bilateral ODA, 2010

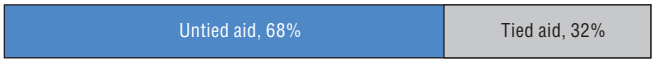


In the context of its recent ODA cuts, Austria has narrowed the number of its partner countries and is concentrating its development co-operation on LDCs in Africa. The share of gross ODA allocated to LDCs strongly increased between 2007 and 2010, from 6% to 33%. Austria's gross ODA to LDCs amounted to USD 206 million in 2010. When we consider the allocation of country programmable aid, Austria has "significant relations" with all of its priority countries, meaning that it provides them with more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. In addition, from 2007 to 2010 Austria was a "significant partner" for around 79% of the countries that received its country programmable aid.

Untied aid

Austria is among the DAC members that need to accelerate efforts to untie its aid: in 2010, only 68% of its ODA was untied. Untied aid declined sharply from 89% in 2006 to 55% in 2009, and then increased slightly in 2010, reaching 68%.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)



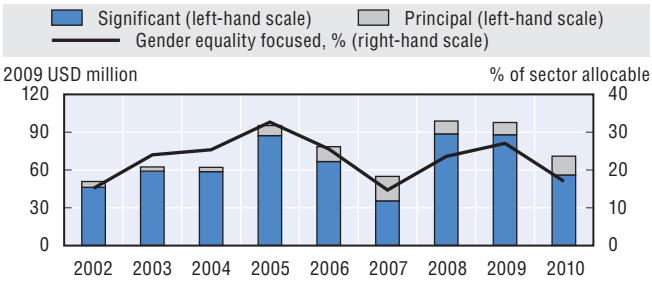
ODA to gender equality and women's empowerment

Austria's Development Policy identifies gender as one of its key cross-cutting themes. Support to activities that have gender equality and women's empowerment as a principal or significant objective was volatile between 2002 and 2010: commitments peaked at USD 101 million in 2008, but then declined slightly in 2009 and dropped to USD 69 million in 2010.

ODA to environment and climate change mitigation

Environment and climate change are a concern of Austria's national policy, and efforts have been made in past years to take those issues into account in its development co-operation.

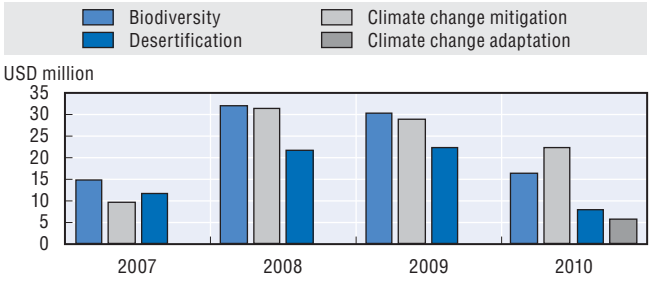
ODA to gender equality and women's empowerment, 2002-10



Environment is one of the cross-cutting themes of Austrian development co-operation.

Austria's commitments to the objectives of the Rio conventions increased in 2008, but then declined in 2009 and – more sharply – in 2010. In 2010, Austria committed USD 16 million to biodiversity, USD 22 million to climate change mitigation and USD 8 million to combat desertification. All DAC members – including Austria – started to report on support to climate change adaptation in 2010, to which Austria allocated USD 6 million in 2010.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

With the exception of 2008, Austria shows yearly negative net flows under the category "other official flows" (official export credits and equities plus other bilateral assets), which are modest compared to its ODA. Net private grants increased nominally at an average rate of 4% between 2007 and 2010 and totalled USD 167 million in 2010. Net private flows at market terms are considerable (USD 3.6 billion in 2010), but much more volatile as they dropped by 47% from 2007 to 2008 and by 70% from 2008 to 2009 before increasing again by 48% in 2010.

StatLink http://dx.doi.org/10.1787/888932700466

Belgium

In 2011, Belgium's net ODA amounted to USD 2.80 billion. This is a decrease of 13.3% in real terms, after sustained increases – of 15% annually on average – between 2008 and 2010.

While Belgium reached an ODA/GNI ratio of 0.64% in 2010, surpassing the EU intermediate target of 0.51% for that year, the ratio fell to 0.53% in 2011. Belgium has enacted legislation that commits it to reach an ODA/GNI ratio of 0.7% by 2015.

Figure V.9. **Official development assistance: Belgium**

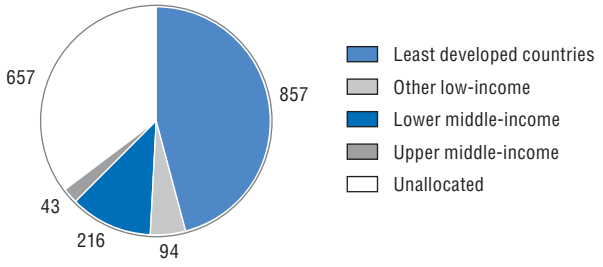
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	2 610	3 004	2 800	–6.8
Constant (2010 USD m)	2 527	3 004	2 605	–13.3
In euro (million)	1 874	2 268	2 014	–11.2
ODA/GNI (%)	0.55	0.64	0.53	
Bilateral share (%)	61	68	57	

P. Preliminary data.

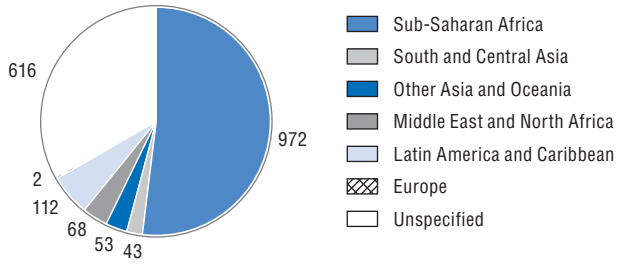
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	413
2 Rwanda	76
3 Burundi	56
4 Congo, Republic	35
5 Togo	34
6 Niger	31
7 Mozambique	29
8 Benin	28
9 Uganda	25
10 Viet Nam	24
Memo: Share of gross bilateral ODA	
Top 5 recipients	33%
Top 10 recipients	40%
Top 20 recipients	51%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

Belgium's ODA increases in 2008 were mainly in its multilateral ODA, which surged by 31.6% compared to the previous year (bilateral ODA only increased by 3.3% in real terms). This increase brought the share of Belgium's multilateral ODA to 42%, up from 37% in 2007. On the other hand, ODA increases in 2009 and 2010 were mainly in the bilateral programme, raising the bilateral share to 61% in 2009 and to 68% in 2010. The ODA decrease in 2011 was mainly due to a one-off debt cancellation to the Democratic Republic of Congo (DRC) in 2010. After deducting this debt cancellation, the bilateral share for 2011 is similar to 2010.

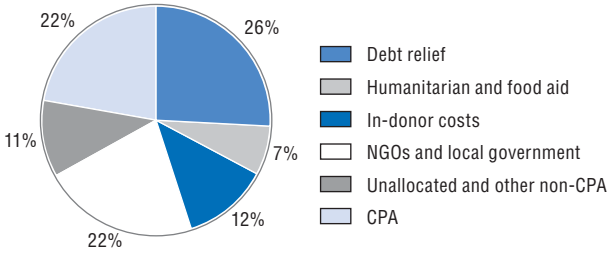
Composition of bilateral ODA

In 2010, only 22% of Belgium's gross bilateral ODA was country programmable aid, well below the DAC members' average of 57% for the same year. General budget support – which classifies as country programmable aid (CPA) – amounted to USD 12.1 million, or 0.6% of bilateral ODA. Belgium's bilateral humanitarian and food aid accounted for 7% of gross bilateral ODA.

Focus on priority countries and LDCs

Belgium has intended to focus its aid on fewer countries and to become a major partner for its priority countries. It has achieved this for its country programmable aid: Belgium has "significant relations" with 14 of its 17 priority countries, meaning that Belgium provides to those countries more than

Composition of bilateral ODA, 2010



its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. In addition, Belgium's priority countries are also among its top ten overall ODA recipients.

The number of Belgium's recipient countries decreased slightly between 2007 (105) and 2010 (103), while the share of ODA allocated to the top ten recipients increased from 37% in 2007 to 49% in 2010. The share going to its top 20 recipients rose from 49% to 58% over the same period. All of this indicates that Belgium is becoming a more concentrated provider of development co-operation.

The share of gross bilateral ODA that Belgium allocates to LDCs averaged 38% between 2007 and 2009 and reached 52% in 2010 (USD 1.09 billion).

Untied aid

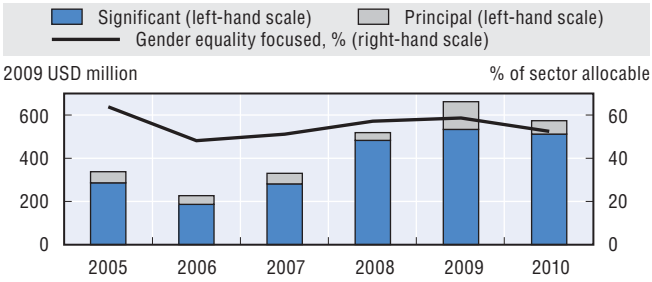
Belgium is among the DAC members that have only a limited share of aid still tied: 7% in 2010. Belgium progressively untied its aid between 2006 and 2009, from 91% to 95%, but in 2010 untied aid decreased slightly, to 93%.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

ODA to gender equality and women's empowerment

Belgium's political support to gender equality is enshrined in law as one of development co-operation's cross-cutting themes. Between 2006 and 2009, Belgian support to activities that have gender equality as a principal or significant objective increased, from USD 194 million in 2006 to USD 662 million in 2009. Commitments decreased in 2010 by 13% in real terms, standing at USD 554 million. The percentage of total sector-allocable aid with a gender equality focus also decreased from 59% in 2009 to 52% in 2010.

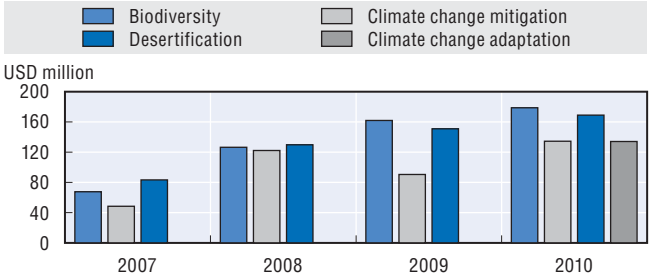
ODA to gender equality and women's empowerment, 2005-10



ODA to environment and climate change mitigation

Belgium's political support to environment is also enshrined in law as one of Belgium's development co-operation's cross-cutting themes. This priority is confirmed by financial commitments to the objectives of the Rio convention, all of which received more ODA in 2010 than in 2007. Commitments to support biodiversity and to combat desertification have increased since 2007, while those for climate change mitigation increased in 2007-08 but fell in 2009 before rising again in 2010. In 2010, DAC members – including Belgium – started to report on support to climate change adaptation, for which Belgium allocated USD 261 million in 2010.

ODA commitments targeted
at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

As for most DAC members, ODA accounts for most of Belgium's reported total official flows. Net disbursements reported as "other official flows" were negative in 2008 (USD –138 million) and became positive in 2009 (USD 90 million). Net private grants increased between 2007 and 2009, and stood at USD 377 million in both 2009 and 2010. Private flows at market terms are considerable but fairly volatile; they dropped from USD 1.82 billion in 2008 to USD 417 million in 2009, and then jumped up to USD 4.53 billion in 2010.

StatLink http://dx.doi.org/10.1787/888932700485

Canada

Canada's net ODA was USD 5.29 billion in 2011. After increasing by 14% in 2010, Canada's ODA decreased in real terms (by a little over 5%) in 2011 due to Canada's decision to cap its development co-operation budget at 2010 levels.

Canada's ODA to GNI ratio was 0.31% in 2011, well below the long-standing UN target of giving 0.7% of gross national income (GNI) as ODA, which Canada has not endorsed. In 2012 Canada underwent a DAC peer review of its development co-operation programme (see page 243 and following for a summary of the findings).

Figure V.10. **Official development assistance: Canada**

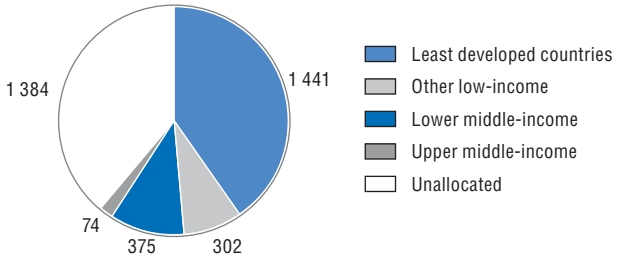
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	4 000	5 209	5 291	1.6
Constant (2010 USD m)	4 561	5 209	4 930	–5.3
In Canadian dollars (million)	4 564	5 366	5 234	–2.5
ODA/GNI (%)	0.30	0.34	0.31	
Bilateral share (%)	79	75	76	

P. Preliminary data.

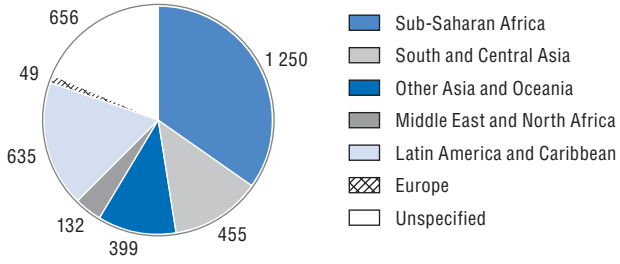
Top ten recipients of gross ODA (USD million)	
1 Haiti	289
2 Afghanistan	250
3 Ethiopia	114
4 Ghana	107
5 Sudan	107
6 Tanzania	103
7 Mali	90
8 Mozambique	79
9 Pakistan	72
10 Bangladesh	69
Memo: Share of gross bilateral ODA	
Top 5 recipients	24%
Top 10 recipients	36%
Top 20 recipients	46%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

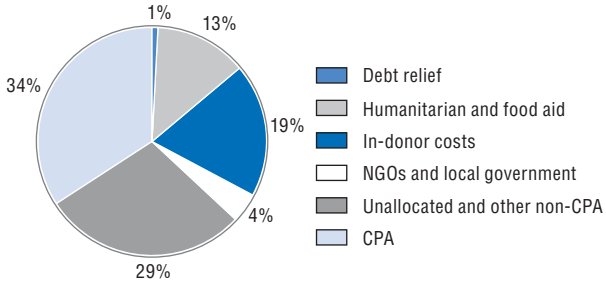
Bilateral and multilateral ODA

In 2010, Canada achieved its goal set in 2001 to double its international assistance within ten years by enlarging its international assistance envelope by 8% per year. Canada's aid grew significantly from 2006-10, increasing by over 14% just from 2009-10 through a rise in bilateral grants and contributions to the World Bank. Over the last five years the ratio of Canada's bilateral and multilateral ODA has varied from 69:31 (bilateral:multilateral) in 2006 to 75:25 in 2010. Preliminary 2011 data suggests that Canada's bilateral programme amounted to USD 4.05 billion, maintaining the bilateral share at 76% of Canada's net ODA.

Composition of bilateral ODA

Canada's country programmable aid (CPA) amounted to USD 1.34 billion in 2010, equivalent to 34% of its gross bilateral ODA (compared to a DAC average of 57%). Canada's low CPA share is mainly caused by the high proportion of bilateral ODA devoted to in-donor costs such as refugees, administration and scholarships, and by partnership programmes and aid extended by other local and federal agencies. General budget support – a part of CPA – amounted to 1.5% of Canada's gross ODA, and bilateral humanitarian and food aid was 13% of gross bilateral ODA.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

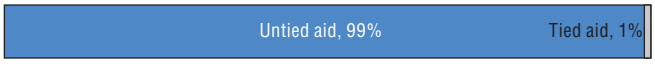
Following a recommendation in its previous peer review (2007) Canada has taken steps to concentrate its bilateral ODA on fewer sectors and countries and to disengage from countries where it does not have a comparative advantage. Canada has reduced its partner countries from 77 to 43, and from these it has selected 20 "countries of focus". From 2007-10, Canada's ODA recipient countries declined from 146 to 125, and the share of bilateral ODA to the top 10 and top 20 partner countries increased from 31% to 40% and from 43% to 50% respectively. Canada's "significant relations" (countries to which Canada provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA) increased from 40% of all its relations in 2007 to 44% in 2010, indicating a slightly more concentrated bilateral programme.

In line with its commitments to the Millennium Development Goals (MDGs), Canada has significantly increased its support to low-income countries, with the share of total bilateral ODA for LDCs increasing from 37% to 43% in 2007-10. In 2010, support to LDCs totalled USD 1.73 billion.

Untied aid

Canada untied all its food aid in 2008 and plans to untie all its assistance by the end of the 2012-13 fiscal year. From 2006-10, the percentage of untied aid increased from 63% to 99%.

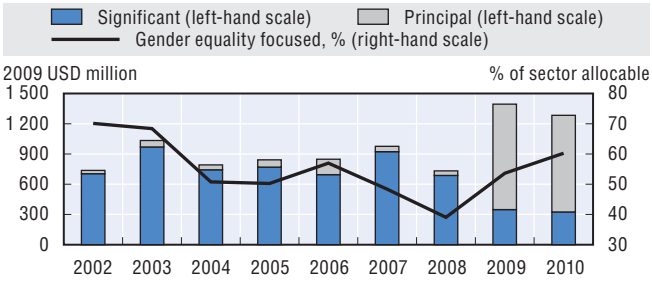
Tied aid status, 2010
(excluding administrative costs and technical co-operation)



ODA to gender equality and women's empowerment

Canada's strong support for gender equality and women's empowerment in 2009-10 reflects its prioritisation of this cross-cutting issue. After considerable fluctuations between 2002 and 2008, Canada's support to gender equality increased significantly from USD 795 million in 2008 to USD 1.4 billion in 2009 allocated to activities that have gender equality and women's empowerment as a principal objective. Its 2010 commitments reached USD 1.46 billion, an 8% decrease in real terms. Overall, 60% of Canada's sector allocable ODA supported gender equality and women's empowerment in 2010.

ODA for gender equality and women's empowerment, 2002-10

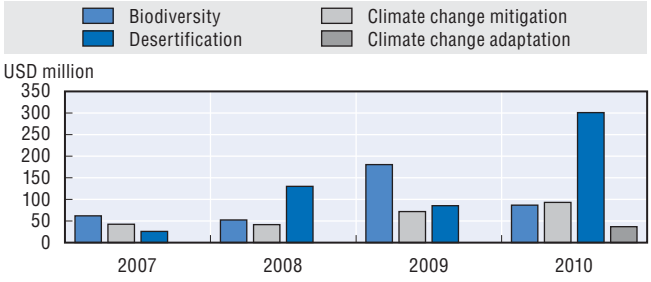


Notes: The Canadian International Development Agency's (CIDA) gender equality policy marker is not intended to be linked to disbursements. It denotes the level of integration of planned gender equality results in CIDA's projects or the capacity of an institution to integrate gender equality. It does not reflect the integration of gender equality in a budget. Methodological clarity on linking CIDA's gender equality policy marker to the DAC's marker is being explored.

ODA to environment and climate change mitigation

Canada includes environmental sustainability as a cross-cutting theme in its development policy framework. Canadian country allocable aid commitments for climate change mitigation increased at an average of 33% per year from 2007-10, reaching USD 93 million in 2010. Commitments to biodiversity and for combating desertification have been more erratic. While biodiversity commitments decreased by 52% from 2009-10, commitments to combat desertification increased by fourfold over the same period. In 2010, all DAC members started to report on commitments to climate change adaptation, for which Canada allocated USD 37 million in 2010.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

After years of steady growth, other official and net private flows from Canada to ODA-eligible countries declined steeply following the 2008 global financial crisis. While Canadian investors cut their flow of funds to ODA-eligible countries from USD 16 billion in 2008 to USD 3 billion in 2009 (net disbursements), flows increased to USD 14 billion in 2010. In order to stimulate sustainable economic growth, Canada aims to use its ODA to support developing better investment conditions and leveraging private sector investment in partner countries.

StatLink http://dx.doi.org/10.1787/888932700504

Denmark

In 2011, Denmark's net ODA amounted to USD 2.98 billion. Compared to 2010, this figure is a nominal increase of 3.8%, but a drop in real terms of 2.4%. This follows a period when Denmark's ODA grew at an average annual real growth rate of 2% (between 2007 and 2010). In the context of a freeze in Danish public spending for the period 2011-13, Denmark planned to sustain ODA at the 2010 nominal level (in DKK) until 2013, but fell short of this by 1% in 2011.

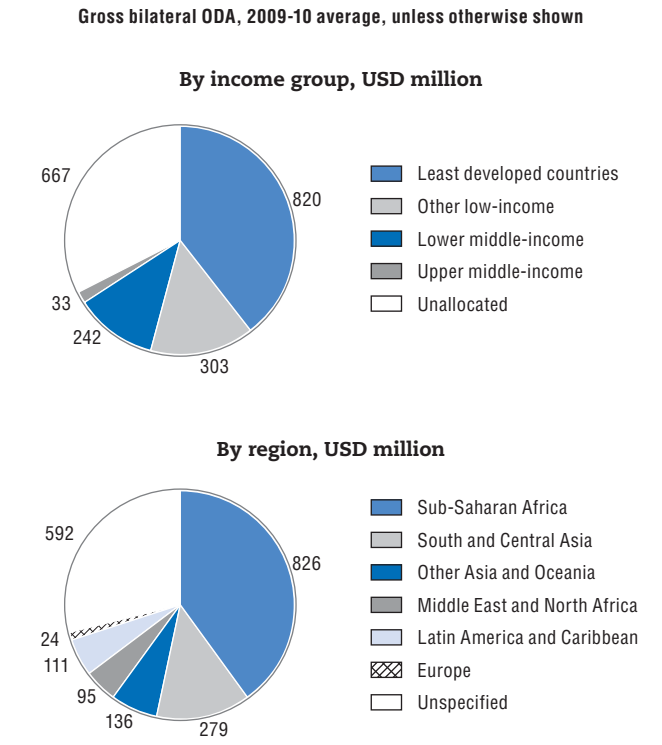
In 2011, Denmark maintained its position as one of the five DAC members which allocate 0.7% or more of gross national income (GNI) as official development assistance (ODA), with an ODA to GNI ratio of 0.86% in this year.

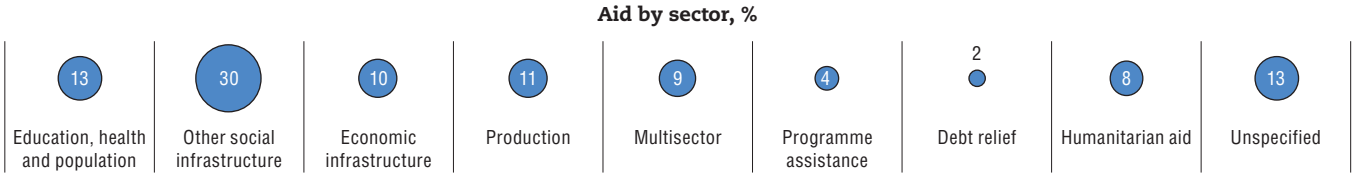
Figure V.11. **Official development assistance: Denmark**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	2 810	2 871	2 981	3.8
Constant (2010 USD m)	2 764	2 871	2 803	–2.4
In Danish kroner (million)	15 023	16 142	15 977	–1.0
ODA/GNI (%)	0.88	0.91	0.86	
Bilateral share (%)	68	73	74	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Tanzania	118
2 Mozambique	96
3 Ghana	95
4 Uganda	87
5 Afghanistan	82
6 Viet Nam	70
7 Bangladesh	66
8 Kenya	64
9 Benin	45
10 Nepal	41
Memo: Share of gross bilateral ODA	
Top 5 recipients	23%
Top 10 recipients	37%
Top 20 recipients	52%





Bilateral and multilateral ODA

Denmark maintained stable ratios between its bilateral and multilateral ODA between 2005 and 2008 (about 65% to 35%). From 2009, it has increased its bilateral share, bringing it to 73% in 2010. Preliminary data for 2011 show that Denmark's bilateral aid amounted to USD 2.20 billion, taking the bilateral share of Denmark's net ODA to 74%. In 2011, multilateral ODA totalled USD 777 million.

Composition of bilateral ODA

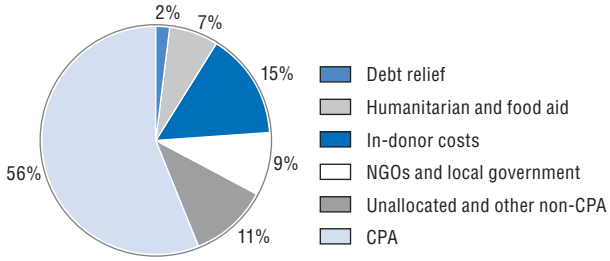
In 2010, 56% of Denmark's gross bilateral ODA was country programmable aid (CPA) – below the DAC members' average of 57% for the same year. General budget support – which counts as CPA – totalled USD 71.65 million, equivalent to 3.3% of Denmark's gross bilateral ODA. Denmark's humanitarian and food aid accounted for 14% of gross bilateral ODA.

Focus on priority countries and LDCs

Denmark's bilateral ODA is focused on a limited number of priority countries. With the completion of the phasing out of ODA to Nicaragua in 2011, Denmark currently has 25 priority countries and has decided to phase out development co-operation from another 5 of these.

In 2009-10, 9 of Denmark's 15 long-term priority countries received one-third of Denmark's gross bilateral ODA. Denmark's ODA became slightly less concentrated between 2007 and 2010,

Composition of bilateral ODA, 2010



as the share of ODA to its top 10 recipients decreased from 43% to 36%, and the share to its top 20 recipients fell from 64% to 50%. In terms of CPA allocations, the share of Denmark's "significant relations" (countries to which Denmark provides more than its global share of CPA and/or for which is among the top donors that cumulatively provide 90% of CPA) in all its partnerships was on average 36% every year between 2007 and 2010.

Since 2007, the share of Denmark's ODA provided to LDCs has been an average of 40% per year, above the 26% average for DAC members over the same period. Denmark's gross ODA to LDCs amounted to USD 827 million in 2010.

Untied aid

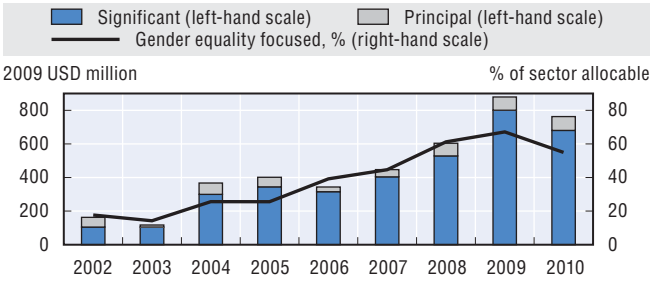
Denmark is among the DAC members with only a small proportion of their aid still tied: 7% in 2010. Untied aid peaked at 99% in 2008 (up from 94% in 2005), but decreased to 97% in 2009, and to 93% in 2010.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

ODA to gender equality and women's empowerment

Gender equality has been a strategic priority in Denmark's development co-operation for a number of years. Danish support for gender equality is reflected in the amounts committed for activities that have gender equality and women's empowerment as a principal or significant objective. These increased at an average rate of 45% annually from 2007 to 2009. However, in 2010 commitments decreased by 13% in real terms, as compared to 2009. Commitments for gender equality and women's empowerment totalled USD 746 million in 2010.

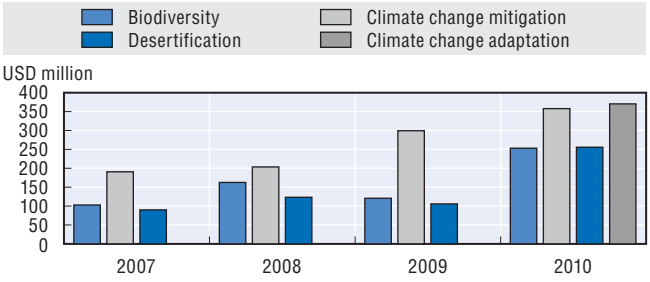
ODA for gender equality and women's empowerment, 2002-10



ODA to environment and climate change mitigation

Denmark gives political priority to the environment and this is reflected in the country's increasing support to climate change mitigation. In 2010, Denmark committed more ODA than ever before to all the objectives of the Rio conventions. Based on the Rio markers, in 2010 Denmark committed USD 253 million to biodiversity, USD 358 million to climate change mitigation and USD 256 million to combat desertification. All DAC members – including Denmark – have started to report their commitments for climate change adaptation, to which Denmark allocated USD 532 million in 2010.

ODA commitments targeted
at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Between 2007 and 2010, Denmark's net disbursements for "other financial flows" – such as those associated with official export credits and equities – were modest and, with the exception of 2009, negative. Both Danish net private grants and net private flows at market terms increased in 2007 and 2008 but dropped in 2009. The 2010 levels show a rise, but are still below 2008 levels.

StatLink http://dx.doi.org/10.1787/888932700523

European Union institutions

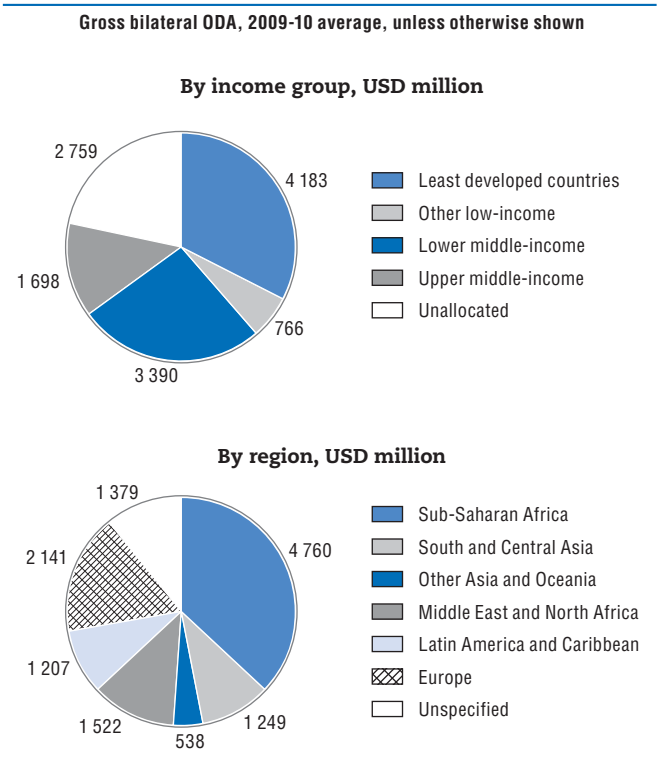
In 2011, ODA grants managed by European Union (EU) institutions amounted to USD 12.63 billion, a 6.4% decrease in real terms compared to 2010 (USD 12.68 billion). The level of ODA managed by EU institutions is determined within the EU multi-year financial framework. The multi-year financial framework for 2014-20 currently being prepared by the European Commission proposes a substantial budget increase for external action (up to 25% in 2011 prices from the previous financial framework). Once agreed, this will confirm the strengthened priority of external activities for the EU and should lead to an increase in EU development co-operation funding levels. In 2012 the EU underwent a DAC peer review of its development co-operation (see page 244 and following for a summary of the findings).

Figure V.12. **Official development assistance: European Union institutions**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	13 444	12 679	12 627	–0.4
Constant (2010 USD m)	12 876	12 679	11 870	–6.4
In euro (million)	9 654	9 573	9 081	–5.1
Bilateral share (%)	97	98	97	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Turkey	541
2 West Bank and Gaza Strip	490
3 Afghanistan	340
4 Congo, Democratic Republic	299
5 Kosovo	298
6 Serbia	292
7 Sudan	255
8 Morocco	253
9 Ethiopia	220
10 Mozambique	199
Memo: Share of gross bilateral ODA	
Top 5 recipients	15%
Top 10 recipients	25%
Top 20 recipients	38%



Bilateral and multilateral ODA

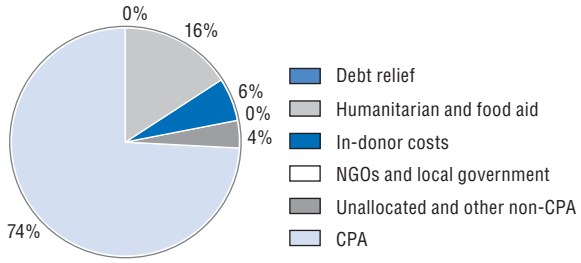
The EU is unique among DAC members in that it plays a dual role in development assistance. In contrast to multilateral organisations that exclusively receive transfers from members, the EU is a donor in its own right with its own resources and budgetary authority, as laid out in the Treaty on the Functioning of the European Union. EU aid architecture includes the European Investment Bank (the EU's financing institution). The EU also manages the European Development Fund, which is financed through extra-budgetary contributions from EU member states. In this case, the EU acts like a multilateral agency.

As an individual donor, the EU co-operates with and contributes funding to multilateral organisations. The contribution of EU institutions to multilateral organisations averaged 3% of the EU's total ODA between 2006 and 2011.

Composition of bilateral ODA

In 2010, 74% of the EU's gross bilateral grant ODA was classified as country programmable aid (CPA), well above the DAC members' average of 57%. EU institutions are an important provider of general budget support, which is a part of CPA – and totalled USD 1.55 billion in 2010 (or 12.4% of the EU's gross bilateral ODA). Humanitarian and food aid provided by EU institutions in 2010 accounted for 16% of gross bilateral ODA.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

EU institutions provide aid to about 150 countries. In 2010, 38% of EU aid went to its top 20 recipients, down from 42% in 2007. Given the size of their programmes, EU institutions are still a significant donor in a large number of partner countries: in 2010, they were among the 5 largest donors in 121 countries and among the 3 largest donors in 75 countries. In terms of CPA allocation, EU institutions have "significant relations" with 84% of their recipients meaning that they provide those countries with more than its global share of CPA and/or are among the largest donors that cumulatively provide 90% of CPA.

An important share of EU ODA is allocated to LDCs, and they received 35% of bilateral ODA managed by EU institutions in 2010 (or a total of USD 4.44 billion).

Untied aid

EU institutions have made progress in opening procurement eligibility and competition among bidders, but their approach to untying aid only partially meets the *2001 DAC Recommendation*. The EU is working on individual bilateral agreements to increase openness with some countries and untie aid on the basis of reciprocity and proportionality in developing countries.

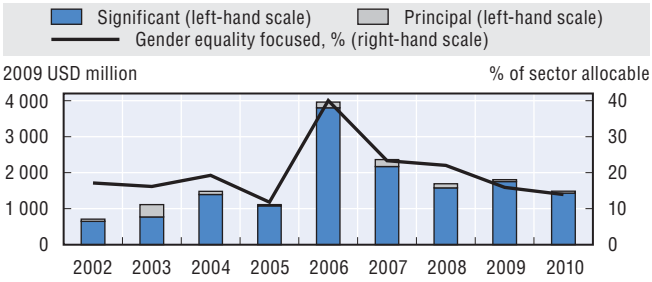
ODA to gender equality and women's empowerment

A robust plan of action and a well-designed toolkit on gender equality has helped EU delegations mainstream gender equality into their programmes and reaffirm their strong commitment to the issue. Efforts made by the Commission to strengthen the use of the gender marker are also positive. Commitments supporting gender equality peaked in 2006, but have fluctuated since. In 2010, commitments for activities that had gender equality as a principal or significant objective totalled USD 1.48 billion, equivalent to 14% of EU sector allocable aid.

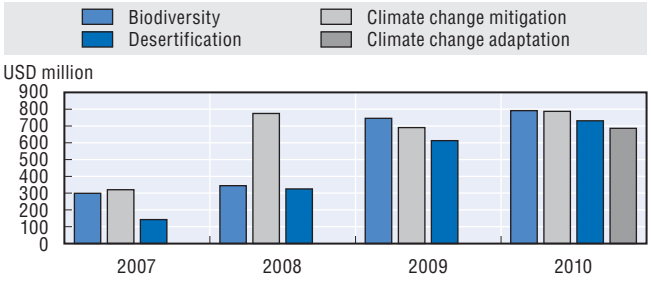
ODA to environment and climate change mitigation

In 2007, the Commission set up the Global Climate Change Alliance, a recognised global model for climate change assistance. A strategy for mainstreaming environment and climate change issues into development co-operation would, however, build additional momentum for applying existing guidelines and tools more systematically, in particular strategic environmental assessments. Commitments to biodiversity and to combat desertification increased progressively between 2007 and 2010, reaching USD 792 million (a nominal 6% increase) and USD 731 million (a 19% nominal increase) respectively. Commitments for climate change mitigation more than doubled between 2007 and 2008, but dropped nominally by 11% in 2009, before reaching USD 787 million in 2010 (a nominal increase of 14% from 2009). In 2010, DAC members – including EU institutions – started to report on commitments in support of climate change adaptation, for which EU institutions allocated USD 686 million in 2010.

ODA for gender equality and women's empowerment, 2002-10



ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

In 2007-08, around 33% of official flows derived from "other official flows", such as equities and other bilateral assets. In 2009 and 2010, however, these flows declined from the high levels of USD 4.72 billion in 2007 and USD 2.89 billion in 2008 to negative levels of USD –0.63 billion in 2009 and USD –1.10 billion in 2010.

StatLink http://dx.doi.org/10.1787/888932700542

Finland

In 2011, Finland's net ODA amounted to USD 1.41 billion. In nominal terms, this figure represents an increase of 3% from 2010, although in real terms Finland's ODA has dropped by 4%. As for several other DAC members, this is the first decrease after many years of ODA growth. Finnish ODA grew quickly between 2008 and 2009 – at an average annual rate of 12% in real terms – but started to slow down in 2010. The ODA growth rate is expected to reach zero in 2013-14 as ODA for those years will be frozen at the nominal 2012 level.

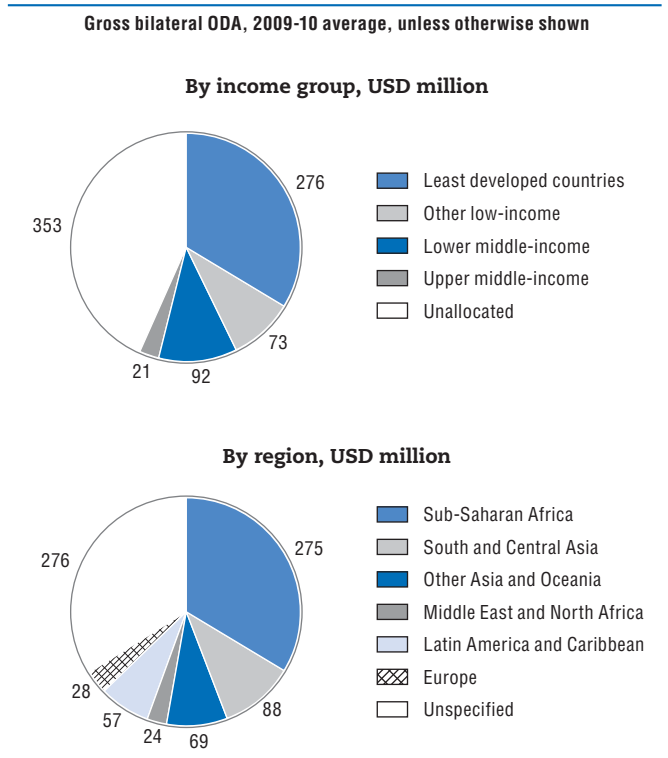
Finland's ODA to GNI ratio was 0.52% in 2011. Having reached 0.55% in 2010, Finland's ODA/GNI surpassed the EU intermediate target of 0.51% for that year. This is a commendable result, but Finland's ODA spending plans for 2013-14 make it unlikely that it will reach the EU's ODA/GNI target of 0.7% in 2015.

Figure V.13. **Official development assistance: Finland**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	1 290	1 333	1 409	5.7
Constant (2010 USD m)	1 232	1 333	1 275	–4.3
In euro (million)	926	1 006	1 013	0.7
ODA/GNI (%)	0.54	0.55	0.52	
Bilateral share (%)	61	63	61	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Tanzania	52
2 Mozambique	45
3 Afghanistan	27
4 Viet Nam	26
5 Ethiopia	25
6 Zambia	23
7 Kenya	22
8 Nepal	21
9 Sudan	17
10 Nicaragua	16
Memo: Share of gross bilateral ODA	
Top 5 recipients	21%
Top 10 recipients	34%
Top 20 recipients	44%



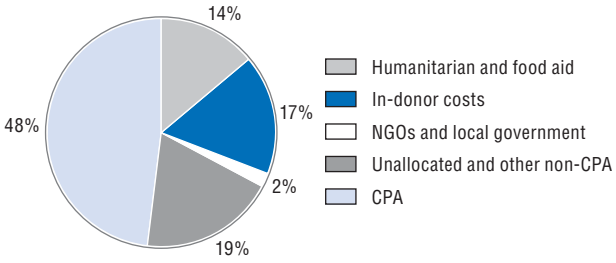
Bilateral and multilateral ODA

The increases in Finland's ODA between 2006 and 2011 translated into larger allocations to both the bilateral and multilateral channels, but while bilateral ODA almost doubled (from USD 455 million to USD 854 million), multilateral ODA increased only by 25% (from USD 380 million to USD 555 million), in line with the orientations of the government at the time. However, as Finland's 2012 Development Policy emphasises the use of the multilateral channel, the share of this form of aid is expected to grow. Preliminary data for 2011 show that bilateral development co-operation accounted for 61% of Finland's net ODA, while 39% of ODA was provided to multilateral organisations.

Composition of bilateral ODA

In 2010, 48% of Finland's gross bilateral ODA was country programmable aid (CPA) – below the DAC members' average of 57% for that year. Finland's general budget support in 2010 – which is counted as part of CPA – amounted to USD 36.8 million, equivalent to 4.4% of Finland's gross bilateral ODA. The bilateral humanitarian and food aid provided by Finland accounted for 14% of gross bilateral ODA in 2010.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

Finland has long-lasting developing partnerships with eight countries and all of these are among its top ten recipients of its ODA. Finland also has "significant relations" with all of these countries, meaning that it provides them with more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries.

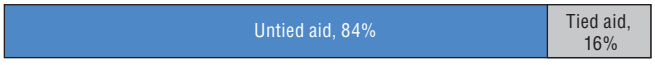
The number of Finland's recipient countries increased from 103 in 2007 to 122 in 2010 and the share of total bilateral ODA allocated to the top 20 recipients fell from 49% to 44% over the same period. Its CPA also became slightly more fragmented in 2010, as the number of CPA recipients increased to 73 (up from 66 in 2007), while the number of CPA recipients with which Finland has "significant relations" decreased to 23 (from 26 in 2007).

The share of Finland's gross bilateral ODA allocated to LDCs remained fairly stable between 2006 and 2010, averaging about 34%. Finland's gross bilateral ODA to LDCs amounted to USD 283 million in 2010.

Untied aid

Finland is among the DAC members with only a small share of aid still tied. However, between 2005 and 2010 the status of untying of Finnish aid has progressively worsened: from 95% in 2005 to 84% in 2010.

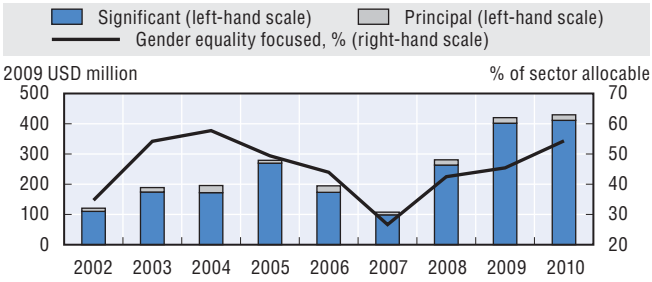
Tied aid status, 2010
(excluding administrative costs and technical co-operation)



ODA to gender equality and women's empowerment

Finland's 2012 Development Policy identifies gender as one of the key cross-cutting themes of Finnish development co-operation. After considerable fluctuations between 2002 and 2007, growing ODA volumes are now being committed for gender equality and women's empowerment. Commitments in support of activities that have gender equality as a principal or significant objective reached USD 416 million in 2010.

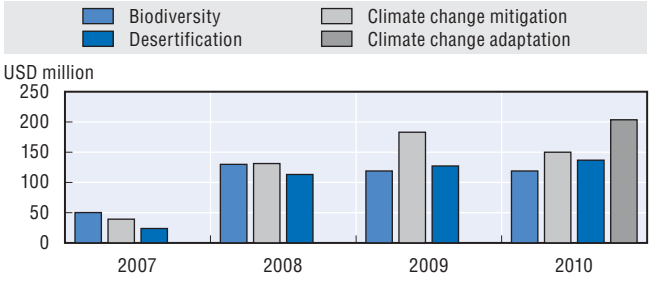
ODA for gender equality and women's empowerment, 2002-10



ODA to environment and climate change mitigation

Finland has emphasised the integration of environmental considerations in all its development co-operation interventions since the mid-1980s. ODA commitments to combat desertification have grown significantly since 2007 and reached USD 137 million in 2010. Commitments for biodiversity more than doubled between 2007 and 2008, but decreased by 8% in 2009 and stood on the same level in 2010 (USD 119 million). Commitments to climate change mitigation increased by more than three times between 2007 and 2008, increased by 40% in 2009, but then declined by almost 20% in 2010, standing at USD 150 million. In 2010, DAC members – including Finland – started to report on commitments to climate change adaptation, to which Finland allocated USD 204 million in 2010.

ODA commitments targeted
at the objectives of the Rio conventions 2007-10



Development financing beyond aid

Between 2007 and 2010, ODA accounted for – on average – 94% of reported total official financial flows from Finland. Therefore, the evolution of total official flows follows closely the evolution of ODA, with the exception of the drop in 2010 which stems from extraordinarily high "other official flows" in 2009. While net private grants are negligible, the volume of private flows at market terms is considerable and on the rise. However, these are more volatile than official flows and were severely affected by the 2008 financial crisis. In 2010, net private flows at market terms amounted to USD 2.92 billion, a nominal increase of 68% over 2009.

StatLink http://dx.doi.org/10.1787/888932700561

France

In 2011, France's ODA amounted to USD 12.99 billion, down by 5.6% compared to 2010. This is the first decrease in real terms since 2007, after which ODA increased by an average of 13% each year between 2008 and 2010.

The ratio of ODA to GNI also dropped from 0.50% in 2010 to 0.46% in 2011, below its 2009 level (0.47%). Despite the fall, France reiterated its commitment to reach the target of donating 0.7% of its GNI to ODA by 2015.

Figure V.14. **Official development assistance: France**

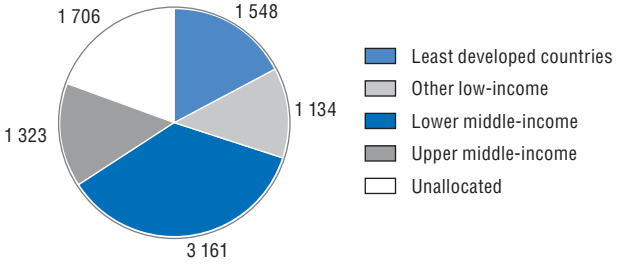
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	12 602	12 915	12 994	0.6%
Constant (2010 USD m)	12 083	12 915	12 195	–5.6
In euro (million)	9 049	9 751	9 345	–4.2
ODA/GNI (%)	0.47	0.50	0.46	
Bilateral share (%)	57	60	65	

P. Preliminary data.

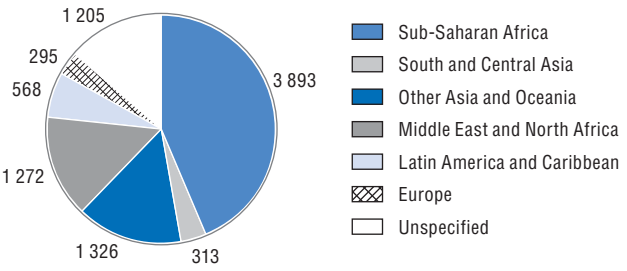
Top ten recipients of gross ODA (USD million)	
1 Côte d'Ivoire	699
2 Mayotte	579
3 Congo, Republic	516
4 China	402
5 Morocco	387
6 Indonesia	326
7 Viet Nam	245
8 Tunisia	235
9 Cameroon	213
10 Egypt	199
Memo: Share of gross bilateral ODA	
Top 5 recipients	29%
Top 10 recipients	43%
Top 20 recipients	58%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

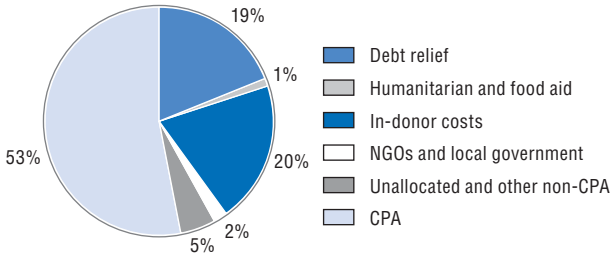
Bilateral and multilateral ODA

The bilateral share of France's ODA declined between 2005 and 2009 from 72% to 57% before rising slightly in 2010 and 2011 to reach 65% of France's total aid in 2011. With 35% of its ODA going to the European Union and multilateral organisations in 2011, France is one of the major contributors to multilateral organisations, with the majority of aid being donated to three institutions: the European institutions, the World Bank and the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Composition of bilateral ODA

In 2010, 53% of France's bilateral ODA was country programmable aid (CPA). A high percentage of this bilateral aid was made up of debt relief (19%), while a minimal fraction was allocated to humanitarian aid (1%) and NGOs (3%). General budget support accounted for 4% of bilateral ODA.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

France has identified Sub-Saharan Africa as a priority region, designated to receive 60% of the country's ODA budget through donations and loan subsidies. France's co-operation partners are split into four categories according to their characteristics and France's intervention approach. France maintains significant relations with 54 of its 55 priority countries and with 32 non-priority nations, meaning that it provides them with more than its global share of CPA and/or is among the top donors that cumulatively provide those countries with 90% of their CPA. The geographical dispersion of France's ODA is therefore still very wide. In 2010, 61% of France's aid went to the top 20 recipients, the remainder being shared among 115 other countries.

In 2010, USD 1.73 billion, *i.e.* 19% of France's bilateral assistance, was allocated to least developed countries, a percentage that has been stable in recent years.

Untied aid

France's ODA is largely untied. In 2010, only 3% of aid was still tied.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

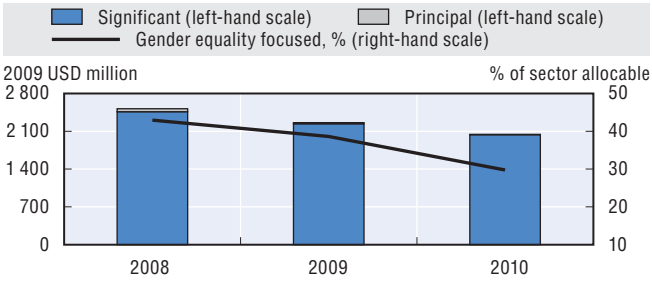
ODA to gender equality and women's empowerment

At the end of 2007, France adopted a strategic policy paper on gender equality, and in 2008 it began using the "gender equality marker". Following a decrease between 2008 and 2009, the percentage of sector allocable aid with a gender equality focus dropped again in 2010, to 30%. At the same time, commitments for activities with gender equality as a principal or significant objective also trended slightly downward, to reach USD 1.95 billion in 2010.

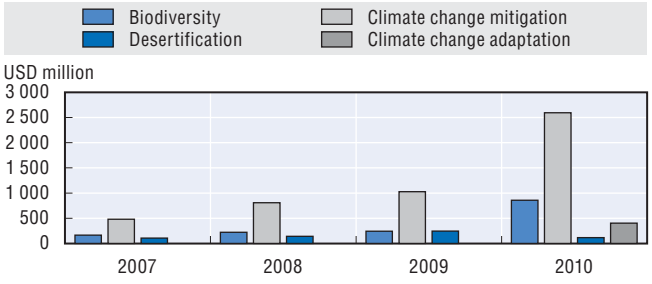
ODA to environment and climate change mitigation

France attaches great importance to the protection of the environment and biodiversity. These issues are addressed by the country's multi-annual sectoral strategy and a targeted strategic policy paper to combat desertification and land degradation. However, efforts to combat desertification were rolled back in 2010, while the aid trend continued to rise for biodiversity protection (reaching a commitment of USD 860 million in 2010). France is becoming increasingly active in the area of climate change, and support for climate change mitigation programmes increased nearly sixfold from 2007 to reach USD 2.6 billion in 2010. Commitments for climate change adaptation remained more modest, at USD 404 million in 2010.

ODA to gender equality and women's empowerment, 2008-10



ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development finance beyond aid

Other official flows, already low in 2009, became negative in 2010 (USD –573 million). As a result of the economic crisis, net private flows have declined steadily since 2007, when they stood at USD 34.4 billion. However, they remain very substantial and are well above ODA levels: at USD 22.8 billion in 2010, compared to USD 13 billion of ODA in the same year.

StatLink http://dx.doi.org/10.1787/888932700580

Germany

In 2011, Germany's ODA was USD 14.5 billion. Germany increased its ODA by 5.9% between 2010 and 2011, reflecting an increase in its bilateral grants. This increase brought Germany's ODA above the 2008 level, the highest reached in the past five years.

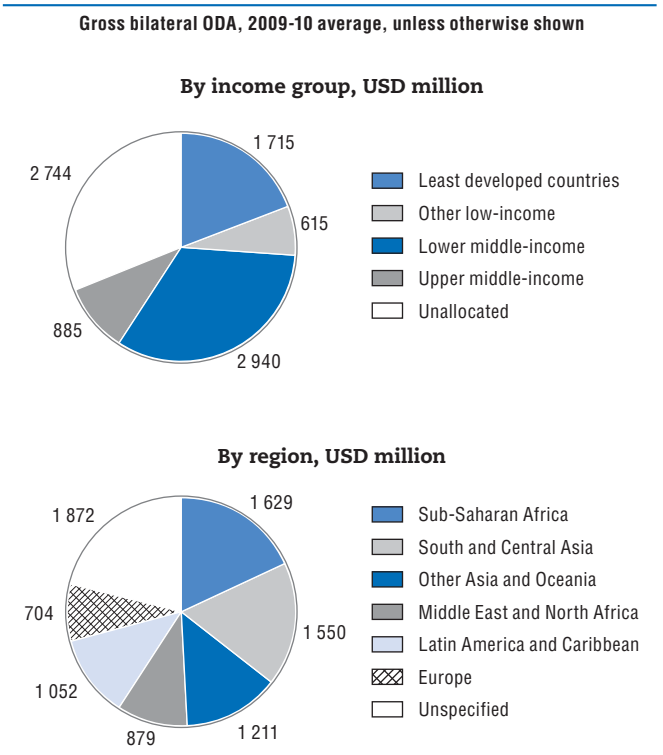
Germany's ODA/GNI ratio reached 0.4% in 2011, up from 0.39% in 2010, but still below the EU intermediate target of 0.51% ODA/GNI set for 2010. Germany remains committed to the EU target of giving 0.7% of GNI as ODA by 2015.

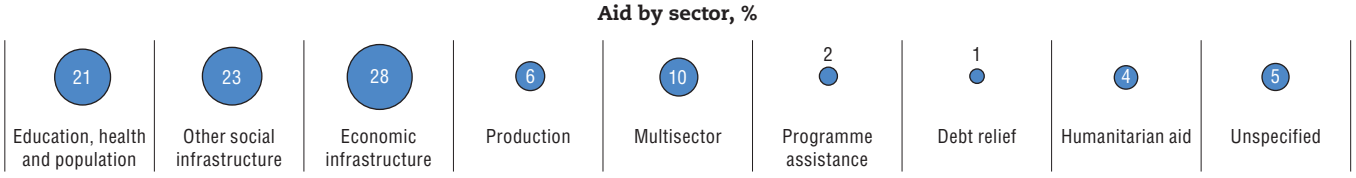
Figure V.15. **Official development assistance: Germany**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	12 079	12 985	14 533	11.9
Constant (2010 USD m)	11 557	12 985	13 746	5.9
In euro (million)	8 674	9 804	10 452	6.6
ODA/GNI (%)	0.35	0.39	0.40	
Bilateral share (%)	59	62	61	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 China	534
2 India	509
3 Afghanistan	404
4 Brazil	229
5 Egypt	174
6 Indonesia	172
7 Turkey	137
8 Serbia	137
9 Pakistan	134
10 Morocco	123
Memo: Share of gross bilateral ODA	
Top 5 recipients	21%
Top 10 recipients	29%
Top 20 recipients	40%





Bilateral and multilateral ODA

Germany has a policy of giving two-thirds of its ODA as bilateral and one-third as multilateral. Germany's ratio of bilateral to multilateral ODA in 2011 (61:39) is broadly in line with this policy and close to the DAC average. Germany is currently the largest contributor of multilateral ODA in the world, with the bulk of these resources channelled through the EU as part of its assessed contribution. Preliminary data for 2011 show that Germany's bilateral programme totalled USD 8.92 billion, while USD 5.61 billion were channelled to multilateral organisations.

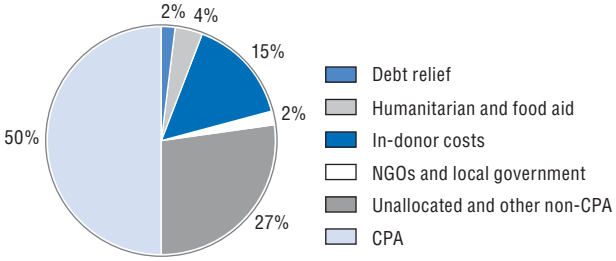
Composition of bilateral ODA

Germany's country programmable aid (CPA) amounted to USD 4.7 billion in 2010, equivalent to 50% of its gross bilateral ODA, which is slightly lower than the DAC average of 57%. Germany's lower than average CPA figure is partly caused by the high proportion of its bilateral ODA that is not allocated to countries; more than one quarter of Germany's ODA in 2010 was unallocated. General budget support – which counts as CPA – totalled USD 97.40 million in 2010, 1% of Germany's bilateral ODA for that year. The humanitarian and food aid provided by Germany bilaterally accounted for 4% of gross bilateral ODA.

Focus on priority countries and LDCs

Germany has taken steps to concentrate its bilateral ODA on fewer sectors and countries and to disengage from countries where it perceives that it does not have a comparative advantage. Germany has put in place an overarching policy for

Composition of bilateral ODA, 2010



its development co-operation (*Minds for Change – Future of Global Development*, published in August 2011) together with a whole-of-government strategy for Africa ("Germany and Africa: A Strategy Paper" by the German government). The number of Germany's recipient countries increased from 130 in 2007 to 140 in 2010; at the same time, the share of its bilateral ODA allocated to its top 20 recipients fell from 60% to 39%. Data on Germany's CPA suggest a growing fragmentation, as the number of its "significant relations" (countries to which Germany provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries) slightly decreased from 85 out of a total of 106 (80% of the total) in 2007 to 86 out of a total of 112 (77%) in 2010.

While historically Germany has focused its aid on middle-income countries, it is now allocating more resources to lower-income countries and LDCs to better reflect its overarching poverty reduction objective. The share of German ODA allocated to LDCs increased from 14% of gross ODA in 2007 to 19% in 2010. Germany's gross ODA allocated to LDCs totalled USD 1.78 billion in 2010.

Untied aid

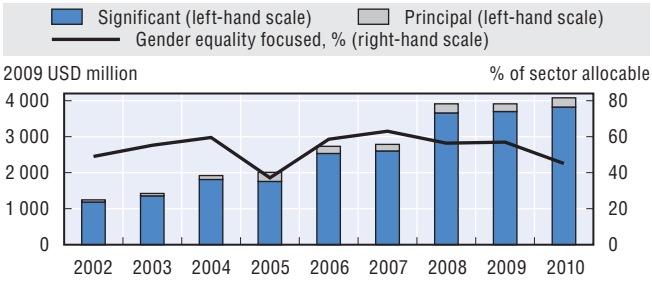
Germany is among the DAC members with only a small share of aid still tied: 4% in 2010. However, this is a larger share than in 2008, when untied aid peaked at 98%.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

ODA to gender equality and women's empowerment

Germany's commitments to gender equality and women's empowerment reflect its prioritisation of this cross-cutting issue. Germany committed 45% of its sector allocable ODA to gender equality and women's empowerment in 2010 (USD 3.99 billion) and has sustained a considerable level of commitments over the last three years.

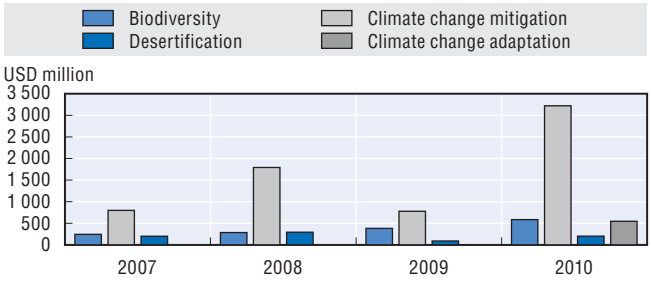
ODA for gender equality and women's empowerment, 2002-10



ODA to environment and climate change mitigation

Germany commits considerable ODA volumes to the objectives of the Rio conventions. Commitments to biodiversity have increased progressively since 2007, reaching USD 584 million in 2010. Commitments to climate change mitigation have been more volatile; they dropped in 2009 after having more than doubled from 2007 to 2008, and then peaked at USD 3.2 billion in 2010. Similarly, commitments to combat desertification increased in 2008, dipped in 2009, then more than doubled in 2010, reaching USD 202 million. In 2010, DAC members – including Germany – started to report on commitments to climate change adaptation, for which Germany allocated USD 546 million in 2010.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

The level of Germany's reported "other official flows" saw strong fluctuations between 2007 and 2010: net disbursements were negative in 2007 and 2008 (USD –2.53 billion and USD –462 million, respectively); they became positive in 2009, reaching USD 187 million, but dropped to USD –408 million again in 2010. Grants from German private voluntary agencies averaged USD 1.43 billion between 2007 and 2010, and totalled USD 1.46 billion in 2010, a 7% increase over 2009. After dropping to USD 15.50 billion in 2009, German net private flows at market terms reached USD 17.16 billion in 2010; a considerable volume, but still below the 2008 level of USD 20.58 billion.

StatLink http://dx.doi.org/10.1787/888932700599

Greece

In 2011, Greece's net ODA amounted to USD 331 million, down from USD 508 million in 2010. This decrease of 39.3% is a direct consequence of the country's severe economic crisis. Greek ODA did increase in 2007 (+5%) and 2008 (+27%), before starting to decline in 2009 (–13%).

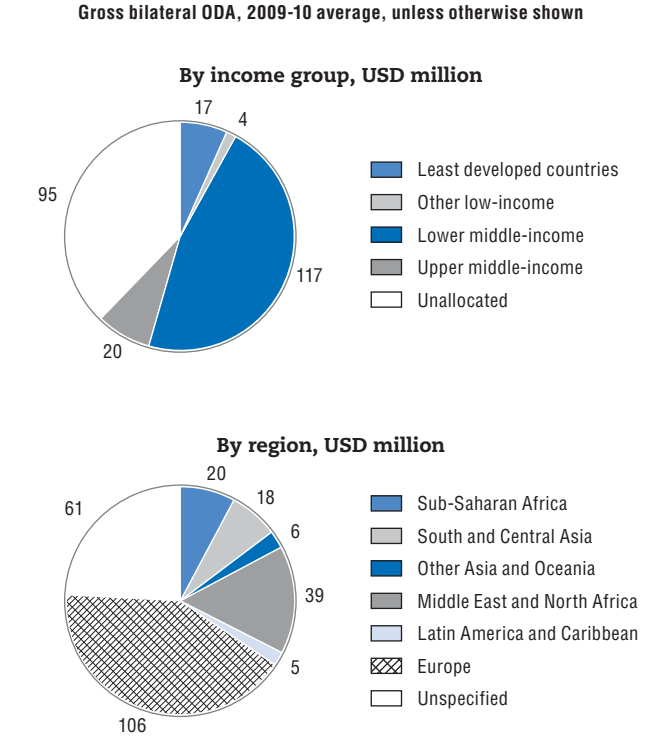
The ODA/GNI ratio reached 0.11% in 2011, down from 0.17% in 2010. Prospects for a future increase of ODA levels look bleak in light of Greece's financial situation. In 2011 Greece underwent a DAC peer review of its development co-operation programme (see page 245 and following for a summary of the findings).

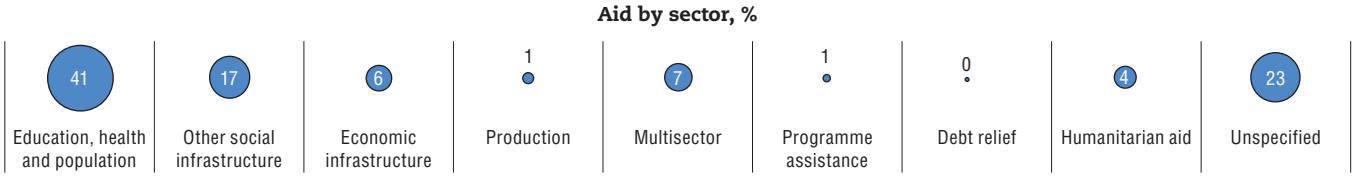
Figure V.16. **Official development assistance: Greece**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	607	508	331	–34.9
Constant (2010 USD m)	587	508	308	–39.3
In euro (million)	436	383	238	–37.9
ODA/GNI (%)	0.19	0.17	0.11	
Bilateral share (%)	49	42	18	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Albania	53
2 Kosovo	16
3 Egypt	12
4 Afghanistan	9
5 West Bank and Gaza Strip	9
6 Serbia	7
7 Turkey	6
8 Syria	5
9 Jordan	4
10 Ukraine	3
Memo: Share of gross bilateral ODA	
Top 5 recipients	39%
Top 10 recipients	49%
Top 20 recipients	56%





Bilateral and multilateral ODA

Although Greece's bilateral to multilateral aid ratios fluctuated between 2006 and 2010, multilateral aid was never less than 50% of net ODA. When Greece significantly increased its ODA in 2008, it mainly did so by increasing allocations to multilaterals by 41% in real terms. As the ODA budget started to shrink in 2009, Greece stopped a number of bilateral programmes while continuing to respect its multilateral commitments. Therefore, the bilateral share of its aid fell to 42% in 2010 and contracted further to 18% in 2011. Preliminary data for 2011 show that Greece allocated USD 59.87 million to its bilateral programme and USD 270.87 million to multilateral organisations.

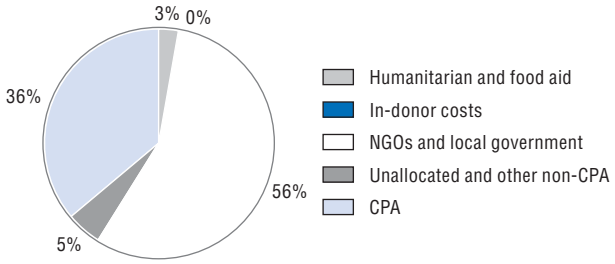
Composition of bilateral ODA

In 2010, 36% of Greece's gross bilateral ODA was country programmable aid (CPA), well below the DAC average of 57%. In-donor costs represented 56% of gross bilateral ODA, which is mainly explained by the high share of tertiary scholarships as well as student and refugee costs within Greece's aid allocation. Greece's bilateral humanitarian and food aid accounted for 3% of Greek gross bilateral ODA. Greece provided no general budget support in 2010.

Focus on priority countries and LDCs

Greece plans to reduce the number of its priority countries by implementing its new development programme. It already reduced the total number of ODA recipients, from 124 in 2007

Composition of bilateral ODA, 2010



to 97 in 2010. However, the ODA share allocated to its top 10 recipients fell from 52% in 2007 to 47% in 2010, as did the share to the top 20: from 63% to 52% over the same period.

In terms of CPA allocations, in 2010 Greece had "significant relations" with 13 of its 16 priority countries, meaning that Greece provided to those countries more than its global share of CPA and/or was among the top donors that cumulatively provided 90% of CPA to those countries. In addition, between 2007 and 2010 the number of Greece's "significant relations" decreased (from 23 to 16), but so did the total number of its CPA recipients (from 30 to 21), leaving its degree of fragmentation largely unaltered.

The share of Greece's gross bilateral ODA to least developed countries hovered around 10% between 2007 and 2009, but fell to 3% in 2010. Greece's gross bilateral ODA to LDCs totalled USD 5.86 million in 2010.

Untied aid

Greece is among the DAC members with a high share of tied aid. Greece's untying status dropped from 74% in 2005 to a low of 38% in 2008. Since then, Greece has managed to increase the level of its untied aid to 62% in 2010.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

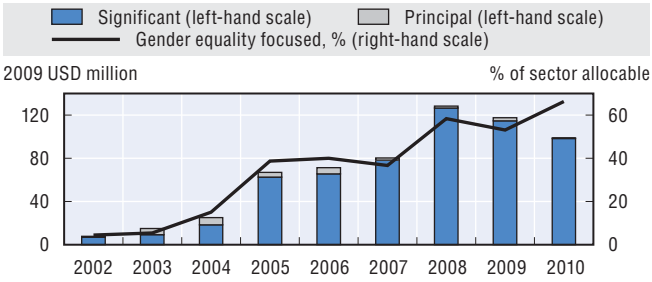
ODA to gender equality and women's empowerment

Greece has made gender equality a sector priority over the past decade, increasing its funding commitments to gender equality and women's empowerment. ODA allocations for activities that have gender equality as a principal or significant objective rose dramatically from USD 4 million in 2002 to a peak of USD 131 million in 2008. However, while the percentage of sector allocable aid with a gender equality focus increased from 53% in 2009 to 66% in 2010, ODA allocations for gender-related activities decreased after 2009, falling to USD 97 million in 2010.

ODA to environment and climate change mitigation

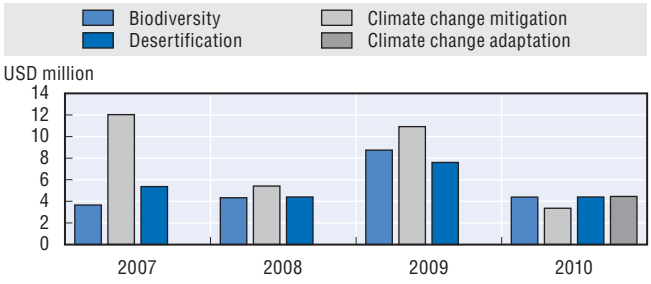
Greece has strengthened its focus on environment and climate change as a sector since 2007. According to its new draft

ODA for gender equality and women's empowerment, 2002-10



law and five-year programme, Greece intends to give more attention to these cross-cutting issues in the future. This reflects the high political priority the Prime Minister and the government give to green development, protecting biodiversity, enhancing energy efficiency and mitigating climate change effects, both nationally and internationally. However, the Rio markers point to modest support for the objectives of the Rio conventions. After doubling between 2008 and 2009, Greece's commitments to biodiversity, climate change mitigation and efforts to combat desertification fell by 40% or more in 2010. However, even in its difficult financial situation, Greece has maintained – albeit reduced – financial commitments in those areas, and committed USD 4 million for climate change adaptation in 2010.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Between 2007 and 2010, ODA accounted for 99% of the total official financial flows from Greece to developing countries, with negligible or no other official flows reported during that period. Net private grants dropped to USD 2 million in 2008 and 2009, down from USD 7 million in 2007. However, in 2010 they increased by five times, to a level of USD 10 million. The volume of net private flows at market terms has dramatically decreased since the financial crisis hit Greece in 2008 – from USD 2.88 billion in 2007 to USD 460 million in 2008 – and have since then remained low (USD 243 million in 2010).

StatLink http://dx.doi.org/10.1787/888932700618

Ireland

Ireland's ODA in 2011 was USD 904 million, a reduction from 2010 levels of a little over 3% in real terms. After increasing its ODA in 2007 and 2008 (by 6% and 8% respectively), Ireland started to cut ODA in 2009 (by 18%) and continued to do so in 2010 (by 4%).

Ireland's ODA as a share of its gross national income stood at 0.52% in both 2010 and 2011, down from 0.54% in 2009. Ireland remains committed to achieving the EU target of giving 0.7% of its gross national income (GNI) as ODA by 2015. In 2011, Ireland underwent a mid-term review of its development co-operation programme. A summary is presented on page 247.

Figure V.17. **Official development assistance: Ireland**

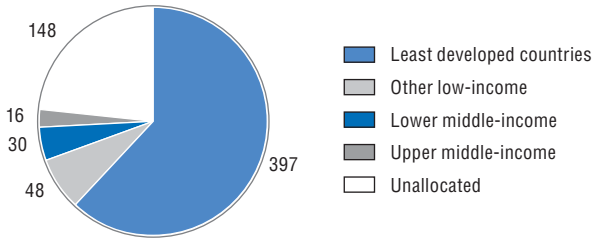
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	1 006	895	904	1.0
Constant (2010 USD m)	933	895	867	–3.1
In euro (million)	722	676	650	–3.8
ODA/GNI (%)	0.54	0.52	0.52	
Bilateral share (%)	69	65	68	

P. Preliminary data.

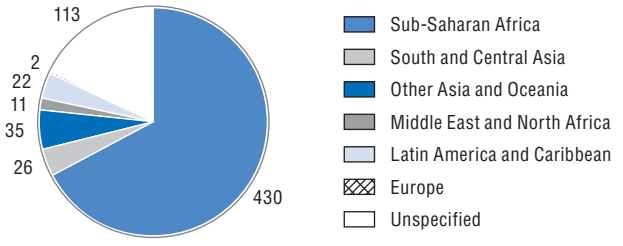
Top ten recipients of gross ODA (USD million)	
1 Uganda	61
2 Mozambique	60
3 Tanzania	52
4 Ethiopia	51
5 Zambia	36
6 Malawi	21
7 Viet Nam	19
8 Lesotho	17
9 Sudan	15
10 Sierra Leone	13
Memo: Share of gross bilateral ODA	
Top 5 recipients	41%
Top 10 recipients	54%
Top 20 recipients	67%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

Ireland's aid increased considerably during the period 2006 to 2008 and it channelled a significant proportion of its additional amounts of ODA through the multilateral channel. The division of Ireland's ODA between the bilateral and multilateral channels has varied slightly over the last five years from a ratio of 62:38 (bilateral:multilateral) in 2006 to 68:32 in 2011. Preliminary data for 2011 show that Ireland's bilateral channel amounted to USD 612.98 million while multilateral organisations received USD 291.10 million.

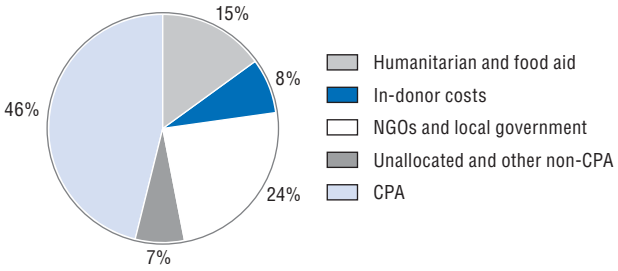
Composition of bilateral ODA

Ireland's country programmable aid (CPA) amounted to USD 274.22 million in 2010, equivalent to 46% of its gross bilateral ODA, which is lower than the DAC average of 57%. Ireland's low CPA figure is caused by the high proportion of its bilateral ODA (24%) that is allocated to NGOs and its high level of bilateral humanitarian aid (16%). General budget support – which is part of CPA – totalled USD 29.14 million, equivalent to 5% of Ireland's gross bilateral ODA.

Focus on priority countries and LDCs

While Ireland's ODA volume has decreased since 2009, the pattern of its allocations has not altered significantly; in 2010, the bilateral share of its net ODA was 65%, with the focus of this remaining on Africa. In recent years the number of Ireland's ODA recipients decreased slightly – from 93 in 2007 to 89 in 2010 – while the share allocated to its top 20 recipients increased, from 61% to 70%. Data on country programmable aid (CPA show that between 2007 and 2010, an average of 47% of Ireland's relations were "significant", meaning that for 47% of

Composition of bilateral ODA, 2010



its CPA recipients during this period Ireland provided more than its global share of CPA and/or was among the top donors that cumulatively provided 90% of CPA.

The share of total Irish bilateral ODA allocated to LDCs has progressively increased since 2007 and reached 64% in 2010; most of this was spent in Sub-Saharan Africa. Ireland's bilateral ODA allocated to LDCs in 2010 amounted to USD 382 million.

Untied aid

Ireland's aid remains completely untied.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

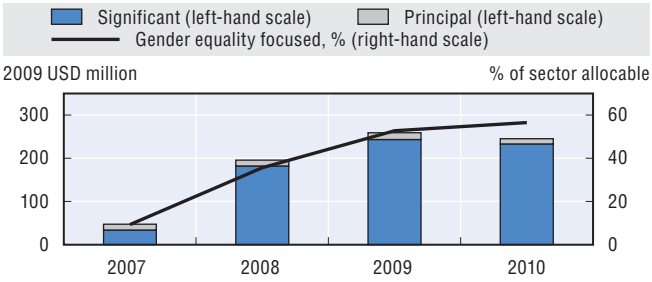
ODA to gender equality and women's empowerment

Ireland has successfully mainstreamed gender equality and women's empowerment throughout its programmes. This success is reflected in the gender equality focus of its activities, which reached almost 60% in 2010. Commitments for gender equality and women's empowerment increased by almost four times between 2007 and 2008, and continued to grow in 2009 (+23% in nominal terms), but decreased slightly in 2010 (–12%). Ireland has increased gender specific interventions, gender reporting, and guidance notes on gender mainstreaming. Ireland's approach to mainstreaming continues to offer very good practice from which others can learn.

ODA to environment and climate change mitigation

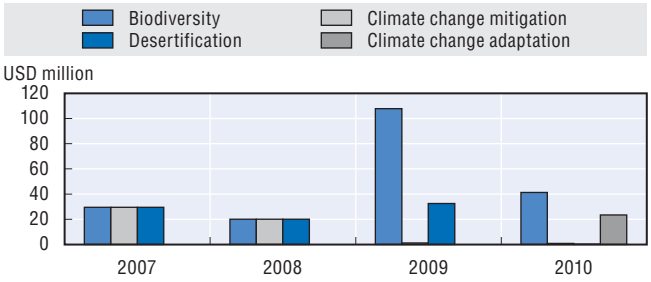
Support to the objectives of the Rio conventions has fluctuated considerably since 2007. After a slight decrease in 2008,

ODA for gender equality and women's empowerment, 2007-10



commitments for biodiversity peaked to USD 108 million in 2009, but dropped to USD 41 million in 2010. Commitments to climate change mitigation have stood at USD 1 million since 2009, continuing a downward trend from USD 29 million in 2007 to USD 20 million in 2008. Commitments for desertification were zero in 2010, down from a peak of USD 33 million in 2009. In 2010, DAC members – including Ireland – started to report on commitments to climate change adaptation, for which Ireland allocated USD 23 million in 2010.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Ireland does not provide other official flows to developing countries, reflecting its sole reliance on ODA for its development co-operation. Ireland's private investors have provided substantial flows since 2007, but there was a significant dip in these following the financial crisis of 2008. Ireland's private flows to developing countries in 2010 were USD 1.5 billion, compared to USD 4.5 billion in 2008.

StatLink http://dx.doi.org/10.1787/888932700637

Italy

In 2011, Italy's net ODA grew by 33% in real terms, reaching USD 4.24 billion. This remarkable upsurge is due to increases in debt forgiveness grants and to the large amounts provided for refugee assistance following the arrival in Italy of refugees from North Africa. This increase follows a period of strong fluctuations in Italy's ODA levels between 2006 and 2010.

Italy's ODA represented 0.19% of its GNI in 2011, up from 0.15% in 2010, but well below the 0.51% EU target that was set for 2010. Italy is likely to fall short of the 0.7% ODA/GNI target for 2015. In 2011 Italy underwent a mid-term review of its co-operation programme (see page 247 and following for a summary of the findings).

Figure V.18. **Official development assistance: Italy**

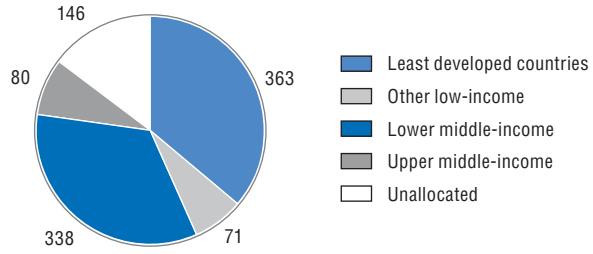
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	3 297	2 996	4 241	41.5
Constant (2010 USD m)	3 148	2 996	3 987	33.0
In euro (million)	2 368	2 262	3 050	34.8
ODA/GNI (%)	0.16	0.15	0.19	
Bilateral share (%)	27	25	37	

P. Preliminary data.

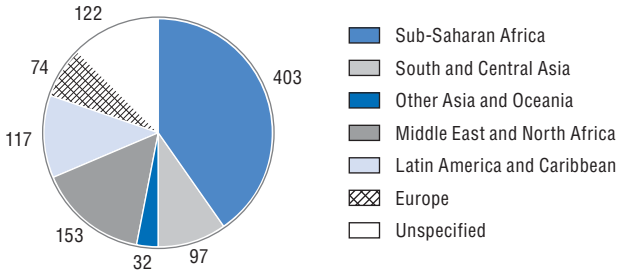
Top ten recipients of gross ODA (USD million)	
1 Congo, Republique	75
2 Afghanistan	61
3 Albania	53
4 Liberia	39
5 West Bank and Gaza Strip	37
6 Ethiopia	36
7 Côte d'Ivoire	34
8 Haiti	32
9 Mozambique	30
10 Lebanon	27
Memo: Share of gross bilateral ODA	
Top 5 recipients	27%
Top 10 recipients	43%
Top 20 recipients	59%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

A feature of Italy's development co-operation is the high share of its ODA that is channelled to the multilateral system, on average 64% annually from 2006 to 2011, and 63% in 2011 itself. This share – the largest of all DAC members – amounted to USD 2.65 billion in 2011. The bilateral share of Italy's net ODA fell to its minimum during the considerable cuts to the ODA budget in 2009-10. In 2011, Italy's bilateral ODA amounted to USD 1.59 billion.

Composition of bilateral ODA

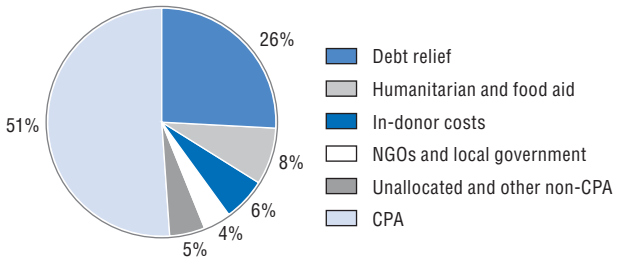
A little over one half of Italy's gross bilateral ODA in 2010 (51%) was country programmable aid (CPA), below the DAC members' average of 57% for the same year. General budget support – which is part of CPA – amounted to USD 5.5 million in 2010 (0.6% of Italy's gross bilateral ODA). Italy's humanitarian and food aid accounted for 4% of gross bilateral ODA.

Focus on priority countries and LDCs

Italy's 2011-13 Programming Guidelines for its development co-operation identify a single category of priority countries, and reduces them from 35 to 25.

Italy's ODA geographic allocations are more concentrated than most DAC members, with the top ten receiving nearly half of its gross ODA (on average 43% in 2009-10). However, this was less than they received at the time of its last peer review (an

Composition of bilateral ODA, 2010



average of 63% for 2007-08), and the ODA share to its top 20 recipients fell from 78% to 62% over the same period. This decline is partly due to Italy's reduced contributions to Iraq, which alone accounted for more than 30% of its bilateral ODA in 2007-08.

If we look at the allocation of CPA, the number of Italy's significant relations has increased: from 28 – out of a total of 80 relations – in 2007, to 40 – out of a total of 85 relations – in 2010.

Between 2007 and 2010, Italy steadily increased its support to LDCs. The share of Italian bilateral ODA that these countries received increased considerably from 23% in 2007 to 37% in 2010. Italy's gross ODA to LDCs amounted to USD 346 million in 2010.

Untied aid

Italy is one of the DAC members that needs to accelerate its aid untying efforts: in 2010, only 58% of its ODA was untied and this has been around the same level since 2007. Italy has no plan for untying all of its aid.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

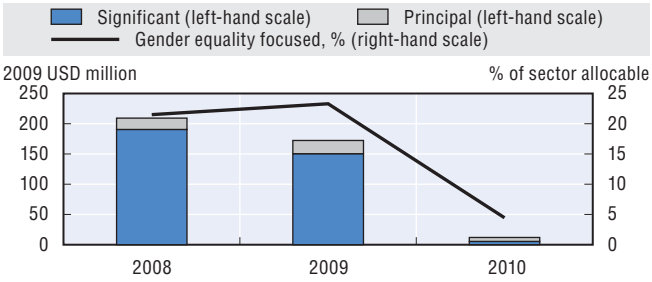
ODA to gender equality and women's empowerment

In 2010, Italy produced new *Guidelines on Gender Equality and Women's Empowerment* and mainstreamed gender into its 2011-13 Programming Guidelines. Italy only started reporting to the DAC its commitments to support gender equality and women's empowerment in 2008. The volume committed to these activities declined slightly from 2008 to 2009 and dropped dramatically in 2010. Commitments for gender equality and women's empowerment totalled USD 35 million in 2010.

ODA to environment and climate change mitigation

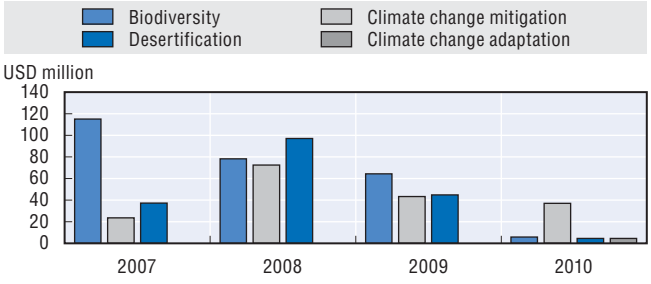
Italy decided to make environment a priority sector in 2007, and developed sectoral guidelines for the environment in 2011.

ODA for gender equality and women's empowerment, 2008-10



However, according to the Rio markers, allocations for biodiversity, climate change mitigation and desertification have decreased steadily since 2008, in part probably due to poor data reporting. Based on the Rio markers, in 2010 Italy committed USD 6 million for biodiversity, USD 37 million for climate change mitigation and USD 5 million for combating desertification. In the same year, Italy also started to report on climate change adaptation, for which it allocated USD 5 million.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

The volume of net disbursements deriving from official export credits, equities and other official flows from Italy to developing countries was small and negative between 2007 and 2010 (with the exception of 2008). This means that inflows to Italy, deriving from equity sales, capital repayments, etc., exceeded outflows from Italy to developing countries. Grants by private voluntary agencies increased over time: from USD 63 million in 2007 to USD 150 million in 2010. Net private flows at market terms have duplicated in nominal terms from 2008 to 2009 and continued to grow in 2010, reaching USD 6.6 billion that year.

StatLink http://dx.doi.org/10.1787/888932700656

Japan

In 2011, Japan's net ODA amounted to USD 10.6 billion. This was a fall of nearly 11% in real terms from 2010 (although 2010 levels were 12% higher than the previous year). This fall was largely due to the decline in government loans. Japan's ODA has been suffering from an extended period of stagnation, fluctuating around the USD 10 billion mark between 2006 and 2011.

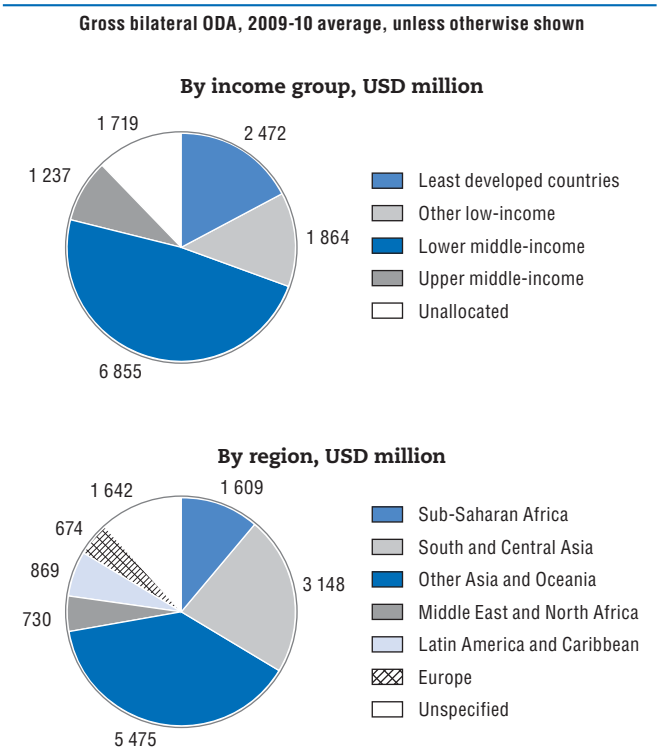
The ODA to GNI ratio likewise relapsed to 0.18% from 0.2% in the previous year. This level is well below the DAC average of 0.31% and still a long way from the 0.7% UN target. However, given the current fiscal and economic difficulties, compounded by the devastations from natural disasters, it is unlikely to expect Japan's ODA spending levels to rise significantly in the coming years.

Figure V.19. **Official development assistance: Japan**

Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	9 457	11 021	10 604	–3.8
Constant (2010 USD m)	9 841	11 021	9 829	–10.8
In yen (billion)	883	967	845	–12.6
ODA/GNI (%)	0.18	0.20	0.18	
Bilateral share (%)	65	67	59	

P. Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Indonesia	1 505
2 India	1 466
3 Viet Nam	1 266
4 China	1 096
5 Philippines	686
6 Turkey	570
7 Afghanistan	541
8 Sri Lanka	358
9 Pakistan	209
10 Peru	197
Memo: Share of gross bilateral ODA	
Top 5 recipients	43%
Top 10 recipients	56%
Top 20 recipients	66%



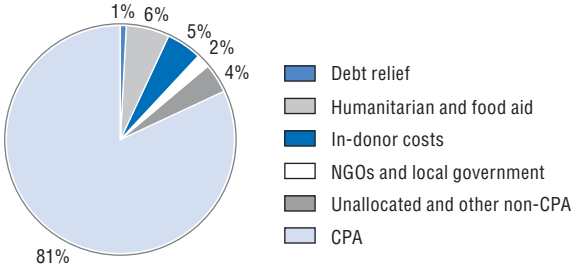
Bilateral and multilateral ODA

Historically bilateral aid dominates Japan's development assistance programme. The general division of Japan's ODA between the bilateral and multilateral channels has remained constant, with the former accounting for around 70% of total net disbursements. However, in 2011 Japan reduced its bilateral aid by 15% while increasing its contributions to multilateral organisations by 18%, significantly elevating the latter's share to 41%.

Composition of bilateral ODA

Japan's bilateral programme is characterised by a high proportion of country programmable aid (CPA). Japan's CPA amounted to USD 12.3 billion in 2010 and is equivalent to 81% of its gross bilateral ODA, a much higher share than the DAC average of 57%. Japan provided 3.8% of its CPA (or 3.2% of gross bilateral ODA) in the form of general budget support in 2010.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

Japan spreads its wings widely, deploying aid to over 140 countries in any given year. Japan has no intention to reduce the number of countries it supports and, likewise, does not specify priority countries. On the one hand, Japan provides some assistance to all of the world's major developing nations; on the other it provides sizeable amounts to countries of economic and strategic importance. A large proportion of Japan's bilateral ODA is allocated to its top 20 recipients although this share has declined in recent years, from 70% to 66% between 2007 and 2010.

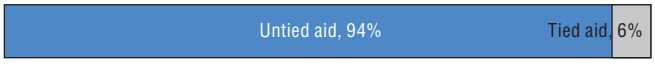
Japan has typically focused a lot of its attention on middle income countries, largely due to the fact that much of its aid is directed towards infrastructure assistance which tends to be a priority for bigger economies. However, in recent years Japan has taken steps to significantly increase its assistance to low-income countries, especially the LDCs. In 2010, Japan allocated USD 2.85 billion to LDCs, equivalent to 19% of its gross bilateral ODA.

Based on CPA, the geographical fragmentation of Japanese aid appears to be rising. Japan reduced the number of its "significant relations" from 117 in 2007 to 107 in 2010 while the number of "non-significant relations" increased from 19 to 32 over the same period.

Untied aid

Japan has significantly increased the proportion of its aid which is untied, in line with the 2001 DAC Recommendation (OECD, 2001). Although Japan's overall untied ratio declined from 96% in 2006 to 94% in 2010, it is still well above the DAC average of 84% for 2010.

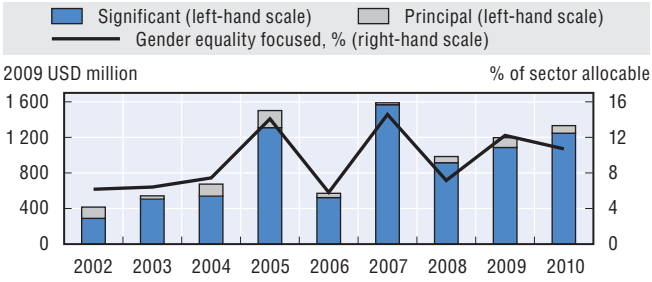
Tied aid, 2010
(excluding administrative costs and technical co-operation)



ODA to gender equality and women's empowerment

Although since 2002 Japan has increased the proportion of its aid to gender equality and women's empowerment, this remains relatively small compared to most other DAC members. In 2010, some 11% of Japan's sector allocable ODA was devoted to gender equality focused activities.

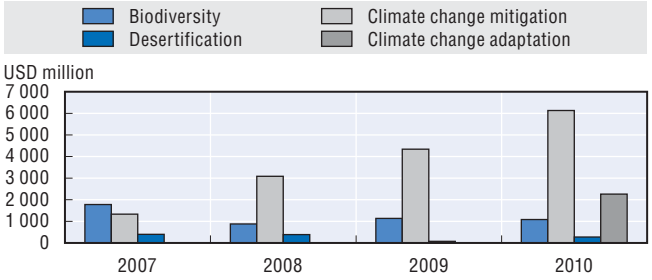
ODA for gender equality and women's empowerment, 2002-10



ODA to environment and climate change mitigation

Japan sees tackling global environmental issues as one of its top priorities and its environment-focused aid has grown over the years, especially in the area of climate change mitigation. In 2010, Japan's bilateral aid devoted to this activity rose by more than 40% compared to the previous year, amounting to USD 6.1 billion. It is likely that the proportion of Japan's aid in support of the environment will continue to grow given its strong commitment to climate change and development.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Japan's net ODA accounted for, on average, 79% of its total official flows between 2007 and 2010. The size of net private flows (at market terms) is nearly three times that of ODA and is on the rise. Private voluntary agencies in Japan are providing more grants to developing countries, but their volumes remain negligible compared to other sources of development finance.

StatLink http://dx.doi.org/10.1787/888932700675

Korea

In 2011, Korea's ODA was USD 1.32 billion. This figure is an increase of almost 6% from 2010 when Korea's aid surpassed USD 1 billion for the first time. Korea increased its ODA at an average annual rate of 29% a year between 2006 and 2010. Moreover, Korea's ODA volume was the 17th largest in the DAC in 2011, up one place from 2010; its commitment to increase ODA could bring it up to 15th position by 2015.

Korea's ODA stood at 0.12% of its GNI in 2011, the same level as 2010. Although Korea is second bottom within the DAC for this measure, it has committed to scale up to 0.25% by 2015. Korea increased its ODA/GNI ratio from 0.06% in 2003 to 0.09% in 2008. It is currently on track to reach its interim target of 0.15% ODA/GNI by 2012.

Figure V.20. **Official development assistance: Korea**

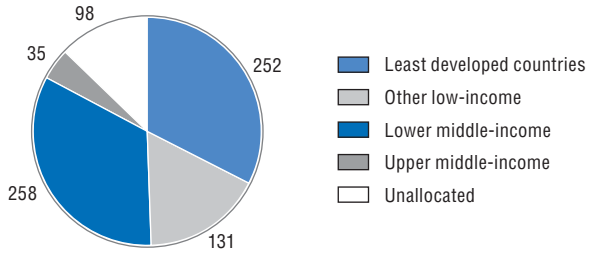
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	816	1 174	1 321	12.6
Constant (2010 USD m)	933	1 174	1 242	5.8
In won (billion)	1 040	1 356	1 463	7.9
ODA/GNI (%)	0.10	0.12	0.12	
Bilateral share (%)	71	77	73	

P. Preliminary data.

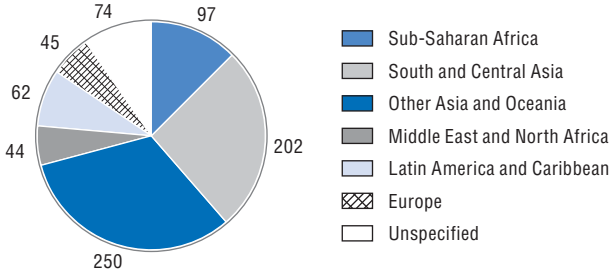
Top ten recipients of gross ODA (USD million)	
1 Viet Nam	82
2 Afghanistan	59
3 Mongolia	36
4 Bangladesh	36
5 Sri Lanka	34
6 Indonesia	30
7 Cambodia	27
8 Philippines	27
9 Laos	26
10 Angola	24
Memo: Share of gross bilateral ODA	
Top 5 recipients	32%
Top 10 recipients	49%
Top 20 recipients	68%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

The increase in Korea's ODA in recent years has translated into larger allocations to both the bilateral and multilateral channels. The division of Korea's ODA between the bilateral and multilateral channels has, however, varied over the last five years from a ratio of 83:17 (bilateral:multilateral) in 2006 to 73:27 in 2011.

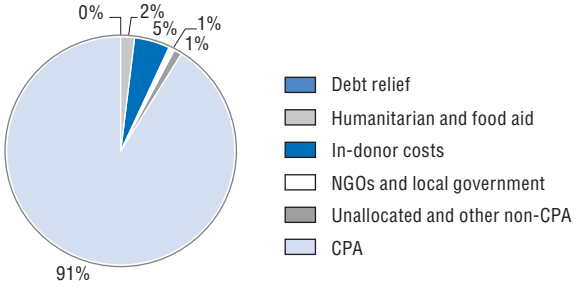
Composition of bilateral ODA

Korea's country programmable aid (CPA) amounted to USD 847.5 million in 2010, equivalent to 91% of its gross bilateral ODA, which is much higher than the DAC average of 57%. Korea's high CPA figure is caused mainly by its low in-donor costs, humanitarian assistance and debt relief. The proportion of its bilateral ODA that is allocated to countries is also very high relative to other DAC members, and this also increases Korea's CPA.

Focus on priority countries and LDCs

Korean bilateral aid is spread across a large number of countries, although the top ten recipients accounted for more than half of it in 2009-10. Korea currently has 26 priority countries, most of which are in Asia, particularly East Asia. This indicates a strong focus for Korean bilateral ODA, reflecting its

Composition of bilateral ODA, 2010



view that its own recent development experience has most relevance to other East Asian countries. Korea has also increased its ODA to Africa, doubling its support to the region between 2005 and 2008 through Korea's Initiative for Africa's Development. This initiative came to an end in 2008; Korea announced a second programme of assistance at the Korea-Africa Forum in November 2009.

The share of gross bilateral ODA that Korea allocates to LDCs has progressively increased, from 24% in 2007 to 36% in 2010. In 2010, gross bilateral ODA to LDCs amounted to USD 338 million.

Untied aid

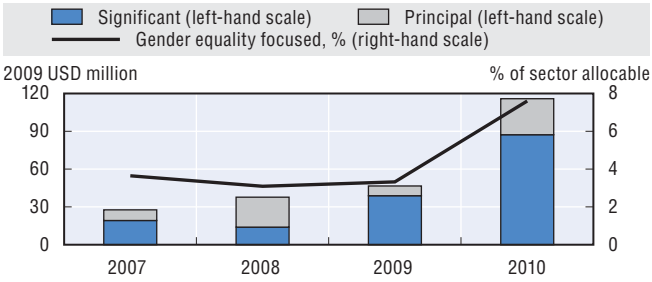
Historically, Korean aid has been heavily tied. In 2007, only a quarter of Korean aid was untied, well below the average for existing DAC members. However, leading up to its accession to the DAC Korea established a road map for untying its aid and is making progress towards this; by 2010 36% of its aid was untied. Overall, Korea plans to untie 75% of its ODA by 2015. It is prioritising untying in its support to least developed countries and other heavily-indebted poor countries, in line with the DAC Recommendation (OECD, 2001).

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

ODA to gender equality and women's empowerment

Korea has not yet developed an approach for cross-cutting issues such as gender equality and women's empowerment. It spent only a low proportion of its sector allocable ODA on gender equality and women's empowerment in 2010 (a little under 8%, or USD 132 million); this is less than most other DAC members. However, this is a significant increase over the amount Korea devoted to this activity in 2007 when it was a little below USD 36 million.

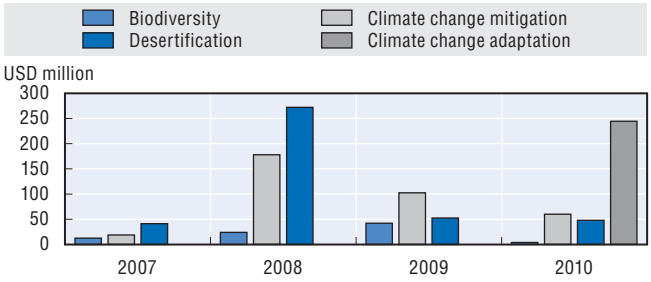
ODA for gender equality and women's empowerment, 2007-10



ODA to environment and climate change mitigation

Korea has not yet developed a strategic approach for environment and climate change. In 2009 and 2010, it allocated only a small amount of ODA for biodiversity, climate change mitigation and desertification although it spent almost USD 250 million on climate change adaptation in 2010.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Korea's other official flows to developing countries have been on average USD 1.3 billion per year since 2007, reflecting the high level of loans used within the country's development co-operation. Korea's private investors have provided substantial flows in this period also, with a slight dip following the financial crisis of 2008. Korea's private flows to developing countries in 2010 were USD 8.7 billion, which is not far from the level reached in 2007 (USD 9.8 billion).

StatLink http://dx.doi.org/10.1787/888932700694

Luxembourg

In 2011, Luxembourg's net ODA amounted to USD 413 million, a 5.4% decrease from 2010. Like other DAC members, this is the first drop after several years of increase. Luxembourg's net ODA grew at an average annual rate of 4% between 2006 and 2010.

The ODA to GNI ratio, although less than the 2010 figure of 1.05%, remains high at 0.99%, well above the EU 0.7% target. As stated in its Government Programme for 2009-14, Luxembourg plans to maintain its aid volume at a level of 1% of its GNI; this is commendable.

Figure V.21. **Official development assistance: Luxembourg**

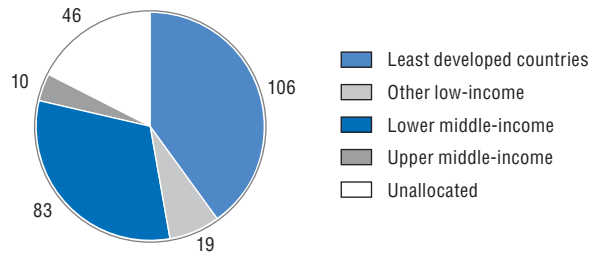
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	415	403	413	2.7
Constant (2010 USD m)	414	403	381	–5.4
In euro (million)	298	304	297	–2.2
ODA/GNI (%)	1.04	1.05	0.99	
Bilateral share (%)	64	65	69	

P. Preliminary data.

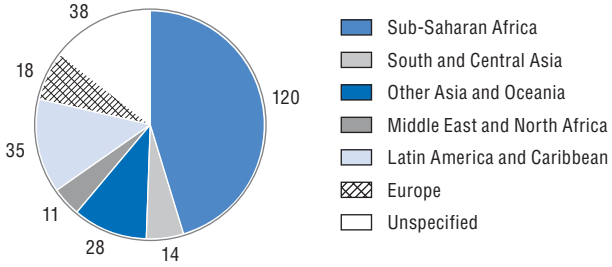
Top ten recipients of gross ODA (USD million)	
1 Senegal	21
2 Mali	18
3 Burkina Faso	16
4 Cape Verde	16
5 Viet Nam	13
6 Namibia	11
7 Nicaragua	11
8 El Salvador	10
9 Laos	10
10 Niger	9
Memo: Share of gross bilateral ODA	
Top 5 recipients	32%
Top 10 recipients	51%
Top 20 recipients	69%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

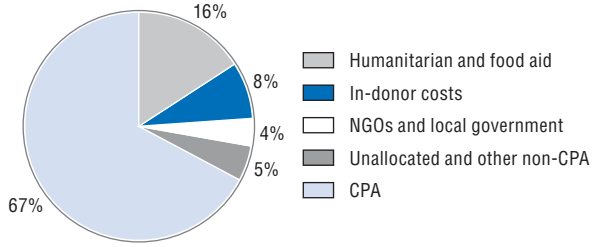
Bilateral and multilateral ODA

Between 2006 and 2011, the multilateral share of Luxembourg's net ODA averaged about 33%. Preliminary data for 2011 show that multilateral ODA totalled USD 129.39 million, accounting for 31% of net ODA, while bilateral ODA amounted to USD 284.01 million, which is 69% of net ODA.

Composition of bilateral ODA

In 2010, 67% of Luxembourg's gross bilateral ODA was country programmable aid (CPA), above the DAC average of 57% for that year. Luxembourg does not provide general budget support. The humanitarian and food aid that Luxembourg provided bilaterally represented 16% of gross bilateral ODA.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCS

Luxembourg is focusing its development co-operation programme on a small number of priority countries (ten in 2011). Luxembourg has "significant relations" with these ten countries, meaning that it provides to those countries more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. The allocation of CPA has become more fragmented in the past few years; while Luxembourg had "significant relations" with 64% of its CPA recipients in 2007, this figure declined to 47% in 2010.

The number of recipients of Luxembourg's ODA increased very slightly between 2007 and 2010: from 88 to 90. The share allocated to its top 10 recipients in 2010 is back to the 2007 level of 51% of gross bilateral ODA, after rising to 55% in 2008. The share of its aid provided to its top 20 recipients reached 72% in 2008 before gradually declining to 69% in 2010.

An important share of Luxembourg's bilateral ODA is allocated to LDCs: 33% in 2010. This was slightly down from 42% in 2007-09. In 2010, Luxembourg allocated USD 103 million for LDCs.

Untied aid

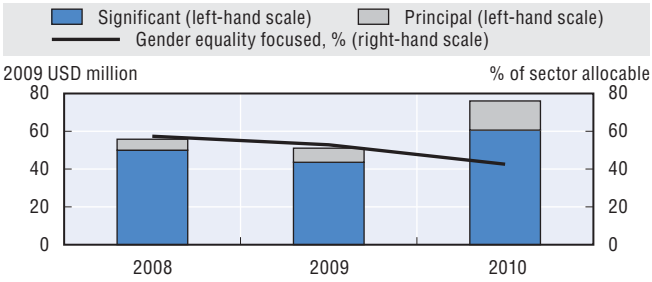
Luxembourg is one of the DAC members to have untied almost all of its aid. In 2010, 99% of its aid programme was untied, slightly down from the 100% untied that it achieved between 2006 and 2009.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

ODA to gender equality and women's empowerment

Luxembourg focuses on gender equality as a cross-cutting issue and has reported on the gender markers since 2008. These markers show that commitments for activities with gender equality and women's empowerment as a principal or significant objective dropped in 2009, but then increased by 49% in real terms in 2010, reaching USD 73 million. However, the percentage of total sector allocable aid with a gender equality focus decreased from 53% in 2009 to 43% in 2010.

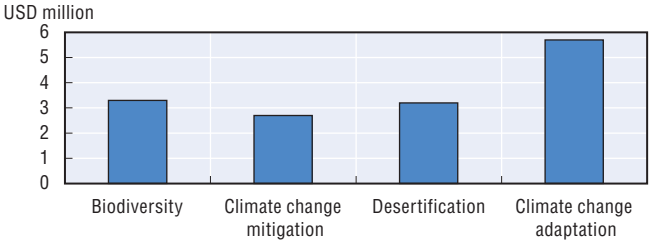
ODA for gender equality and women's empowerment, 2008-10



ODA to environment and climate change mitigation

Luxembourg makes efforts to mainstream environment and climate change within its development co-operation programme. Luxembourg started to report on the Rio markers in 2010; that year it allocated USD 3 million to activities supporting biodiversity, and the same level of support was provided to activities for climate change mitigation and to combat desertification. Activities for climate adaptation received USD 6 million.

ODA commitments targeted at the objectives of the Rio conventions, 2010



Development financing beyond aid

Net private grants from Luxembourg to developing countries increased progressively from 2007 to 2009, reaching USD 13 million in 2009 before dropping to USD 9 million in 2010. No data are available on "other official flows" or private flows at market levels from Luxembourg.

StatLink http://dx.doi.org/10.1787/888932700713

The Netherlands

In 2011, the Netherlands's net ODA stood at USD 6.32 billion, a 6.4% decrease in real terms from 2010. After growing at rates of 3% and 4% annually in 2007 and 2008, the Netherlands' ODA fell by 4% in 2009 before recovering in 2010, when it increased by 3%.

The Netherlands is one of only five DAC members to have exceeded the UN target of spending 0.7% of national income on aid, and has exceeded this target every year since 1975. The Netherlands' ODA/GNI in 2011 was 0.75%, a slight decrease from 0.81% in 2010.

Figure V.22. **Official development assistance: the Netherlands**

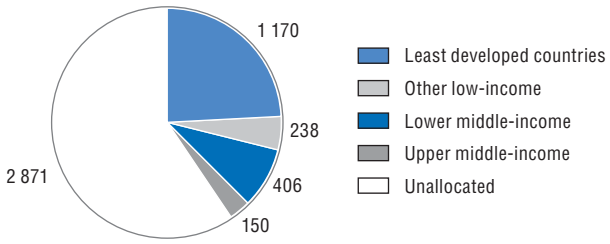
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	6 426	6 357	6 324	–0.5
Constant (2010 USD m)	6 192	6 357	5 950	–6.4
In euro (million)	4 615	4 800	4 548	–5.2
ODA/GNI (%)	0.82	0.81	0.75	
Bilateral share (%)	75	73	66	

P. Preliminary data.

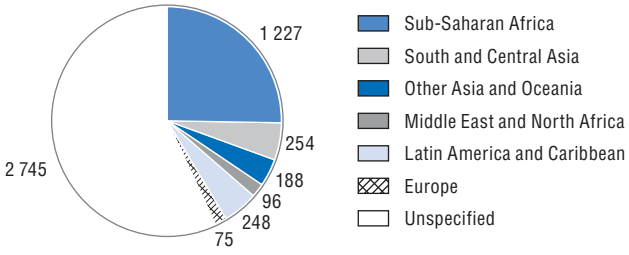
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	232
2 Indonesia	124
3 Afghanistan	104
4 Suriname	96
5 Mozambique	91
6 Ghana	86
7 Sudan	77
8 Bangladesh	74
9 Ethiopia	70
10 Mali	67
Memo: Share of gross bilateral ODA	
Top 5 recipients	13%
Top 10 recipients	21%
Top 20 recipients	31%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

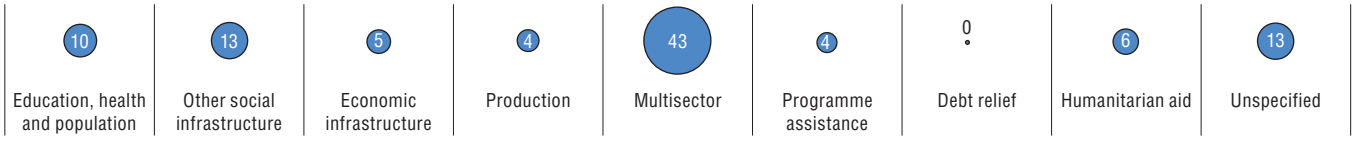
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

Over the last four years (2007-10) multilateral assistance, as a share of total net ODA, has averaged 25%, compared to the DAC average for these years of 27%. In terms of volume the Netherlands was the eighth largest DAC contributor of multilateral ODA for this period. In a context of contracting ODA in 2011, while bilateral aid decreased by 10%, multilateral aid increased by 24%, bringing the share of multilateral aid in the Netherland's net ODA to 34% (or USD 2.13 billion).

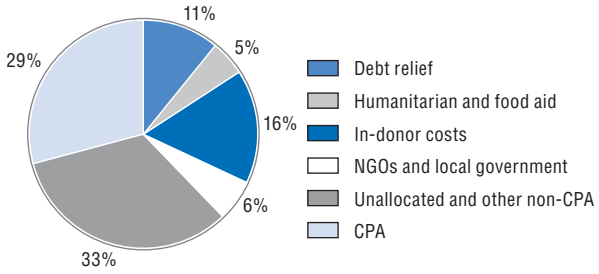
Composition of bilateral ODA

Country programmable aid (CPA) in 2010 was USD 1.38 billion (or 29% of the Netherlands' gross bilateral ODA), an 8% decrease from 2009 and a much lower percentage than the DAC average of 57%. This low CPA figure is mainly due to the high amount of unallocated bilateral ODA provided through central programmes – especially through its civil society channel – and a higher-than-usual debt relief component (11% of total Dutch bilateral ODA). General budget support – a part of CPA – totalled USD 140.33 million in 2010 (or 3% of gross bilateral ODA).

Focus on priority countries and LDCs

The Netherlands has increased the concentration of its aid since 2007 and has focused it on poor countries. Issues with Dutch ODA reporting since 2006, however, make it difficult to present a complete picture of its portfolio. Since 2006, the

Composition of bilateral ODA, 2010



share of bilateral unallocated ODA reported by the Netherlands has ranged between 45% and 55% of total bilateral ODA each year. According to available data, the number of countries receiving Dutch ODA decreased to 93 in 2009, but went back up to 97 in 2010. The top 20 recipients of Dutch ODA cumulatively received only 31% of Dutch gross bilateral ODA in 2010, down from 39% in 2007.

Data on CPA also suggests that the Netherlands' development co-operation is becoming more fragmented. "Significant relations" decreased from 55% in 2007-09 to 42% of total relations in 2010 (*i.e.* the Netherlands provided 42% of its CPA recipients with more than its global share of CPA and/or was among their top donors that cumulatively provide 90% of CPA).

In 2010, LDCs received 27% of Dutch gross bilateral ODA (or USD 1.24 million), a 1% increase from 2007-09 levels.

Untied aid

Although the Netherlands untied its aid completely in 2006, its share of untied aid has since fluctuated strongly: 81% in 2007, 93% in 2008, 81% again in 2009, and then 93% again in 2010. Despite these fluctuations, the Netherlands is among the DAC members that have untied their aid almost fully.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

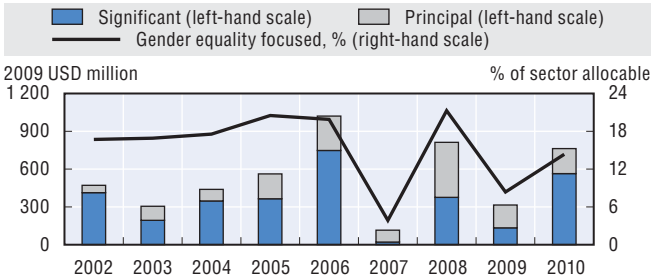
ODA to gender equality and women's empowerment

Gender equality is a high-priority issue for the Netherlands, and in 2008 it spent a higher proportion of its ODA on gender equality and women's empowerment (USD 842 million) than most other DAC members. Nevertheless, the reported amounts have fluctuated recently, falling in 2009 and then more than doubling in 2010 to reach USD 737 million.

ODA to environment and climate change mitigation

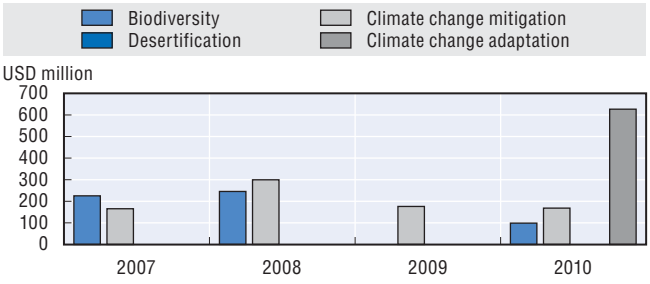
The Dutch commitment to the environment and climate change is also reflected in its ODA allocations, with considerable, though fluctuating, amounts allocated for climate change since 2007. The Netherlands has also made progress towards

ODA for gender equality and women's empowerment, 2002-10



the Fast Start Climate Finance pledges it made at Copenhagen in 2009. It has committed USD 467 million for Fast Start, USD 427.5 million of which is additional to ODA already given at that time. These commitments represent an extra 0.1% of GNI and come on top of the almost USD 500 million that had already been committed to climate activities for 2010 to 2012 from the ODA budget. Despite the reduced ODA budget, the government has confirmed that the pledges for Fast Start will be reserved within the total 0.75% of GNI budgeted for 2011 and the 0.7% of GNI budgeted for 2012.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

The Netherlands does not report its other official flows to developing countries. After years of steady growth the level of net private flows from the Netherlands to ODA-eligible countries declined steeply following the global financial crisis of 2008. Dutch investors withdrew private investments worth more than USD 21 billion from ODA eligible countries in 2008. This amounted to three times the total Dutch official development assistance flow being allocated to these countries. The Dutch investors withdrew less in 2009 (almost USD 2 billion in total), and these withdrawals were offset, to some extent, by the recommencement of direct investment, export credits and multilateral flows. Nonetheless, Dutch investors withdrew more funds than they invested in developing countries for a second year in 2009. In 2010, net private flows had climbed back up to USD 6 billion, compared to USD 11.6 billion in 2007.

StatLink http://dx.doi.org/10.1787/888932700732

New Zealand

In 2011, New Zealand's net ODA amounted to USD 429 million. This figure represents a 10.7% increase over 2010, placing New Zealand among the few DAC members that increased – in real terms – their ODA in 2011. This is also the first increase in net ODA recorded by New Zealand after a 2% decrease in 2009 and a 6% drop in 2010. New Zealand is committed to reaching an ODA level of NZD 600 million, and will continue to increase ODA according to its medium-term expenditure plan.

The ODA to GNI ratio increased to 0.28% in 2011, but is still below the 0.30% peak recorded in 2008.

Figure V.23. **Official development assistance: New Zealand**

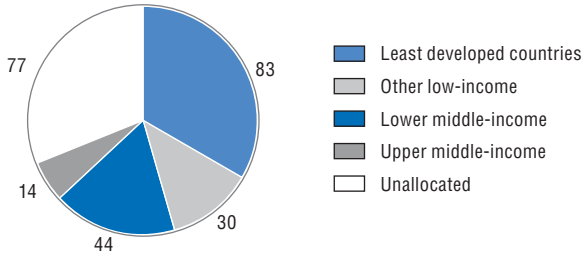
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	309	342	429	25.4
Constant (2010 USD m)	366	342	379	10.7
In NZL dollars (million)	494	475	543	14.4
ODA/GNI (%)	0.28	0.26	0.28	
Bilateral share (%)	73	79	76	

P. Preliminary data.

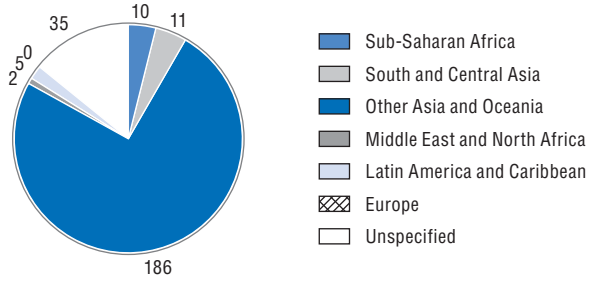
Top ten recipients of gross ODA (USD million)	
1 Solomon Islands	26
2 Papua New Guinea	19
3 Vanuatu	14
4 Samoa	14
5 Tokelau	11
6 Tonga	9
7 Niue	9
8 Cook Islands	6
9 Indonesia	6
10 Timor-Leste	6
Memo: Share of gross bilateral ODA	
Top 5 recipients	34%
Top 10 recipients	49%
Top 20 recipients	62%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

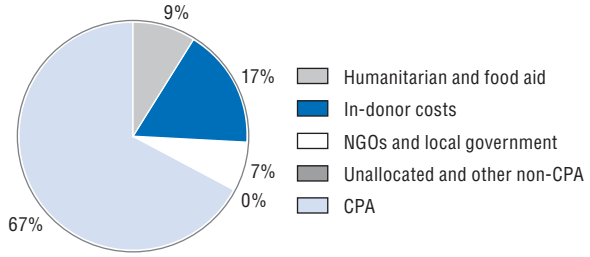
Bilateral and multilateral ODA

In 2011, New Zealand allocated 76% of its net ODA to the bilateral programme, while 24% was channelled to multilateral agencies. This proportion has only slightly fluctuated between 2006 and 2011, averaging at 77% (bilateral) to 33% (multilateral). The bilateral share of New Zealand's ODA reached a peak of 80% in 2008 when ODA was significantly increased. The United Nations is New Zealand's largest multilateral partner.

Composition of bilateral ODA

In 2010, New Zealand provided a total of USD 183.93 million as country programmable aid (CPA). This represents 68% of New Zealand's gross bilateral ODA, well above the DAC average of 57% for the same year. General budget support – which is part of CPA – amounted to USD 16.37 million, equivalent to 6% of gross bilateral ODA.

Composition of New Zealand's bilateral ODA, 2010



Focus on priority countries and LDCs

The New Zealand aid programme maintains a strong geographic focus on the Pacific and Asia. New Zealand's ODA is highly concentrated, with only 17 core bilateral partners; of these, 14 are "significant relations", meaning that New Zealand provides them with more than its global share of CPA and/or is among the top donors that cumulatively provide them with 90% of their CPA. Despite its focus on 17 priority countries, the rest of New Zealand's aid is dispersed over more than 100 countries. However, the government has announced its intention to focus the aid programme further on the Pacific region.

A number of New Zealand's core bilateral partners are LDCs, which explains the growing share of bilateral ODA allocated to these countries: from 25% in 2007 to 37% in 2009. In 2010, this share fell slightly – to 31% – and the volume provided totalled USD 84 million.

Untied aid

New Zealand is among the DAC members that have only a limited share of aid still tied: 11% in 2010. Its untying levels reached 93% in 2008, but have since declined: first to 90% in 2009 and then to the 2010 level of 89%.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

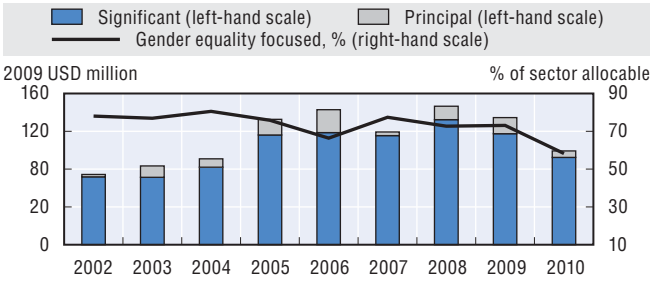
ODA to gender equality and women's empowerment

New Zealand has defined gender equality as a cross-cutting issue and tries to integrate this dimension into the aid programme and in international policy dialogue. Commitments for activities with gender equality as a principal or significant objective increased between 2002 and 2006. After a dip in 2007, they peaked at USD 160 million in 2008, before declining in 2009 and 2010. In 2010, commitments amounted to USD 118 million, a 26% decrease from 2009 in real terms.

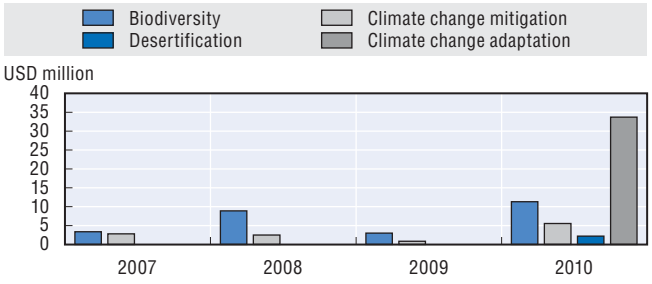
ODA to environment and climate change mitigation

New Zealand has defined environment as a cross-cutting issue. Given the huge potential and range of natural risks in many Pacific islands, it plans to mainstream disaster risk reduction and prevention further into its programme. It also plans to include climate change adaptation in the management life cycle of each programme. Commitments for the objectives of the Rio conventions fluctuated between 2007 and 2010. In 2010, New Zealand provided USD 11 million for biodiversity activities and USD 2 million for activities to combat desertification. Climate change mitigation activities received USD 6 million, while climate change adaptation activities were allocated USD 34 million.

ODA for gender equality and women's empowerment, 2002-10



ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

In 2007-10, ODA represented 98% of New Zealand official flows to developing countries, with only USD 8 million a year being reported as other official flows. Net private grants are stable over time at around USD 49 million. The volume of net private flows at market terms, which is made up of direct investments, is much lower than other DAC members, with an average volume of USD 27 million between 2007 and 2010.

StatLink http://dx.doi.org/10.1787/888932700751

Norway

In 2011, Norway's ODA was USD 4.94 billion, a 8.3% decrease in real terms from 2010. This is the first decrease following steady growth in Norway's ODA (an average annual rate of 7% in real terms) between 2006 and 2010.

In 2009, Norway achieved its target of giving 1% of its GNI as ODA and has maintained this high level of ODA/GNI every year since then.

Figure V.24. **Official development assistance: Norway**

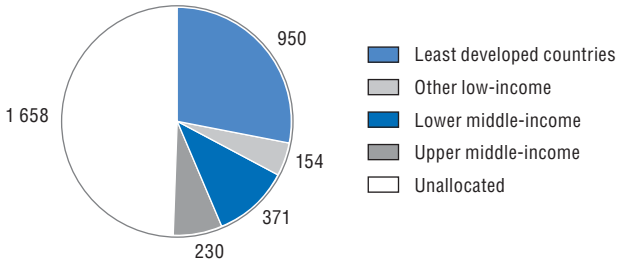
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	4 081	4 580	4 936	7.8
Constant (2010 USD m)	4 524	4 580	4 197	–8.3
In Norwegian kroner (million)	25 624	27 681	27 664	–0.1
ODA/GNI (%)	1.06	1.10	1.00	
Bilateral share (%)	78	78	76	

P. Preliminary data.

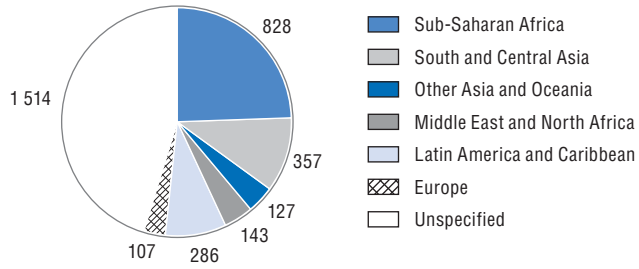
Top ten recipients of gross ODA (USD million)	
1 Brazil	137
2 Tanzania	120
3 Afghanistan	118
4 West Bank and Gaza Strip	105
5 Sudan	104
6 Mozambique	77
7 Uganda	69
8 Pakistan	65
9 Malawi	64
10 Zambia	58
Memo: Share of gross bilateral ODA	
Top 5 recipients	17%
Top 10 recipients	27%
Top 20 recipients	37%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

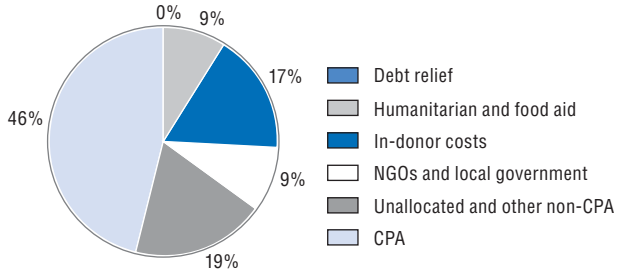
Bilateral and multilateral ODA

Most of the growth in Norway's ODA budget since 2007 has been to its bilateral programme. The bilateral share of Norway's net ODA rose from 73% in 2006 to 78% in 2010. The drop in real net ODA in 2011 led to a slight contraction of the bilateral share – to 76%.

Composition of bilateral ODA

Norway's country programmable aid (CPA) amounted to USD 1.62 billion in 2010. This is equivalent to 46% of its gross bilateral ODA, lower than the DAC average of 57%. Norway's low CPA figure is caused by the high proportion of its bilateral ODA that is: *i)* not allocated to countries; *ii)* that contains other non-CPA items such as equity investments (19%); and *iii)* the large amounts channelled through NGOs. Norway also had a high level of in-donor costs (17%). As part of its CPA, Norway provided USD 178.56 million as general budget support, equivalent to 5% of its gross bilateral ODA.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

Norway's allocations to its top ten recipients decreased slightly as a share of gross ODA between 2007 and 2010: from 31% to 30%. The share of gross ODA allocated to the top 20 fell from 44% to 40% over the same period.

In terms of CPA, allocations became more concentrated between 2007 and 2010, mainly because Norway decreased its number of recipient countries: in 2010, Norway had "significant relations" with 44% of its CPA recipients, up from 38% in 2007. This means that, to 44% of its CPA recipients, Norway provided more than its global share of CPA and/or was among their top donors that cumulatively provided 90% of CPA.

In 2010, Norway disbursed USD 997 million for LDCs, equivalent to 28% of its gross bilateral aid. This share is down slightly on past years; it was 35% in 2008.

Untied aid

Norway's aid remains completely untied.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

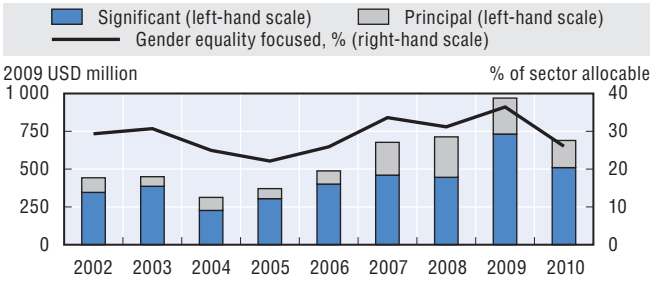
ODA to gender equality and women's empowerment

Norway has been successful in mainstreaming gender across its development co-operation programme. This priority has been fully institutionalised, boosted by sufficient resources. Since 2007, Norway has been implementing a plan for women's rights and gender equality in development co-operation; it has established a firmer management structure comprising goals and reporting against the plan through 2013. Commitments for activities with gender equality and women's empowerment as a principal or significant objective increased considerably between 2004 and 2009, then declined by 29% in 2010, when they stood at USD 746 million.

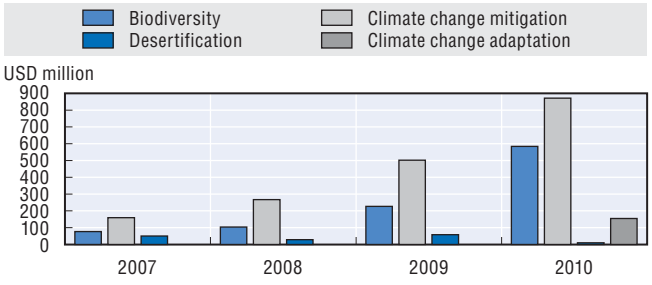
ODA to environment and climate change mitigation

In 2010, Norway published a *Practical Guide on Assessment of Environmental and Social Sustainability and Climate Change Risk Management (Climate Proofing)*. Since 2008, the Ministry of Foreign Affairs has recruited additional staff to work on environment and climate change (at headquarters and in the field) and continues with its efforts to ensure an appropriate division of labour and effective inter-ministerial collaboration with the Ministry of Environment. Norway's support includes REDD (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) and a partnership with Indonesia to reduce greenhouse gas emissions from deforestation and degradation of forests and peat lands. ODA commitments for biodiversity and climate change mitigation increased significantly between 2007 and 2010, with nominal annual average increases of +104% (biodiversity) and +76% (climate change mitigation). Like all other DAC members, in 2010 Norway started to report data on ODA allocations for climate change adaptation, for which it committed USD 164 million in that year.

ODA for gender equality and women's empowerment, 2002-10



ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

In 2010, Norway reported less than USD 1 million as other official flows to developing countries. In 2008, after years of steady growth, the level of net private flows from Norway to ODA eligible countries declined steeply following the global financial crisis. Norwegian investors withdrew private investments worth USD 247 million from ODA eligible countries in 2008. Net private flows from Norway increased in 2009 (USD 895 million in total) but this figure is still below the pre-crisis level of USD 2.6 billion in 2007.

StatLink http://dx.doi.org/10.1787/888932700770

Portugal

In 2011, Portugal's net ODA reached USD 669 million. In comparison to 2010, this figure represents an increase in nominal terms of 3.1%, but a decrease in real terms of 3%. This reduction in net ODA is comparable to the average drop for all DAC members: 2.7% in real terms. Portugal's ODA remained relatively stable in 2011; there were much greater variations in 2008 (+23%), 2009 (–15%) and 2010 (+32%) (all rates in real terms).

The ODA to GNI ratio remained stable at 0.29% in 2011, significantly below the EU intermediate target of 0.51% and also short of the 2011 target set by the Portuguese government (0.40%). As this ratio has stayed under 0.3% for several years, it is unlikely that Portugal will reach the ODA/GNI target of 0.7% in 2015.

Figure V.25. **Official development assistance: Portugal**

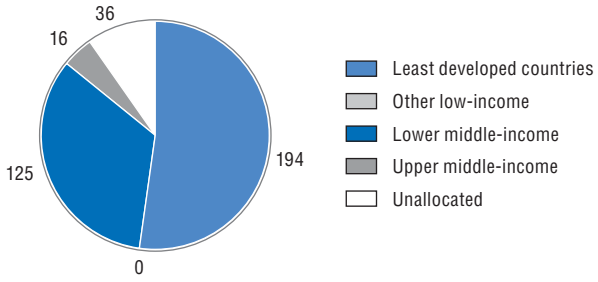
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	513	649	669	3.1
Constant (2010 USD m)	493	649	630	–3.0
In euro (million)	368	490	481	–1.8
ODA/GNI (%)	0.23	0.29	0.29	
Bilateral share (%)	54	61	67	

P. Preliminary data.

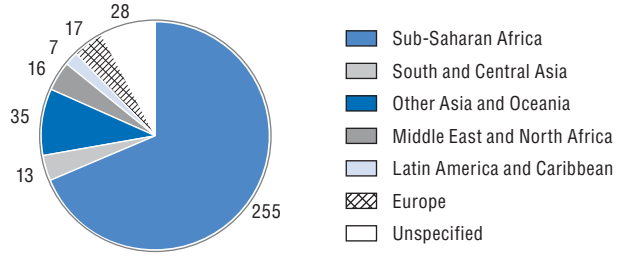
Top ten recipients of gross ODA (USD million)	
1 Cape Verde	103
2 Mozambique	93
3 Timor-Leste	34
4 Sao Tome and Principe	20
5 Angola	17
6 Guinea-Bissau	15
7 Afghanistan	13
8 Morocco	10
9 Serbia	6
10 Kosovo	5
Memo: Share of gross bilateral ODA	
Top 5 recipients	72%
Top 10 recipients	85%
Top 20 recipients	90%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

In 2011, bilateral development co-operation accounted for around 67% of Portugal's net ODA, while 33% of ODA was provided to multilateral organisations. This is an important departure from the trend seen between 2006 and 2010, when the multilateral share of Portugal's ODA remained at approximately 40% of total ODA. However, this change might be only temporary – in 2009, Portugal adopted a multilateral strategy which aims to provide around 40% of ODA through multilateral channels (see OECD [2010], *OECD DAC Peer Review of Portugal*, OECD Publishing, Paris.).

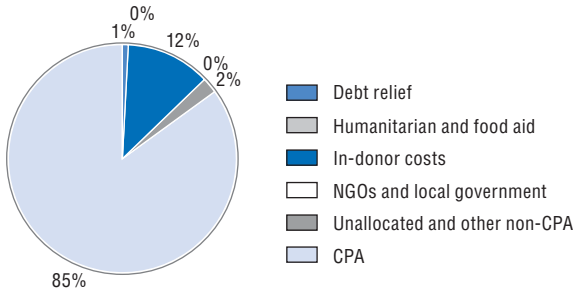
Composition of bilateral ODA

Portugal's country programmable aid (CPA) reached 85% of gross bilateral ODA in 2010, significantly above the DAC members' average of 57% for the same year. General budget support – which counts as CPA – amounted to USD 4.64 million, equivalent to 1.1% of gross bilateral ODA. Humanitarian and food aid, as well as aid to NGOs and local governments, represented less than 1% of Portugal's gross bilateral ODA.

Focus on priority countries and LDCs

Portugal focuses its bilateral ODA on a limited number of countries. It has six priority partner countries, all of them

Composition of bilateral ODA, 2010



Portuguese-speaking: Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao Tome & Principe and Timor-Leste. Since 2005, these six countries have consistently featured among Portugal's top ten recipients and in 2010, they received 82% of Portugal's bilateral aid. For the past five years, Portugal's top 20 recipients have received more than 80% of its bilateral aid and in the past year they received 91%.

Portugal has "significant relations" with all of its priority countries, meaning that it provides them with more than its global share of CPA and/or is among the top donors that cumulatively provide them with 90% of their CPA. In 2010, Portugal had "significant relations" with nine countries and "non-significant relations" with six others.

The share of bilateral ODA allocated to LDCs has fluctuated in the past few years: it fell to 35% in 2008, then increased to 53% in 2009 and decreased slightly to 51% in 2010. These shares are above the DAC's average of 26% in the same period. In 2010, Portugal provided USD 222 million to LDCs.

Untied aid

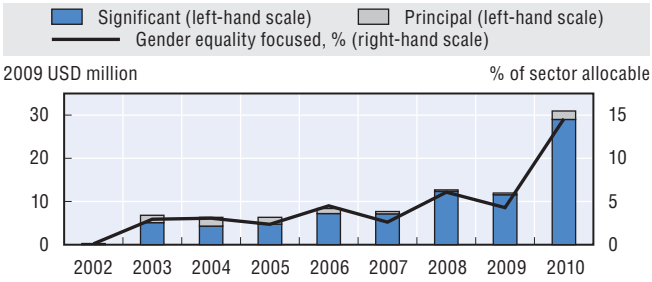
Most of Portugal's aid is tied: 67% in 2010. After falling to 24% in 2008, this share increased again to 72% in 2009 and then to the current level of 67%. Portugal needs to invest more efforts in reversing this trend.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

ODA to gender equality and women's empowerment

The share of Portugal's ODA committed to gender equality and women's empowerment peaked at USD 30 million in 2010 (15% of sector allocable aid). This is an important increase given that in the previous seven years, ODA allocations for activities with gender equality as a principal or significant objective did not surpass 6%.

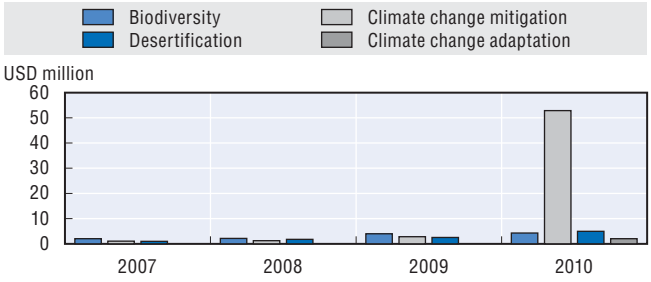
ODA for gender equality and women's empowerment, 2002-10



ODA to environment and climate change mitigation

Until 2009, Portugal committed only a small part of its ODA to the objectives of the Rio conventions. In 2010, there was an unprecedented surge in ODA commitments to climate change mitigation to USD 53 million, up from USD 3 million in 2009. ODA commitments targeted at biodiversity, desertification and climate change adaptation are still very low, however.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Between 2008 and 2010, ODA accounted for 100% of Portugal's reported total official financial flows to developing countries. No flows from Portugal to developing countries were reported as "other official flows" (official transactions which do not meet the ODA criteria) between 2008 and 2010. In 2007, these flows were negative; there was a net flow of USD 237 million *from* developing countries to Portugal largely due to non-ODA loan repayments. The net volume of private flows at market terms – especially direct investments – is much higher and more volatile than official financial flows. While they were positive in 2007 (USD 1.98 billion) and 2008 (USD 906 million), these flows became negative in 2009 (USD –1.58 billion) and 2010 (USD –492 million).

StatLink http://dx.doi.org/10.1787/888932700789

Spain

In 2011, Spain's net ODA amounted to USD 4.26 billion. Spain's ODA grew considerably between 2006 and 2008, with average annual increases of nearly 22% in real terms during these years. However, the global economic crisis and its aftermath has resulted in cuts in Spain's ODA budget since 2009 that are now becoming more significant (the drop in ODA in 2011 represents a decrease of 32.7% in real terms from 2010). ODA levels are expected to continue to decrease as the new Spanish government is planning more budget cuts to respond to its difficult financial situation.

Spain's ODA/GNI ratio in 2011 was 0.29%, down from 0.43% in 2010. Spain was unable to reach either the EU's intermediate target of 0.51% ODA/GNI in 2010, or its own national target of 0.56%. Given the planned budget cuts, it remains to be seen whether Spain can reach the goal of 0.7% ODA/GNI in 2015. In 2011 Spain underwent a DAC peer review of its development co-operation programme (see page 245 and following for a summary of the findings).

Figure V.26. **Official development assistance: Spain**

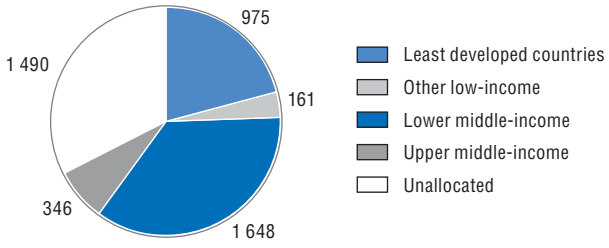
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	6 584	5 949	4 264	–28.3
Constant (2010 USD m)	6 288	5 949	4 007	–32.7
In euro (million)	4 728	4 492	3 067	–31.7
ODA/GNI (%)	0.46	0.43	0.29	
Bilateral share (%)	68	67	55	

P. Preliminary data.

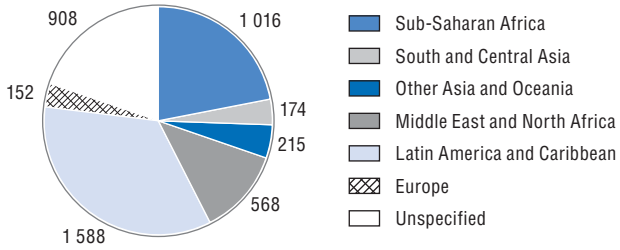
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	174
2 Morocco	170
3 Haiti	152
4 Tunisia	147
5 Nicaragua	126
6 Bolivia	124
7 Peru	114
8 Colombia	110
9 El Salvador	108
10 Guatemala	103
Memo: Share of gross bilateral ODA	
Top 5 recipients	17%
Top 10 recipients	29%
Top 20 recipients	44%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

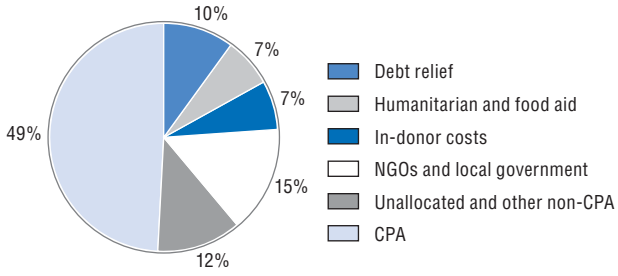
Bilateral and multilateral ODA

When Spain increased its ODA between 2006 and 2008, additional resources were channelled mainly through its bilateral programmes. In 2008, these accounted for 70% of Spain's net ODA, up from 55% in 2006. Spain's ODA cuts starting in 2009 mostly affected the bilateral share of its development assistance, which peaked in 2008 at 70% and by 2011 had declined to the 2006 level of 55%.

Composition of bilateral ODA

In 2010, 49% of Spain's gross bilateral ODA was country programmable aid (CPA), slightly below the DAC average of 57%. General budget support – a part of CPA – totalled USD 27.52 million, equivalent to 0.6% of Spain's gross bilateral ODA. Spain channelled 15% of its ODA to and through NGOs and local government in 2010. The latter reflects Spain's decentralised political structure; most of Spain's local governments conduct their own development programmes.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

Spain has 50 partner countries that are divided into 3 partnership categories (broad partnership: 23 countries; focused partnership: 14; and consolidation of development achievements: 13). Only seven of the "broad partnership" countries were among the top ten recipients of Spain's ODA in 2010.

The shares of Spain's gross bilateral ODA allocated to its top 10 and 20 recipients started to increase in 2009 after dipping in 2008. These shares continued to grow in 2010, when they reached 32% (top 10 recipients) and 45% (top 20 recipients).

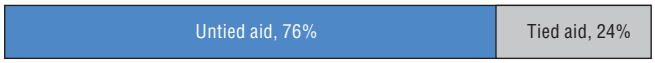
The share of Spain's partner countries with which it has "significant relations" fluctuated between 2007 and 2009, reaching 60% in 2010. In other words, in 2010 Spain provided 60% of its CPA recipients with more than its global share of CPA and/or was among the top donors that cumulatively provided 90% of CPA to those countries. This is, however, mainly due to a reduction in the number of countries receiving Spanish CPA in 2010 and not to an increase in significant relations.

The share of Spain's bilateral ODA allocated to LDCs has increased steadily for every year since 2007, an increase that stems from Spain's political commitment to spend 25% of its aid on LDCs by 2015. Spain's total ODA to LDCs in 2010 reached USD 915 million (21% of Spain's gross bilateral ODA for that year).

Untied aid

Spain's untied ODA peaked at 89% of total ODA in 2007 before dropping to 69% in 2008, and then increasing to 77% in 2009. With 76% of its aid untied in 2010, Spain is below the DAC average for that year (84%).

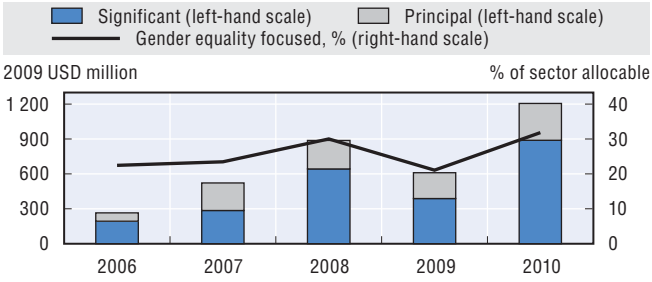
Tied aid status, 2010
(excluding administrative costs and technical co-operation)



ODA to gender equality and women's empowerment

Gender equality has been treated as a priority sector by Spain since 2005 and is also a cross-cutting issue, a "working principle" and one of the four "areas of special focus" of its development co-operation. Spain has backed this political commitment with significant contributions. In 2010, gender equality focused aid represented 32% of Spain's gender-screened sector allocable aid, up from 21% in 2009. Funding to activities with gender equality as a principal or significant objective peaked at USD 1.15 billion in 2010.

ODA for gender equality and women's empowerment, 2006-10

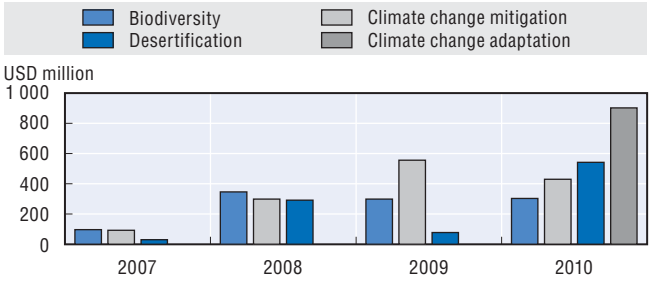


ODA to environment and climate change mitigation

Environment and climate change are also part of Spain's "areas of special attention" and "priority sectors". Spain aims to tackle environment and climate change issues through targeted programmes and by mainstreaming them throughout its activities. As part of its environment-focused aid Spain also contributes to the water and sanitation sector.

After a major increase between 2007 and 2008, Spain's commitments to biodiversity and climate change mitigation stabilised at a high level in 2009 before decreasing in 2010; especially climate change mitigation. During the same period Spain increased its commitments to action on desertification. Spain also made a substantial commitment to climate change adaptation in 2010 (USD 903 million), higher than any of its other commitments to the Rio conventions.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

While no net private grants from Spain to developing countries have been reported, the volume of net private flows at market terms has considerably decreased since the financial crisis hit Spain in 2008, standing at USD 4.4 billion in 2010 against a pre-crisis level of USD 23.22 billion in 2008.

StatLink http://dx.doi.org/10.1787/888932700808

Sweden

In 2011, Swedish net official development assistance stood at USD 5.61 billion. The budget for Swedish ODA is linked to the country's gross national income (GNI) and has, therefore, fluctuated in recent years. The 2011 ODA level is an increase of 10.5% in real terms over 2010 levels, well above the average annual growth rate of 1% that Swedish ODA recorded during the period 2006 to 2010.

Every year since 2006, Sweden has allocated more than 0.9% of GNI to ODA. The ODA to GNI ratio in 2011 was 1.02%.

Figure V.27. **Official development assistance: Sweden**

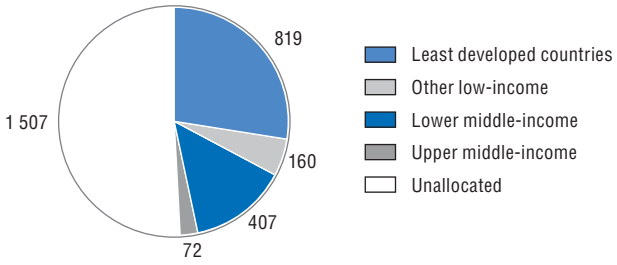
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	4 548	4 533	5 606	23.7
Constant (2010 USD m)	4 891	4 533	5 008	10.5
In Swedish kronor (million)	34 713	32 651	36 380	11.4
ODA/GNI (%)	1.12	0.97	1.02	
Bilateral share (%)	66	64	65	

P. Preliminary data.

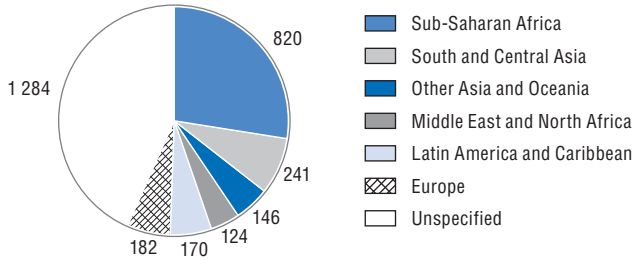
Top ten recipients of gross ODA (USD million)	
1 Tanzania	96
2 Mozambique	92
3 Afghanistan	86
4 Congo, Democratic Republic	67
5 West Bank and Gaza Strip	63
6 Sudan	58
7 Kenya	57
8 Uganda	48
9 Ethiopia	42
10 Bangladesh	41
Memo: Share of gross bilateral ODA	
Top 5 recipients	14%
Top 10 recipients	22%
Top 20 recipients	32%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

In 2011, bilateral development co-operation accounted for almost two-thirds (USD 3.66 billion) of Swedish net ODA, while 35% of ODA was provided to multilateral organisations (USD 1.94 billion). In relative terms, increases in Sweden's ODA between 2006 and 2011 translated into increases mainly to multilateral organisations as the share of multilateral ODA increased from 28% to 36% during these years.

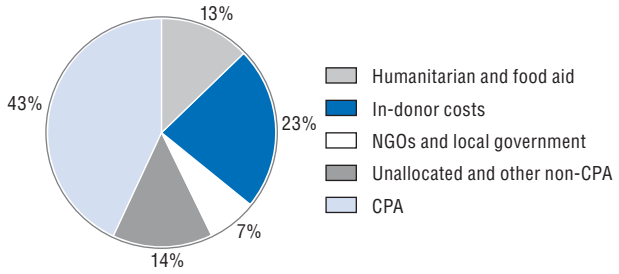
Composition of bilateral ODA

In 2010, 43% of Sweden's gross bilateral ODA was country programmable, below the DAC members' average of 57% for the same year. General budget support – which counts as country programmable aid (CPA) – totalled USD 119.82 million, equivalent to 4% of gross bilateral ODA. This low share of CPA is partially explained by the high refugee costs contained in Sweden's in-donor costs. These refugee costs represented 14% of total Swedish bilateral ODA in 2010, much higher than the DAC average of 3%. The humanitarian and food aid provided by Sweden bilaterally accounted for 13% of gross bilateral ODA.

Focus on priority countries and LDCs

Sweden focuses its aid on 29 priority countries and is a significant donor for 27 of these, meaning that for these countries it provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries.

Composition of bilateral ODA, 2010



In the years between 2007 and 2010, Sweden's ODA was distributed to 111 countries, and the share of its bilateral ODA to its top 20 recipient countries averaged 32-33%, much lower than the DAC average for these years. The number of "significant relations" (calculated in terms of CPA) declined slightly over these years, from 52% (*e.g.* 40 significant relations out of a total of 77 recipients) in 2007 to 48% (*e.g.* 38 significant relations out of a total of 80 recipients) in 2010.

The share of Sweden's ODA allocated to LDCs remained stable between 2007 and 2010 at about 27% of its bilateral aid on average. In 2010, gross ODA to LDCs amounted to USD 831 million.

Untied aid

Sweden is one of the DAC members to have untied its aid completely.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

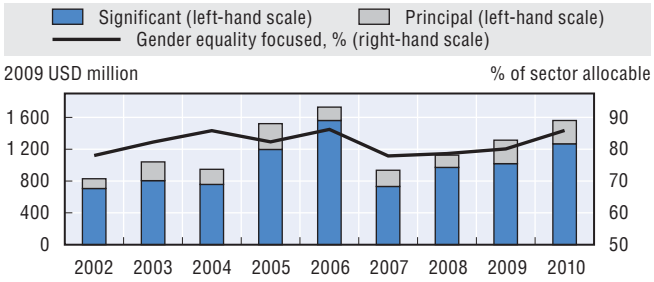
ODA to gender equality and women's empowerment

The Swedish government has identified three thematic priorities for development co-operation: 1) democracy and human rights; 2) environment and climate change; and 3) gender equality and the role of women. ODA allocations for activities that have gender equality as a principal or significant objective reached USD 1.67 billion in 2010, after steady increases since 2007.

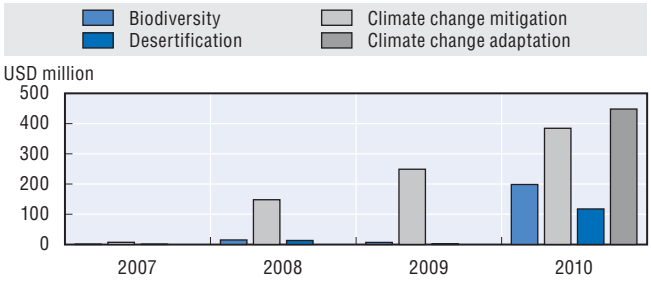
ODA to environment and climate change mitigation

The Swedish government's new policy (2010-14) for environmental and climate issues in its development co-operation covers climate change and other issues, such as ecosystem and water management. Sweden's ODA commitments to the objectives of the Rio conventions have been increasing since 2007. While commitments to climate change mitigation have increased steadily, reaching USD 384 million in 2010, support to biodiversity and desertification increased rapidly from 2009 to 2010, going from USD 7 million to USD 199 million (biodiversity) and from USD 2 million to USD 118 million (desertification). In 2010, DAC members – including Sweden – started to report on commitments for climate change adaptation, for which Sweden allocated USD 448 million in 2010.

ODA for gender equality and women's empowerment, 2002-10



ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

In 2008 and 2009, Swedish ODA accounted for 99% of its total official financial flows reported. The remaining 1%, represented by "other official flows" such as official export credits and equities, totalled USD 31 million in 2008 and USD 68 million in 2009 (data are not available for 2010). Swedish net private grants peaked at USD 221 million in 2010, reaching a volume that was three times as much as the one recorded in the previous year. Net private flows at market terms are considerable but highly variable and dropped in 2010 to USD 372 million, down from USD 2.5 billion in 2009.

StatLink http://dx.doi.org/10.1787/888932700827

Switzerland

In 2011, Switzerland's net ODA amounted to USD 3.09 billion, a 13.2% increase in real terms compared to 2010. This followed a net drop in ODA of 4% in 2010 after steady growth of 8% in 2008 and 12% in 2009.

Switzerland's ODA to GNI ratio increased to 0.46% in 2011, up from 0.40% in 2010 and above the previously highest level of 0.45% set in 2009. The Swiss Parliament confirmed in February 2011 Switzerland's commitment to reaching an ODA to GNI ratio of 0.5% by 2015, and the country plans to reach this target by increasing its aid budget at an average of 9% per year. In 2012 Switzerland underwent a mid-term peer review (see page 248 and following for a summary of the findings).

Figure V.28. **Official development assistance: Switzerland**

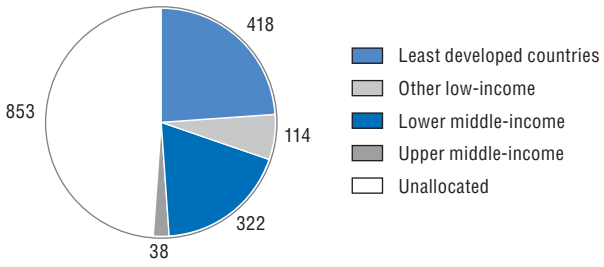
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	2 310	2 300	3 086	34.2
Constant (2010 USD m)	2 403	2 300	2 604	13.2
In Swiss francs (million)	2 504	2 398	2 738	14.2
ODA/GNI (%)	0.45	0.40	0.46	
Bilateral share (%)	76	74	76	

P. Preliminary data.

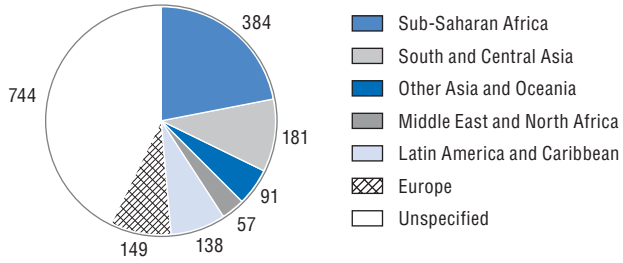
Top ten recipients of gross ODA (USD million)	
1 Togo	80
2 Kosovo	49
3 Mozambique	27
4 Nepal	26
5 Burkina Faso	26
6 Viet Nam	24
7 Tanzania	23
8 Bangladesh	22
9 Peru	22
10 Pakistan	21
Memo: Share of gross bilateral ODA	
Top 5 recipients	12%
Top 10 recipients	18%
Top 20 recipients	29%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

While Switzerland's ODA levels have fluctuated since 2006, it has maintained its bilateral assistance at an average of 76% of its net ODA each year, with the remainder going to the multilateral organisations: two-thirds of the multilateral portion goes to the international financial institutions. Switzerland contributes most of its multilateral funding as core contributions and multi-year grants.

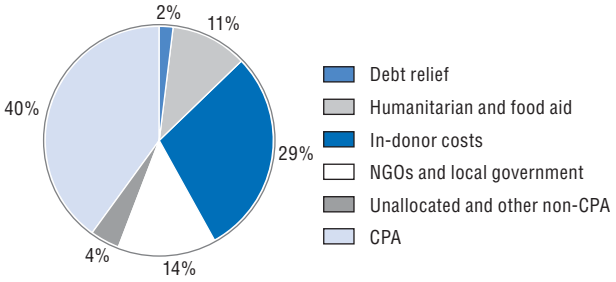
Composition of bilateral ODA

In 2010, 40% of Switzerland's gross bilateral ODA was country programmable, less than the DAC average of 57%. General budget support – which is part of country programmable aid (CPA) – amounted to USD 29.16 million, equivalent to only 1.7% of gross bilateral ODA. The low share of bilateral ODA that is CPA is partly explained by the high share of refugees' costs in Switzerland's in-donor costs – 21% of gross bilateral ODA in 2010, the highest share of all DAC countries.

Focus on priority countries and LDCs

In light of their respective comparative advantages, SDC and SECO conduct aid activities in different types of countries; SDC concentrates on LDCs in 20 priority countries/regions, while SECO concentrates on MICs in 8 priority countries. In the east, both agencies have co-ordinated transition assistance in the same nine priority countries. However, Swiss bilateral ODA

Composition of bilateral ODA, 2010



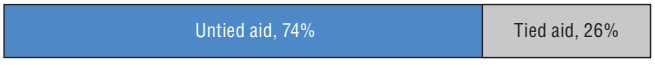
remains spread across a much larger number of recipients. The share of Switzerland's bilateral ODA allocated to its top 10 and top 20 recipients declined between 2007 and 2010, going from 20 to 16% and from 32 to 27% respectively.

In 2010, Switzerland allocated USD 365 million to LDCs, equivalent to 19% of its gross bilateral ODA. The share of gross bilateral ODA allocated to LDCs averaged a slightly higher 23% between 2007 and 2009, mainly due to exceptional debt relief measures in 2007 (Sierra Leone and Cameroon) and 2009 (Togo).

Untied aid

In 2010, Switzerland's untied aid represented 74% of its ODA. This is a steep decrease from the average level of 98% over the period from 2007 to 2009. However, it needs to be noted that according to instructions, in 2010 Switzerland reported aid to refugees in the donor country as tied aid. If this item were excluded from bilateral aid, then Switzerland's tied and untied aid would have been 3% and 97% respectively.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)



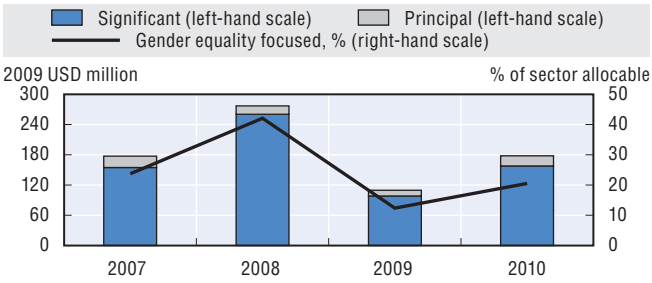
ODA to gender equality and women's empowerment

Switzerland prioritises gender equality as a cross-cutting issue, and SDC has striven since 2008 to integrate gender equality further in its programmes. After a nominal increase of 75% in 2008, ODA commitments for activities with gender equality and women's empowerment as a principal or significant objective fell dramatically in 2009, but recovered in 2010, standing at USD 185 million.

ODA to environment and climate change mitigation

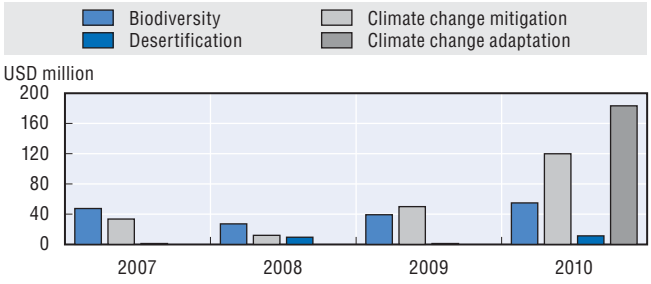
After a dip in 2008, Switzerland's reported ODA commitments for biodiversity and climate change mitigation increased

ODA for gender equality and women's empowerment, 2007-10



in both 2009 and 2010, reaching USD 55 million (biodiversity) and USD 120 million (climate change mitigation). These increases are partially due to improved data reporting. In 2010, Switzerland reported a commitment of USD 183 million for climate change adaptation. Climate change and related environmental concerns have been a focus of Swiss development co-operation for a long time, and Switzerland plans to further expand its engagement on climate change mitigation and adaptation in future years.

ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Between 2007 and 2010, no official flows other than ODA were reported by Switzerland. Net private grants increased nominally by 36% between 2007 and 2008, but dropped by 10% in 2009, to finally increase again in 2010 to reach USD 414 million. After considerable fluctuations between 2006 and 2009, net private flows at market terms (mostly direct investments) increased dramatically, to USD 19.26 billion in 2010. This considerable increase is, however, mainly due to changes in the CHF/USD exchange rate.

StatLink http://dx.doi.org/10.1787/888932700846

United Kingdom

In 2011, the United Kingdom's net ODA amounted to USD 13.74 billion; a decrease of a little under 1% in real terms compared to 2010. The United Kingdom's net ODA dipped by almost 30% in 2007 but increased at an average annual rate of 13% between 2008 and 2010.

In its last Comprehensive Spending Review covering 2007-11, the United Kingdom planned to provide 0.56% of GNI as ODA by the UK fiscal year 2010-11. With an ODA/GNI of 0.57% in 2010, the United Kingdom surpassed that target, as well as the EU intermediate target of 0.51% for the same year. In 2011, the United Kingdom allocated 0.56% of its GNI to ODA. The United Kingdom is committed to reaching 0.7% of GNI by 2013 and is on track to achieve this target.

Figure V.29. **Official development assistance: The United Kingdom**

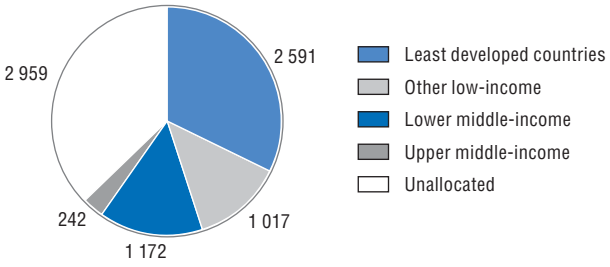
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	11 283	13 053	13 739	5.3
Constant (2010 USD m)	11 470	13 053	12 951	–0.8
In pounds sterling (million)	7 223	8 452	8 570	1.4
ODA/GNI (%)	0.51	0.57	0.56	
Bilateral share (%)	66	61	58	

P. Preliminary data.

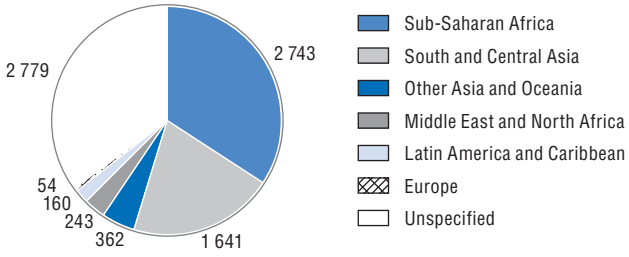
Top ten recipients of gross ODA (USD million)	
1 India	657
2 Ethiopia	375
3 Afghanistan	281
4 Pakistan	258
5 Nigeria	241
6 Bangladesh	240
7 Congo, Democratic Republic	238
8 Tanzania	229
9 Sudan	206
10 Ghana	162
Memo: Share of gross bilateral ODA	
Top 5 recipients	23%
Top 10 recipients	36%
Top 20 recipients	50%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

When net ODA fell in 2007, the bilateral programme contracted significantly; the bilateral share of the United Kingdom's net ODA declined to 57%, down from 70% the previous year. After averaging 64% between 2008 and 2010, the bilateral share of the United Kingdom's net ODA fell again in 2011, reaching 58%. Preliminary data for 2011 show that the United Kingdom allocated USD 8.02 billion to its bilateral programme and channelled USD 5.72 billion to multilateral organisations in that year.

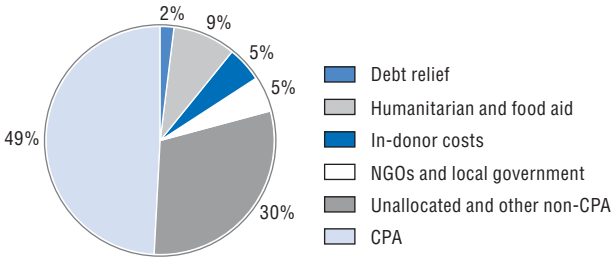
Composition of bilateral ODA

In 2010, the United Kingdom provided 49% of its gross bilateral ODA as country programmable aid (CPA), below the DAC average of 57%. General budget support – which is part of CPA – amounted to USD 649.63 million, equivalent to 8% of gross bilateral ODA. A large share of bilateral aid is unallocated and equity investments (30%).

Focus on priority countries and LDCs

In recent years, the United Kingdom has tried to focus its aid on fewer countries. It now concentrates its bilateral programme on 28 priority countries. The United Kingdom has

Composition of bilateral ODA, 2010



"significant relations" with these priority countries as well as in 14 other countries, meaning that it provides to 36 countries more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. The United Kingdom remains a "non significant" partner in 50 other countries.

The share of UK ODA allocated to LDCs has declined slightly in recent years, but a high volume of bilateral aid continues to go to LDCs. In 2010, this amounted to USD 2.62 billion, or 31% of the United Kingdom's total bilateral aid.

Untied aid

The United Kingdom has fully untied its aid.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)

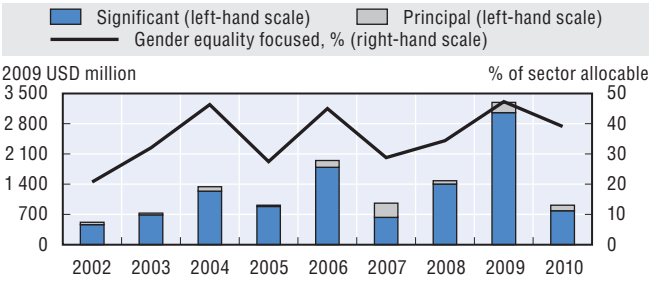
ODA to gender equality and women's empowerment

The United Kingdom has taken a lead role in integrating gender equality perspectives into international commitments for more effective aid. It has also made progress in integrating gender equality into its own development co-operation programme through the implementation of a high-profile Gender Equality Action Plan. ODA commitments for activities with gender equality as a principal or significant objective peaked in 2009, reaching USD 3.29 billion. The momentum, however, needs to be sustained, as 2010 saw a sharp decrease in allocations reported for such activities, down to USD 931 million.

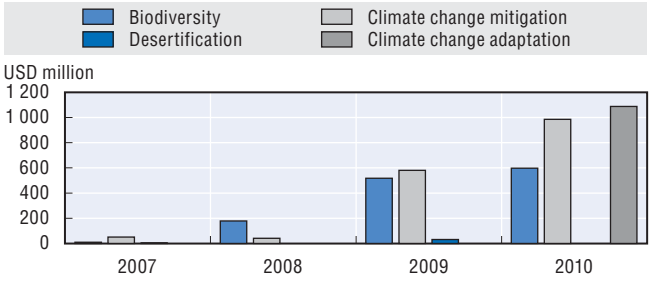
ODA to environment and climate change mitigation

Climate change is a new strategic priority for the United Kingdom, which has a strong legal and institutional framework covering this issue. The United Kingdom also plays an influential role in the international debate on environment and climate change. ODA commitments for biodiversity and climate change mitigation increased considerably in 2009 and 2010, reaching USD 598 million (biodiversity) and USD 986 million (climate change mitigation) in the latter year. In 2010, the United Kingdom also reported on its commitments for climate change adaptation, which totalled USD 1.09 billion.

ODA for gender equality and women's empowerment, 2002-10



ODA commitments targeted at the objectives of the Rio conventions, 2007-10



Development financing beyond aid

Between 2007 and 2010, ODA accounted for more than 98% of total official financial flows reported by the United Kingdom. Net private grants recorded annual nominal decreases of 30% between 2007 and 2009 and increased only slightly (by 7%) in 2010, reaching USD 352 million. The volume of net private flows at market terms was USD 12.25 billion in 2010, well below the USD 39.41 billion recorded just before the 2008 financial crisis.

StatLink http://dx.doi.org/10.1787/888932700865

United States

With net ODA standing at USD 30.75 billion in 2011, the United States is the largest provider of development co-operation. Compared to 2010, this ODA level is a decrease of just under 1% in real terms. After falling by 10% in 2007, the United States' net ODA recovered quickly in 2008, when it increased by 19%, and continued to grow at an average rate of 6% yearly in 2009 and 2010.

In 2011, the ODA to GNI ratio of the United States was 0.2%, a slight decrease from 0.21% in 2010.

Figure V.30. **Official development assistance: The United States**

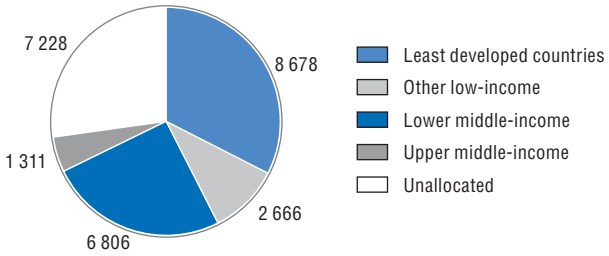
Net ODA	2009	2010	2011p	Change 2010/11 (%)
Current (USD m)	28 831	30 353	30 745	1.3
Constant (2010 USD m)	29 163	30 353	30 086	–0.9
ODA/GNI (%)	0.21	0.21	0.20	
Bilateral share (%)	87	88	88	

P. Preliminary data.

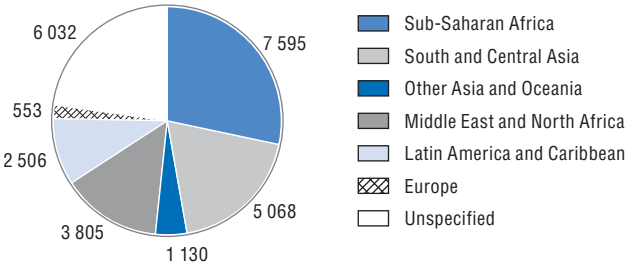
Top ten recipients of gross ODA (USD million)	
1 Afghanistan	2 991
2 Iraq	1 985
3 Pakistan	906
4 Sudan	840
5 Ethiopia	801
6 West Bank and Gaza Strip	783
7 Haiti	714
8 Kenya	579
9 Colombia	539
10 South Africa	527
Memo: Share of gross bilateral ODA	
Top 5 recipients	28%
Top 10 recipients	40%
Top 20 recipients	52%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

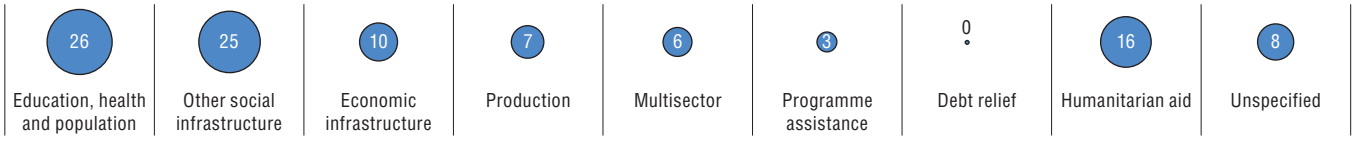
By income group, USD million



By region, USD million



Aid by sector, %



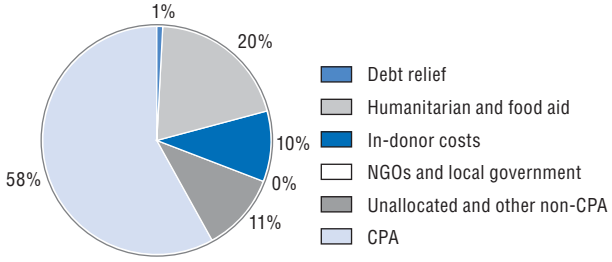
Bilateral and multilateral ODA

The proportion of the United States' bilateral and multilateral ODA remained fairly stable between 2006 and 2010, with the bilateral programme representing around 88% of net ODA on average for each of these years. In 2011, the United States allocated USD 27.11 billion to its bilateral programme and channelled USD 3.64 billion to and through multilateral organisations.

Composition of bilateral ODA

In 2010, 58% of gross bilateral ODA was country programmable aid (CPA), above the DAC average of 57%. The United States did not provide general budget support in 2010, but provided a few hundred million US dollars as general budget support every year prior to 2010.

Composition of bilateral ODA, 2010



Focus on priority countries and LDCs

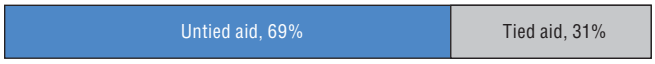
The United States has development co-operation programmes with some 140 developing countries. It has not sharpened its geographic focus until recently, but the administration is now taking steps to focus its development co-operation on fewer partners; 52% of US aid goes to its top 20 recipients. Given the size of its programme, the United States has "significant relations" with 105 countries, meaning that it provides to those countries more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. The United States, however, also maintains "non-significant" relations with 23 countries.

An increasing share of US ODA is allocated to LDCs, up from 24% in 2007 to 34% in 2010. This reflects the United States' commitment to spend a higher share of its aid on the poorest and most fragile countries. This commitment has led the United States to double its assistance to Sub-Saharan Africa since 2005.

Untied aid

The United States still has 31% of its ODA tied or partially untied. This proportion is less than the 37% recorded in 2006 but still above the 25% reached in 2008.

Tied aid status, 2010
(excluding administrative costs and technical co-operation)



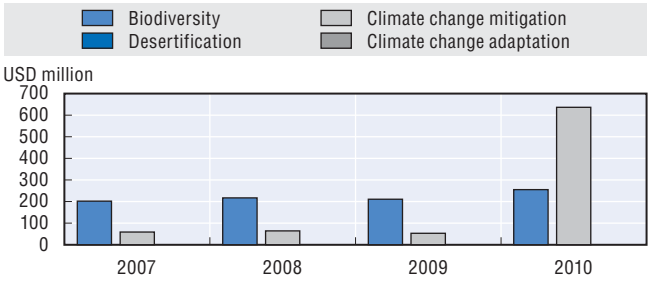
ODA to gender equality and women's empowerment

Backed by strong political support, the United States is renewing its efforts to integrate gender equality into its aid programme. Progress is becoming apparent, with this dimension mainstreamed in the recent presidential initiatives on food security and health. In the case of the United States, the gender marker for 2009 was assigned based on a text search through project descriptions (using terms such as "girl" or "woman"); resulting data on gender equality focused aid is not comparable with those reported by other donors. The United States is implementing an improved data collection procedure for the gender marker and will resume reporting for 2011 flows.

ODA to environment and climate change mitigation

Climate change has become a key issue in US development policy, out of concern for both security and sustainability. The President's Global Climate Change Initiative makes climate change considerations a prominent part of US foreign assistance. Nonetheless, contrary to other environmental concerns, climate change issues are not well mainstreamed within US development co-operation, as they are not clearly regulated. Reported ODA allocations for biodiversity and climate change mitigation in 2010 increased dramatically to USD 255 million (biodiversity) and USD 636 million (climate change mitigation) after averaging about USD 209.80 million and USD 58.54 million respectively between 2007 and 2009.

ODA commitments targeted
at the objectives of the Rio conventions, 2007-10



Notes: For the United States, changes in financial reporting systems are required to report against the markers; hence some data are still to be determined. However, please see the US Fast Start finance report which includes USD 1.6 billion in FY2010 appropriated grant-based support for climate change mitigation and adaptation: *www.state.gov/faststartfinance.*

Development financing beyond aid

The vast majority of the United States' official flows is made up of official development assistance. Remaining flows (net flows from equities and other bilateral assets) were negative until 2009 and were almost nil in 2010 (USD 5 million). Net private grants show a strong increase from USD 12.16 billion in 2007 to USD 22.79 billion in 2010 while the volume of net private flows at market terms shows a more volatile evolution, owing to the global financial crisis. It fell from USD 98 billion to a negative amount of USD –29 billion between 2007 and 2008 before increasing to USD 69 billion in 2009 and USD 161 billion in 2010 as a result of huge increases in bilateral portfolio investments.

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OECD DAC peer reviews

OECD DAC peer review of Canada (15 May 2012)

Examiners: France and the Netherlands

Over the last six decades Canada has gained a strong reputation for its contributions to international development, multilateral organisations and the promotion of human rights. The strengths of Canada's development co-operation include its well-respected field presence in its partner countries; its dedicated support for research for development via the International Development Research Centre (IDRC); its significant and strategic support for the multilateral system; its effective whole-of-government approach for disaster response and fragile states, particularly Afghanistan and Haiti; and its good track record as a constructive partner within the development co-operation and humanitarian communities.

Canada's aid programme stood at USD 5.3 billion in 2011 (0.31% of its national income), making it the eighth largest DAC member. Since 2007 Canada has achieved the challenging targets it set itself for its international assistance volumes; in the decade between 2001 and 2010 it managed to double its aid in nominal terms (*i.e.* the money of the day). The DAC commended Canada for this achievement. However, some of these gains are likely to be reversed, given that Canada's ODA volume shrank by more than 5% in real terms (*i.e.* after removal of the effect of inflation) between 2010 and 2011 and is set to fall further in 2012. Canada still needs to draw up a timetable for achieving the international commitment of giving 0.7% of its gross national income (GNI) as ODA.

Since its last peer review in 2007, Canada has strengthened the legal and strategic framework for its development co-operation in two ways. First, its 2008 ODA Accountability Act has improved the accountability of development co-operation and established poverty reduction and the promotion of human rights as the key aid criteria. Second, its new approach to development co-operation, introduced in 2009, concentrates Canada's aid on fewer thematic and geographical priorities. In addition, the DAC commended Canada for the progress it had made in untying its aid, particularly its food aid.

Recommendations to improve the effectiveness of Canada's aid

The DAC welcomed Canada's efforts to make its assistance more focused while improving accountability. It recommended that Canada:

- Establish a clear, simple and consistent vision for Canadian aid – one that is anchored sustainably within its foreign policy and that remains stable over the long term.
- Draw up a timetable for achieving the international commitment of giving 0.7% of its GNI as ODA.

- Do more to untie its aid in line with Accra and Busan commitments.*
- Make further progress in a number of areas, including policy coherence for development, streamlining its development co-operation system in line with its business modernisation initiative and increasing the predictability of its aid.

OECD DAC peer review of the European Union (28 March 2012)

Examiners: Japan and Norway

The large size, geographical reach and partnership dimension of the European Union's (EU) aid programme makes it a formidable player in global development. The EU institutions are unique in that they provide direct support to developing countries and play a "federating role" for the 27 member states – co-ordinating them for better development impact, and preparing common positions to strengthen the EU voice in global debates. Development co-operation and humanitarian assistance are areas of shared competence between the EU and member states. Given this, to achieve its leadership potential, the EU needs to build on the *2005 EU Consensus on Development*. The proposed *Agenda for Change,* adopted by the Commission in October 2011, is well-timed to build such consensus and to influence the 2014-20 financial framework.

The EU institutions manage a large volume of ODA. Based on its USD 12.7 billion grant programme alone, in 2010 the EU was one of the largest DAC members. The EU also extended loans and equities to partner countries totalling USD 8.3 billion gross, a significant contribution to development. Since the 2007 peer review, the EU institutions have taken positive steps to make the programme more effective and increase its impact. These steps include major organisational restructuring; efforts to streamline financial instruments; and a strategic approach to making co-operation more co-ordinated and aligned. They have also enhanced their dialogue with civil society. In completing the restructuring of EU development co-operation, clarity will be needed over the responsibilities of each institution as they work together to implement the programme.

Recommendations to improve the effectiveness of EU aid

- Use the proposed *Agenda for Change* as an opportunity to build a common development co-operation strategy with, and amongst, EU member states.
- Ensure that the 2014-20 financial framework supports the EU's strategic development priorities with appropriate funding and tools, especially security and transition, mainstreaming gender equality and environment, and supporting private sector development.
- Ensure coherence between EU and member states' national policies and their international development goals. The Commission has developed a sound strategic framework for promoting policy coherence for development; it should make every effort to use this to its full potential.
- Publicise the positive effects of development efforts in order to garner political and public support.

* The Accra Agenda for Action (AAA), adopted in Accra on 4 September 2008, reflects the international commitment to support the reforms needed to accelerate an effective use of development assistance and helps ensure the achievement of the MDGs by 2015. The Fourth High Level Forum on Aid Effectiveness was held in Busan, Korea in 2011 and led to the Busan Partnership for Effective Development Co-operation.

- Reduce the administrative burden on partners and EU staff by simplifying the complex budget and administrative processes, and devolving more authority to staff in the field.

OECD DAC peer review of Greece (8 November 2011)

Examiners: Belgium and Portugal

The 2011 DAC peer review recognises the constraints that Greece is facing as it attempts to recover from the economic crisis. As a result of this crisis, official development assistance (ODA) has been decreasing since 2009, reaching USD 508 million in 2010 and amounting to 0.17% of Greece's national income. In the meantime, Greece has decided to focus on designing and adopting new legislation and a medium-term development programme that should improve Greece's development aid system. Greece's reforms aim at adopting modern, efficient and effective development assistance policies to ensure a more transparent and demand-driven delivery of aid.

The 2011 peer review focused on recommendations for guiding Greece in building a solid foundation for the aid programme and a sound development co-operation system over the next four to five years. Most of the recommendations of the past peer review (2006) remain valid and Greece has made efforts to take them into account in the new draft legislation and five-year programme.

Greece's development programme needs to focus more on results and quality. DG Hellenic Aid – the lead agency in charge of development co-operation with the mandate to co-ordinate development co-operation – needs to be strengthened. There is also a need for better co-ordination among all the ministries involved in development co-operation. In addition, Greek aid would have greater impact if spent in fewer countries, and through fewer organisations.

Recommendations to improve the effectiveness of Greece's aid

- Greece's development aid is fragmented in many ways: there are too many actors, priorities (geographical and sectoral) and beneficiary countries. Co-ordination and policy coherence for development remain challenges. Greece needs to ensure that DG Hellenic Aid has the capacity to play a leading role in those areas, holding all development actors accountable to one common, co-ordinated strategy.
- Greece needs to change its business model and review its mechanisms for disbursing aid (bilateral, multilateral, NGOs, humanitarian) in a focused and effective way (fewer countries, fewer sectors, larger projects, fewer actors).
- Strategic and programmatic budgeting for development is a challenge in Greece in the context of the state budget management reform and of close scrutiny by the *troika*.
- The structure of DG Hellenic Aid needs to be flatter and leaner, but this depends on the reorganisation of the whole Ministry of Foreign Affairs. Also, there is an urgent need to create an evaluation function and a results-oriented culture – currently Greece concentrates on inputs and monitoring. Lack of staff capacity is a challenge for improving Greece's development assistance.

OECD DAC peer review of Spain (13 December 2011)

Examiners: Ireland and Sweden

Spain is the world's seventh largest donor by volume. The country doubled its aid between 2003 and 2009, increasing ODA levels from 0.23% of its GNI to 0.46%. The severe

impact of the economic crisis has led Spain to cut public spending, including to development co-operation, decreasing ODA to 0.43% of GNI (USD 5.9 billion) in 2010. The government has announced further cuts in the future.

In past years Spain has made remarkable progress in improving both the quantity (until 2009) and quality of its development co-operation programmes, committing to making its aid more effective. Spain has recruited staff to cope efficiently with the higher levels of aid, and has developed frameworks to work more effectively with its recipient partner countries, multilateral agencies and the private sector. At the same time it has gained valuable experience in developing capacity in middle-income countries – it should share this knowledge with other donors. Spain has also strengthened its humanitarian assistance programme using a number of innovative approaches, including in the area of rapid response.

Spain still has scope to improve its development co-operation in several ways, including focusing and prioritising its financial and human resources among its 50 partner countries, 10 principles, 12 sectors and 4 areas of special attention. Over the past few years Spain has reduced the number of countries to which it gives aid from 56 to 50, but the funding is still spread too thinly over too many countries. Spain could ensure greater development impact by giving aid to fewer countries and focusing on their poorest people. Also, stronger communication of the impact of its development programme might help maintain public support for aid.

Recommendations to improve the effectiveness of Spanish aid

- Spain has set up a number of institutions and mechanisms to manage its aid, and now needs to ensure that all development partners co-ordinate, work seamlessly together and mutually reinforce each other.
- Spain is a decentralised country, with almost 20% of its ODA delivered by sub-national actors. This can make Spain's aid less transparent, less cohesive and poorly co-ordinated. Though this contributes to development at the local level, Spanish assistance would be more transparent if all Spanish development actors, and the partner countries at national and local level, were fully informed of Spanish development activities at all levels.
- Spain has redesigned its development programme to make aid more effective in its developing partner countries. Spain should develop clearer indicators to measure its success – *i.e.* whether aid is helping to build sustainable economies and lift people out of poverty. Spain's evaluation efforts are also hampered by a lack of clear impact indicators. The results of evaluations should be used to influence policy and programming.
- Spanish co-operation has a strong relationship with its civil society and channels a significant portion of its development aid through NGOs. This could be improved through a clear policy on when, why and how NGOs should be involved in official development co-operation.
- Spain has a bold and strategic humanitarian programme, and has made great progress towards good humanitarian donorship. However, it could do more to reduce the administrative burden on NGO partners and to set up a systematic risk management approach.

Mid-term reviews

Since October 2011, the DAC has conducted mid-term reviews of Ireland, Italy and Switzerland. These mid-term reviews are useful for: *i)* tracking changes, results and impact; *ii)* bringing momentum to members' efforts to implement the recommendations; and *iii)* sharing experiences with other DAC members on a more frequent basis than every four to five years (the regular interval for peer reviews). Mid-term reviews also provide an opportunity to discuss recent international and national developments, and their impact on the reviewed country's aid programme. Below we present a summary of findings for the three mid-term reviews conducted since the release of the *Development Co-operation Report 2011*.

Ireland's mid-term review

Ireland's mid-term review took place on 3 October 2011, two years after its peer review. The mid-term review found that Ireland has made clear progress against all of the recommendations from its peer review. Ireland has acted on the peer review's recommendation to focus on a small set of thematic priorities where it can add value. It has prioritised the fight against global hunger and would like to do more to tackle environment and climate change issues. Ireland has also maintained its geographical focus on Sub-Saharan Africa, particularly its seven programme countries from this region. Ireland's new *Africa Strategy*, launched in Dublin in 2011 at the first Africa Ireland Economic Forum, proposes a broader and deeper engagement with the continent that goes beyond aid to encompass economic and trade relationships as well as cultural exchange. The biggest challenge facing Irish Aid is a human resources constraint caused by the current moratorium on public sector recruitment, pay and promotions. The staffing constraint has to be addressed in order to maintain the high quality of Irish Aid's programmes. The mid-term review concluded that Ireland has a good aid programme that it manages well and with adequate human resources it can achieve even more.

Italy's mid-term review

Italy's mid-term review took place on 9 November 2011, two years after its peer review. The mid-term review found that Italy has made some progress against the recommendations from its peer review, but many challenges remain. Italy has acted on the peer review's recommendation to concentrate on fewer countries while also maintaining its focus on food security and agriculture. Italy has continued with its Strategic Guidelines, introduced in 2009, and these have proven an important innovation for its development co-operation. Italy has also engaged in a broadly participatory process to prepare a new vision for its development co-operation. This is an opportunity to define in more detail the kind of donor that it wants to be and how aid will be used as a key component of its foreign policy. Despite these and other positive developments, Italy faces major challenges on aid volumes, organisation and management. ODA increased by 33% in 2011, mainly due to a surge in refugee costs and debt relief, whereas untied aid rose from 58% to 68%. Because of the current international economic situation, available funds for the bilateral programme are shrinking. At the same time, the moratorium on public sector recruitment, pay and promotions places constraints on human resources and possibly risks undermining efforts to improve the quality of Italy's programmes. To meet these major challenges on aid volume, organisation and management, and to achieve better results, Italy will need to build on current progress and secure high-level political support for its aid programme.

Switzerland's mid-term review

Switzerland's mid-term review took place on 9 March 2012, three years after its peer review. The mid-term review found that Switzerland had made good progress against almost all the recommendations from its peer review. In response to a recommendation in its 2009 peer review, Switzerland has strengthened the legislative framework for its development co-operation through a unified development co-operation bill. The timeframe for the bill is aligned with the legislative period 2013-16. For the first time, Switzerland has formulated an overarching strategy for international co-operation that will act as a common reference for the key domains of Swiss development co-operation. Switzerland's Federal Council and Parliament adopted a 0.5% ODA/GNI target in February 2011, as recommended in the 2009 peer review. An ambitious (9% ODA increase per year) but realistic roadmap has been developed to reach this target by 2015. As recommended in 2009, Switzerland has developed a joint action plan for the Swiss Agency for Development and Co-operation and the State Secretariat for Economic Affairs and has put in place reporting mechanisms to monitor progress in implementing the principles for effective aid. As also recommended in the last peer review, Switzerland is establishing whole-of-government approaches when engaging in fragile states. Joint country strategies are now developed together with all relevant ministries in several countries (for example, Egypt, Nepal and Tunisia).

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Notes on other OECD donors

The OECD currently has 34 member countries, 23 of which are members of the DAC, as is the European Commission. This section highlights the ODA flows from the 11 OECD countries that are not DAC members: Chile, the Czech Republic, Estonia, Hungary, Iceland, Israel, Mexico, Poland, the Slovak Republic, Slovenia and Turkey.

The OECD currently has 34 member countries,[1] 23 of which are members of the DAC. This section highlights the ODA flows from the 11 OECD countries that are not DAC members.

Chile

Chile's Agency of International Co-operation (AGCI) intends to work with the OECD during 2012 to collect and report Chile's statistical data according to DAC standards. This should enable Chile to report its development co-operation data to the DAC in the future.

Through AGCI, the Chilean administration works to decrease poverty and support national development processes in partner countries through the framework of south-south co-operation. AGCI is responsible for co-ordinating the work of the national ministries and agencies involved in international co-operation and has developed a co-operation supply-and-demand catalogue that details the Chilean capacities for delivering south-south co-operation through technical assistance, training and policy dialogue. Areas of co-operation include social cohesion, democratic governance and productive development and competitiveness.

Czech Republic

In 2010, the Czech Republic's net ODA reached USD 228 million, representing an increase of 8.4% over 2009 in real terms. Its ODA/GNI ratio rose from 0.12% to 0.13%, predominantly due to increases in Czech contributions to the European Union's development budget.

Multilateral ODA accounted for 65% of the Czech development programme, while bilateral assistance represented 35% of total ODA flows. Bilateral aid was targeted to Asia and the Balkan countries, with programmes continuing in priority countries. Assistance to partner countries included development aid to Afghanistan and Mongolia; rapidly growing aid to Ethiopia; humanitarian assistance in Haiti and Pakistan; and reconstruction assistance in Georgia. The Czech Development Agency has played a growing role in the implementation of bilateral development projects.

The Czech Republic's development programme is based on the Act on International Development Co-operation and Humanitarian Aid and guided by the *2010-17 ODA Strategy*. This strategy reduced the number of programme countries to five – Afghanistan, Bosnia and Herzegovina, Ethiopia, Moldova and Mongolia. The Ministry of Foreign Affairs is in the process of transforming the Czech Republic's ODA system in an effort to bolster its overall effectiveness and performance.

Figure V.31. **ODA key statistics, 2010: The Czech Republic**

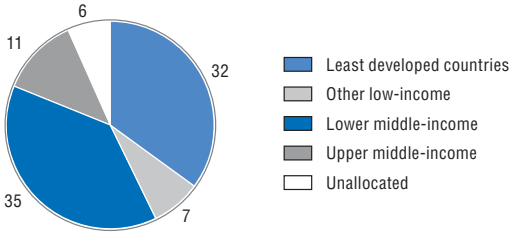
Net ODA	2009	2010	Change 2009/10 (%)
Current (USD m)	215	228	6.0
Constant (2010 USD m)	210	228	8.4
In Czech koruny (million)	4 077	4 342	6.5
ODA/GNI (%)	0.12	0.13	
Bilateral share (%)	47	35	

P. Preliminary data.

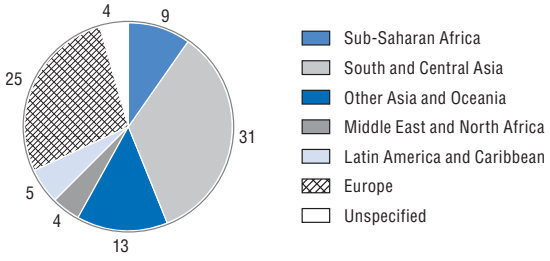
Top ten recipients of gross ODA (USD million)	
1 Afghanistan	20
2 Mongolia	7
3 Georgia	5
4 Bosnia and Herzegovina	4
5 Serbia	4
6 Ukraine	4
7 Moldova	4
8 Kosovo	3
9 Viet Nam	3
10 Angola	2
Memo: Share of gross bilateral ODA	
Top 5 recipients	44%
Top 10 recipients	61%
Top 20 recipients	76%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

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Estonia

In 2010, Estonia's net ODA increased slightly to reach USD 19 million, up from USD 18 million in 2009, representing a 5.6% increase in real terms. The ODA/GNI ratio remained stable at 0.10%.

All aid was in the form of grants, with 74% of ODA delivered as core contributions to multilateral organisations. Bilateral aid was largely provided as technical assistance and focused on countries in the Eastern Europe and Caucasus region.

Estonia recently adopted its *Development Co-operation and Humanitarian Aid Strategy for 2011-15*, in line with the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action and the UN Millennium Development Goals. This strategy highlights the following partner countries for 2011-15: Afghanistan, Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

Furthering sustainable economic growth, education, health, and government and civil society are priority aid sectors for Estonia. Horizontal priorities are women and children, the promotion of information and communication technologies and electronic governance for combating corruption and increasing transparency and democratic participation.

Hungary

International development co-operation is an essential part of Hungary's foreign policy. Its main goal – in accordance with the Millennium Development Goals – is to contribute to the global effort to eradicate poverty and help partner-countries establish democratic institutions based on human rights. As a member of the European Union, Hungary is striving to allocate a growing share of its gross national income (GNI) to development co-operation.

In 2010, Hungary's net ODA dropped slightly to USD 114 million from USD 117 million in 2009, decreasing by 2.2% in real terms. The ODA/GNI ratio also fell from 0.10% to 0.09%, largely because of an increase in gross national income in 2010. Seventy-five per cent of Hungary's ODA was provided in the form of multilateral assistance, mainly to the EU, but also to the UN and the World Bank.

Hungary's priority partner countries are Afghanistan, Bosnia and Herzegovina, Moldova, Serbia, Viet Nam and the West Bank and Gaza Strip. Hungary primarily focuses assistance in sectors and areas where it has comparative advantages, including transition experience, capacity building, education, public health, water management and sanitation and environmental protection.

Iceland

In 2010, Iceland's net ODA was USD 29 million, representing a drop of 22.6% in real terms over the previous year (USD 34 million) due to fiscal constraints. The ODA/GNI ratio also fell from 0.35% to 0.29%.

Bilateral assistance amounted to USD 21 million and accounted for 72% of ODA flows. The largest recipients of Iceland's bilateral ODA in 2010 were Uganda, Malawi, Namibia and Mozambique.

The Icelandic International Development Agency (ICEIDA) disbursed approximately 41% of Iceland's ODA in 2010 (roughly USD 12 million). The Directorate for International Development Co-operation of the Ministry for Foreign Affairs accounts for the remaining 59% of Iceland's ODA. This includes multilateral co-operation with UN agencies and the World Bank, humanitarian aid and support to NGOs. Participation in peacebuilding efforts and post-conflict reconstruction is carried out by the directorate's Iceland Crisis Response Unit.

Israel[2]

In 2010, Israel's net ODA amounted to USD 145 million, a 9.8% increase in real terms over the USD 124 million disbursed in 2009. The ODA/GNI ratio also rose from 0.06% in 2009 to 0.07% in 2010. Bilateral aid stood at USD 128 million, representing 88% of the Israeli aid effort.

Of this, USD 40 million (or 32%) was allocated for first-year sustenance expenses for people arriving in Israel from developing countries (many of which were experiencing civil war or severe unrest) or those who have left their home countries for humanitarian or political reasons.

In 2010, the largest recipient of Israel's ODA disbursements was Jordan, which received USD 35.5 million, followed by Eritrea (USD 15.8 million), Ethiopia (USD 15.3 million) and Ukraine (USD 14.4 million). Together, these countries accounted for 63% of Israel's bilateral ODA.

Mexico

Mexico did not report data on its 2010 development co-operation to the DAC. Nevertheless, in the past few years, Mexico has built the necessary institutional capacity to start doing so in a proper and sustainable way. Mexico has been scaling up its development co-operation efforts, particularly in Latin America and the Caribbean. As part of its efforts to strengthen its role as a south-south co-operation provider, Mexico has been enhancing its institutional and legal framework for development co-operation. In April 2011, Mexico approved the Law on International Co-operation for Development, which created the Mexican Agency of International Development Co-operation (AMEXCID) in September 2011. The law also establishes a National Registry, an Information System on International Co-operation for Development, a Co-operation Programme and a Fund for Development Co-operation.

Mexico's bilateral and regional development co-operation is directed mostly to Latin America and the Caribbean and primarily takes the form of technical and scientific co-operation for capacity building. Public administration, education and science and technology, agriculture, environment protection and health were the priority areas for Mexican technical co-operation.

Poland

In 2010, Polish net ODA amounted to USD 378 million, a 3.9% decrease in real terms over the USD 375 million delivered in 2009. The ODA/GNI ratio also dropped from 0.09% to 0.08%.

Bilateral aid stood at USD 96 million, representing 25% of the Polish aid effort. As a member of the European Union, Poland channels the bulk of its aid through the EU development budget. In 2010, this accounted for 96% of its multilateral aid.

In 2010, priority recipient countries for Polish bilateral ODA were Afghanistan, Belarus, Ukraine, Georgia, Moldova, Angola, and the West Bank and Gaza Strip.

In 2010, the Polish aid programme included assistance to support cross-cutting themes such as the promotion of democracy and good governance, sustainable development, and fostering civil society. Humanitarian aid was extended to several countries, including Haiti and Afghanistan.

Slovak Republic

In 2010, the Slovak Republic's net ODA disbursements totalled USD 74 million, representing an increase of 2.3% in real terms over the previous year. The ODA/GNI ratio remained stable at 0.09%. Most Slovak aid takes the form of core contributions to multilateral organisations; 93% goes to the European Union. Twenty-seven per cent of Slovak aid was delivered bilaterally.

The Slovak aid programme is governed by its *Medium-term ODA Strategy* (2009-13) and by annual national ODA programmes. The strategy outlines key priorities for development assistance which include strengthening stability and good governance, fostering development, and reducing poverty and hunger in developing countries. The strategy also provides a list of territorial and sectoral priorities for Slovak aid and identifies three programme countries – Afghanistan, Kenya and Serbia – as well as sixteen project countries – Albania, Belarus, Bosnia and Herzegovina, Montenegro, Ethiopia, Georgia, Kazakhstan, Kyrgyzstan, the former Yugoslav Republic of Macedonia, Moldova, Mongolia, Sudan, Tajikistan, Ukraine, Uzbekistan and Viet Nam. In 2010, the number of project countries decreased to eleven. Development

assistance to the Western Balkan and EU Eastern Partnership countries focused on transition assistance and support for European integration ambitions.

Slovenia

In 2010, Slovenian net ODA disbursements totalled USD 59 million, representing a 12.6% drop in real terms over the USD 71 million disbursed in 2009. The ODA/GNI ratio also fell from 0.15% to 0.13%. Thirty-eight per cent of Slovenian aid was extended bilaterally. USD 28 million was channelled to the EU, representing 78% of Slovenian multilateral contributions.

Slovenia attaches particular importance to delivering assistance to the Western Balkan countries. Co-operation with Montenegro and the former Yugoslav Republic of Macedonia is conducted on a programme basis, while co-operation with the other countries in the region is conducted on a project-by-project basis. The second priority region is Eastern Europe, the Caucasus and Central Asia (with Moldova identified as a priority country), followed by Africa.

At the request of the Slovenian Ministry of Foreign Affairs, the DAC agreed to conduct a special review of Slovenia's development co-operation policies and programmes in 2011 (Box V.1).

Box V.1. **Special review of Slovenia's development co-operation: A summary**

Since becoming a donor in 2004, Slovenia has put in place many of the important building blocks for its development co-operation programme, including the legal foundations, a statement of priorities and a consolidated budget for ODA. The budget is managed by the Ministry of Foreign Affairs, the designated National Co-ordinator of Slovenia's international development assistance. Until the economic downturn in 2009, Slovenia's ODA had been increasing steadily and had been on track to reach an ODA/GNI ratio of 0.17% by 2010, the interim target that Slovenia agreed to within the European Union.

With only modest growth in ODA now expected, the special review recommends to Slovenia to innovate – to "do development co-operation differently" – carefully balancing its resources and capacity with a more focused programme (*e.g.* becoming a "niche" donor). Slovenia's ODA should remain predominantly multilateral. This approach will make it a more influential player, improve the effectiveness of its ODA and put it in a stronger position to manage the ODA budget once it starts to increase again. A communications strategy, focused on results achieved, could help Slovenia build public awareness and support for development co-operation.

The main findings from the special review were presented at a launch in Ljubljana on 18 April 2012. The DAC welcomes such special reviews as an opportunity to share experiences with and learn from providers of development co-operation beyond its membership.

Turkey

In 2010, Turkish net ODA reached USD 967 million, an increase of 24.8% over 2009 in real terms. The ODA/GNI ratio also rose from 0.11% to 0.13%. Bilateral assistance totalled USD 920 million and accounted for 95% of the Turkish aid effort.

Geographically, over 50% of Turkish bilateral ODA was directed towards South and Central Asia. In 2010, Pakistan received over USD 134 million in aid for flood disaster relief, making it the principal recipient of Turkish bilateral ODA.

Figure V.32. **ODA key statistics, 2010: Turkey**

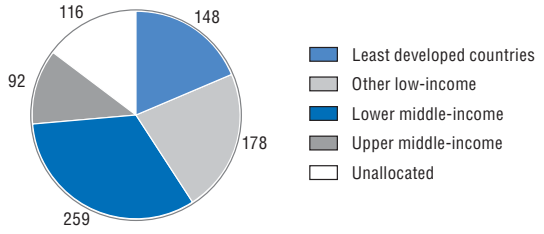
Net ODA	2009	2010	Change 2009/10 (%)
Current (USD m)	707	967	36.8
Constant (2010 USD m)	775	967	24.8
In liras (million)	1 093	1 450	32.7
ODA/GNI (%)	0.11	0.13	
Bilateral share (%)	94	95	

P. Preliminary data.

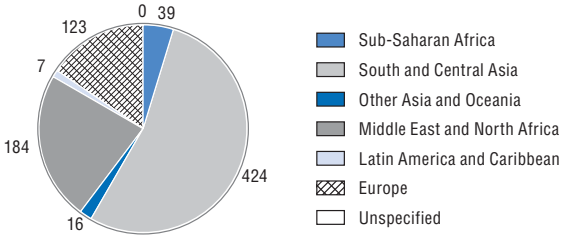
Top ten recipients of gross ODA (USD million)	
1 Afghanistan	102
2 Pakistan	82
3 Kyrgyz Republic	76
4 Kazakhstan	58
5 Iraq	45
6 West Bank and Gaza Strip	38
7 Bosnia and Herzegovina	29
8 Azerbaijan	25
9 Kosovo	21
10 Lebanon	19
Memo: Share of gross bilateral ODA	
Top 5 recipients	46%
Top 10 recipients	63%
Top 20 recipients	77%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

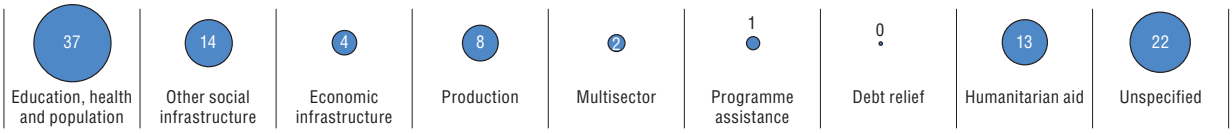
By income group, USD million



By region, USD million



Aid by sector, %



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The bulk of bilateral assistance was delivered as project and programme aid and technical assistance. Support was also extended for post-conflict peacebuilding operations and humanitarian assistance. Seventy-seven per cent of Turkish sector allocable bilateral assistance went to social infrastructure and services, notably to the sectors of education and government and civil society.

Notes

1. The list of OECD member countries and the dates of accession are accessible here: *www.oecd.org/document/58/0,3746,en_2649_ 201185_1889402_1_1_1_1,00.html*.
2. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Notes on non-OECD providers of development co-operation

This section contains information on the volumes and key features of the development co-operation programmes of 16 countries that are not members of the OECD; 12 of these report their ODA flows to the OECD-DAC. Although Brazil, China, India and South Africa do not report their data to the OECD-DAC, they have been making important contributions to international development co-operation for many years; the figures presented in this chapter are based on official government reports. The Bill and Melinda Gates Foundation is the only private funding entity reporting to the OECD-DAC.

Several countries outside the OECD's membership have long played an important role in development co-operation; many are increasing the volumes of concessional development finance delivered to developing countries. The OECD DAC recognises and welcomes the important role of these countries in the international development co-operation landscape. It is committed to collaborating with them in a common effort to reduce poverty, promote sustainable economic growth and respond to global development challenges. These aims are expressed in the DAC statement *Welcoming New Partnerships in International Development Co-operation* (OECD, 2011b) as well as its recently updated *Global Relations Strategy* (OECD, 2011c).[1]

In 2011, the global development community took an important step towards building a more inclusive partnership for development. The Fourth High-Level Forum on Aid Effectiveness (HLF-4), held in Busan, Korea (29 November-1 December 2011), marked a turning point in international discussions on aid and development. Bilateral and multilateral donors, emerging economies, developing countries, civil society organisations, private sector representatives and other stakeholders all helped draft and then endorse the *Busan Partnership for Effective Development Co-operation*.[2] Among other achievements, this forum sealed a partnership that goes beyond the traditional "donor-recipient" dichotomy, with major south-south partners such as Brazil, China and India accepting the document as a voluntary reference for their co-operation.

This section provides information on the volumes and key features of the development co-operation programmes of 16 countries that are not members of the OECD. Twelve officially report their ODA flows to the OECD: Chinese Taipei, Cyprus,[3] Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Romania, the Russian Federation, Saudi Arabia, Thailand and the United Arab Emirates (UAE). Brazil, China, India and South Africa do not report their data but have been making important contributions to international development co-operation for many years.[4]

Development co-operation flows from the 16 non-OECD countries were a small but important proportion of total ODA flows in 2010. Together, these countries provided an estimated USD 8.6 billion in gross development co-operation in 2010, or 5.7% of total gross ODA flows (excluding Brazil).[5] Some of these countries' flows exceeded the contributions made by some DAC members. This is notably the case for Saudi Arabia (USD 3.5 billion in gross ODA) and China (estimated USD 2 billion in gross ODA).

ODA flows for countries that report to the DAC

Three of the Gulf region's largest donors report their ODA data to the OECD: Kuwait, Saudi Arabia and the UAE. Most of their aid is distributed bilaterally and is focused on sectors such as infrastructure, energy and agriculture. Development assistance has been an important instrument to demonstrate solidarity among Arab countries, helping to support and stabilise states in situations of conflict and fragility in the region. For instance, the Arab Co-ordinating Group Institutions (ACGI) organised a High-Level Partnership Dialogue[6] in London in collaboration with the DAC (July 2011) to discuss how the

international community could best respond to the recent uprisings across the Middle East and North Africa. In 2010, **Saudi Arabia** remained the largest donor outside the DAC, providing USD 3.5 billion in gross ODA. This figure represents a slight increase over the previous year, when Saudi Arabia disbursed USD 3.2 billion. **Kuwait** also increased its development assistance flows in 2010, providing USD 616.8 million in gross ODA, up from USD 528.6 million in 2009. The UAE reported total gross ODA of USD 571 million in 2010, down significantly from USD 1 billion in 2009.

The Russian Federation began reporting its ODA to the OECD for the first time in 2011 (on 2010 flows), becoming the first "BRICS" (Brazil, Russia, India, China, and South Africa) country to do so. In 2010, the Russian Federation's total net ODA disbursements were USD 472.4 million, down from USD 785 million in 2009, as reported by the Russian Ministry of Finance. Two-thirds of the Russian Federation's ODA is delivered bilaterally, with the remainder as core contributions to various UN agencies, the Global Fund and the World Bank. Russian bilateral and multilateral ODA is based on the regulations and conditions of the concept note *Russia's Participation in International Development Assistance* approved by the President of the Russian Federation in June 2007.[7] Health is a priority sector for the Russian Federation – especially infectious disease control – however, the Russian Federation also invests in food security, education and humanitarian assistance. The Russian Federation's main partner countries are the members of the Commonwealth of Independent States (CIS), followed by countries in the Asia-Pacific region and Sub-Saharan Africa.

The ODA performance of European Union members (but non-OECD members) varied in 2010. On the one hand, **Cyprus**[8] increased its gross aid disbursements to USD 51.2 million in 2010 from USD 45.5 million in 2009, while **Lithuania's** and **Malta**'s gross ODA remained relatively constant (USD 36.2 to USD 36.7 million and USD 13.7 to USD 13.8 million, in 2009 and 2010 respectively). On the other hand, **Romania**'s gross ODA fell to USD 114.3 million in 2010, down from USD 152.5 million in the previous year. **Latvia**'s gross ODA flows also decreased for the second year in a row – falling from USD 21 million in 2009 to USD 15.6 million in 2010. Given their limited capacity to deliver bilateral aid programmes in the field, these EU countries tend to channel most of their aid through multilateral organisations, notably the European Union institutions and the UN.

Chinese Taipei, Liechtenstein and Thailand also report their ODA statistics to the OECD. Both Liechtenstein and Thailand increased their aid flows in 2010: **Liechtenstein** disbursed USD 26.6 million in gross ODA, up slightly from USD 26.3 million in 2009; **Thailand** provided USD 45.3 million, up from USD 40.2 million in 2009 (still significantly less than the high of USD 178.5 million in 2008). **Chinese Taipei's** gross ODA contributions decreased in 2010 to USD 380.9 million, down from USD 411.4 million in the previous year. These three countries provide most of their development assistance bilaterally: 86% for Chinese Taipei, 82% for Liechtenstein and 69% for Thailand.

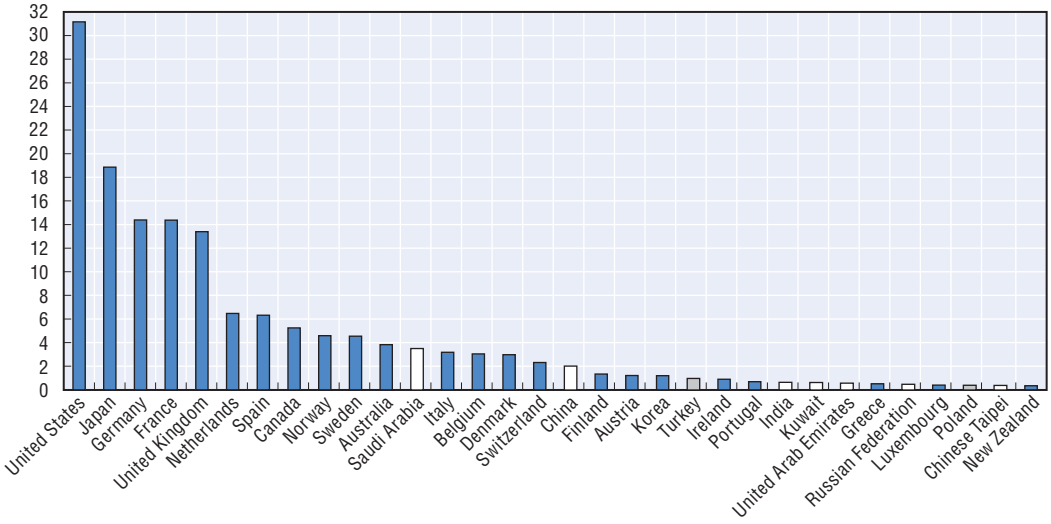
ODA flows for countries that do not report to the DAC

The DAC also estimated the development co-operation flows provided by Brazil, China, India and South Africa in 2010, even though these countries do not provide their data to the DAC.

Information and data on **Brazil's** south-south development co-operation programme for 2010 are not yet available. However, according to a recent study conducted by the Brazilian government, Brazil's development co-operation reached USD 362.2 million

Figure V.33. **Countries' concessional financing for development ("ODA-like" flows), 2010**

Gross disbursements, current USD billions



Notes: Blue: OECD countries; grey: major OECD non-DAC countries; white: selected non-OECD countries.

Source: OECD/DAC Statistics plus Secretariat estimates for China, India and South Africa from national annual reports.

StatLink http://dx.doi.org/10.1787/888932700941

in 2009, up from USD 336.8 million in 2008 (IPEA and ABC, 2010). These figures only cover grants provided by the federal government and do not include loans (interest-free and concessional), debt relief or co-operation provided by state and local governments. Therefore, the volume of Brazilian gross development co-operation is probably higher than the current estimate. According to the government's report, more than 68% of Brazil's development co-operation was provided to multilateral organisations in 2009, while 14% was delivered via technical co-operation, 12% for support to humanitarian assistance and 6% for scholarships to foreign students in Brazil (IPEA and ABC, 2010). Once focused on its Latin American neighbours and Portuguese-speaking countries, Brazil's development co-operation is increasingly reaching out to other African partners such as Ghana.

In its White Paper, *China's Foreign Aid*, published in 2011, the **Chinese** government stated that it had provided RMB 256.3 billion (approximately USD 37.9 billion) in foreign aid from 1950 to 2009 (GoC, 2011a). This figure includes grants (41%), interest-free loans (30%) and subsidies for concessional loans (29%). In terms of gross annual disbursements, China's development co-operation in 2010 was USD 2 billion, according to China's 2011 Expenditure Budget for Central Level Government, up from USD 1.9 billion in 2009 (GoC, 2011b). Nevertheless, this estimate excludes the capital of concessional loans and debt relief. If these were included, China's development co-operation would be considerably larger. The DAC is hoping to learn more about China's development co-operation flows and is increasing dialogue with Chinese authorities, notably through the China-DAC Study Group. During 2011, this group concluded its first phase of work, publishing its main findings as *Economic Transformation and Poverty Reduction: How it Happened in China, Helping it Happen in Africa* (OECD, 2011d) (Box V.2).

According to the annual report of the **Indian** Ministry of External Affairs, the country's development co-operation and loan programme amounted to USD 639.1 million in the

Box V.2. **Economic transformation and poverty reduction: How it happened in China, helping it happen in Africa**

The lessons from China's economic transformation and poverty reduction have been attracting much interest from other developing countries and the international development community more broadly. In response to this interest for an exchange of perspectives and experiences, the China-DAC Study Group was jointly set up by the International Poverty Reduction Center in China (IPRCC) and the OECD's Development Assistance Committee (DAC) in 2009.

During 2009-11, the Study Group organised a series of international events on important topics related to China's growth and poverty reduction experience, including development partnerships, agriculture, infrastructure and the enabling environment for enterprise development. More than 500 people – including academics, researchers, officials and development practitioners – from China, Africa and OECD-DAC member countries participated in these events, which were held alternatively in China and Africa. While there was no attempt to derive a new consensus during these discussions, the Study Group identified two main points that merit highlighting:

- **China's economic transformation contributed greatly to its poverty reduction.** The process of reform and opening up was based on experimentation, monitoring and the scaling up of successful models. It is this continual process of learning and innovation, including the explicit effort to draw on advanced international practice, that has driven China's transformation. This involved positioning the roles of government and market, and absorbing lessons by promoting learning institutions and incentivising human talent. China continually identifies and confronts weaknesses and emerging new challenges, such as the major rebalancing of its economy, unsustainable development and the challenges of globalisation, environmental issues and climate change. This is reflected in its 12th Five-Year Plan which makes these key reference points for public policy.
- **There is common interest among Africans, Chinese and OECD-DAC countries in the emergence of well-functioning economies and states in Africa to encourage the participation of people in the development process.** Rapid poverty reduction and rising middle classes will furnish the essential human capital for fast, learning-based development in the 21st century. This is the basic project of African nations and people themselves, through the African Union and through the whole range of African institutions and processes. This, and the evolution of accountable governments, is steadily constructing the policy basis for economic transformation across the African continent. As in the case of China, international assistance can support and speed up Africa's economic transformation and poverty reduction process.

2010-11 fiscal year, up from USD 488 million in 2009-10 (GoI, 2011). The Department of Economic Affairs of the Ministry of Finance manages India's concessional programme which is implemented by the Export Import (EXIM) Bank. In February 2012, India's EXIM Bank reported 153 operative lines of credit, most of which finance specific infrastructure projects in developing countries delivered by Indian companies in sectors such as electricity, energy, irrigation and transport (Indian EXIM Bank, 2012). The Technical and Economic Co-operation Division of the Ministry of External Affairs is in charge of technical co-operation. Through its International Technical and Economic Co-operation (ITEC) programme, India trains thousands of individuals from more than 150 countries in areas as diverse as information technology,

education and enterprise development (GoI, 2011). India channels most of its development co-operation budget to its neighbouring countries, including Bhutan, Bangladesh, Nepal, Sri Lanka, Myanmar and the Maldives. Nevertheless, Africa is attracting increasing volumes of Indian development co-operation. At the second India-Africa Forum Summit in May 2011, India's Prime Minister announced a new credit line of USD 300 million for the Djibouti-Ethiopia Railway. Two important documents reaffirming India's commitment to enhance collaboration with African countries were adopted during the summit: the *Africa-India Framework for Enhanced Co-operation* and the *Addis Ababa Declaration*.[9]

South Africa's development co-operation flows decreased to USD 98.4 million in the 2010-11 fiscal year, down from USD 119.5 million in 2009-10 (South African National Treasury, 2011). Its bilateral co-operation is mainly channelled through its African Renaissance and International Co-operation Fund. South Africa announced the establishment of a new development co-operation agency in 2011 – the South African Development Partnership Agency – which will subsume the Renaissance Fund and improve co-ordination of different development co-operation activities and instruments. The new agency will focus on creating the political, economic and social space to fight poverty, underdevelopment and marginalisation of Africa and the south, working through bilateral, trilateral and multilateral partnerships. It will draw on South Africa's strengths in facilitating and sustaining peace and security, supporting elections and promoting infrastructure development.

Private development flows

In addition to the bilateral donors mentioned above, some private donors also deliver significant amounts of concessional financing for development. At present, the **Bill & Melinda Gates Foundation** is the only private entity reporting to the OECD. In 2010, the Foundation's Global Health team disbursed USD 1.6 billion in grants to improve health in developing countries, down slightly from USD 1.8 billion in 2009. This includes support for vaccines, polio, HIV/AIDS, malaria, pneumonia, tuberculosis (TB), diarrhoeal diseases, other infectious diseases, family planning, nutrition and maternal, newborn and child health. This made the Gates Foundation the third largest international donor to health after the United States and the Global Fund to Fight AIDS, Tuberculosis and Malaria. Many of the Gates Foundation's expenditures on global health are focused on research and development of vaccines, drugs and diagnostics, the benefits of which could be shared globally. Thus, 50% of its global health spending in 2010 was made at the global level and not allocated to one region or country. Nevertheless, the Gates Foundation also invests in improving access to proven tools for addressing health problems with a major impact in developing countries. This work mostly involves contributions to countries in Africa and Asia. Five countries received disbursements exceeding USD 10 million in 2010, namely India (USD 78 million), Malawi (USD 20.9 million), Uganda (USD 11.5 million), China (USD 11.2 million) and Bangladesh (USD 10.5 million).

As the authoritative source on development co-operation statistics, the DAC is working to develop a more comprehensive picture of global aid flows that includes information on major providers of development co-operation. The DAC hopes that all countries with significant development co-operation programmes and large private entities will begin providing information on their financial flows in the near future. This will not only allow them to receive recognition for their important efforts, but will also help to foster more informed decision making among donors and partner countries alike.

Notes

1. A summary of the strategy is available at *www.oecd.org/dataoecd/60/5/49102914.pdf* and the full text is available at: *www.oecd.org/officialdocuments/displaydocumentpdf/?cote=DCD/DAC(2011)36/FINAL&doclanguage=en*.
2. The full text is available at *www.oecd.org/dataoecd/54/15/49650173.pdf*.
3. *i) Footnote by Turkey:* "The information in this document with reference to 'Cyprus' relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the 'Cyprus issue'." *ii) Footnote by all the European Union member states of the OECD and the European Commission:* "The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus."
4. The figures in this section are presented on a gross disbursement basis to make them more comparable with the estimates of the development co-operation efforts of Brazil, Russia, India and China and South Africa, for which data on loan repayments are not available.
5. At the time this report was drafted, there was no 2010 estimate for Brazil's development co-operation flows.
6. More information available at: *www.oecd.org/dac/arabanddacdonorsdeepenpartnership.htm*.
7. *www.minfin.ru/common/img/uploaded/library/2007/06/concept_eng.pdf*.
8. See endnote 3.
9. Both documents are accessible at : *www.au.int/en/summit/documents/AfricaIndia*.

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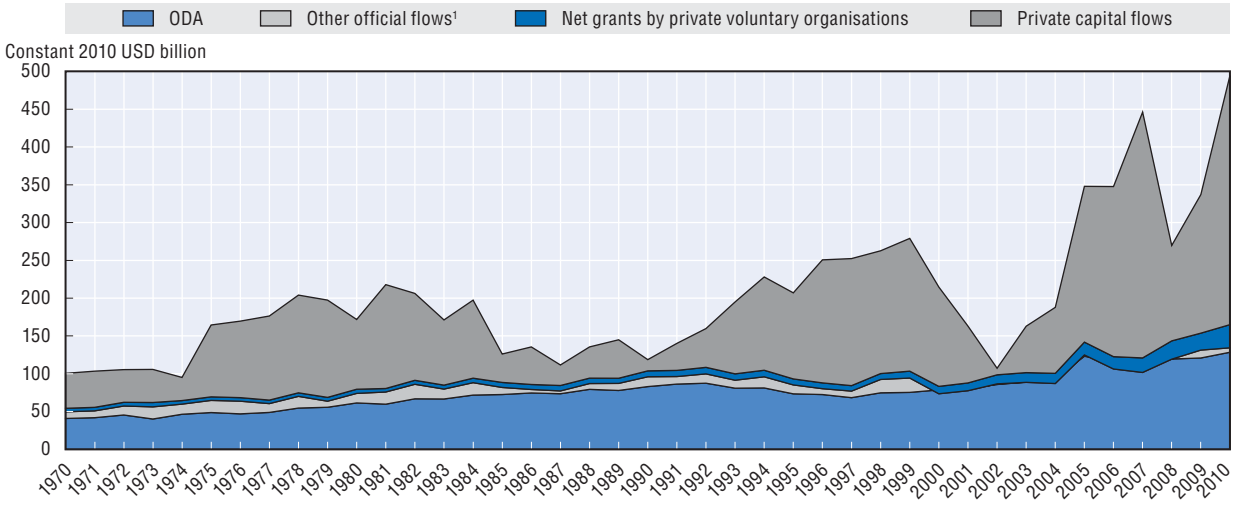
Statistical annex

Figure A.1. **DAC members' total net resource flows to developing countries, 1970-2010**



1. Net OOF flows were negative in 2000-01, 2003-04 and 2006-08.

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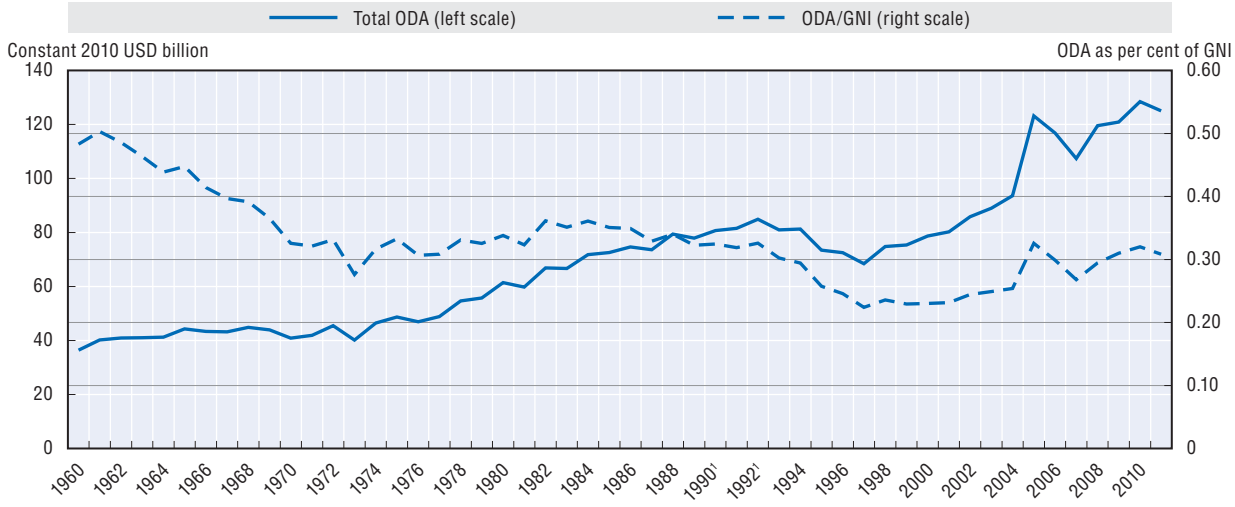
Figure A.2. **Net official development assistance, 1960-2011**



1. Total DAC excludes debt forgiveness of non-ODA claims in 1990, 1991 and 1992.

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Figure A.3. **Donor shares of net official development assistance, 1970-2010**

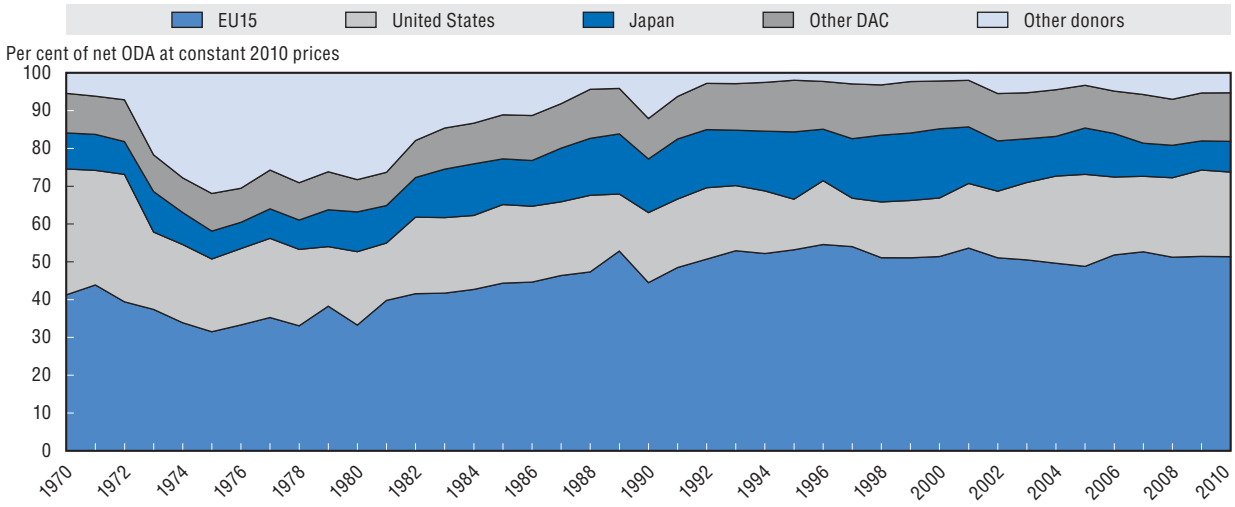

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Figure A.4. **Trends in sector-specific aid, 1971-2010**

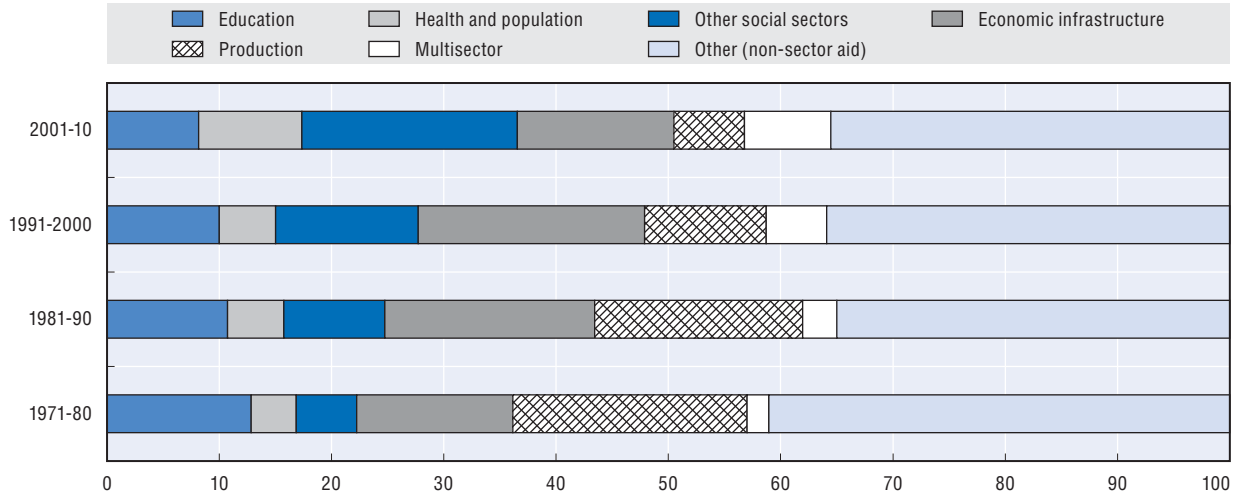

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Table A.1. **DAC members' net official development assistance in 2011**

Preliminary data for 2011

	2011		2010		Per cent change
	ODA	ODA/GNI	ODA	ODA/GNI	2010 to 2011 in real terms[1]
	USD million current	%	USD million current	%	
Australia	4 799	0.35	3 826	0.32	5.7
Austria	1 107	0.27	1 208	0.32	–14.3
Belgium	2 800	0.53	3 004	0.64	–13.3
Canada	5 291	0.31	5 209	0.34	–5.3
Denmark	2 981	0.86	2 871	0.91	–2.4
Finland	1 409	0.52	1 333	0.55	–4.3
France	12 994	0.46	12 915	0.50	–5.6
Germany	14 533	0.40	12 985	0.39	5.9
Greece	331	0.11	508	0.17	–39.3
Ireland	904	0.52	895	0.52	–3.1
Italy	4 241	0.19	2 996	0.15	33.0
Japan	10 604	0.18	11 021	0.20	–10.8
Korea	1 321	0.12	1 174	0.12	5.8
Luxembourg	413	0.99	403	1.05	–5.4
Netherlands	6 324	0.75	6 357	0.81	–6.4
New Zealand	429	0.28	342	0.26	10.7
Norway	4 936	1.00	4 580	1.10	–8.3
Portugal	669	0.29	649	0.29	–3.0
Spain	4 264	0.29	5 949	0.43	–32.7
Sweden	5 606	1.02	4 533	0.97	10.5
Switzerland	3 086	0.46	2 300	0.40	13.2
United Kingdom	13 739	0.56	13 053	0.57	–0.8
United States	30 745	0.20	30 353	0.21	–0.9
TOTAL DAC	**133 526**	**0.31**	**128 465**	**0.32**	**–2.7**
Average country effort		0.46		0.49	
Memo Items:					
EU institutions	12 627		12 679		–6.4
DAC-EU countries	72 315	0.45	69 661	0.46	–2.7
G7 countries	92 148	0.27	88 533	0.28	–0.9
Non-G7 countries	41 378	0.46	39 933	0.49	–6.5

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

StatLink http://dx.doi.org/10.1787/888932701036

Table A.2. **Total net flows from DAC countries by type of flow**

Net disbursements at current prices and exchange rates

	USD million							Per cent of total							
	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	
I. Official development assistance	58 928	53 756	104 814	104 206	121 954	119 778	128 465	35	33	34	24	44	36	26	**I. Official development assistance**
1. Bilateral ODA	40 790	37 085	77 268	73 379	86 805	83 665	90 760	24	23	25	17	31	25	18	1. Bilateral ODA
of which:															*of which:*
General budget support	. .	. .	2 090	2 575	2 915	2 723	1 400	. .	. .	1	1	1	1	0	General budget support
Core support to national NGOs	1 013	1 176	2 042	2 183	2 517	2 130	1 568	1	1	1	1	1	1	0	Core support to national NGOs
Investment projects	4 477	7 274	6 431	4 290	8 320	10 568	10 965	3	4	2	1	3	3	2	Investment projects
Debt relief grants	3 102	1 865	18 874	8 983	8 834	1 709	3 666	2	1	6	2	3	1	1	Debt relief grants
Administrative costs	2 758	3 080	4 275	4 650	5 399	5 295	5 976	2	2	1	1	2	2	1	Administrative costs
Other in-donor expenditures[1]	951	1 135	2 094	2 196	2 833	3 496	3 924	1	1	1	1	1	1	1	Other in-donor expenditures[1]
2. Contributions to multilateral institutions	18 138	16 671	27 546	30 828	35 149	36 113	37 705	11	10	9	7	13	11	8	2. Contributions to multilateral institutions
of which:															*of which:*
UN	4 324	4 500	5 287	5 872	5 870	6 202	6 557	3	3	2	1	2	2	1	UN
EU	5 022	4 974	9 877	11 714	13 039	13 789	13 154	3	3	3	3	5	4	3	EU
IDA	5 025	3 310	6 784	5 691	8 150	7 175	8 059	3	2	2	1	3	2	2	IDA
Regional development banks	1 952	2 029	2 509	2 408	3 208	3 105	3 143	1	1	1	1	1	1	1	Regional development banks
II. Other official flows	11 114	5 067	–9 822	–5 491	–55	10 119	5 878	7	3	–3	–1	–0	3	1	**II. Other official flows**
1. Bilateral	9 799	4 662	–9 528	–5 957	–643	8 050	5 393	6	3	–3	–1	–0	2	1	1. Bilateral
2. Multilateral	1 315	405	–294	466	588	2 069	485	1	0	–0	0	0	1	0	2. Multilateral
III. Private flows at market terms	91 408	97 582	202 108	318 626	129 921	181 860	329 434	55	60	65	73	47	54	67	**III. Private flows at market terms**
1. Direct investment	51 555	83 540	135 272	185 059	186 909	116 442	164 104	31	51	43	42	68	35	33	1. Direct investment
2. Bilateral portfolio investment	34 826	13 996	60 910	130 122	–53 573	44 199	144 402	21	9	20	30	–19	13	29	2. Bilateral portfolio investment
3. Multilateral portfolio investment	–1 904	–4 578	2 789	–9 737	–9 986	18 767	–6 150	–1	–3	1	–2	–4	6	–1	3. Multilateral portfolio investment
4. Export credits	6 931	4 624	3 137	13 182	6 571	2 452	27 078	4	3	1	3	2	1	5	4. Export credits
IV. Net grants by NGOs	6 010	6 850	14 749	18 352	23 787	22 047	30 639	4	4	5	4	9	7	6	**IV. Net grants by NGOs**
TOTAL NET FLOWS	**167 460**	**163 255**	**311 849**	**435 693**	**275 607**	**333 804**	**494 416**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**TOTAL NET FLOWS**
Total net flows at 2010 prices and exchange rates[2]	**219 846**	**233 179**	**347 460**	**448 861**	**270 116**	**336 903**	**494 416**								

1. Includes development awareness and refugees in donor countries.
2. Deflated by the total DAC deflator.

Source of private flows: DAC members' reporting to the annual DAC Questionnaire on Total Official and Private Flows.

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Table A.3. **Total net flows by DAC country**

Net disbursements at current prices and exchange rates

	USD million							Per cent of GNI							
	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	
Australia	2 336	2 002	9 003	10 249	3 828	3 133	14 531	0.70	0.53	1.25	1.24	0.41	0.33	1.23	Australia
Austria	893	1 588	3 455	20 405	10 831	3 273	4 830	0.42	0.81	1.08	5.62	2.71	0.87	1.29	Austria
Belgium	971	3 904	5 308	3 818	4 425	3 224	7 896	0.39	1.63	1.34	0.83	0.89	0.68	1.68	Belgium
Canada	5 680	6 737	14 233	17 161	24 069	7 340	22 636	1.06	1.04	1.14	1.22	1.63	0.56	1.46	Canada
Denmark	1 559	2 084	2 686	4 807	5 150	3 757	4 794	1.01	1.27	0.96	1.51	1.50	1.18	1.52	Denmark
Finland	578	972	1 413	2 149	–222	3 185	4 312	0.53	0.79	0.67	0.86	–0.08	1.34	1.78	Finland
France	12 597	7 359	22 329	43 126	40 641	38 420	35 198	0.86	0.52	0.99	1.66	1.44	1.43	1.35	France
Germany	22 572	16 168	25 992	36 739	35 727	29 130	31 197	1.00	0.82	0.89	1.10	0.98	0.86	0.93	Germany
Greece	. .	212	2 896	3 391	1 166	850	761	. .	0.18	1.18	1.10	0.35	0.26	0.26	Greece
Ireland	223	496	5 237	5 840	6 101	4 188	2 695	0.46	0.63	2.77	2.70	2.71	2.27	1.57	Ireland
Italy	3 110	11 092	5 512	4 422	5 581	5 569	9 608	0.30	0.99	0.30	0.21	0.25	0.27	0.47	Italy
Japan	35 391	14 528	26 179	30 333	31 805	45 444	48 076	0.71	0.31	0.58	0.67	0.63	0.88	0.86	Japan
Korea	1 996	389	6 514	11 582	10 700	6 442	11 834	0.43	0.08	0.73	1.19	1.14	0.77	1.17	Korea
Luxembourg	68	127	299	384	426	428	411	0.42	0.71	0.91	0.94	0.99	1.08	1.07	Luxembourg
Netherlands	5 724	7 466	28 616	18 142	–14 022	6 045	13 013	1.57	1.94	4.23	2.35	–1.61	0.77	1.67	Netherlands
New Zealand	146	153	338	404	433	387	426	0.29	0.32	0.35	0.34	0.38	0.35	0.32	New Zealand
Norway	1 575	1 748	5 459	6 377	3 759	4 977	4 589	1.25	1.09	1.64	1.63	0.83	1.29	1.10	Norway
Portugal	332	3 539	666	2 215	1 528	–1 060	162	0.35	3.35	0.36	1.03	0.67	–0.48	0.07	Portugal
Spain	2 778	26 250	11 146	21 662	30 087	12 812	10 340	0.54	4.59	0.92	1.55	1.96	0.89	0.74	Spain
Sweden	2 297	3 422	4 175	6 911	5 896	7 164	5 127	1.12	1.49	1.08	1.49	1.22	1.77	1.10	Sweden
Switzerland	598	2 561	12 555	5 825	12 141	9 106	21 968	0.20	0.96	2.98	1.33	2.63	1.77	3.86	Switzerland
United Kingdom	12 673	12 764	26 941	49 887	41 878	24 713	25 632	1.17	0.89	1.11	1.80	1.57	1.11	1.12	United Kingdom
United States	53 361	37 695	90 897	129 862	13 678	115 276	214 378	0.75	0.39	0.69	0.93	0.09	0.82	1.46	United States
TOTAL DAC	**167 460**	**163 255**	**311 849**	**435 693**	**275 607**	**333 804**	**494 416**	**0.77**	**0.67**	**0.89**	**1.14**	**0.68**	**0.87**	**1.23**	**TOTAL DAC**
of which:															*of which:*
DAC-EU countries	66 377	97 442	146 670	223 898	175 193	141 699	155 976	0.85	1.19	1.08	1.43	1.05	0.93	1.04	DAC-EU countries

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Table A.4. **Net official development assistance by DAC country**

Net disbursements at current prices and exchange rates

	USD million							Per cent of GNI							
	1995-96 average	2000-01 average	2007	2008	2009	2010	2011 preliminary	1995-96 average	2000-01 average	2007	2008	2009	2010	2011 preliminary	
Australia	1 134	930	2 669	2 954	2 762	3 826	4 799	0.31	0.26	0.32	0.32	0.29	0.32	0.35	Australia
Austria	573	536	1 808	1 714	1 142	1 208	1 107	0.25	0.29	0.50	0.43	0.30	0.32	0.27	Austria
Belgium	974	843	1 951	2 386	2 610	3 004	2 800	0.36	0.36	0.43	0.48	0.55	0.64	0.53	Belgium
Canada	1 931	1 638	4 080	4 795	4 000	5 209	5 291	0.35	0.24	0.29	0.33	0.30	0.34	0.31	Canada
Denmark	1 698	1 649	2 562	2 803	2 810	2 871	2 981	1.00	1.05	0.81	0.82	0.88	0.91	0.86	Denmark
Finland	398	380	981	1 166	1 290	1 333	1 409	0.32	0.32	0.39	0.44	0.54	0.55	0.52	Finland
France	7 947	4 151	9 884	10 908	12 602	12 915	12 994	0.51	0.31	0.38	0.39	0.47	0.50	0.46	France
Germany	7 562	5 010	12 291	13 981	12 079	12 985	14 533	0.31	0.27	0.37	0.38	0.35	0.39	0.40	Germany
Greece	184	214	501	703	607	508	331	0.15	0.19	0.16	0.21	0.19	0.17	0.11	Greece
Ireland	166	260	1 192	1 328	1 006	895	904	0.30	0.31	0.55	0.59	0.54	0.52	0.52	Ireland
Italy	2 019	1 502	3 971	4 861	3 297	2 996	4 241	0.18	0.14	0.19	0.22	0.16	0.15	0.19	Italy
Japan	11 964	11 677	7 697	9 601	9 457	11 021	10 604	0.24	0.26	0.17	0.19	0.18	0.20	0.18	Japan
Korea	138	238	696	802	816	1 174	1 321	0.03	0.05	0.07	0.09	0.10	0.12	0.12	Korea
Luxembourg	74	131	376	415	415	403	413	0.40	0.74	0.92	0.97	1.04	1.05	0.99	Luxembourg
Netherlands	3 236	3 154	6 224	6 993	6 426	6 357	6 324	0.81	0.83	0.81	0.80	0.82	0.81	0.75	Netherlands
New Zealand	122	112	320	348	309	342	429	0.22	0.25	0.27	0.30	0.28	0.26	0.28	New Zealand
Norway	1 278	1 305	3 735	4 006	4 081	4 580	4 936	0.85	0.78	0.95	0.89	1.06	1.10	1.00	Norway
Portugal	238	270	471	620	513	649	669	0.23	0.26	0.22	0.27	0.23	0.29	0.29	Portugal
Spain	1 300	1 466	5 140	6 867	6 584	5 949	4 264	0.23	0.26	0.37	0.45	0.46	0.43	0.29	Spain
Sweden	1 851	1 732	4 339	4 732	4 548	4 533	5 606	0.80	0.78	0.93	0.98	1.12	0.97	1.02	Sweden
Switzerland	1 055	899	1 685	2 038	2 310	2 300	3 086	0.34	0.34	0.38	0.44	0.45	0.40	0.46	Switzerland
United Kingdom	3 200	4 534	9 849	11 500	11 283	13 053	13 739	0.28	0.32	0.36	0.43	0.51	0.57	0.56	United Kingdom
United States	8 372	10 692	21 787	26 437	28 831	30 353	30 745	0.11	0.11	0.16	0.18	0.21	0.21	0.20	United States
TOTAL DAC	**57 415**	**53 324**	**104 206**	**121 954**	**119 778**	**128 465**	**133 526**	**0.25**	**0.22**	**0.27**	**0.30**	**0.31**	**0.32**	**0.31**	**TOTAL DAC**
of which:															*of which:*
DAC-EU countries	31 329	25 832	61 538	70 974	67 211	69 661	72 315	0.37	0.33	0.39	0.43	0.44	0.46	0.45	DAC-EU countries
								0.37	0.38	0.43	0.46	0.48	0.49	0.46	*Memo:* Average country effort

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Table A.5. **Total net private flows[1] by DAC country**

Net disbursements at current prices and exchange rates

	USD million							Per cent of GNI							
	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	
Australia	1 040	331	6 074	6 948	314	. .	9 511	0.31	0.09	0.84	0.84	0.03	. .	0.80	Australia
Austria	139	947	2 285	19 099	8 878	2 035	3 609	0.07	0.48	0.72	5.26	2.22	0.54	0.96	Austria
Belgium	–444	3 080	3 514	1 686	1 816	147	4 530	–0.18	1.28	0.89	0.37	0.36	0.03	0.96	Belgium
Canada	2 720	4 552	9 093	11 731	16 184	3 140	14 124	0.51	0.70	0.73	0.83	1.10	0.24	0.91	Canada
Denmark	–49	446	454	2 242	2 303	599	1 779	–0.03	0.27	0.16	0.71	0.67	0.19	0.56	Denmark
Finland	100	503	553	1 051	–1 422	1 741	2 922	0.09	0.41	0.26	0.42	–0.53	0.73	1.21	Finland
France	3 774	2 481	14 069	34 422	29 962	25 524	22 856	0.26	0.18	0.62	1.32	1.06	0.95	0.88	France
Germany	12 146	10 295	19 938	25 702	20 583	15 495	17 156	0.54	0.52	0.68	0.77	0.56	0.46	0.51	Germany
Greece	. .	. .	2 454	2 880	460	241	243	. .	. .	1.00	0.93	0.14	0.08	0.08	Greece
Ireland	43	208	3 877	4 329	4 500	3 000	1 500	0.09	0.26	2.05	2.00	2.00	1.62	0.88	Ireland
Italy	44	9 511	2 705	649	207	2 181	6 612	0.00	0.85	0.15	0.03	0.01	0.10	0.33	Italy
Japan	16 927	–786	12 290	21 979	23 738	27 217	32 837	0.34	–0.02	0.27	0.49	0.47	0.53	0.59	Japan
Korea	1 084	605	4 934	9 827	7 863	5 018	8 716	0.23	0.13	0.56	1.01	0.84	0.60	0.86	Korea
Luxembourg	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	. .	Luxembourg
Netherlands	2 473	4 025	22 544	11 575	–21 345	–923	5 999	0.68	1.04	3.33	1.50	–2.46	–0.12	0.77	Netherlands
New Zealand	13	17	24	26	29	24	26	0.03	0.04	0.02	0.02	0.03	0.02	0.02	New Zealand
Norway	275	258	2 509	2 638	–247	895	9	0.22	0.16	0.75	0.67	–0.05	0.23	0.00	Norway
Portugal	–168	3 174	286	1 980	906	–1 577	–492	–0.18	3.00	0.15	0.92	0.39	–0.72	–0.22	Portugal
Spain	1 628	24 964	7 333	16 516	23 220	6 225	4 391	0.32	4.36	0.61	1.18	1.51	0.43	0.32	Spain
Sweden	450	1 659	210	2 541	1 108	2 473	372	0.22	0.72	0.05	0.55	0.23	0.61	0.08	Sweden
Switzerland	–612	1 530	10 490	3 847	9 705	6 438	19 255	–0.21	0.57	2.49	0.88	2.10	1.25	3.39	Switzerland
United Kingdom	8 840	8 340	14 127	39 414	29 938	12 798	12 246	0.82	0.58	0.58	1.42	1.12	0.58	0.54	United Kingdom
United States	40 986	21 442	62 345	97 545	–28 781	69 168	161 234	0.58	0.22	0.47	0.70	–0.20	0.49	1.10	United States
TOTAL DAC	**91 408**	**97 582**	**202 108**	**318 626**	**129 921**	**181 860**	**329 434**	**0.42**	**0.40**	**0.58**	**0.83**	**0.32**	**0.47**	**0.82**	**TOTAL DAC**
of which:															*of which:*
DAC-EU countries	26 873	28 730	82 708	123 207	66 255	64 220	106 038	0.28	0.29	0.62	0.83	0.41	0.41	0.65	DAC-EU countries

1. Excluding grants by NGOs.

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Table A.6. **Official development finance to developing countries**

Constant 2010 USD billion

	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
OFFICIAL DEVELOPMENT FINANCE (ODF)	**97.4**	**110.8**	**115.3**	**89.1**	**84.0**	**92.5**	**96.6**	**89.8**	**90.2**	**136.8**	**121.5**	**127.2**	**145.8**	**169.7**	**168.0**	**OFFICIAL DEVELOPMENT FINANCE (ODF)**
1. Official development assistance (ODA)	80.9	81.1	89.7	74.0	73.3	80.5	91.1	92.0	94.2	124.1	119.6	112.1	125.3	127.9	130.7	1. Official development assistance (ODA)
of which: Bilateral donors[1]	62.9	60.6	70.2	51.5	53.6	54.5	64.2	68.5	68.0	98.1	91.1	82.1	93.8	90.6	96.2	*of which:* Bilateral donors[1]
Multilateral organisations	18.0	20.6	19.5	22.4	19.7	26.0	26.9	23.4	26.1	26.0	28.4	30.0	31.5	37.4	34.5	Multilateral organisations
2. Other ODF	16.5	29.7	25.5	15.2	10.7	12.0	5.5	–2.2	–3.9	12.6	2.0	15.2	20.5	41.7	37.2	2. Other ODF
of which: Bilateral donors[1]	5.3	10.1	10.0	10.9	–2.2	–0.5	8.4	5.6	0.4	12.0	3.3	1.3	1.8	10.4	5.6	*of which:* Bilateral donors[1]
Multilateral organisations	11.2	19.6	15.5	4.3	12.9	12.5	–2.9	–7.7	–4.4	0.6	–1.3	13.9	18.7	31.3	31.6	Multilateral organisations
For cross reference																**For cross reference**
Total DAC net ODA[2]	61.4	72.6	83.0	73.5	78.7	80.2	85.8	89.0	93.6	123.2	116.8	107.4	119.5	120.9	128.5	Total DAC net ODA[2]
of which: Bilateral grants	31.4	41.5	49.7	46.5	49.3	51.3	58.2	65.3	67.4	95.4	88.6	78.4	87.0	82.4	87.3	*of which:* Bilateral grants

1. Bilateral flows from DAC countries and non-DAC countries (see Table A.12 for the list of non-DAC countries for which data are available).
2. Comprises bilateral ODA, as above, plus contributions to multilateral organisations in place of ODA disbursements from multilateral organisations as shown above.

StatLink http://dx.doi.org/10.1787/888932701131

Table A.7. **ODA by individual DAC countries at 2010 prices and exchange rates**

Net disbursements — USD million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (p)
Australia	2 263	2 283	2 316	2 466	2 993	3 249	3 430	3 415	3 826	4 044
Austria	833	667	800	1 822	1 686	1 830	1 614	1 104	1 208	1 036
Belgium	1 770	2 503	1 757	2 304	2 246	1 986	2 256	2 527	3 004	2 605
Canada	3 745	3 276	3 776	4 920	4 399	4 472	5 053	4 561	5 209	4 930
Denmark	2 777	2 424	2 513	2 533	2 606	2 674	2 675	2 764	2 871	2 803
Finland	706	716	789	1 042	946	991	1 093	1 232	1 333	1 275
France	8 868	9 588	10 019	11 630	11 920	9 933	10 146	12 083	12 915	12 195
Germany	8 044	8 457	8 451	11 234	11 477	12 197	13 066	11 557	12 985	13 746
Greece	496	522	409	476	507	531	675	587	508	308
Ireland	582	596	640	735	998	1 055	1 141	933	895	867
Italy	3 855	3 253	2 923	5 935	4 132	4 036	4 573	3 148	2 996	3 987
Japan	12 079	10 870	10 298	15 621	14 138	9 964	11 030	9 841	11 021	9 829
Korea	365	440	475	751	423	618	827	933	1 174	1 242
Luxembourg	282	293	319	331	349	398	400	414	403	381
Netherlands	5 282	5 131	4 903	5 821	6 037	6 205	6 479	6 192	6 357	5 950
New Zealand	235	250	270	321	321	337	374	366	342	379
Norway	3 244	3 365	3 273	3 659	3 540	4 004	3 812	4 524	4 580	4 197
Portugal	537	431	1 234	440	446	470	579	493	649	630
Spain	3 010	2 761	2 999	3 558	4 275	5 115	6 336	6 288	5 949	4 007
Sweden	3 126	3 050	3 120	3 884	4 434	4 344	4 533	4 891	4 533	5 008
Switzerland	1 531	1 813	1 981	2 274	2 083	1 991	2 148	2 403	2 300	2 604
United Kingdom	6 190	7 059	7 748	10 415	11 527	8 193	10 260	11 470	13 053	12 951
United States	15 999	19 242	22 597	31 005	25 301	22 764	27 023	29 163	30 353	30 086
TOTAL DAC	**85 820**	**88 993**	**93 608**	**123 175**	**116 783**	**107 356**	**119 525**	**120 890**	**128 465**	**125 060**
of which:										
DAC-EU countries	46 359	47 453	48 622	62 159	63 586	59 958	65 827	65 684	69 661	67 748
Memo:										
Total DAC at current prices and exchange rates	**58 575**	**69 432**	**79 854**	**107 838**	**104 814**	**104 206**	**121 954**	**119 778**	**128 465**	**133 526**

(p) Preliminary data.

StatLink http://dx.doi.org/10.1787/888932701150

Table A.8. **ODA from DAC countries to multilateral organisations[1] in 2010**

Net disbursements — USD million

	Total	World Bank Group	*of which:* IDA	Regional dev. banks	*of which:* African Dev. Bank	*of which:* Asian Dev. Bank	United Nations agencies	*of which:* IFAD	*of which:* UNDP	*of which:* WFP	*of which:* UNICEF	*of which:* UNHCR	EU	*of which:* EDF	Other multilateral	*of which:* IMF[2]	*of which:* GAVI	*of which:* Global Fund	
Australia	585	202	156	94	5	89	163	–	17	32	23	13	–	–	126	28	9	43	Australia
Austria	596	151	151	56	43	11	52	15	10	0	2	1	325	131	12	6	–	–	Austria
Belgium	952	151	141	39	35	2	146	9	26	–	25	11	546	194	70	–	–	28	Belgium
Canada	1 282	423	423	168	98	46	281	61	49	18	17	14	–	–	411	39	–	184	Canada
Denmark	762	98	93	47	31	16	276	4	63	33	32	23	252	102	89	5	6	31	Denmark
Finland	494	74	74	35	26	9	145	4	25	8	21	9	200	73	40	7	–	5	Finland
France	5 128	872	600	210	175	32	255	15	24	–	13	20	2 661	1 204	1 132	327	28	398	France
Germany	4 950	763	763	299	205	75	371	21	30	31	9	11	2 926	1 157	591	–	–	270	Germany
Greece	296	–	–	1	–	–	13	–	–	–	0	1	278	62	4	–	–	–	Greece
Ireland	310	26	24	12	–	12	87	3	12	13	11	8	164	29	21	–	4	12	Ireland
Italy	2 237	439	386	6	5	–	170	45	4	13	11	6	1 557	416	65	–	–	–	Italy
Japan	3 684	1 931	1 378	924	182	719	518	–	75	7	16	16	–	–	311	32	–	247	Japan
Korea	273	111	79	67	14	43	77	2	6	0	3	3	–	–	18	4	0	2	Korea
Luxembourg	141	27	18	6	0	3	61	1	11	5	7	2	36	13	11	1	1	1	Luxembourg
Netherlands	1 713	181	74	92	0	–	672	24	163	53	92	56	610	259	158	–	25	82	Netherlands
New Zealand	71	12	12	–	–	–	36	–	6	–	4	4	–	–	24	–	–	1	New Zealand
Norway	1 019	147	147	95	83	12	577	13	127	24	74	54	–	–	200	–	81	62	Norway
Portugal	253	21	21	28	16	6	14	–	2	–	0	2	185	45	5	–	–	1	Portugal
Spain	1 951	272	269	165	57	40	287	–	49	24	32	14	1 012	268	214	–	3	136	Spain
Sweden	1 618	299	299	25	6	15	666	33	87	67	65	89	394	135	234	1	2	69	Sweden
Switzerland	588	271	271	68	56	13	168	7	52	2	19	11	–	–	80	–	–	7	Switzerland
United Kingdom	5 036	1 441	1 420	324	225	67	573	13	85	–	32	29	2 009	656	690	–	21	456	United Kingdom
United States	3 766	1 263	1 263	380	155	–	947	30	101	–	132	–	–	–	1 176	–	78	791	United States
TOTAL DAC	**37 705**	**9 173**	**8 059**	**3 141**	**1 417**	**1 213**	**6 556**	**299**	**1 022**	**330**	**643**	**395**	**13 154**	**4 745**	**5 681**	**450**	**259**	**2 826**	**TOTAL DAC**
of which: DAC-EU countries	26 438	4 815	4 332	1 345	825	290	3 789	186	591	247	353	280	13 154	4 745	3 335	348	91	1 490	*of which:* DAC-EU countries

1. Unearmarked contributions.
2. IMF PRGT and PRG-HIPC Trust.

StatLink http://dx.doi.org/10.1787/888932701169

Table A.9. **Aid by major purposes in 2010**

Commitments

	Per cent of total bilateral ODA																								*Per cent of total*	
																									Multilateral finance (ODF)	
	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Japan	Korea	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom	United States	TOTAL DAC	EU Institutions	World Bank[4]	Regional dev. banks[5]
Social and administrative infrastructure	50.2	40.6	28.6	40.8	44.7	36.5	29.3	39.6	50.8	54.6	33.0	22.5	50.1	45.4	20.9	50.5	34.7	38.7	35.8	39.0	20.7	43.7	48.2	37.7	39.7	42.0	31.8
Education[1]	8.2	20.8	9.4	9.4	6.6	3.9	17.0	15.4	40.7	10.9	7.8	4.9	17.9	13.4	7.6	21.0	7.4	16.9	8.4	4.1	1.9	9.0	3.5	8.1	6.1	8.5	3.6
of which: Basic education	2.6	0.4	0.9	3.1	1.7	0.9	1.9	1.6	2.9	2.6	1.1	0.5	0.8	2.4	2.6	9.3	4.3	0.2	3.1	3.0	0.6	3.2	2.6	2.1	1.0	3.1	0.8
Health	7.4	8.1	8.5	15.0	1.3	3.8	1.9	2.1	2.9	12.0	7.5	2.2	7.3	13.0	2.8	7.9	3.4	2.7	4.0	4.0	2.9	8.4	4.4	4.3	4.9	7.6	1.7
of which: Basic health	3.1	0.7	3.7	8.3	1.0	1.3	0.8	1.3	0.9	5.6	3.6	1.4	2.8	8.1	1.0	4.2	1.8	0.5	2.4	2.7	1.9	–	4.3	2.5	4.1	3.7	0.8
Population[2]	2.9	0.3	0.5	0.4	2.9	0.3	0.5	1.1	–	4.6	0.8	0.3	0.3	1.9	1.4	1.9	2.1	0.2	1.7	2.6	1.4	6.2	17.8	6.2	1.0	0.8	0.1
Water supply and sanitation	5.3	2.7	2.3	0.5	8.1	9.2	4.6	6.7	0.1	1.7	6.7	11.1	15.6	7.7	2.5	0.6	1.4	0.2	6.6	1.6	2.6	1.9	1.3	4.5	5.0	7.9	4.4
Government and civil society	23.1	7.5	5.6	13.8	22.5	16.5	1.9	13.2	0.2	19.7	6.0	3.0	8.5	5.4	6.3	16.8	18.1	13.9	10.8	24.4	11.7	13.6	17.2	11.9	18.8	8.7	17.8
Other social infrastructure/service	3.2	1.2	2.2	1.7	3.4	2.8	3.5	1.1	7.0	5.9	4.2	1.0	0.5	3.9	0.3	2.3	2.3	4.8	4.4	2.2	0.3	4.8	3.9	2.7	4.0	8.5	4.2
Economic infrastructure	6.2	9.9	10.8	3.0	11.4	8.0	8.8	34.1	8.6	1.2	6.5	47.9	33.7	6.2	3.2	6.6	6.9	19.7	11.1	5.0	7.1	8.1	10.3	17.2	10.1	37.9	41.0
Transport and communications	5.4	2.7	0.7	0.5	4.2	2.5	3.0	4.6	8.5	0.3	4.9	30.0	23.2	0.4	0.2	4.8	0.0	7.9	4.7	1.0	1.6	3.5	4.0	7.5	6.4	13.2	19.5
Energy	0.2	1.3	3.1	0.1	0.8	2.4	4.9	21.4	0.0	0.0	0.4	17.6	10.2	0.5	0.5	0.2	4.8	11.5	2.3	2.0	1.8	1.6	3.6	6.9	2.8	17.4	13.1
Other	0.6	5.9	7.0	2.4	6.4	3.0	0.9	8.2	0.0	0.9	1.2	0.4	0.3	5.3	2.5	1.6	2.1	0.2	4.0	2.0	3.7	3.0	2.7	2.8	0.9	7.3	8.4
Production	7.8	4.4	9.1	15.2	12.6	15.9	7.6	5.4	0.6	9.5	9.5	5.9	5.5	5.7	4.4	5.5	16.4	0.5	15.2	5.8	7.8	6.4	7.1	7.6	11.5	8.1	7.1
Agriculture	7.0	2.4	8.1	12.9	4.7	13.3	3.9	4.2	0.6	9.1	4.0	4.2	5.1	4.0	0.9	2.7	14.3	0.4	13.8	2.8	4.5	1.8	6.2	5.6	8.2	5.2	5.4
Industry, mining and construction	0.4	1.7	0.7	1.8	7.7	1.5	3.7	0.7	–	0.4	5.0	1.1	0.4	0.2	0.0	1.3	1.5	0.1	1.2	1.6	1.8	1.9	0.4	1.3	1.6	2.1	1.2
Trade and tourism	0.4	0.2	0.3	0.5	0.1	1.1	0.0	0.4	–	–	0.4	0.5	0.1	1.4	3.5	1.5	0.7	0.0	0.3	1.3	1.5	2.7	0.5	0.8	1.7	0.7	0.5
Multisector	18.0	5.9	5.0	8.8	9.6	10.5	23.3	9.7	9.1	4.9	8.8	8.7	6.5	8.3	53.2	5.5	10.1	2.2	11.8	8.8	11.6	17.2	6.5	12.8	13.7	9.1	10.9
Programme assistance	1.6	0.7	0.6	0.1	6.2	1.2	4.4	1.7	–	7.2	1.2	5.3	–	1.6	2.1	6.1	5.0	32.6	1.1	4.3	0.8	9.7	2.0	3.4	7.6	0.9	3.2
Action relating to debt[3]	0.2	21.8	26.5	1.5	2.7	–	15.9	1.2	–	0.0	26.5	1.1	0.1	–	0.0	–	0.5	0.8	9.2	–	1.6	2.0	0.1	3.2	0.0	0.0	5.2
Humanitarian aid	10.1	3.7	6.3	13.4	9.1	11.5	0.5	3.4	2.6	13.7	7.5	4.1	1.1	14.0	4.4	8.8	8.6	0.0	7.0	13.1	14.5	6.8	16.8	8.9	12.1	2.0	0.9
Administrative expenses	5.2	5.4	4.4	7.6	1.5	8.3	4.1	3.5	7.1	6.9	3.3	4.2	2.1	7.6	6.0	11.9	6.7	4.7	4.1	7.7	5.4	4.4	6.5	5.2	4.5	–	–
Other and unspecified	0.6	7.7	8.9	9.6	2.1	8.2	6.1	1.4	21.2	1.9	3.7	0.2	0.8	11.2	5.6	5.1	11.0	0.8	4.7	16.3	30.5	1.6	2.5	4.0	0.8	–	–
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo item:																											
Food aid, total	1.7	0.3	3.2	4.3	0.1	1.8	0.4	0.8	0.3	2.7	0.5	2.4	0.1	5.8	0.5	1.1	0.8	0.0	2.1	0.7	2.8	3.6	6.8	6.3	4.4	–	–

1. Including students and trainees.
2. Population and reproductive health.
3. Including forgiveness of non-ODA debt.
4. Including IDA and IBRD.
5. Including the African Development Bank, Asian Development Bank and Inter-American Development Bank.

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Table A.10. **Distribution of ODA by income group**[1]

Net disbursements as a per cent of total ODA

	ODA to LDCs		ODA to other LICs		ODA to LMICs		ODA to UMICs	
	1999-2000	2009-10	1999-2000	2009-10	1999-2000	2009-10	1999-2000	2009-10
Australia	32.5	38.3	32.5	26.8	28.6	31.7	6.3	3.1
Austria	27.7	45.4	6.5	11.9	46.8	30.9	19.0	11.7
Belgium	43.5	62.2	12.9	10.1	32.8	21.2	10.7	6.5
Canada	41.8	63.6	14.3	15.2	35.6	17.4	8.3	3.8
Denmark	51.7	56.3	15.1	19.8	27.7	19.5	5.5	4.4
Finland	42.7	54.9	9.9	15.0	36.9	23.1	10.5	7.0
France	37.0	34.2	11.0	16.3	41.2	34.2	10.8	15.3
Germany	33.9	40.0	10.1	12.8	43.4	35.0	12.6	12.3
Greece	17.0	28.9	3.4	5.6	41.7	50.3	37.9	15.2
Ireland	64.0	69.4	7.1	11.0	20.4	13.8	8.6	5.8
Italy	43.7	46.8	6.5	11.0	38.6	30.6	11.3	11.6
Japan	20.3	47.6	17.9	27.7	56.6	17.0	5.2	7.7
Korea	33.7	41.7	22.2	20.2	40.3	33.9	3.7	4.2
Luxembourg	32.8	48.5	5.8	11.1	46.2	34.5	15.2	5.9
Netherlands	42.1	56.7	9.3	13.1	38.2	21.7	10.4	8.4
New Zealand	39.4	48.8	17.4	18.0	32.3	25.4	10.9	7.8
Norway	48.0	55.5	7.5	11.8	30.5	21.9	14.0	10.8
Portugal	71.6	51.0	2.3	4.0	21.4	36.3	4.7	8.7
Spain	23.2	38.6	6.8	7.8	55.1	43.1	14.9	10.5
Sweden	43.1	53.0	11.5	13.2	35.7	27.5	9.6	6.3
Switzerland	42.7	49.0	10.7	15.9	34.8	31.1	11.9	3.9
United Kingdom	42.8	50.9	11.9	18.4	32.6	24.2	12.7	6.4
United States	32.8	46.7	11.6	15.1	53.4	32.0	2.1	6.2
Total DAC	**33.2**	**46.6**	**13.1**	**16.0**	**45.3**	**28.9**	**8.3**	**8.5**
of which: DAC-EU countries	39.3	45.2	10.3	14.1	38.8	30.4	11.6	10.3

1. Including imputed multilateral ODA. Excluding MADCTs and amounts unspecified by country.

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Table A.11. **Regional distribution of ODA by individual DAC donors**[1]

Per cent of total net disbursements

	South of Sahara			South and Central Asia			Other Asia and Oceania			Middle East and North Africa			Europe			Latin America and Caribbean			
	1999-2000	2004-05	2009-10	1999-2000	2004-05	2009-10	1999-2000	2004-05	2009-10	1999-2000	2004-05	2009-10	1999-2000	2004-05	2009-10	1999-2000	2004-05	2009-10	
Australia	10.9	9.5	11.3	13.6	14.8	17.8	68.1	69.8	64.5	2.1	4.2	4.3	3.8	0.6	0.4	1.6	1.0	1.6	Australia
Austria	28.0	24.9	45.8	9.7	8.3	11.7	8.4	3.7	6.5	15.3	46.2	7.1	28.8	12.7	21.5	9.8	4.2	7.3	Austria
Belgium	49.0	57.2	66.2	6.3	7.0	8.2	11.4	5.1	4.6	10.5	17.3	7.1	9.5	4.4	5.0	13.4	8.9	8.9	Belgium
Canada	37.8	41.0	50.6	17.7	17.8	17.7	14.6	10.4	6.8	5.9	14.4	4.4	6.2	2.7	2.0	17.7	13.6	18.5	Canada
Denmark	50.7	51.7	54.5	16.6	16.3	18.0	10.7	12.7	8.2	8.2	6.8	7.5	4.1	4.2	4.0	9.8	8.3	7.8	Denmark
Finland	40.3	39.7	50.9	12.6	13.8	16.0	14.7	9.8	9.0	9.4	20.7	6.9	13.1	8.6	7.4	9.8	7.3	9.8	Finland
France	44.3	56.4	53.7	4.8	6.6	7.7	16.1	7.2	12.4	20.5	17.8	11.5	7.4	5.8	7.1	6.9	6.2	7.7	France
Germany	36.0	39.8	37.2	11.8	10.9	20.3	14.7	10.2	9.3	12.7	22.8	11.1	12.2	6.7	10.9	12.6	9.5	11.2	Germany
Greece	18.7	24.6	28.4	7.1	14.4	10.4	4.2	3.2	3.4	12.0	16.4	16.3	52.0	36.7	34.4	6.1	4.8	7.0	Greece
Ireland	63.4	70.5	68.9	6.4	9.5	9.0	5.2	5.6	7.2	6.5	5.4	5.2	11.1	3.9	4.2	7.4	5.1	5.6	Ireland
Italy	44.9	45.2	47.3	8.9	10.1	13.9	5.7	4.4	2.9	10.4	25.4	12.8	19.6	6.9	13.4	10.4	8.0	9.8	Italy
Japan	16.0	20.4	35.1	19.2	16.6	35.3	46.6	31.2	18.8	6.4	24.7	3.5	2.1	1.7	6.7	9.8	5.3	0.6	Japan
Korea	24.3	15.4	21.0	34.3	23.5	28.3	24.6	22.8	29.7	6.8	25.2	5.5	2.0	1.7	5.7	8.1	11.5	9.9	Korea
Luxembourg	42.5	48.3	50.6	6.8	11.1	10.0	9.4	14.6	11.4	8.1	7.3	6.5	13.5	6.5	8.4	19.6	12.1	13.2	Luxembourg
Netherlands	39.7	52.2	55.6	11.2	12.3	14.0	13.0	10.0	6.6	7.7	9.6	7.0	12.3	6.0	6.1	16.0	9.9	10.6	Netherlands
New Zealand	10.9	13.5	11.2	9.1	14.6	7.8	74.6	65.8	74.9	1.1	2.7	2.1	1.2	0.5	0.8	3.0	2.8	3.1	New Zealand
Norway	44.2	48.3	48.1	13.8	21.2	19.3	8.2	7.8	6.9	9.3	8.1	8.1	16.1	7.8	5.2	8.4	6.9	12.4	Norway
Portugal	58.3	78.9	60.9	2.8	3.6	7.8	25.4	6.5	9.1	4.4	4.7	7.7	6.2	4.4	9.7	3.0	1.9	4.8	Portugal
Spain	25.9	33.7	36.4	4.6	8.4	9.1	11.5	6.1	4.6	10.4	16.8	14.7	14.5	7.4	7.6	33.3	27.7	27.7	Spain
Sweden	42.8	48.9	49.3	13.8	14.9	15.6	11.4	10.0	8.0	7.9	7.4	8.8	9.0	8.4	9.3	15.1	10.3	9.0	Sweden
Switzerland	38.5	37.2	43.9	18.9	20.8	19.5	8.1	7.8	9.1	5.9	11.8	5.8	16.7	10.9	10.7	11.9	11.5	11.0	Switzerland
United Kingdom	44.8	52.3	51.9	16.6	19.5	25.1	8.8	4.9	6.8	7.2	15.7	6.4	10.6	3.8	5.0	12.1	3.8	4.8	United Kingdom
United States	27.1	25.5	40.2	16.6	13.9	24.0	12.3	5.1	5.7	17.9	43.1	15.9	10.4	3.5	2.8	15.9	8.9	11.4	United States
TOTAL DAC	**31.6**	**38.1**	**43.9**	**14.3**	**13.5**	**19.5**	**22.6**	**11.1**	**10.4**	**10.9**	**24.3**	**10.2**	**8.7**	**4.8**	**6.2**	**12.0**	**8.1**	**9.7**	**TOTAL DAC**
of which: DAC-EU countries	41.4	48.8	48.6	10.5	11.7	15.1	12.4	7.5	8.1	11.9	17.5	9.8	11.4	6.2	8.2	12.3	8.3	10.1	*of which:* DAC-EU countries

1. Including imputed multilateral flows, *i.e.* making allowance for contributions through multilateral organisations, calculated using the geographical distribution of multilateral disbursements for the year of reference.
Excluding amounts unspecified by region.

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Table A.12. **ODA from non-DAC donors**

Net disbursements

	2006	2007	2008	2009	2010	*Memo*: 2010	
						Share of bilateral aid	ODA/GNI
	(USD million)					(%)	(%)
OECD non-DAC							
Czech Republic	161	179	249	215	228	35	0.13
Estonia	14	16	22	18	19	26	0.10
Hungary	149	103	107	117	114	25	0.09
Iceland	42	48	48	34	29	72	0.29
Israel[1, 2]	90	111	138	124	145	88	0.07
Poland	297	363	372	375	378	25	0.08
Slovak Republic	55	67	92	75	74	27	0.09
Slovenia	44	54	68	71	59	38	0.13
Turkey	714	602	780	707	967	95	0.13
Other donors							
Chinese Taipei	513	514	435	411	381	86	0.10
Cyprus[3, 4]	26	35	37	46	51	59	0.23
Kuwait (KFAED)	158	110	283	221	211	100	. .
Latvia	12	16	22	21	16	10	0.06
Liechtenstein	. .	20	23	26	27	82	. .
Lithuania	25	48	48	36	37	45	0.10
Malta	. .	. .	. .	14	14	61	0.18
Romania	. .	. .	123	153	114	23	0.07
Russian Federation	. .	. .	. .	. .	472	64	0.03
Saudi Arabia	2 025	1 551	4 979	3 134	3 480	82	. .
Thailand	74	67	178	40	10	–46	0.00
United Arab Emirates	783	2 426	1 266	834	412	92	0.16
TOTAL	**5 181**	**6 329**	**9 271**	**6 672**	**7 235**	**76**	**. .**

1. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
2. These figures include USD 45.5 million in 2006, USD 42.9 million in 2007, USD 43.6 million in 2008, USD 35.4 million in 2009 and USD 40.2 million in 2010 for first-year sustenance expenses for persons arriving from developing countries (many of whom are experiencing civil war or severe unrest), or individuals who have left due to humanitarian or political reasons.
3. *Footnote by Turkey:* The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".
4. *Footnote by all the European Union member states of the OECD and the European Commission:* The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the government of the Republic of Cyprus.

Note: The above table does not reflect aid provided by several major emerging non-OECD donors, as information on their aid has not been disclosed.

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Table A.13. **Concessional and non-concessional flows by multilateral organisations**[1]

USD million, at current prices and exchange rates

	Gross disbursements							Net disbursements						
	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010
CONCESSIONAL FLOWS								**CONCESSIONAL FLOWS**						
International financial institutions								*International financial institutions*						
AfDB	625	438	9 797	1 822	1 932	3 175	2 345	AfDB	580	380	2 180	1 424	1 802	2 750	1 760
AsDB	1 287	1 124	1 488	1 768	2 331	2 790	1 930	AsDB	1 173	932	1 020	1 182	1 654	1 943	1 023
CarDB	14	34	47	59	83	85	75	CarDB	–17	16	32	41	64	68	55
EBRD	13	8	11	8	7	–	–	EBRD	13	8	11	8	7	–	–
IDA	5 770	5 693	40 310	10 829	9 291	12 793	12 123	IDA	5 268	4 212	6 292	7 463	6 689	9 006	7 779
IDB Sp.Fund	490	477	514	4 452	552	1 025	1 204	IDB Sp.Fund	164	188	216	257	310	380	501
IMF[2]	1 738	905	4 718	521	1 038	2 605	2 973	IMF[2]	1 295	108	387	–72	307	1 825	1 230
Nordic Dev. Fund	37	39	73	74	104	76	65	Nordic Dev. Fund	37	38	68	68	91	64	50
Total IFIs	**9 973**	**8 718**	**56 959**	**19 534**	**15 339**	**22 549**	**20 716**	**Total IFIs**	**8 513**	**5 881**	**10 206**	**10 371**	**10 924**	**16 035**	**12 399**
United Nations[3]								*United Nations*[3]						
IFAD	178	241	348	461	491	399	521	IFAD	79	137	226	322	347	230	284
UNAIDS	–	–	181	193	209	243	246	UNAIDS	–	–	181	193	209	243	246
UNDP	529	449	437	439	495	631	613	UNDP	529	449	437	439	495	631	602
UNFPA	216	159	214	218	275	348	815	UNFPA	216	159	212	216	273	346	810
UNHCR	963	373	184	257	278	301	393	UNHCR	963	373	184	257	278	301	393
UNICEF	797	570	739	982	987	1 104	1 050	UNICEF	797	570	736	981	984	1 086	1 046
UNRWA	339	293	372	388	473	473	545	UNRWA	339	293	372	388	473	473	545
UNTA	412	441	371	462	645	–	–	UNTA	412	441	371	462	645	–	–
WFP	1 244	355	473	233	317	293	244	WFP	1 244	355	473	233	316	290	243
WHO	–	–	–	–	–	437	366	WHO	–	–	–	–	–	437	366
Other UN[4]	–	–	74	82	120	121	151	Other UN[4]	–	–	74	82	120	120	151
Total UN	**4 678**	**2 882**	**3 392**	**3 715**	**4 291**	**4 348**	**4 943**	**Total UN**	**4 578**	**2 779**	**3 266**	**3 574**	**4 141**	**4 157**	**4 686**
EU institutions	4 841	5 001	10 132	11 435	12 868	13 024	12 570	EU institutions	4 649	4 662	9 699	11 327	12 868	13 021	12 428
GAVI	–	–	–	968	748	501	783	GAVI	–	–	–	936	719	469	772
GEF[5]	–	–	557	1 062	814	711	530	GEF[5]	–	–	557	1 062	814	711	530
Global Fund	–	–	1 254	1 627	2 172	2 337	3 031	Global Fund	–	–	1 252	1 627	2 168	2 333	3 003
Montreal Protocol	–	50	81	94	76	29	21	Montreal Protocol	–	50	81	94	76	29	21
Arab Funds[6]	357	221	680	751	1 790	1 827	1 864	Arab Funds[6]	118	36	440	453	1 058	965	993
Total concessional	**19 849**	**16 872**	**73 056**	**39 187**	**38 097**	**45 327**	**44 457**	**Total concessional**	**17 858**	**13 408**	**25 501**	**29 444**	**32 767**	**37 722**	**34 831**

Table A.13. **Concessional and non-concessional flows by multilateral organisations**[1] *(cont.)*

USD million, at current prices and exchange rates

	Gross disbursements							Net disbursements						
	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010	1994-95 average	1999-2000 average	2006	2007	2008	2009	2010
NON-CONCESSIONAL FLOWS								**NON-CONCESSIONAL FLOWS**						
AfDB	1 264	614	825	1 398	1 121	3 626	2 042	AfDB	694	–209	–420	109	405	2 475	1 214
AsDB	2 472	3 296	4 420	5 234	6 472	7 898	5 272	AsDB	1 214	1 834	2 685	3 798	4 574	6 035	3 230
CarDB	15	71	84	102	101	114	247	CarDB	7	56	35	46	29	54	132
EBRD	199	402	1 349	2 227	2 759	3 606	3 629	EBRD	198	228	463	1 408	1 988	2 300	2 033
EU institutions	346	732	3 286	5 997	4 284	833	942	EU institutions	121	532	1 855	4 716	2 888	–625	–1 099
IBRD	10 461	12 518	11 533	9 990	13 393	21 408	26 511	IBRD	–1 350	3 229	–4 853	86	3 786	11 519	18 215
IDB	4 731	7 298	6 080	6 715	7 158	11 415	10 352	IDB	1 880	5 158	–2 529	1 455	2 411	6 852	4 749
IFAD	–	37	39	40	53	38	44	IFAD	–	9	11	7	22	6	11
IFC	1 334	1 436	3 768	4 322	5 022	4 471	4 184	IFC	608	446	1 544	1 990	3 210	2 245	1 693
Arab Funds[6]	–	–	–	–	–	362	1 983	Arab Funds[6]	–	–	–	–	–	259	1 448
Total non-concessional	**20 821**	**26 406**	**31 385**	**36 025**	**40 364**	**53 771**	**55 206**	**Total non-concessional**	**3 373**	**11 282**	**–1 209**	**13 615**	**19 313**	**31 120**	**31 625**

1. To countries and territories on the DAC List of ODA Recipients.
2. IMF concessional Trust Funds.
3. The data for UN agencies have been reviewed to include only regular budget expenditures. This has led to revisions of UNDP data since 1990. For WFP and UNHCR, revisions have only been possible from 1996 onwards while for UNICEF the data are revised from 1997. Since 2000, UNHCR operates an Annual Programme Budget which includes country operations, global operations and administrative costs under a unified budget. However, data shown for UNHCR as of 2004 cover expenditures from unrestricted or broadly earmarked funds only. For UNFPA, data prior to 2004 include regular budget and other expenditures.
4. IAEA, UNECE and UNPBF.
5. The data for GEF are on a commitment basis and cover commitments from all implementing agencies.
6. AFESD, BADEA, Isl. Dev. Bank and OFID.

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Table A.14. **Deflators for resource flows from DAC donors[1] (2010 = 100)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Australia	51.24	55.22	52.96	44.83	46.58	43.60	40.31	43.68	53.37	63.05	68.14	70.94	82.14	86.13	80.87	100.00	118.65	Australia
Austria	85.77	82.47	71.40	70.58	67.82	59.18	58.58	62.41	75.67	84.75	86.34	88.86	98.82	106.15	103.41	100.00	106.89	Austria
Belgium	80.01	76.49	66.85	67.07	64.49	56.83	56.43	60.55	74.04	83.27	85.21	88.03	98.24	105.73	103.28	100.00	107.49	Belgium
Canada	55.20	56.45	56.25	52.29	53.13	55.35	53.68	53.52	61.98	68.82	76.35	83.74	91.23	94.89	87.71	100.00	107.33	Canada
Denmark	72.03	71.01	63.58	63.45	61.90	55.02	54.82	59.18	72.12	81.06	83.27	85.80	95.82	104.81	101.67	100.00	106.33	Denmark
Finland	83.33	78.95	71.28	71.54	69.16	61.38	61.44	65.48	77.97	86.15	86.58	88.17	99.03	106.66	104.74	100.00	110.50	Finland
France	78.60	77.80	68.81	68.79	66.03	58.01	57.51	61.86	75.64	84.57	86.21	88.93	99.50	107.50	104.29	100.00	106.55	France
Germany	92.52	88.67	77.15	76.48	73.44	63.10	62.01	66.19	80.22	89.16	89.75	90.92	100.77	107.00	104.52	100.00	105.73	Germany
Greece	63.45	65.54	61.71	60.00	59.71	51.65	51.15	55.66	69.34	78.50	80.74	83.60	94.40	104.16	103.37	100.00	107.34	Greece
Ireland	64.12	65.80	64.94	65.43	65.22	59.78	61.86	68.36	84.48	94.92	97.85	102.35	113.04	116.34	107.77	100.00	104.26	Ireland
Italy	62.76	69.44	64.53	64.97	63.19	55.72	55.71	60.50	74.80	84.22	85.78	88.11	98.37	106.28	104.75	100.00	106.38	Italy
Japan	108.56	93.30	84.34	77.94	88.40	91.79	80.44	76.85	81.69	86.64	84.03	78.76	77.25	87.04	96.09	100.00	107.89	Japan
Korea	101.07	101.75	89.43	63.70	74.39	78.86	71.76	76.41	83.14	89.07	100.24	107.71	112.60	97.02	87.44	100.00	106.40	Korea
Luxembourg	68.25	66.92	56.88	55.81	56.36	49.73	48.36	51.96	66.06	73.95	77.39	83.40	94.27	103.71	100.25	100.00	108.52	Luxembourg
Netherlands	75.14	72.46	64.28	64.41	62.90	56.64	57.84	63.19	77.41	85.75	87.87	90.31	100.32	107.93	103.78	100.00	106.28	Netherlands
New Zealand	65.05	69.96	67.68	55.36	54.85	48.29	46.57	51.90	66.14	78.47	85.16	80.54	94.88	92.95	84.58	100.00	113.26	New Zealand
Norway	50.32	51.44	48.29	44.91	46.34	47.50	47.27	52.28	60.73	67.17	76.36	83.20	93.28	105.08	90.21	100.00	117.60	Norway
Portugal	67.35	67.02	61.32	61.88	61.20	54.65	55.01	60.05	74.16	83.56	85.70	88.95	100.10	107.14	104.00	100.00	106.20	Portugal
Spain	64.31	65.48	58.01	58.27	57.20	51.16	51.80	56.88	71.03	81.26	84.82	89.21	100.48	108.38	104.71	100.00	106.42	Spain
Sweden	80.26	86.05	76.59	74.04	72.04	65.81	59.60	64.35	78.70	87.25	86.54	89.19	99.89	104.39	92.98	100.00	111.95	Sweden
Switzerland	78.10	74.83	63.71	63.91	62.03	55.85	56.33	61.32	71.69	78.03	77.92	79.06	84.64	94.87	96.13	100.00	118.48	Switzerland
United Kingdom	72.36	74.14	79.89	82.42	82.04	77.24	74.55	79.63	88.70	102.03	103.43	108.08	120.20	112.08	98.36	100.00	106.08	United Kingdom
United States	73.46	74.86	76.18	77.04	78.18	79.87	81.67	83.07	84.81	87.20	90.10	93.01	95.71	97.83	98.86	100.00	102.19	United States
TOTAL DAC	**80.17**	**76.87**	**71.12**	**69.88**	**71.05**	**68.58**	**65.68**	**68.25**	**78.02**	**85.31**	**87.55**	**89.75**	**97.07**	**102.03**	**99.08**	**100.00**	**106.77**	**TOTAL DAC**
EC	76.20	75.45	68.32	68.53	65.96	57.87	57.62	62.17	76.18	85.36	87.00	89.46	99.83	107.22	104.41	100.00	106.38	EC

1. Including the effect of exchange rate changes, *i.e.* applicable to US dollar figures only.

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Table A.15. **Annual average dollar exchange rates for DAC members**

1 USD =		2007	2008	2009	2010	2011
Australia	Dollars	1.1952	1.2129	1.2800	1.0902	0.9692
Austria	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Belgium	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Canada	Dollars	1.0743	1.0753	1.1410	1.0302	0.9891
Denmark	Kroner	5.4426	5.1675	5.3465	5.6218	5.3604
Finland	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
France	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Germany	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Greece	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Ireland	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Italy	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Japan	Yen	117.8	103.5	93.4	87.8	79.7
Korea	Won	929.5	1 110.1	1 273.9	1 155.4	1 107.3
Luxembourg	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Netherlands	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
New Zealand	Dollars	1.3609	1.4455	1.5988	1.3876	1.2664
Norway	Kroner	5.8584	5.7073	6.2784	6.0445	5.6046
Portugal	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Spain	Euro	0.7305	0.6933	0.7181	0.7550	0.7192
Sweden	Kroner	6.7575	6.6797	7.6322	7.2022	6.4892
Switzerland	Francs	1.1998	1.0966	1.0839	1.0427	0.8872
United Kingdom	Pound sterling	0.4997	0.5527	0.6402	0.6475	0.6238
EU12	*EURO*	*0.7305*	*0.6933*	*0.7181*	*0.7550*	*0.7192*

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Table A.16. **Gross national income and population of DAC member countries**

	Gross national income (USD billion)				Population (thousands)			
	1999-2000 average	2008	2009	2010	1999-2000 average	2008	2009	2010
Australia	376	935	941	1 186	19 105	21 370	21 880	22 340
Austria	197	400	378	375	8 100	8 330	8 360	8 390
Belgium	240	498	474	470	10 240	10 690	10 810	10 840
Canada	650	1 473	1 320	1 550	30 635	33 390	34 020	34 110
Denmark	164	343	319	316	5 330	5 510	5 530	5 560
Finland	123	266	238	242	5 175	5 330	5 330	5 380
France	1 412	2 831	2 678	2 607	58 755	62 280	64 490	64 670
Germany	1 976	3 652	3 403	3 358	82 150	82 140	81 840	81 770
Greece	119	334	322	296	10 730	11 240	11 260	11 280
Ireland	79	225	185	171	3 770	4 340	4 460	4 580
Italy	1 123	2 233	2 081	2 024	57 135	59 340	60 260	60 620
Japan	4 682	5 042	5 180	5 603	126 810	127 660	127 490	127 390
Korea	475	935	837	1 015	46 945	48 610	48 750	48 870
Luxembourg	18	43	40	38	435	490	490	510
Netherlands	385	869	783	780	15 870	16 480	16 580	16 500
New Zealand	47	114	111	134	3 820	4 270	4 350	4 370
Norway	161	451	386	416	4 475	4 800	4 860	4 920
Portugal	106	229	219	221	10 230	10 340	10 340	10 560
Spain	572	1 537	1 434	1 389	39 780	46 160	46 750	47 020
Sweden	229	483	406	468	8 865	9 260	9 350	9 000
Switzerland	268	461	514	569	7 160	7 700	7 780	7 540
United Kingdom	1 434	2 672	2 223	2 280	58 600	60 970	60 970	62 260
United States	9 614	14 410	14 011	14 636	274 160	304 060	307 010	309 050
TOTAL DAC	**24 450**	**40 438**	**38 483**	**40 141**	**888 275**	**944 760**	**952 960**	**957 530**
of which: DAC-EU countries	8 178	16 616	15 182	15 034	375 165	392 900	396 820	398 940

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Technical Notes

Notes on definitions and measurement

The coverage of the data presented in the *Development Co-operation Report* has changed in recent years. The main points are as follows.

Changes in the concept of official development assistance (ODA) and the coverage of gross national income (GNI)

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

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

The coverage of national income has also been expanding through the inclusion of new areas of economic activity and the improvement of collection methods. In particular, the 1993 System of National Accounts (SNA) co-sponsored by the OECD and other major international organisations broadens the coverage of gross national product (GNP), now renamed gross national income (GNI). This tends to depress donors' ODA/GNI ratios. Norway's and Denmark's ODA/GNI ratios declined by 6 to 8% as a result of moving to the new SNA in the mid-1990s. Finland and Australia later showed smaller falls of 2 to 4%, while some other countries showed little change. The average fall has been about 3%. All DAC members are now using the new SNA.

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

Recipient country coverage

Since 1990, the following entities were added to the list of ODA recipients at the dates shown: the Black Communities of South Africa (1991; now listed as South Africa); Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan (1992); Armenia, Georgia and Azerbaijan (1993); Palestinian Administered Areas (1994; now listed as West Bank and Gaza Strip); Moldova (1997); Belarus, Libya and Ukraine (2005); Kosovo (2009); South Sudan (2011).

Over the same period, the following countries and territories were removed from the list of ODA recipients at the dates shown: Portugal (1991); French Guyana, Guadeloupe, Martinique, Réunion, and St Pierre and Miquelon (1992); Greece (1994); Bahamas, Brunei, Kuwait, Qatar, Singapore and United Arab Emirates (1996); Bermuda, Cayman Islands, Chinese Taipei, Cyprus, Falkland Islands, Hong Kong (China), and Israel (1997); Aruba, the British Virgin Islands, French Polynesia, Gibraltar, Korea, Libya, Macao, Netherlands Antilles, New Caledonia and the Northern Marianas (2000); Malta and Slovenia (2003); Bahrain (2005); Saudi Arabia, and Turks and Caicos Islands (2008); Barbados, Croatia, Mayotte, Oman, and Trinidad and Tobago (2011).

From 1993 to 2004, several Central and Eastern European Countries (CEEC)/New Independent States (NIS), countries in transition and more advanced developing countries were included on a separate list of recipients of "official aid". This list has now been abolished.

Donor country coverage

Spain and Portugal joined the DAC in 1991, Luxembourg joined in 1992, Greece joined in 1999, and Korea joined in 2010. Their assistance is now counted within the DAC total. ODA flows from these countries before they joined the DAC have been added to earlier years' data where available. The accession of new members has added to total DAC ODA, but has usually reduced the overall ODA/GNI ratio, since their programmes are often smaller in relation to GNI than those of the longer established donors.

Treatment of debt forgiveness

The treatment of the forgiveness of loans not originally reported as ODA varied in earlier years. Up to and including 1992, where forgiveness of non-ODA debt met the tests of ODA, it was reportable as ODA. From 1990 to 1992 inclusive, it remained reportable as part of a country's ODA but was excluded from the DAC total. The amounts treated as such are shown in Table B.1. From 1993, forgiveness of debt originally intended for military purposes has been reportable as "other official flows", whereas forgiveness of other non-ODA loans (mainly export credits) recorded as ODA is included both in country data and in total DAC ODA in the same way as it was until 1989.

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

Reporting year

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

Table B.1. **DAC list of ODA recipients**

Effective for reporting on 2011 flows

Least developed countries	Other low-income countries (per capita GNI <= USD 1 005 in 2010)	Lower middle-income countries and territories (per capita GNI USD 1 006-USD 3 975 in 2010)	Upper middle-income countries and territories (per capita GNI USD 3 976-USD 12 275 in 2010)
Afghanistan	Kenya	Armenia	Albania
Angola	Korea, Dem. Rep.	Belize	Algeria
Bangladesh	Kyrgyz Rep.	Bolivia	*Anguilla
Benin	South Sudan	Cameroon	Antigua and Barbuda
Bhutan	Tajikistan	Cape Verde	Argentina
Burkina Faso	Zimbabwe	Congo, Rep.	Azerbaijan
Burundi		Côte d'Ivoire	Belarus
Cambodia		Egypt	Bosnia and Herzegovina
Central African Rep.		El Salvador	Botswana
Chad		Fiji	Brazil
Comoros		Georgia	Chile
Congo, Dem. Rep.		Ghana	China
Djibouti		Guatemala	Colombia
Equatorial Guinea		Guyana	Cook Islands
Eritrea		Honduras	Costa Rica
Ethiopia		India	Cuba
Gambia		Indonesia	Dominica
Guinea		Iraq	Dominican Republic
Guinea-Bissau		Kosovo[1]	Ecuador
Haiti		Marshall Islands	former Yugoslav Republic of Macedonia
Kiribati		Micronesia, Federated States	Gabon
Laos		Moldova	Grenada
Lesotho		Mongolia	Iran
Liberia		Morocco	Jamaica
Madagascar		Nicaragua	Jordan
Malawi		Nigeria	Kazakhstan
Mali		Pakistan	Lebanon
Mauritania		Papua New Guinea	Libya
Mozambique		Paraguay	Malaysia
Myanmar		Philippines	Maldives
Nepal		Sri Lanka	Mauritius
Niger		Swaziland	Mexico
Rwanda		Syria	Montenegro
Samoa		*Tokelau	*Montserrat
São Tomé and Príncipe		Tonga	Namibia
Senegal		Turkmenistan	Nauru
Sierra Leone		Ukraine	Niue
Solomon Islands		Uzbekistan	Palau
Somalia		Vietnam	Panama
Sudan		West Bank and Gaza Strip	Peru
Tanzania			Serbia
Timor-Leste			Seychelles
Togo			South Africa
Tuvalu			*St. Helena
Uganda			St. Kitts-Nevis
Vanuatu			St. Lucia
Yemen			St. Vincent and Grenadines
Zambia			Suriname
			Thailand
			Tunisia
			Turkey
			Uruguay
			Venezuela
			*Wallis and Futuna

Notes:

* Territory

1. This is without prejudice to the status of Kosovo under international law.

Table B.2. **Debt forgiveness of non-ODA claims**[1]

USD million

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

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

Glossary of development terms

(Cross-references are given in CAPITALS)

ACCRA AGENDA FOR ACTION (AAA): In 2008, three years after the 2005 PARIS DECLARATION ON AID EFFECTIVENESS, the Third High-Level Forum on Aid Effectiveness in Accra, Ghana took stock of progress and built on the Paris Declaration to accelerate the pace of change. The AAA, adopted in Accra on 4 September 2008, reflects the international commitment to support the reforms needed to accelerate an effective use of development assistance and helps ensure the achievement of the MDGs by 2015.

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

AID EFFECTIVENESS: The efforts of the development community to improve the delivery of AID to maximise its impact on development.

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

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

BILATERAL: See TOTAL RECEIPTS.

BUSAN: Often referred to as the Fourth High-Level Forum on Aid Effectiveness, held from 29 November to 1 December 2011, in Busan, Korea.

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

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

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

COUNTRY PROGRAMMABLE AID (CPA): Tracks the portion of aid on which recipient countries have, or could have, a significant say and for which donors should be accountable for delivering "as programmed". CPA reflects the amount of aid that is subjected to multi-year planning at country/regional level and is defined through exclusions, by subtracting from total gross ODA that is:

- unpredictable by nature (humanitarian aid and debt relief);
- entails no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in donor countries);
- does not form part of co-operation agreements between governments (food aid and aid from local governments, core funding to NGOs, aid through secondary agencies, and aid which is not allocable by country).

CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions.

DEVELOPMENT ASSISTANCE COMMITTEE (DAC): The committee of the Organisation for Economic Co-operation and Development (OECD) which deals with development co-operation matters. A description of its aims and a list of its members are available at *www.oecd.org/dac*.

DAC LIST OF ODA RECIPIENTS: For statistical purposes, the OECD Development Assistance Committee (DAC) uses a list of official development assistance (ODA) recipients which it revises every three years. The "Notes on definitions and measurement" give details of revisions in recent years. As of 1 January 2011, the list is presented in the following categories (the word "countries" includes territories):

- **LDCs:** Least developed countries, a group established by the United Nations (UN). To be classified as LDCs, countries must fall below thresholds established for income, economic diversification and social development. The DAC List of ODA Recipients is updated immediately to reflect any change in the LDCs group.
- **Other LICs:** Other low-income countries; includes all non-LDCs with per capita gross national income (GNI) of USD 1 005 or less in 2010 (World Bank Atlas basis).
- **LMICs:** Lower middle-income countries, *i.e.* those with GNI per capita (Atlas basis) between USD 1 006 and USD 3 975 in 2010. LDCs which are also LMICs are only shown as LDCs, not as LMICs.
- **UMICs:** Upper middle-income countries, *i.e.* those with GNI per capita (Atlas basis) between USD 3 976 and USD 12 275 in 2010.

When a country is added to or removed from the LDCs group, totals for the income groups affected are adjusted retroactively to maximise comparability over time with reference to the current list.

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

DISAGGREGATED MONITORING: Breaking down results from statistical monitoring by sex, sub-national region, and ethnic and social groups.

DISBURSEMENT: The release of funds to – or the purchase of goods or services for – a recipient; by extension, the amount thus spent. Disbursements record the actual

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

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

FRAGMENTATION OF AID: Describes aid that comes in too many small slices from too many donors, creating unnecessary and wasteful administrative costs and making it difficult to target aid where it is needed most.

GRACE PERIOD: See GRANT ELEMENT.

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

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

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

GREEN ECONOMY: Defined by UNEP, green economy results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In a green economy, growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.

GREEN GROWTH: Defined by OECD, green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. To do this, it must catalyse investment and innovation which will underpin sustained growth and give rise to new economic opportunities.

HIGH-LEVEL FORA ON AID EFFECTIVENESSS: A series of four high-level events held between 2003 and 2011. In the early 2000s, there was growing concern that aid was not

producing the development results that it should. These events led to the formulation and refinement of principles for effective aid with the aim of helping achieve the Millennium Development Goals (MDGs). See Rome Declaration on Harmonisation (2003), Paris Declaration on Aid Effectiveness (2005), Accra Agenda for Action (2008). The most recent event, held in Busan in 2011 and attended by over 2 000 representatives of governments, international organisations, parliaments, the private sector, civil society and other stakeholders, resulted in the endorsement of the Busan Partnership for Effective Development Co-operation (2011).

IMPUTED MULTILATERAL FLOWS: Geographical distribution of donors' core contributions to multilateral agencies, based on the geographical breakdown of multilateral agencies' disbursements for the year of reference.

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

LONG-TERM: Describes LOANS with an original or extended MATURITY of more than one year (see SHORT-TERM).

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

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

MULTILATERAL: See TOTAL RECEIPTS.

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

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

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on the DAC LIST OF ODA RECIPIENTS and MULTILATERAL AGENCIES that are undertaken by the official sector at concessional terms (*i.e.* with a GRANT ELEMENT of at least 25%) and that have the promotion of the economic development and welfare of developing countries as their main objective. In addition to financial flows, TECHNICAL CO-OPERATION is included in aid. Grants, loans and credits for military purposes are excluded. For treatment of the forgiveness of loans originally extended for military purposes, see "Notes on definitions and measurement" in the Statistical Annex.

OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries and includes: *i)* bilateral ODA; *ii)* GRANTS, and concessional and non-concessional development lending by MULTILATERAL AGENCIES; and *iii)* those OTHER OFFICIAL FLOWS which are considered developmental (including refinancing LOANS) but which have too low a GRANT ELEMENT to qualify as ODA.

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

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

PARIS DECLARATION ON AID EFFECTIVENESS: The Paris Declaration (2005) – adhered to by over 100 countries – lays out a practical, action-oriented roadmap to improve the quality of aid and its impact on development by 2010. It puts in place a series of specific implementation measures and establishes an international monitoring system to ensure that donors and recipients hold each other accountable for their commitments – a feature that is unique among international agreements. The Paris Declaration's 56 PARTNERSHIP COMMITMENTS are organised around five fundamental principles for making aid more effective:

- **Ownership:** Developing countries set their own strategies for development, improve their institutions and tackle corruption. In Accra (2008) it was widely recognised that "ownership" should also refer to the inclusion of a wide variety of country stakeholders in the process.
- **Alignment:** Donor countries bring their support in line with the country's objectives and use local systems.
- **Harmonisation:** Donor countries co-ordinate their action, simplify procedures and share information to avoid duplication.
- **Managing for results:** Developing countries and donors focus on producing and measuring results.
- **Mutual accountability:** Donor and developing country partners are accountable for development results to each other and to their electorates.

Designed to strengthen and deepen implementation of the Paris Declaration, the **Accra Agenda for Action** (AAA, 2008) takes stock of progress and sets the agenda for accelerated advancement towards the 2010 targets. The AAA represents an unprecedented alliance of more than 80 developing countries, DAC donors, some 3 000 civil society organisations, emerging economies, United Nations and multilateral institutions, and global funds.

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

PARTNER COUNTRY: Refers to countries that receive development assistance provided by other countries to support their own development.

PARTNERSHIP PRINCIPLES: See PARIS DECLARATION ON AID EFFECTIVENESS.

PEER REVIEWS: Each DAC member country is reviewed by peers roughly every four years with two main aims: *i)* to help the country understand where it could improve its development strategy and structures so that it can increase the effectiveness of its investment; *ii)* to identify and share good practice in development policy and strategy. The reviews are led by examiners from two DAC member states.

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

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

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

- **Private export credits:** See EXPORT CREDITS.
- **Securities of multilateral agencies:** This covers the transactions of the private, non-bank and bank sector in bonds, debentures, etc. issued by MULTILATERAL AGENCIES.

REDD: Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) is a set of steps designed to use market/financial incentives in order to reduce the emissions of greenhouse gases from deforestation and forest degradation.

RIO +20 CONFERENCE: The United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, on 20-22 June 2012. The first UN Conference on Sustainable Development was the "Earth Summit", held in 1992, and it spawned the three "Rio conventions" – the UNFCCC, the UNCCD and the UNCBD.

SCALING UP: This term, used with reference to aid, refers not only to increased aid flows, but also to an increase in the impact and effectiveness of aid through several measures: distributing aid better, based on partner country needs and priorities; widening aid to include populations and geographic/thematic areas that receive proportionally too little; applying more broadly the lessons that have been learned on more effective aid delivery and management; following through on commitments (in terms of how much aid

is given and how it is delivered and managed); investing greater efforts to overcome known and recognised obstacles to aid effectiveness.

SHORT-LIVED CLIMATE POLLUTANTS (SLCPs): Chemicals that remain in the atmosphere for only a few days or a few decades at the most. They include black carbon particles (or soot, emitted from wood fires, for example); methane (from oil and gas production and municipal waste); and tropospheric ozone (from motor vehicles). In addition to being powerful greenhouse gases, these are dangerous air pollutants, with various detrimental impacts on human health, agriculture and ecosystems.

SHORT-TERM: Describes LOANS with a MATURITY of one year or less (see LONG-TERM).

TECHNICAL CO-OPERATION: Includes both: *i)* GRANTS to nationals of aid-recipient countries receiving education or training at home or abroad; and *ii)* payments to consultants, advisers and similar personnel, as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical co-operation in statistics of aggregate flows.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services is limited to the donor country or to a group of countries, which does not include substantially all aid-recipient countries. Tied aid loans, credits and ASSOCIATED FINANCING packages are subject to certain disciplines concerning their CONCESSIONALITY LEVELS, the countries to which they may be directed and their developmental relevance for the purpose of: avoiding the use of aid funds on projects that would be commercially viable with market finance and ensuring 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-TERM private transactions (see PRIVATE FLOWS). Total receipts are measured net of AMORTISATION payments and repatriation of capital by private investors. **Bilateral** flows are provided directly by a donor country to an aid recipient country. **Multilateral** flows are channelled through MULTILATERAL AGENCIES. In tables showing total receipts of recipient countries, the outflows of multilateral agencies to those countries is shown, not the contributions which the agencies received from donors.

UNDISBURSED: Describes amounts committed but not yet spent (see COMMITMENT, DISBURSEMENT).

UNTIED AID: ODA for which the associated goods and services may be fully and freely procured in substantially all countries.

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

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

DEVELOPMENT ASSISTANCE COMMITTEE (DAC)

In order to achieve its aims, the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee (DAC), whose mandate is to promote development co-operation and other policies so as to contribute to sustainable development - including pro-poor economic growth, poverty reduction and the improvement of living standards in developing countries - and to a future in which no country will depend on aid. To this end, the DAC has grouped the world's main donors, defining and monitoring global standards in key areas of development.

The members of the DAC are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Union.

The OECD Development Assistance Committee develops guidelines and reference documents, published in the DAC Guidelines and Reference Series, to inform and assist members in the conduct of their development co-operation programmes.

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