Development Co-operation Report 2013

ENDING POVERTY

The Development Assistance Committee: Enabling effective development

OECD

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ENDING POVERTY

Report by Erik Solheim
Chair of the Development Assistance Committee

BETTER POLICIES FOR BETTER LIVES

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Foreword

by
Angel Gurría,
OECD Secretary-General

Ending poverty is an international priority that cannot be put on the back burner. Although we have halved the proportion of people living in poverty, achieving the first Millennium Development Goal (MDG), our job is far from complete. Today, 1.2 billion people are still living in poverty. It is therefore critical that the global community take further steps by 2015 and beyond to achieve the overarching goal of eradicating poverty completely and enduringly: we must get to zero and stay there.

The OECD Development Co-operation Report *(DCR) 2013 provides leaders with analysis and recommendations on how to end one of the world's most pressing and important problems. Poverty does not stop at hunger; its effects are far reaching and go well beyond how much people eat and how much they earn. It is a multidimensional problem that impacts the well-being of citizens and the health of economies worldwide. It crosses local and national borders and, while it is prevalent, no society will function properly. We need to end poverty and empower the impoverished now.*

In order to do this, we need to alter the way we fight poverty. The world, its actors and its challenges have changed since the development of the MDGs and their adoption in 2001. The geography of poverty has, and is, shifting with a growing quantity of people in middle-income countries, including India and China, living in poverty. The number and diversity of actors in development is increasing, global interdependencies are growing, and inequalities are on the rise despite periods of economic growth.

These trends call for broader measures that address poverty and development not only as a question of income, but also of inequality, sustainability, inclusiveness and well-being. These measures must be owned and led by countries, based on their respective development paths, priorities, capabilities and processes. This means revisiting our global development goals to ensure they respond to today's needs and realities.

The OECD stands ready to contribute to shaping such a framework. Our evidence-based policy analysis, peer review and knowledge sharing support countries in designing better policies to achieve better lives. The Organisation's expertise and experience in measuring results and strengthening statistical capacities with indicators can make a solid contribution, helping governments put in place the measurable goals that will make empirical sense in supporting policy reforms that will work today and for future generations.

Although the MDGs rallied unprecedented political and popular will behind the challenge of ending poverty, it was not enough. Poverty eradication – including its broader elements like exclusion and marginalisation, vulnerability, and safety nets to prevent re-impoverishment – needs to remain at the heart of both development co-operation policies and programmes and of other global policies.

There is no single solution. Ending poverty calls for the entire global community to work together – North-South, public and private sectors, civil society and foundations, and national, regional and local actors – to satisfy multiple and interlocking needs, demands and issues. The numerous experts from around the world who have contributed to this 2013 edition of the OECD Development Co-operation Report *make this clear.*

This report provides valuable analysis and guidance regarding what we can – and must – do to address the biggest challenge of our century: finishing the unfinished business of ending poverty.

Angel Gurría
Secretary-General
OECD

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Acronyms and abbreviations

BRL	Brazilian real (currency)
BSM	Brazil Without Poverty Plan
CDP	UN Committee on Development Policy
CPA	Country programmable aid
CRS	Creditor Reporting System
CSO	Civil society organisation
DAC	OECD Development Assistance Committee
DFID	Department for International Development (United Kingdom)
DRC	Democratic Republic of Congo
EDF	European Development Fund
EU	European Union
GDP	Gross domestic product
GFTAM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GPG	Global public goods
GNI	Gross national income
HLP	High-Level Panel of Eminent Persons on the Post-2015 Development Agenda
IMF	International Monetary Fund
INR	Indian rupee (currency)
LDC	Least developed country
LIC	Low-income country
MDG	Millennium Development Goal
MIC	Middle-income country
MPI	Multidimensional Poverty Index
NGO	Non-government organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OPHI	Oxford Poverty and Human Development Initiative
PES	Payments for ecosystem services
PPP	Purchasing power parity
RMB	Yuan renminbi – Chinese currency
UAE	United Arab Emirates
UN	United Nations
UNDP	United Nations Development Programme
USD	United States dollar
WHO	World Health Organization

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Editorial: We can, and must, end poverty

by
Erik Solheim,
Chair of the OECD Development Assistance Committee

Poverty has been a scourge since time immemorial. It is a continuing affront to our sensibilities, our moral principles, our very humanity. But it doesn't have to be that way anymore. We live in an age of promise and opportunity, where technological advances, successful development experience and political will can be summoned to eliminate poverty – and in particular to end extreme poverty. Today, we *can* end poverty and free future generations from its devastating, tenacious grip.

This is not to say that we have not already seen promising results in the fight against poverty. During the industrial revolution, economic and social transformation in many countries lifted millions of people out of poverty. There was another impressive advance after the Second World War, when scientific and technological progress, entrepreneurial energy, market forces and redistribution policies brought growth and widespread prosperity to countries in Europe, North America and East Asia.

Progress since 1990 has gone even further, surpassing previous advances in global poverty reduction. In fact, this generation has been the world's most fortunate – across all regions – in terms of poverty reduction. People are taller, better nourished and healthier: rising life expectancy attests to this, as does the success in achieving the first Millennium Development Goal (MDG) target of halving the share of people living in extreme poverty five years before the 2015 deadline! While this outcome owes a lot to the impact of strong economic growth in the People's Republic of China, many other countries have also made striking progress in the fight against poverty. For example, five African countries – Benin, Ethiopia, Gambia, Malawi and Mali – topped the global rankings in progress against all the MDGs compared to where they started from. The power of conviction, the determination and the political will mobilised by the MDGs have made an immense difference in achieving these very positive outcomes.

Nevertheless, the battle is far from over. More than 1 billion people still struggle daily to secure adequate food and shelter and fulfil their basic needs. The fact that we are moving in the right direction is no consolation to an impoverished father in South Africa who has lost his child to a preventable disease. It is time to tackle extreme poverty once and for all. We need to galvanise our resources, wisdom and experience, our ingenuity and political will to reverse the plight of the poorest of the poor. These are the hardest people to reach with public goods and services, and the most difficult to integrate into economic, political and social life.

We can learn from countries that have succeeded in this fight – from the strategic choices they have made, the policies and initiatives they have put in place, the priorities they have established. This report collects leading international good practice based on proven "local" solutions to tackling poverty – practical, concrete examples that can be adapted to other country settings. I am indebted to the many leaders, experts and policy makers who have contributed their knowledge through the examples you will find in these pages.

We are the first generation in world history with the ability to eradicate poverty – and our motto should be: "Yes, we will!"

An ambitious but achievable goal

We have seen some remarkable development success stories over the past 50 years – examples that show the way for other nations who want to follow suit. In the space of two generations, Korea has vaulted from being among the world's lowest-income countries to become a prosperous, modern and efficient state with a productive sector that is well integrated into global trade and investment, and a large and rising middle class. What is even more important is that Korea has registered improvements in every social, economic and political metric while ensuring that its growth is sustainable by "greening" its economic base.

There are, of course, many other success stories: Bangladesh, Chile (Chapter 16, Global approach 3), Ghana, India, Indonesia and Turkey, to name a few. And China has brought more people out of poverty than any other country in human history (Chapter 8).

As the world starts to develop a new global framework to guide development once the MDGs expire in 2015, there is a strong push to eradicate extreme poverty; what was considered an "ambitious" goal is gaining in momentum and credibility. Numerous global political and thought leaders – such as President Obama in his 2013 State of the Union speech, Bono, and World Bank Group President Jim Yong Kim – are explicitly calling on the world to set poverty eradication as the overarching aim of this new post-2015 framework.

Ambitious, yes, but achievable. For the first time in history we have the knowledge, tools, technologies, policies and resources to bring an end to extreme poverty. What we need now is to galvanise global political will to take up this cause – and get the job done.

Political leadership is vital

Many recent successful poverty reduction efforts have been fuelled by rapid and sustained growth together with the rise of an entrepreneurial class. But growth alone does not suffice (Chapter 3). Measures to broaden access to assets and to ensure the distribution of wealth are crucial; land tenure, human rights and participation in decision making are all fundamental (see Part II). We must direct renewed attention to understanding the diverse political dimensions of development, including how the poor and disenfranchised can be empowered (Chapter 16, Global approach 5) and how the wealth generated by growth can be equitably shared.

There is no substitute for strong leadership in mobilising political will across society to tackle extreme poverty. In Africa, for example, the leadership of the late Ethiopian Prime Minister Meles Zenawi and his focus on development results, food security and poverty reduction have been exemplary. The same could be said for a number of Ghanaian presidents hailing from different political parties, but who have coincided in championing poverty reduction and food security for the poorest. This has enabled Ghana to implement a successful development strategy focused on building the private sector, developing human resources and implementing good governance. In Brazil, President Lula revolutionised the fates of millions by adopting a set of policies designed to channel resources directly to people at the bottom of the affluence pyramid. He has contributed a chapter to this report, describing how he managed Brazil's political challenges to address his social and economic goals (Chapter 7).

We must balance poverty reduction with environmental sustainability

Today's global growth is taking a heavy toll in the form of environmental degradation and we are approaching or even overstretching our planetary boundaries. This has profound significance for both present and future generations – but particularly for the poor, who are the most dependent on nature for food, livelihoods, energy, security and health. The poor and the disadvantaged are also the most vulnerable to the negative consequences of climate change. Managing the natural resource base – soil, water, biodiversity and other precious elements – and improving well-being while preserving local ecosystems and habitats is of primordial importance for poor people. OECD countries have an obligation to deliver on their international commitments to reduce greenhouse gases and to mobilise USD 100 billion each year, starting in 2020, to counter the effects of climate change in the South.

While it is not always easy to balance poverty reduction with environmental sustainability, important progress is being made. Over the past decade, for instance, Brazil has greatly reduced extreme poverty and inequality (Chapter 7) while at the same time cutting deforestation by 80%. Ethiopia aims to become a middle-income country without increasing its greenhouse gas emissions and has developed the innovative Climate-Resilient Green Economy strategy to guide it in doing so. Costa Rica's unique payment for ecosystem services programme, detailed in this report (Chapter 10, Local solution 1), is successfully reconciling poverty reduction and sustainable development objectives. Numerous other case studies were detailed in last year's *Development Co-operation Report*.

Still, much more needs to be done. We are far from having a critical mass of countries that are systematically integrating environment into their poverty reduction strategies. Serious communication and co-operation obstacles persist in many countries among the economic, social and planning sectors, and between the environment and climate change ministries. In the international sphere, much more concentrated effort is needed to effectively promote coherence and collaboration among the climate and development communities.

For example, we urgently need coherence around the costly and perverse fossil-fuel policies prevalent in most of the countries around the world. Governments are spending billions of dollars every year on across-the-board subsidies for petrol and diesel. From 2005-11, OECD countries spent approximately USD 55-90 billion every year on fuel subsidies (OECD, 2013). In sub-Saharan Africa, energy subsidies on average account for close to 3% of gross domestic product – roughly the same amount that is spent on public health (Alleyne and Hussain, 2013). Countries of the North and the South agree: fossil fuel subsidies are inefficient and encourage wasteful consumption, and they also tend to favour the middle class and the wealthy much more than the poor. These investments could be targeted to provide benefits only for genuinely needy people, or reinvested to promote renewable energy or enhance energy efficiency. So why do we continue to provide subsidies that the world has agreed should be stopped?

The Global Partnership for Effective Development Co-operation promises a way forward

International politics, geopolitical alliances and economic power have transformed over the past 25 years. Today's multipolar world is increasingly diverse and complex, yet at the same time there is growing opportunity for a mounting number of nations to exercise leadership, influence and affirmative action. For shared challenges – such as poverty, climate change, regional conflicts, international trade barriers, financial market stability and global crime – we need to share solutions.

At the same time, all of these challenges apply to and impinge on development co-operation. Today the international landscape for development co-operation involves many more types of organisations, coalitions and resources than ever before in history – and there are also greater complexity, competition and management challenges facing development partner countries. It is vital to build understanding and mutual respect, and to share good practices across the international development community, if we are to respond wisely and efficiently.

The Global Partnership for Effective Development Co-operation is just what is needed. This unique coalition of governments, civil society, the private sector and international institutions was launched at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011. Its aim is to catalyse and co-ordinate global efforts and resources for more effective development. The Global Partnership will play a key role in helping development actors work together, discuss the pros and cons of diverse policies and instruments, share good practice, foster collaboration and promote concrete action – crucial pre-conditions for successfully implementing the post-2015 development agenda. It is up to all of us, now, to make use of this novel, inclusive partnership to improve our development co-operation efforts.

Concluding thoughts

We should never forget that extreme poverty is not just about living on less than USD 1.25 per day. It is about much more than being hungry, ill-housed, and unable to properly care for and educate the next generation. Poverty is also about vulnerability, humiliation, discrimination, exclusion and inequity.

I have enduring images in my mind of the human face of poverty. The indomitable strength and integrity of the young woman I met at a feeding station in drought-stricken Malawi, who had just taken on the responsibility of raising her dead sister's three children – in addition to her own. The young, destitute Haitian mother who was intent on giving her child – born from a violent rape – the best care she could provide. The poor people crowding the ticket window in a train station on the Indian subcontinent, ignored by the station attendant who, nonetheless, readily sold me a ticket.

The world must understand and remember that human rights go beyond political rights: they include the right to education, to health, to security, to economic opportunity and to dignity. There are more than 1 billion people – approximately 22% of the developing world's population – who still suffer from this inequity. Only by ensuring their full human rights can we remove the scourge of extreme poverty forever.

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Executive summary

The Millennium Development Goals (MDGs) galvanised political support for poverty reduction. The world has probably already met the MDG target of halving the share of the population living in extreme poverty (USD 1.25 per day). Yet progress towards the MDGs across countries, localities, population groups and gender has been uneven, reflecting a fundamental weakness in current approaches. As the United Nations and its partners shape a new global framework to take the place of the MDGs in 2015 (Chapter 11), they face the urgent challenge of ending poverty once and for all. As this Development Co-operation Report (DCR) makes clear, this will take more than business as usual.

What is poverty and how is it measured?

This question was at the heart of numerous controversies around the MDGs. In this report, leading thinkers outline definition and measurement challenges:

- **Poverty is not only about income.** The MDG goal to halve extreme income poverty sidesteps many other deprivations (Chapter 3). Economic growth is not sufficient to eradicate all dimensions of poverty or to benefit all people.
- **Poor people do not only live in poor countries** (Chapter 1). Today, a new "bottom billion" live in middle-income countries, including India and China. National poverty measurements fail to capture these within-country inequalities or to guide progress in eradicating them (Chapters 2 and 15).
- **Poverty is not standard or static.** New measures should look beyond global aggregates to reflect countries' different starting points and challenges, address inequalities, and ensure comparability over time (Chapters 2 and 11).
- **It is not only a question of "getting to zero" – but of staying there** (Chapter 4). At least half a billion people are entrenched in chronic poverty. Policies must be specially formulated not only to end extreme and chronic poverty, but to prevent new impoverishment.

New goals for ending poverty

To recapture the Millennium Declaration's vision, the new international development agenda must embody principles of solidarity, equality, dignity and respect for nature (Chapter 12). It will need goals that can effectively guide core aspirations, targets that are easy to monitor, and strategies for economic and social transformation. This report makes numerous proposals for developing these elements, including:

Move from poverty to inclusive well-being

- Create a new headline indicator to measure progress towards eradicating all forms of poverty, which could complement the current income-poverty indicator (Chapters 3 and 5).
- Include targets and indicators to track whether people are becoming newly poor (Chapter 4).

- Include a goal of reducing income inequality, or a set of indicators of inequality across the various goals (Chapters 1 and 11).
- Take a twin-track approach to gender: a goal for gender equality and women's empowerment coupled with a way of revealing gender gaps in all other goals and targets (Chapter 16).

Combine national and global goals and responsibilities

- Base a new global goal of reducing income poverty on national poverty measures that are internationally co-ordinated and consistent (Chapter 2).
- Make the new agenda applicable to all countries, but with responsibilities that vary according to a country's starting point, capabilities and resources (Chapter 11).
- Set targets nationally but within global minimum standards (Chapters 11 and 15).

Improve data for tracking progress

- Adopt a specific goal, target and indicator to increase the availability and quality of data for tracking progress towards these new goals, and invest in national statistical capacity (Chapters 14 and 16).

New directions for ending poverty

Getting the goals right is the first step; achieving them will require new policies, commitment and leadership by national governments – North and South – and the entire global community. Governments, parliamentarians, multilateral and regional institutions, civil society, non-governmental organisations (NGOs), foundations, and the private sector will need to co-operate to ensure that all polices in all areas work together to end poverty. Contributors to this report share their wealth of experience on what works, including:

- **See development as a shift from poverty to power** by empowering people, especially women and the chronically poor and eliminating social discrimination that keeps them poor. Development co-operation agencies, political movements and civil society organisations can support such power shifts (Chapters 4, 5, 6, 9, 10, 12 and 16).
- **Build inclusive and sustainable economies** that enable the poorest to participate in and benefit from growth. This will require a root-and-branch re-orientation and reprioritisation of policies and programmes – especially in agriculture, education, energy and employment (Chapters 4, 7, 8, 14 and 15).
- **Provide systems of social protection** – employment guarantees, cash transfers, pensions, child and disability allowances – to create a virtuous cycle that enables poor people to sustain their livelihoods, build assets, access economic opportunities and withstand shocks such as climate change (Chapters 4, 5, 6, 7, 9, 10 and 13).
- **Make environmental sustainability and natural resources a core priority,** inextricably linked to poverty reduction and well-being. Policies must address not only the symptoms, but also the causes, of poverty, without undermining the well-being of future generations (Chapters 11, 13 and 15).
- **Invest in smallholder agriculture** to tackle poverty and promote broad-based economic growth in poor, largely rural countries (Chapters 8 and 10).
- **Support the exchange of knowledge and experience** on poverty reduction, particularly among Southern countries (Chapters 1, 8, 15 and 16).

What does this mean for development co-operation?

Extra support will be needed to meet these challenges. While financial resources increasingly will come from countries' own tax systems, official development assistance (ODA) will still be critical. It must become "smart" at attracting additional funds within a single, unified global structure that optimises all available sources of finance and ensures accountability (Chapters 15 and 16). The new Global Partnership for Effective Development Co-operation could catalyse and co-ordinate global efforts and resources (Editorial). Eliminating poverty and reducing inequality, within and among countries, will require sustained and coherent support to fragile states; targeting of pockets of extreme poverty in middle-income countries; developing states' own capacity for delivering public goods; and recognising that peace and the reduction of violence are the foundations of poverty eradication (Chapters 14, 15 and 16).

Part I

Defining and measuring poverty

Development Co-operation Report 2013
Ending Poverty

PART I

Chapter 1

What will it take to end extreme poverty?

by
Andy Sumner, King's College London, United Kingdom

The world has probably met the first Millennium Development Goal (MDG) target: to halve the share of the population living in extreme poverty. Can the world now end extreme poverty by 2030? Using a range of scenarios based on economic growth and income inequality forecasts, the author shows that strong economic growth coupled with a fall in within-country inequality could end extreme poverty. If growth is weak and inequality is not tackled, however, extreme poverty could remain around 1.3 billion in 2030. Ending USD 1.25 per day poverty does not mean ending all poverty. Nutrition and health poverty, multidimensional poverty and higher poverty lines need to be considered as well. This is why providers of concessional funding should not concentrate attention solely on the poorest countries and should remember the "new bottom billion" in middle-income countries (MICs). A new system of country classification would help to address this challenge. The focus of development co-operation with MICs should be on: supporting economic growth that is equitable and addressing poverty reduction as a national distribution issue; co-financing global, regional and national public goods; ensuring that development and other OECD polices (on trade, migration and others) are coherent and mutually supportive; encouraging new modalities of finance, such as joint funding by traditional and new "donors" of programmes with benefits beyond borders (vaccination programmes, green infrastructure, etc.); and supporting the exchange of knowledge and experience on poverty reduction.

What do President Obama, UN Secretary General, Ban Ki-Moon and the musician Bono have in common? Each has proposed – along with other prominent leaders and thinkers – that the world should seek to end extreme poverty over the next 20 years or so. But how realistic is this aspiration? And what needs to be done to make it happen?

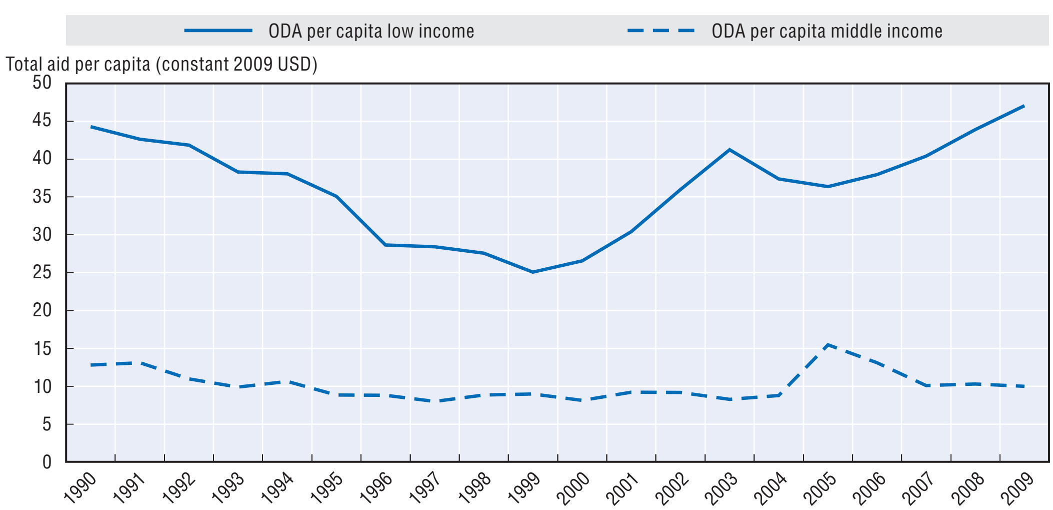
This chapter considers changing patterns of poverty and what would be necessary to end extreme poverty by around 2030.

Ending extreme poverty is possible

The idea of an end to extreme poverty is part of a broader discussion on the next generation of UN global development goals. The current set of goals, the Millennium Development Goals (MDGs), will expire in 2015. The MDGs aimed to halve income poverty and hunger and to reduce other forms of poverty in areas such as health, education and access to water. So the big question for the United Nations, the OECD and their partner countries is: what sort of global goals should take the place of the MDGs after 2015?

To answer that question, we need first to know a bit about progress towards the current goals and how the goals have supported development efforts. In short, the MDGs have helped maintain the case for more aid – or official development assistance (ODA) – for the poorest countries (Figure 1.1) and encouraged faster progress in some areas, notably in reducing child and maternal mortality (MDGs 4 and 6; Table 1.1).

Figure 1.1. **ODA per capita to low- and middle-income countries, 1990-2009**



Source: C. Kenny and A. Sumner (2011), "More Money or More Development: What Have the MDGs Achieved?", *Centre for Global Development (CGD) Working Paper*, CGD, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932895520

Of course, quite a lot of this progress would have happened even if there had not been any global goals. It seems unlikely, for example, that the MDGs had much to do with the

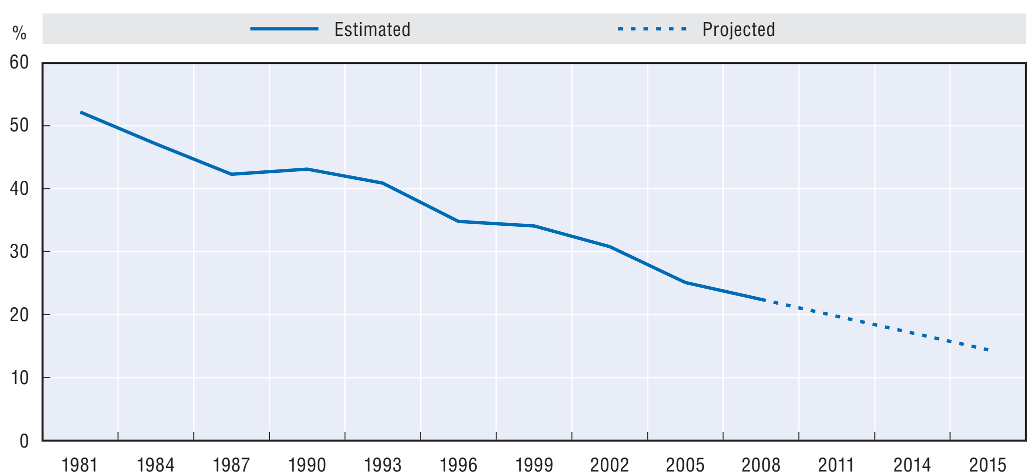
Table 1.1. **Global progress towards selected "headline" MDGs**

	Improvement since 1990?	On track?	Faster than historical patterns? (1970-2000 vs. 2000-09)
Poverty (MDG 1)	Y	Y	–
Undernourishment (MDG 1)	Y	N	–
Primary education (MDG 2)	Y	N	N
Gender equality in primary education (MDG 3)	Y	Y	N
Child mortality (MDG 4)	Y	N	Y
Maternal mortality (MDG 6)	Y	N	Y
Drinking water (MDG 7)	Y	Y	–

Note: Empty cells indicate insufficient data to make judgement.
Source: C. Kenny and A. Sumner (2011), "More Money or More Development: What Have the MDGs Achieved?", *Centre for Global Development (CGD) Working Paper*, CGD, Washington, DC.

People's Republic of China, India and other emerging economies' incredible economic take-off (Chapter 2). Still, the world has probably met MDG 1a: to cut in half the share of the world's population living in extreme poverty, as measured by the World Bank at USD 1.25 per person per day (Figure 1.2). Nevertheless, some express doubts about whether the MDG 1a (income poverty) goal has been met, because of the limited progress on MDG 1c (hunger). They point to the "poverty-hunger" disconnect, whereby the headline statistics on hunger have fallen very little over the same time period; this raises questions about the achievement of income poverty, given that the measurement of income poverty is largely based on food expenditures (Pogge, 2013).

Figure 1.2. **Percentage of total developing country population living on under USD 1.25 per day, 1981-2015**



Source: WEF (World Economic Forum) (2012), *Getting to Zero: Finishing the Job the MDGs Started*, WEF, Geneva.
StatLink http://dx.doi.org/10.1787/888932895539

Some argue that if the MDGs were about halving global poverty and reducing other aspects of poverty, the post-MDGs should be about "finishing the job" – in other words, "getting to zero poverty" (WEF, 2012).

A set of recent papers outlines the plausibility of this goal (e.g. Edward and Sumner, 2013; Karver et al., 2012; Ravallion, 2013). They conclude that it is entirely feasible to come close to ending extreme poverty by around 2030 or so – but only under certain conditions.

Even if USD 1.25 poverty is close to zero in 2030, significant nutrition and health poverty could remain

At the same time, it is essential to remember that ending USD 1.25 poverty will not necessarily mean all kinds of poverty are ended. Karver et al. (2012) project that significant nutrition and health poverty could remain in 2030, even if USD 1.25 poverty is close to zero (see Table 1.2 and Chapter 3 in this volume). The USD 1.25 line is also a very low poverty line indeed; it is the poverty line of the poorest countries and just one of the series of poverty lines used by the World Bank (Chapter 2). Moderate poverty (set at USD 2) will – not surprisingly – continue longer. The global cost of putting an end to USD 2 per day poverty could fall to as little as 0.1-0.2% of world GDP in 2030 (see below). For USD 2 poverty to drop from the current level of just over 2 billion people to 600 million by 2030, every country would need to meet the International Monetary Fund growth forecasts (IMF, 2012) and reduce inequality.

Table 1.2. **How key poverty indicators will look in 2030 if historical trends continue**

Indicator	Developing countries		Sub-Saharan Africa		South Asia	
	2010	2030	2010	2030	2010	2030
Child mortality rate (per 1 000)	49.5	27.6	122.2	66.3	65.6	33.7
Maternal mortality rate (per 100 000 live births)	192.0	129.0	718.0	308.0	279.0	174.0
Undernourishment (%)	15.3	12.6	25.7	17.6	22.1	16.6

Note: Figures are population-weighted and represent mid-range projections.
Source: J. Karver, C. Kenny and A. Sumner (2012), "MDGs 2.0: What Goals, Targets and Timeframe?", *CGD Working Paper*, Center for Global Development, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932895558

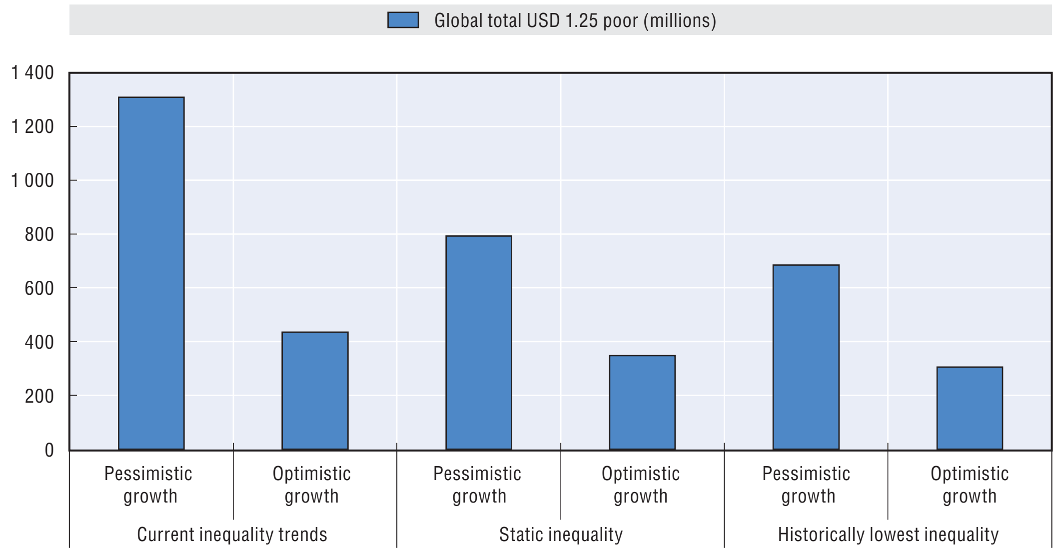
On the other hand, if growth is weak and current inequality trends continue, in 2030 USD 1.25 poverty would be about the same as today – at 1.3 billion people (Figure 1.3) – and USD 2 poverty could increase from current levels to exceed 2.5 billion people. What's more, poverty does not end above one or two dollars a day; the risk of falling into poverty may only diminish when people reach about USD 10 per day (López-Calva and Ortiz-Juarez, 2011; Chapter 4 in this volume).

The poor do not just live in the poorest countries

Today, there is a "new bottom billion" of extremely poor people living in middle-income countries

The distribution of global poverty – income poverty as well as ill-health, malnutrition and other kinds of poverty – has shifted since the 1990s from countries classified by the World Bank as low-income countries (LICs) towards middle-income countries (MICs). This shift has given rise to a new geography of poverty: in 1990, almost all of the world's poor people (however defined) lived in countries classified as LICs. Addressing global poverty then was seen largely as a matter of providing aid and resource transfers.

Figure 1.3. **How many poor people in 2030? Scenarios for USD 1.25 poverty**



Source: P. Edward and A. Sumner (2013), *The Future of Global Poverty in a Multi-Speed World*, Center for Global Development, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932895577

Today, there is a new "bottom billion"* – the billion poor people living in extreme income poverty in middle-income countries (Sumner, 2010; 2012a; 2012b; 2012c). The same is true if we look at health and nutrition and other forms of poverty (Alkire et al., 2013; Glassman et al., 2011; Kanbur and Sumner, 2011; Sumner, 2010). In short, while 30 of the countries where the bulk of the world's poor live – among them five very populous countries – have become better off and transitioned from LIC to MIC status, poverty has not fallen as much as one might expect. The net result is a shift of world poverty into MICs (Table 1.3).

Table 1.3. **Where did the global poor live in 2010?**

Country category	% of global poor	
	USD 1.25	USD 2
Current low-income countries (LICs)	29.5	22.2
Current lower middle-income countries (LMICs)	55.9	60.0
Current upper middle-income countries (UMICs)	14.6	17.7
All current middle-income countries (MICs)	70.5	77.8
Least developed countries	30.8	23.5
Emerging market economies	59.2	66.9
All non-fragile MICs	59.6	66.0
All fragile states[1]	32.1	28.6
LIC fragile states	21.2	16.9
MIC fragile states	10.9	11.8
Conflict/post-conflict countries[2]	11.8	8.8

1. Based on list in OECD (2013), *Fragile States: Resource Flows and Trends, Conflict and Fragility*, OECD Publishing, *http://dx.doi.org/10.1787/9789264190399-en.*
2. Based on list in World Bank (2013), *Harmonized List of Fragile Situations FY13*, The World Bank, Washington, DC.

Source: Edward, P. and A. Sumner (2013), *The Future of Global Poverty in a Multi-Speed World*, Center for Global Development, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932895596

* The term "bottom billion" was used by Paul Collier in his book *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It* (2007), where he explores the reasons why impoverished countries fail to progress despite international aid and support. He argues that there are just under 60 such economies, home to almost 1 billion people.

Of course, this is not to say that the 300 million people living in extreme (USD 1.25) poverty today in LICs or least-developed countries (LDCs) do not matter. Rather, with half of the world's poor living in just 2 countries – India and China – and 20 populous countries accounting for 80-90% of global poverty (among them Bangladesh, Democratic Republic of the Congo [DRC], Indonesia, Nigeria and Pakistan), what happens in a handful of the populous countries will make a big difference for ending extreme poverty.

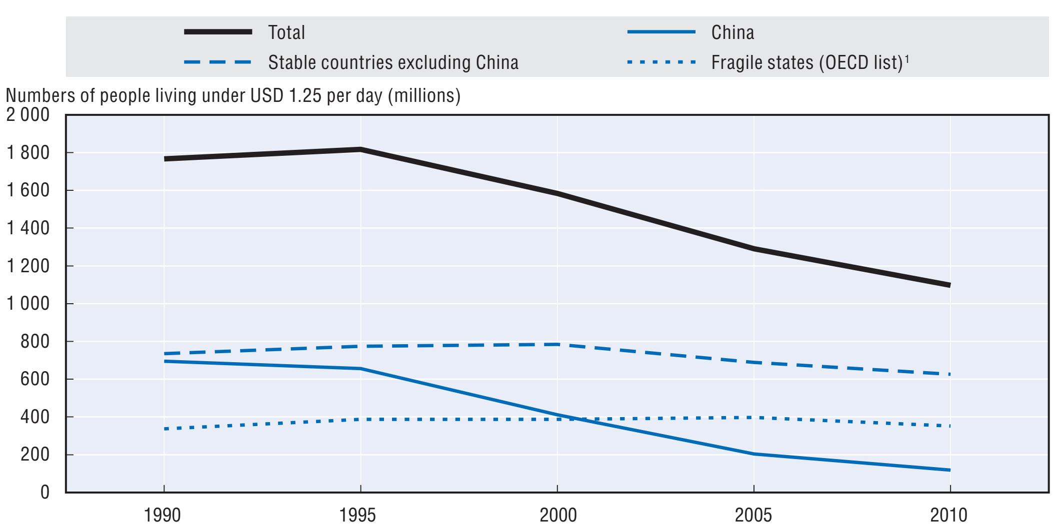
Poverty reduction must not overlook middle-income and fragile states

What about the future geography of poverty? Today, most of the world's extreme poor live in the emerging economies, half of them in India and China alone. By 2030, some of those emerging economies could be high-income countries; Brazil, China and Indonesia could even be high-income countries by 2025, if growth meets IMF forecasts. Indonesia may cross the threshold into the "upper middle-income country" classification in the next couple of years and could attain high-income country status around 2025; India and Nigeria are somewhat behind, but may be upper-middle-income countries shortly after 2025. So couldn't this be seen as good news, as the emerging economies will surely be better equipped to deal with poverty? Maybe, but it is certainly not a given. A significant amount of world poverty could easily remain in stable middle-income countries because of spatial and social inequalities.

Half the world's poor live in India and China

At the same time we could ask ourselves: will the poor increasingly be found in fragile states? The answer is not clear because the total number of poor people in stable countries has fallen slowly when China is excluded (see Figure 1.4). Furthermore, poverty in fragile states is occurring increasingly in middle-income fragile states, such as Pakistan and Nigeria, rather than in the poorest, low-income ones (Figure 1.5). This suggests that the

Figure 1.4. **Numbers of people living under USD 1.25 per day, 1990-2010**



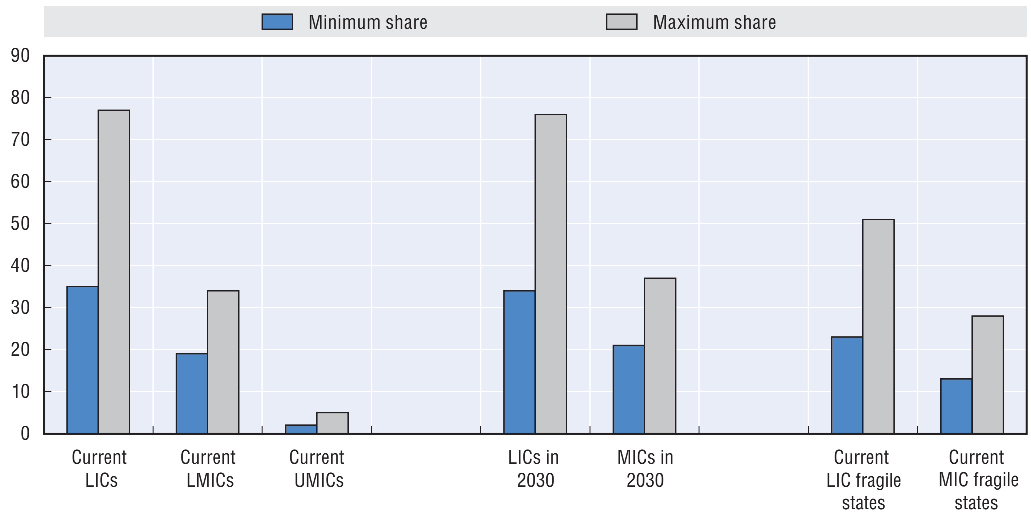
1. Based on list in OECD (2013), *Fragile States: Resource Flows and Trends, Conflict and Fragility*, OECD Publishing, *http://dx.doi.org/10.1787/9789264190399-en*.

Source: P. Edward and A. Sumner (2013), *The Future of Global Poverty in a Multi-Speed World*, Center for Global Development, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932895615

Figure 1.5. **Where will the poor live in 2030? Scenarios for minimum and maximum share of global poverty**

% of world USD 1.25 poverty in 2030



Notes: Estimates of highest and lowest proportion of world poverty based on various scenarios for economic growth and inequality. Fragile States as listed in OECD (2013), *Fragile States: Resource Flows and Trends, Conflict and Fragility*, OECD Publishing, *http://dx.doi.org/10.1787/9789264190399-en*.

Source: P. Edward and A. Sumner (2013), *The Future of Global Poverty in a Multi-Speed World*, Center for Global Development, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932895634

cause of poverty in these countries is not solely a lack of resources, and that fragility is not necessarily a barrier to raising average incomes (Chapter 16, Global approach 4).

There are important definitional issues here: nothing magically happens when a country crosses an arbitrary line into a new classification based on per capita income. Nonetheless, many donors treat countries differently when this happens, considering middle-income country classification in itself a justification for reducing or even ending aid.

Looking ahead, how poverty will be distributed by 2030 will depend on both economic growth and inequality patterns, in particular in the fast-growing and populous MICs. Figure 1.5 shows some possible scenarios and the levels of uncertainty inherent which are very significant. It is certainly not a given that most of the world's poor will live in fragile states. Indeed, poverty in middle-income countries could remain significant in 2030 if current inequality trends continue.

A new form of development co-operation with middle-income countries is needed

The poverty scenarios for different country classifications presented above contain some important policy messages. They estimate that possibly more than a half of global poverty in the coming decades could remain in stable middle-income countries.

The number of aid-dependent countries is declining and this is likely to continue. In fact, two-thirds of developing countries have an ODA to gross national income (GNI) ratio of less than 2%; only around 30 countries (and 10 small island states) have an ODA to GNI ratio of more than 10% (Edward and Sumner, 2013). Projections of future economic growth indicate that only a small group of about 20 countries, possibly fewer, will remain low-income in 2030. Many of these, but by no means all, are conflict-affected or post-conflict countries.

It could be argued that the shift of poverty to MICs means that the resource constraints and aid volume debates around the MDGs are less pressing for the new post-2015 framework. Although there is no sudden change in a country when it crosses one of the per capita income thresholds established by the World Bank, countries that are experiencing significant economic growth have substantially higher levels of average per capita income, and therefore substantially more domestic resources available for poverty reduction. Most MICs have credit ratings that allow them to borrow from capital markets, and indeed may prefer to do so to avoid the conditions that often are associated with ODA.

The cost of ending extreme poverty is approximately 0.2% of global GDP, or USD 150 billion (PPP)

This is also why donors, including many aid agencies, generally consider MIC status as a reason for reducing aid flows. But there are good reasons for OECD-Development Assistance Committee (DAC) donors to *continue* development co-operation with MICs – but of a new kind. Development co-operation could shift from grants to concessional loans (which would be cheaper than borrowing from private capital markets); to co-financing global or regional initiatives such as vaccination programmes or green infrastructure; and to policy-related research and knowledge exchanges between MICs and other countries. These points need to be factored into the post-2015 framework and into how development is supported in the future.

Furthermore, the post-2015 agenda needs to reflect the fact that over time it is likely that the expanding number of MICs will make far greater demands on traditional donors to focus on policy coherence (better co-ordination of their trade, migration and other policies): the basis of oft-forgotten MDG 8.

The changing pattern of global poverty also raises various questions about whether, in a world of fewer and fewer aid-dependent countries, poverty will become increasingly a matter of within-country inequality. Many of the world's extreme poor already live in countries where the total cost of ending extreme and even moderate income poverty is not prohibitively high if considered as a percentage of GDP. The cost of ending USD 1.25 world poverty is somewhere around 0.2% of global GDP, or USD 150 billion (at 2005 purchasing power parity, see Chapter 2). The cost of ending USD 2 world poverty is around 0.9% of global GDP, or USD 600 billion (PPP 2005).

This should not, however, be a cause for complacency. There are still many constraints rooted in the heterogeneity of the new MICs and of their economic growth patterns, in their administrative state capacities, in their domestic political economy (in particular the taxation base), and in capacities for income redistribution among the emerging but largely insecure and often-labelled lower "middle classes" (those in the USD 2-10 per day range), many of whom are barely out of day-to-day poverty themselves.

Conclusions

It is clear from this analysis that ending global poverty is a complex challenge, but that at least three things are required and should be integrated into the new development goal framework:

1. Economic growth needs to be strong and meet IMF growth forecasts. As noted above, the recent record for many countries is very good: over the past decade, almost 30 countries have become middle-income. Over the same time period, two-thirds of developing

countries have achieved GDP per capita growth rates of more than twice the average of those of the OECD countries (OECD, 2010).

2. This economic growth must occur hand-in-hand with a decline in inequality within countries. This is the crux. Without this coupling, it will take much, much longer to end poverty – at whatever level. It is startling just how much difference changes in inequality could make to global poverty – both to the number of poor people and to the costs of ending poverty (Chapter 10, Local solution 3).
3. Special attention needs to be given to the fact that much of the world's poverty is concentrated in about 20 populous countries. What happens in countries such as Bangladesh, DRC, China, India, Indonesia, Nigeria and Pakistan will be critical.

Above and beyond considerations of where future aid is allocated, donors also need – as already stated – to adapt new modes and kinds of co-operation to individual country contexts when tackling persistent poverty. In middle-income countries, donors should focus on supporting economic growth that is more equitable; ensuring that policies and programmes are coherent; encouraging new types and sources of finance, such as joint donor-partner country funding to programmes with benefits beyond their borders (vaccination programmes, green infrastructure, etc.); and exchanging knowledge and experience on poverty reduction. What's more, we need to look at the new and changing geography of poverty.

Only by looking at poverty in this new way will we have a chance of ending extreme poverty.

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Development Co-operation Report 2013
Ending Poverty

PART I

Chapter 2

Is it time for a new international poverty measure?

by
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Since 1990, the World Bank and the United Nations have tracked global poverty trends using a common international poverty line – the so-called "USD 1.25 per day" line. This indicator has been helpful for comparing global poverty over time and for monitoring progress against key development targets such as the Millennium Development Goals. However, it appears to be reaching the limits of its usefulness and relevance. This is partly because of the increasing number of poor people in middle-income countries – where per capita consumption and national poverty lines are substantially above USD 1.25 per day. Other considerations also raise questions as to the appropriateness of this measure to reflect levels and trends in world poverty: the multiple dimensions of poverty, the disconnect between national and international poverty lines, comparability over time, the need to measure not only absolute, but also relative poverty, etc. As the world works towards a new set of international goals it will be critical to address and resolve these issues. This chapter supports a new approach for measuring global poverty that takes these weaknesses into account: an internationally co-ordinated national poverty measurement.

The world can declare victory for having reached the first Millennium Development Goal (MDG) target of halving the share of the population suffering from extreme income poverty (living on under USD 1.25 per day; Chen and Ravallion, 2012; World Bank, 2013). Between 1990 and 2010, the incidence of poverty fell from 43.1% to 20.6%, with five years to spare before the MDG target date of 2015.

Population growth means that the number of poor people globally only fell from about 1.9 billion to about 1.2 billion between 1990 and 2010

Of course, there are at least five reasons for being sceptical about this result:

1. Reaching the MDG target at the global level has depended mainly on the overachievement of some rapidly growing and populous Asian economies – most notably the People's Republic of China, but also Bangladesh, Indonesia, Thailand and Viet Nam. Yet if one looks at the MDGs as country-specific goals, there are many countries that are still not on track to reach the target (or for which data are missing); poor performance is particularly evident in Africa and Oceania (UN, 2012).
2. Halving the share of people in extreme poverty is hardly the end of global poverty. In fact, as has been argued by Pogge (2008), among others, the *target* of halving the *incidence* of poverty (MDG 1a) was modest compared to the overarching MDG 1 *goal* of "eradicating extreme poverty and hunger", or to the objective expressed in the Millennium Declaration of halving the number of poor *people* by 2015 (Chapter 12). Because of intervening population growth, the reduction in the actual number of poor people globally has only been from about 1.9 billion in 1990 to about 1.2 billion in 2010 (Chen and Ravallion, 2012; World Bank, 2013). In Africa, it is substantially higher than in 1990 and the number of poor there will certainly not be halved by 2015; it is also unclear whether the number of poor will be halved globally by 2015.
3. Poverty is now widely accepted to be a "multidimensional" phenomenon (Chapter 3). In other words, income is only an imperfect proxy for the ability of people to achieve minimal levels of well-being in multiple realms, such as education and health (e.g. Klasen, 2000). While concrete proposals now exist for how to measure this so-called multidimensional poverty across the developing world (Chapter 3), data gaps limit a similar assessment of trends in this indicator over time (see also Chapter 4).[1] Thus, we do not know whether progress to eliminate poverty in this broader sense has been faster or slower than progress on income poverty.
4. There is substantial debate around uncertainties and problems associated with the way extreme income poverty is currently measured, using a single international poverty line expressed in USD and adjusted for purchasing power parity[2] (PPP; see Box 2.1) (e.g. Deaton, 2010; Klasen, 2013).
5. The appropriateness of a USD 1.25 per day cut-off for most people in developing countries is also increasingly being questioned, particularly for the rapidly rising share of the extreme poor living in middle-income countries (Chapter 1).

Box 2.1. **Understanding PPP and PPP exchange rates**

Standard exchange rates measure the relative values of different currencies for goods, services and financial assets traded internationally. In contrast, PPP exchange rates measure the relative values (purchasing power) of currencies in domestic markets, including the cost of services – haircuts, housing, local transport, etc. – that are not traded across international borders. Consumption PPPs – which are used to convert the international poverty line into local currencies – measure the relative cost of a representative bundle of goods and services in each country, weighted by the share of each item in overall consumer spending. Using PPP exchange rates to convert the international poverty line into local currencies helps ensure that the calculated values correspond to a similar standard of living in each country. The key word here is "helps," because there is much room for error in this calculation. In addition, a particular problem with PPP exchange rates is that they are only valid for the year in which the price comparisons were made (i.e. for 2005 in the latest benchmark year of price comparisons). This method, therefore, does not provide an answer to the key question, to what extent are PPP exchange rates for a particular benchmark year (e.g. 2005) accurate for previous or later years? For this reason, they must be treated with caution when looking at changes over time.

Source: Adapted from the Poverty Tools FAQ (Frequently Asked Questions) page at *www.povertytools.org/faq.htm*.

In this chapter I will focus on the last two issues to highlight the current state of flux in international poverty measurement. As we move forward on international poverty measurement – and towards a new set of international goals – it will be crucial to resolve these issues. I present some options for a possible way forward.

Immense uncertainties surround how we measure global poverty

The international poverty line was first developed by the World Bank for its *1990 World Development Report* on poverty. Global poverty measurement using this line is based on a four-step procedure:

1. National poverty lines of poor countries (where such lines exist) are translated into PPP-adjusted dollars (Box 2.1).
2. The poverty lines of the poorest countries are then averaged to establish the international poverty line (Chen and Ravallion, 2010). This is based on the empirical finding that below a certain level of per capita consumption, poverty lines are rather similar.
3. The international poverty line is translated back into national currencies using PPP exchange rates (Box 2.1).
4. Each of these national poverty lines is then adjusted according to national inflation rates in the country over time. Household incomes for a given year are then compared with the national poverty line to calculate the poverty rate for that year.

While using an internationally comparable line to calculate poverty has allowed us to assess global poverty for the first time, the approach has two significant drawbacks.

First, the differences among developing countries mean that the international poverty line often has little correspondence with individual national poverty lines, even for countries whose national poverty line was used to create the international line (Dotter, 2013). For example, Tanzania's and Tajikistan's poverty line were both used to create the international line, but Tajikistan's poverty line is more than three times higher than

Tanzania's in PPP dollars (USD 1.96 in Tajikistan versus USD 0.64 in Tanzania). This is despite the fact that both have roughly the same per capita consumption and therefore, according to the logic of the international poverty line, should have about the same poverty line. Based on the international poverty line of USD 1.25 a day, however, poverty in Tanzania is 40 percentage points higher than it is on that country's national poverty line; conversely, in Tajikistan poverty is about 40 percentage points lower when using the international poverty line rather than the national one. This limits the legitimacy of the international line as a tool to monitor and analyse poverty in individual countries; these countries often prefer, instead, to use their own national income poverty lines, which typically bear little relation to the international poverty line.

A second problem relates to the updating of the international poverty line and the associated PPP comparisons over time (Klasen, 2013). By way of brief explanation, in order to make comparisons that reflect differences in purchasing power across countries, the UN (and more recently, the World Bank) has co-ordinated a global process of international price comparison to generate "PPP-adjusted exchange rates" (Box 2.1). The rounds relevant for international poverty measurement took place in 1985, 1993 and 2005. With each new PPP round, the international poverty line has been updated (from USD 1.02 in 1985 prices to USD 1.08 in 1993 prices, which was used for the first MDG target, to USD 1.25 in 2005 prices). The most recent update incorporated changes to the country sample of national poverty lines used to estimate the international poverty line, as well as to the PPP rates.

Updating the international poverty line substantially changes the share of poor people in the developing world – for 1990, the share was 29% using the USD 1.08 line, but 41% using the USD 1.25 line

As has been noted by many (e.g. Chen and Ravallion, 2010; Klasen, 2013; Deaton, 2010), this update led to a substantial upward revision of the number and share of poor people in the developing world – from about 29% in 1990 using the USD 1.08 line to 41% that same year using the USD 1.25 line. The effect on measured trends in poverty reduction has been small, but there remain huge discrepancies in the levels of poverty in the world, as well as in its regional distribution. For MDG 1a, this may have mattered less at the time it was formulated since the target was to halve world poverty; this means that the focus was more on trends and less on levels. The international discussion has now moved on to focus on *eradicating* global extreme poverty using the USD 1.25 per day indicator (Chapter 1), as advocated by the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP, 2013 and Chapter 11). To reach this new goal, we must be certain about levels of poverty. Drastic revisions in the methods for calculating levels of poverty, such as those associated with the change to the 2005 PPPs, will seriously undermine the whole exercise.

It is also not obviously clear which round of adjustments has produced the "best" poverty line or PPP rate. While there are good arguments to believe that the 2005 PPP process was superior to the 1993 process in many respects, it had its own biases (see Ward, 2009; Klasen, 2013). Moreover, even if the 2005 measure may be the best way to generate comparable prices and poverty lines for 2005, it is unclear whether it generates comparable prices and poverty lines for 1990, let alone for 1981 – or for the future. We are now awaiting the results of the 2011 international price comparisons, which will generate a new international poverty line in 2011 PPPs; this will also lead to recalculations of poverty levels across the world as far back as 1981, with all the uncertainties this implies about our intended commitment to bring global extreme income poverty to zero.

Co-ordinated national poverty measures may be one way forward

Because of the immense uncertainties generated by these procedures, it is well worth thinking about alternatives. One plausible approach which would deal with the problems just outlined is to base the definition of a new global goal of reducing income poverty on national measurements of poverty that are internationally co-ordinated and consistent. The general idea would be: 1) to co-ordinate the methods for setting the poverty line in each country internationally (e.g. using the widely used "cost of basic needs" method[3]); and 2) to calculate poverty levels and trends nationally, using national currencies (Reddy, 2008; Klasen, 2013). Using this method, global poverty numbers (and proportions) would simply be the sum of the poor in each country calculated using an internationally comparable method. This approach would have two immediate advantages. First, there would be no need to rely on PPP comparisons, with all the uncertainties and fluctuations they entail. Second, international poverty measurement would be closely linked with national poverty levels and trends.

While these advantages are substantial and suggest that this approach is well worth trying, there are also some challenges (Klasen, 2013). First, it will require international co-ordination and agreement to set the poverty line. While a de-politicisation of this politically sensitive topic would likely be beneficial, it is not sure that this can be achieved in most countries. Second, there are a number of difficult technical issues to be dealt with, including how to establish the detailed procedures to initially set the line, update the line over time, and ensure consistent and comparable household surveys that measure poverty across countries and over time. Substantial technical and political effort is required to pursue this agenda. My recommendation is that this option be studied in great detail, tested and piloted, and then considered for implementation if it proves feasible.

Relative poverty lines can help track inequality

The other increasingly urgent question about the USD 1.25 international poverty indicator is whether this is still a relevant cut-off point for the increasing number of poor people in the developing world who are living in middle-income countries – countries with per capita consumption and national poverty lines substantially above USD 1.25 per day (Chapter 1). The fact that economic conditions in many parts of the developing world are improving has made the USD 1.25 per day poverty line far too low to resonate with local conditions in nearly all of Latin America (except Haiti and some countries of Central America), most of the Middle East and North Africa (with the exception of Yemen), and most of East and Southeast Asia (with the exceptions of Cambodia, Laos, Myanmar, Democratic People's Republic of Korea and Viet Nam). In fact, it only remains firmly relevant, for the foreseeable future, for most of sub-Saharan Africa and South Asia.

There are two ways one can react to this issue. The first one is to celebrate the fact that the basic survival conditions reflected (very roughly) by the USD 1.25 indicator have now been surpassed in many countries.[4] This very low poverty line allows us to zero in on that dwindling number of countries where this is still is a problem. Yet, while this might resonate with donors wanting to focus their attention on the poorest of the poor, such an approach may be ill-suited for new global goals designed to capture relative poverty.

China and India's improved economic conditions have prompted them to raise their poverty line

A second way to address this issue is to view poverty in middle-income developing countries as an equally urgent issue (see also Chapter 1). This would mean that one must find new approaches to measure poverty in these emerging economies. Ravallion and Chen (2011) have made a particularly interesting proposal in this regard: to establish a "weakly relative" international poverty line. For the poorest countries, the poverty line would remain at USD 1.25; for richer countries, however, it would rise with increasing incomes, but not at the same rate (e.g. an increase in per capita consumption of 10% would increase the poverty line by about 3%). For example, China and India recently increased their poverty line to reflect their generally improved economic conditions. In recent papers, Chen and Ravallion have reported results using such measures which show that weakly relative poverty is actually increasing in many regions, particularly Latin America, the Middle East and North Africa. In these regions, despite rising incomes (and therefore rising poverty lines), growing inequality has led to more people falling below this weakly relative international poverty line (e.g. see Chen and Ravallion, 2012).

Using internationally co-ordinated national poverty lines could also help to incorporate relative criteria into poverty measurements (Box 2.2). For example, poverty lines based on the cost of basic needs would rise as economic development increases the costs and agreed quality of those basic goods included in the poverty basket. To what extent adjustments in the national poverty lines could incorporate relative poverty considerations could be examined as this approach is piloted and tested.[5]

Box 2.2. **Poor, relatively speaking**

If we follow the logic that national poverty lines take into account national economic conditions, it would seem natural to argue that as countries get richer, more resources are needed to be non-poor. This is consistent with Sen's (1984) suggestion that poverty be seen as *absolute* in terms of capabilities (in other words, to be non-poor a person everywhere and at all times must be capable of being educated, healthy, nourished and integrated), but *relative* in terms of income (in the sense that the resources required to achieve these conditions are higher in richer countries).

The World Bank recently changed its goals for poverty measurement, retaining the USD 1.25 per day poverty line, but adding a separate measure that monitors the mean income growth rate for the poorest 40% to account for inequality, thus bringing in inequality and relative considerations. These changes, however, only partly address the issues highlighted here, as the proposal continues to have the drawbacks of the USD 1.25 per day indicator and does not necessarily capture changes in economic conditions among the poorest segment of the population.[6] To address these issues, it would be better either to move towards the weakly relative poverty approach promoted by Ravallion and Chen (2011), or to consider using relative elements when setting national poverty lines.

Conclusions

International poverty measurement is at a crossroads. While the USD 1.25 per day indicator has served well for promoting global poverty measurement and has done much to assist in goal setting as well as the monitoring of key development outcomes, it appears to be reaching the limits of its usefulness. To address the relativities of the international poverty line and PPP comparisons, and of the poverty problem in many countries, other approaches are needed. An approach focused on internationally co-ordinated national poverty measurement might be a way to address both issues, but requires detailed feasibility testing.

Notes

1. There are also conceptual and empirical issues relating to details of the indicators, the cut-offs which determine who is poor and who is not, and the procedures used when aggregating poverty across dimensions. See Dotter and Klasen (2013) for a discussion of some of these issues and possible ways to address them. Addressing these issues would not only affect comparisons of poverty levels among countries, but also over time.
2. Purchasing power parity (PPP) is used to determine the relative *value* of *currencies*. It asks how much money would be needed to purchase the same goods and services in two countries, and uses that to calculate an implicit foreign exchange rate. Using a PPP rate gives the same purchasing power to a given amount of money in different countries. PPP rates make it easier to compare *incomes* in different countries, as market exchange rates are often volatile.
3. This method estimates how much income is needed to attain a minimum access to food (measured in calories). It then fixes a poverty basket using current expenditure patterns of people close to the poverty line that achieves this caloric norm, and additionally makes some allowance for non-food spending. For details, see Ravallion (1992).
4. Although the dependence of the USD per day poverty rates on PPP rounds puts into question whether it neatly measures exactly the resources required for survival (Box 2.1).
5. Arguably, one would also want to incorporate relative elements in a multidimensional poverty index. See Dotter and Klasen (2013) for more discussion.
6. In particular, when using the growth rate of average income of the poorest 40%, growth for that group will be largely driven by the richest people within that group. Thus, the measure largely disregards the plight of the poorer people. Another problem is that it is unclear which price index should be used for this assessment: the overall inflation rate or the price index relevant for the poor (or the poorest 40%)?

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Development Co-operation Report 2013
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PART I

Chapter 3

How to measure the many dimensions of poverty?

by
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Ending poverty measured by USD 1.25 per day is unlikely to mean the end of the many overlapping disadvantages faced by poor people, including malnutrition, poor sanitation, a lack of electricity, or ramshackle schools. Ending poverty means addressing its multiple dimensions. This chapter makes the case for a new headline indicator to measure progress towards eradicating poverty in its many dimensions. This indicator could be an adaptation of the Multidimensional Poverty Index, or MPI, that is already being used internationally in the Human Development Report (HDR) and by many countries around the world. The index combines ten indicators reflecting education, health and standards of living; experience in using it suggests that it would be a feasible indicator to complement an income-poverty measure. It would help to bring into view the overlooked poor and to unleash energies for ending other dimensions of poverty as well. This measure would inform, guide and monitor multidimensional poverty reduction policies, adding real value for policy makers. It would also help to monitor the degree to which economic growth is equitable and to show the important links between poverty and sustainability. Eradicating poverty as measured by this new multidimensional index would dismantle a critical mass of deprivations, achieving much more than eradicating USD 1.25 income poverty alone.

Economic growth is not enough to tackle poverty

Poverty has many dimensions. It is not just a question of money, but also of a complex range of deprivations in areas such as work, health, nutrition, education, services, housing and assets, among others. This view of poverty as "multidimensional" is today widely supported by poor communities, as well as governments and development agencies.[2]

> *Those who have low incomes may not be poor in other ways and vice versa: mismatches of 40% to 80% are common*

As we have seen from the first two chapters in this report, one of the goals of the international community has been to halve poverty as measured by USD 1.25 per day. The assumption has been that doing so would automatically trigger a reduction in other kinds of deprivation as well.

Unfortunately, evidence from many countries since the Millennium Development Goals (MDG) were launched shows that while growth may contribute to poverty reduction, it is not sufficient to eradicate the other dimensions of poverty (Box 3.1).

Box 3.1. **Raising incomes is not enough to tackle poverty: Evidence from the literature**

In their prominent analysis of trends in the MDG goals, Bourguignon and colleagues found "little or no correlation" between growth and the non-income MDGs (Bourguignon et al., 2008; 2010).

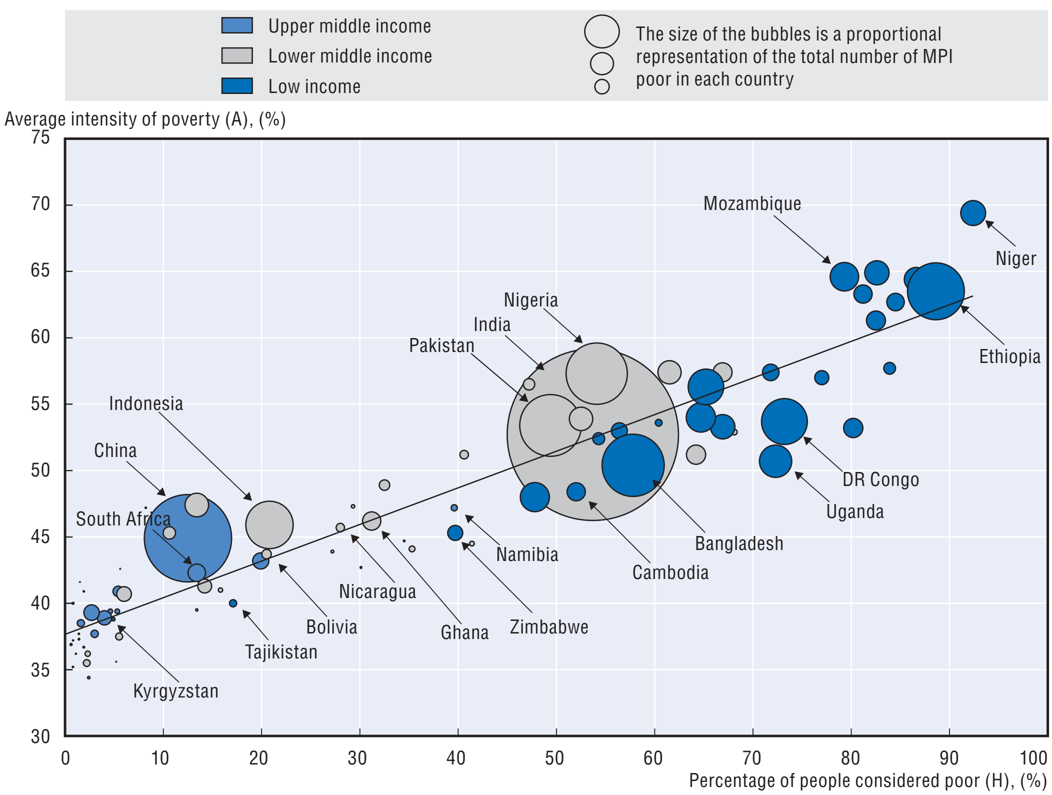
> "The correlation between growth in GDP per capita and improvements in non-income MDGs is practically zero […] [thereby confirming] the lack of a relationship between those indicators and poverty reduction […] This interesting finding suggests that economic growth is not sufficient *per se* to generate progress in non-income MDGs. Sectoral policies and other factors or circumstances presumably matter as much as growth."

They also found hardly any correlation between income poverty reduction and changes in under-five mortality, or between income poverty reduction and changes in primary school completion rates and undernourishment (see also OECD, 2011).

Franco et al. (2002) found that 53% of income-poor children in India and 66% of income-poor children in Peru were not malnourished. On the other hand, of children who were *not* income poor, 53% in India and 21% in Peru *were* malnourished. In brief, income-poor people are not necessarily malnourished, while non-income poor people are regularly malnourished. Nolan and Marx (2009) observe a similar lack of association using European data: "Both national and cross-country studies suggest that […] low income alone is not enough to predict who is experiencing different types of deprivation: poor housing, neighbourhood deprivation, poor health and access to health services, and low education are clearly related to low income but are distinct aspects of social exclusion."

As part of a research project co-hosted by the Oxford Poverty and Human Development Initiative (OPHI) we have constructed an income poverty and multidimensional poverty measure made up of several indicators of deprivation (described further below and see Figure 3.1).[3] We then identified the poor according to each measure using several poverty lines. We found striking divergence between those defined as income poor and those defined as multidimensionally poor. In Viet Nam, for example, if we look at the lowest 17% of the population that is income poor at one point in time and do likewise for the multidimensionally poor, we find only a 6% overlap; in other words, at the same point in time only 6% of people are both income poor *and* multidimensionally poor. Mismatches of 40% to 80% between multidimensional and income poverty are common. The analysis also showed that countries which fall in the same country income category can have quite different levels of multidimensional poverty (Figure 3.1).

Figure 3.1. **Incidence and intensity of multidimensional poverty by income categories**



Note: the MPI is a product of two elements: the percentage of people who are poor (incidence – H) times the average intensity of deprivations among the poor (intensity – A); see Alkire and Foster (2011a).

Source: S. Alkire, J.M. Roche and A. Sumner (2013), "Where Do the Multidimensionally Poor Live?", *OPHI Working Paper*, No. 61, Oxford Poverty and Human Development Initiative, University of Oxford, Oxford.

StatLink http://dx.doi.org/10.1787/888932895672

Ending poverty must address its multiple dimensions

The evidence presented above highlights that ending USD 1.25 per day poverty is unlikely to mean the end of the many overlapping disadvantages faced by poor people, including malnutrition, poor sanitation, a lack of electricity or ramshackle schools (Alkire and Sumner, 2013). The MDGs identified in 2000 were multiple because each indicator had some ethical importance. Now, many years into the MDGs it has become clear that this ethical motivation is backed up by an empirical necessity: associations – at least between indicators like income, child mortality, malnutrition and education – are surprisingly variable. Hence, no one indicator is a sufficiently accurate proxy for the multiple dimensions of poverty.

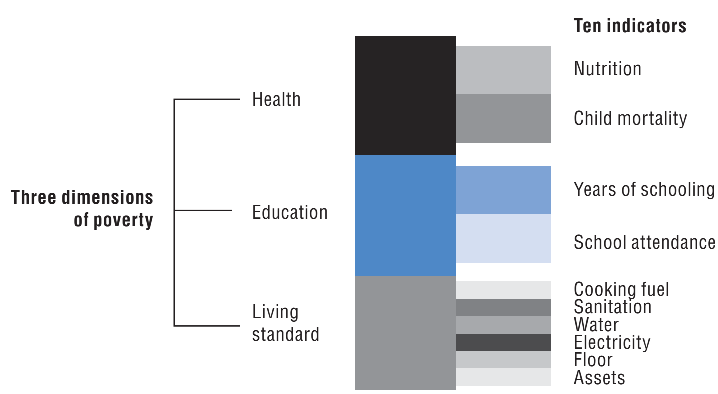
This is why a focus on ending poverty must address its multiple dimensions. But how do we approach such a task effectively without becoming overwhelmed by a torrent of information? I propose a three-pronged approach, using new data and new measures:

1. Add a new global multidimensional poverty indicator to the new goals that will replace the MDGs when they expire in 2015.
2. Develop a survey that includes key global goals.
3. Report national multidimensional poverty indicators alongside the global multidimensional poverty indicator.

A global indicator of multidimensional poverty already exists

An indicator already exists to measure deprivation in many types of poverty. Known as the Multidimensional Poverty Index (MPI) and developed by OPHI and the United Nations Development Programme (UNDP), this internationally comparable measure of multi-dimensional poverty is based on ten indicators of education, health and standards of living (Figure 3.2). A person is considered "multidimensionally poor" if they are deprived in one-third of the weighted indicators. Since 2010, the MPI has been published every year by the UNDP in its *Human Development Report*.

Figure 3.2. **What is included in the Multidimensional Poverty Index?**



Source: S. Alkire and M.E. Santos (2010), "Acute Multidimensional Poverty: A New Index for Developing Countries", *OPHI Working Paper*, No. 38, Oxford Poverty and Human Development Initiative, University of Oxford, Oxford.

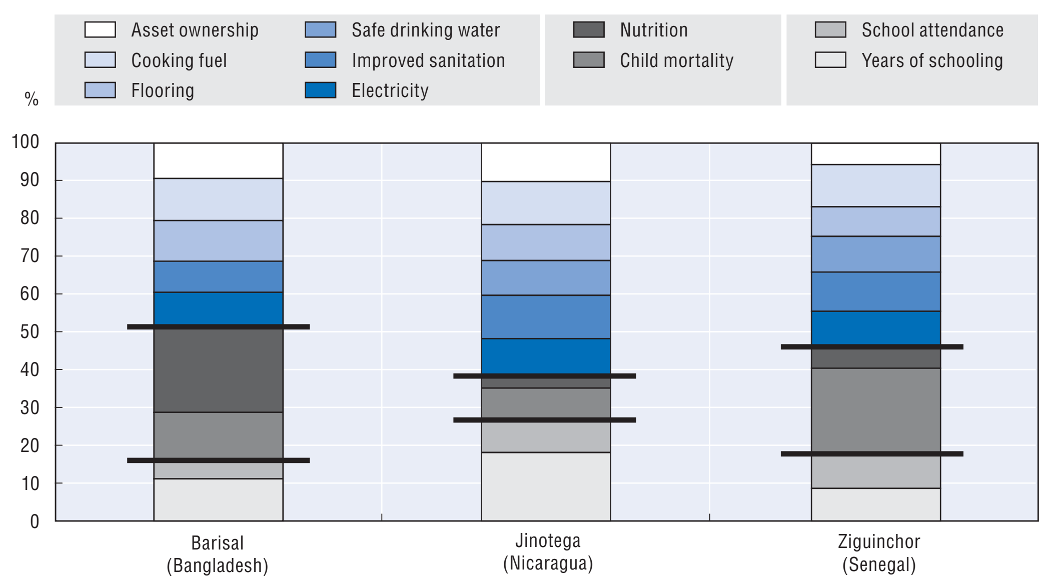
For the new framework that will be developed to replace the MDGs when they expire in 2015,[4] the recent report by the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda already envisages numerous goals and sub-goals at the global and country levels, each with an accompanying bevy of indicators (Chapter 11; and HLP, 2013). Adding a headline MPI (which we refer to here as the MPI 2.0) to the framework could provide an eye-catching and intuitive overview measure of progress towards these goals, complementing rather than replacing an income-poverty measure (Alkire and Sumner, 2013).

About 1.65 billion people in the 104 countries covered by the global MPI 2013 live in multidimensional poverty with acute deprivation in health, education and standards of living; this exceeds the number of people in those countries who live on USD 1.25 per day or less

The MPI 2.0 would be created with dimensions, indicators and cut-offs that reflect the goals that are agreed for the post-2015 framework. The process of selecting the indicators and cut-offs should be participatory, and the voices of the poor and marginalised should drive decisions. By reporting national MPIs alongside the global MPI 2.0 (see below), this global MPI 2.0 would also enable cross-national comparisons – thereby fostering learning and exchange among countries – as well as some global tracking, much in the way that income poverty measures now do.

The MPI 2.0 would supplement individual indicators, adding value by synthesising policy-relevant information, displaying patterns of overlapping deprivations, and facilitating a focus on the eradication of multidimensional poverty, which is more appropriate than a focus on income poverty. For example, with income poverty measures we know who is poor and that they are income poor; with an MPI we can see not only who is poor, but also how they are poor – what combined disadvantages they experience (Figure 3.3).

Figure 3.3. **Profiles of poverty: Similar MPI, different composition**



Source: S. Alkire, J.M. Roche and A. Sumner (2013), "Where Do the Multidimensionally Poor Live?", *OPHI Working Paper*, No. 61, Oxford Poverty and Human Development Initiative, University of Oxford, Oxford.

Most of the added value of a global MPI 2.0 lies in the fact that it combines a user-friendly headline indicator with a set of informative graphics and maps that reveal inequality within a country. It would also generate rigorous and detailed profiles of the levels, extent and changes in the composition of multidimensional poverty (Alkire and Sumner, 2013).

We need a quick, powerful and participatory survey instrument

The next step would be to develop an internationally comparable survey instrument to measure progress on the agreed global goals. This instrument should be short, powerful and selective – taking 45-60 minutes to complete. The sample surveyed should be representative of the key regions or social groups across which multidimensional poverty is to be assessed. This proposed core module would not cover all the post-2015 goals for several reasons: some indicators may require specialised surveys; some may not require updating as frequently as others; some may be provided by community, administrative or census data; and some complex indicators (e.g. detailed consumption and expenditure information) may require more than one hour to collect on their own. Together with this core global survey, each country that wishes to could develop and append a set of questions (involving another 30-45 minutes to complete) reflecting national priorities as well as the cultural, climate and development context. The national modules could include participatory inputs on the characteristics and priorities of the poor in that country.

There are a number of reasons for keeping a core survey relatively brief and strong. The most important is periodicity: the survey would be conducted in the field every two to three years in order to update the key indicators in a timely way; an excessively long or complex survey would be an obstacle. Also, because not all indicators will be equally relevant in all national contexts, the core module must select indicators that are widely applicable, leaving space for national adaptations.

The survey could be conducted using a variety of institutional arrangements for different contexts. Some administrations may welcome the survey being conducted by an outside institution to ensure data quality and frequency; others may wish to generate their own data because they already have or wish to invest in statistical capacity.

Would such a survey be feasible? The global MPI currently used by UNDP draws on less than 40 of the 625 or so questions that are present in an average demographic and health survey (DHS). Once the data are cleaned, constructing a pre-designed MPI and its associated analysis takes less than two weeks for a trained team to prepare, cross-check and validate. In similar fashion, a strong MPI 2.0 could be built from new data based on key post-2015 goals. There would, of course, be an initial cost of designing a global MPI 2.0 and its associated programming tools, and in training people in its calculation, but subsequent costs would be much lower.

The global index could be complemented with national and regional indices

Just as we have seen that the global USD 1.25 per day measure is used for national policy in many individual countries (Chapters 1 and 2), a global MPI 2.0 may reflect only a subset of the goals and priorities of many individual countries.

Twenty-two countries are developing their own national multidimensional poverty measures

Increasingly, national governments are developing "official" multidimensional poverty indices that either include or stand alongside monetary poverty measures – and which could also complement a global MPI 2.0. For example, the governments of Bhutan, Colombia and Mexico (Chapter 5, Local solution 1) each have official national multidimensional poverty indices (national MPIs), whose dimensions and indicators, thresholds and weights are tailored to their specific national policy contexts. Other measures are in use at subnational levels – for example in the state of Minas Gerais in Brazil. A number of national and subnational MPIs are also under development – for instance in El Salvador – and many other countries are considering them for national use (such as Iraq and Malaysia). Indeed a peer network comprising 22 countries plus regional associations who are considering or actively pursuing national multidimensional poverty measures was launched in June 2013. International support in the form of technical training could greatly contribute to the development of national MPIs, as could sharing experiences among countries.

In a given country, low levels of deprivation on many indicators may be concentrated in a small group – such as the Roma in Eastern Europe or a geographically remote community – rather than spread out among the non-poor. National indicators do not distinguish among these situations. An MPI measure does so very easily. Given the disparate nature of inequality today, the analysis would need to include not only national aggregates but also regional and group-based decompositions. This would include looking at results at specific points in time, as well as trends across periods.

Conclusions

Ending poverty as measured by the MPI is a very sensible goal to have – perhaps even more sensible than a "dashboard" of getting-to-zero indicators. Why? In terms of "eradicating" multidimensional poverty indicators one by one, there are actually some problems with the aim of getting to zero. For example, an activist may be voluntarily living on "less than USD 1.25 per day" for the survey recall period (usually 7 or 30 days) out of solidarity with others, but may not be consumption-poor otherwise. A self-made millionaire may have never gone to school. A tragic road accident could have occurred, involving a child's death, yet that tragedy may not be associated with poverty. Or an indigenous or eco-farming community may not have, or want, a finished floor because of their culture or climate. Given circumstances such as these, deprivation levels could occur even in societies that rightly assess that they have "got to zero" on core features of multidimensional poverty. The non-poverty deprivations appear either because of tragic circumstances or measurement error, or because internationally comparable indicators can never fully capture the complexity of culture and circumstance. In contrast, getting to zero on the MPI means that no person experiences a critical mass of deprivations. This leaves room for some variation in single indicators across culture, climate and personal values.

Because of the lack of correlation between growth and improvements in areas such as nutrition, child mortality, education or jobs, there is a growing emphasis on inclusive growth by the OECD,[5] among many others. Only certain kinds of growth will get us to zero poverty in the fuller sense. What is needed is growth that creates jobs (Chapter 4), coupled with complementary social policies (Chapter 6), legal protections, and activities by civil society, non-governmental organisations (NGOs) and the private sector (Drèze and Sen, 2011; 2013).

In conclusion, as many have argued, eradicating USD 1.25 income poverty would be a step forward, but would not indicate a decisive finale to income poverty. If we were to eradicate poverty as measured by a global MPI 2.0, we would have definitely dismantled a critical mass of deprivations. For example, if the current global MPI were taken to zero in a given country, it would mean that no people in that country were deprived in more than one-third of the weighted indicators at the same time. This has indeed occurred: Slovenia and the Slovak Republic, for example, have achieved zero poverty according to the global

MPI (Alkire and Santos, 2010), although there are some people who may experience one or another deprivation. The eradication of poverty based on a global MPI 2.0 would not only be far more appropriate than considering indicators one by one – it would represent a solid milestone, and one worthy of profound celebration.

Notes

1. I am grateful to John Hammock, Hildegard Lingnau and Simon Scott for comments on this chapter.
2. This is also reflected in the widely-held view that well-being is also multidimensional and requires measurement approaches that portray its depth and composition holistically. See for example *OECD's Better Life Initiative* at *www.oecdbetterlifeindex.org*.
3. The study is called the Dynamic Comparison between Multidimensional Poverty and Monetary Poverty. See *www.ophi.org.uk/workshop-on-monetary-and-multidimensional-poverty-measures*.
4. Referred to as the post-2015 framework.
5. The OECD *Initiative on Inclusive Growth* recently held a *workshop* which clarifies the current areas of consensus and most central questions (see *www.oecd.org/inclusive-growth/workshop.htm*). Likewise, the Asian Development Bank and many country governments have renewed their emphasis on inclusive growth (see *www.adb.org/themes/poverty/topics/inclusive-growth*).

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PART I

Chapter 4

How do we get to zero on poverty – and stay there?

by
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Nearly half a billion people around the world are chronically poor. Chronically poor people are trapped in extreme poverty, which persists for many years and even across generations. Policy makers who really want to eliminate poverty for good need to design policies that not only get people out of poverty and vulnerability, but that also stop people slipping back into poverty, and that address the causes of chronic poverty. This includes paying serious attention to the large share of chronically poor who live in fragile states. Governments wishing to end chronic poverty need to offer social protection policies that provide an income floor for the chronically poor – as for example employment guarantees, social assistance schemes, conditional cash transfers, pensions, child and disability allowances, etc. They also need to undergo a root-and-branch re-orientation and reprioritisation of policies and programmes – especially in agriculture, education, energy and employment. And they need to clearly distinguish among policies to prevent impoverishment, help people escape poverty and address the root causes of poverty. Establishing a target for each of these trajectories would help to improve the quality of policies. What would such targets look like?

- *Target 1: Increase and sustain escapes from poverty until extreme poverty is all but eliminated.*
- *Target 2: Reduce impoverishment to zero.*
- *Target 3: Reform institutions and eliminate social (including gender) discrimination, norms and inequalities that keep people poor.*

There are at the very least half a billion chronically poor people in the world

The post-2015 development framework will in all likelihood aspire to complete the job which the Millennium Development Goals (MDGs) began – eradicating extreme poverty and deprivation. Whether the new framework helps to make that noble objective possible will depend on how many "distractions" it contains and how the poverty eradication goal is framed. In most countries, getting to zero (or eradicating extreme poverty and deprivation) will mean tackling chronic poverty (Box 4.1) as well as less persistent poverty.[2]

Box 4.1. **Who are the chronically poor?**

Chronic poverty is defined here as extreme poverty experienced over many years, a lifetime, or perpetuated from generation to generation. In practice, this may be translated as poverty experienced at two distinct points in time, separated by several years (Hulme and Shepherd, 2003). Severe poverty (people living significantly below the extreme poverty line) can be used as a proxy when measuring chronic poverty – this is necessary since the panel data which allow analysis of poverty over time are not available for more than a few countries. Severe poverty is usually less widely experienced than chronic poverty, but most severely poor people are also chronically poor (McKay and Perge, 2011).

Chronic poverty is often multidimensional. In other words, people who suffer from chronic poverty are poor not only in monetary terms, but also in many other dimensions – though the degree and nature of multidimensionality vary significantly from country to country (Apablaza and Yalonetzky, 2012; CPRC, 2004; Chapter 3).

The 2008-09 *Chronic Poverty Report* estimated (conservatively) that there were some 320-443 million – almost half a billion – chronically poor people in the world based on an income/consumption measure (CPRC, 2008). These figures have been challenged as being too low (Nandy, 2008). It is possible that many more people are affected by severe multidimensional – and therefore persistent – deprivation, or by deep exclusion, discrimination, vulnerability and lack of assets. It can be expected that the proportion of the poor who are just under the poverty line – and who therefore can escape relatively easily from poverty, at least for a time – will decrease as the remaining poverty gets harder to address (Chandy et al., 2013).

Chronic poverty is mainly found in South Asia and sub-Saharan Africa, mainly in low-income and lower-middle-income countries. While the numbers are higher in South Asia, the depth of poverty is greater in sub-Saharan Africa.

If the factors keeping people poor over long periods of time (or in chronic poverty) are not *explicitly* addressed, there is no chance of getting to or near zero. Addressing chronic poverty is part of tackling poverty as a whole, but it must be approached differently. It requires understanding how poverty dynamics work and how poverty is transferred between generations. Studies of poverty dynamics provide information about how and why people become poor, remain poor, or escape poverty (Baulch, 2012). People may escape poverty or fall into poverty either temporarily or permanently. In this chapter, I describe how public policies that assist permanent escape, prevent permanent and new impoverishment, and address the factors leading to chronic poverty should be at the centre of the post-2015 framework. Otherwise there is no scope to get to zero.

The roots of chronic poverty are usually political and institutional

We have the knowledge to tackle chronic poverty; it is political courage that is lacking

People are not poor over long periods without good reason, nor do they want to remain that way. Sometimes the environment – the economy, society, politics (and more rarely, the physical environment) – is simply not conducive to escaping from poverty. This is the case, for example, in situations of political instability (Chapter 16, Global approach 4), or where there is low GDP per capita and slow economic growth. Sometimes the poorest face deep structural barriers to overcoming their deprivation, with discrimination in the labour market or the education system leading to social and political exclusion. Sometimes the poor face challenging deficits in capabilities, such as education and skills, or in nutrition or health (Sen, 1999), with little scope to address them.

There is, almost certainly, enough knowledge available now to seriously tackle chronic poverty and modify poverty dynamics in many societies; knowledge is rarely the constraint. To make this happen, however, policy makers must be prepared to borrow ideas and experience from other societies, and to take some risks on behalf of the poorest. There is, nonetheless, in any society "a framework of permissible thought" (Bird et al., 2004), which restricts the easy discussion of certain ideas in public. This, in turn, limits the ideas that political leaders are free or willing to explore. Researchers, journalists and activists have an important job to do by challenging these frameworks so that currently "unthinkable" courses of public and private action capable of addressing chronic poverty can be openly debated. So for example, it may be "unthinkable" for policy makers in a particular country to provide a social protection "floor" for consumption because this is held to generate dependency and to be unaffordable. The evidence from countries in the South shows that neither of these are true (Chapters 6 and 7). Politics – and the ways in which institutions work – are usually at the heart of the problem of chronic poverty. Yet because the chronically poor rarely organise themselves to put pressure on politicians or the political system, there is often little political motivation for change. In low and lower-middle-income countries, there may also be limited resources with which to pursue redistributive strategies, although politics are usually a more serious obstacle. Prolonged and increasingly global economic depression will not help this situation, but the political space for progressive policies is determined less by levels of economic growth than by the nature of political regimes in power. In fragile states, developing an inclusive political settlement that provides a basis for social cohesion and long-term growth and prosperity can be especially challenging (Chapter 16, Global approach 4).

Policies should provide a permanent way out of poverty

Unless policies allow people to escape poverty for good, we will only fleetingly get to zero

It can be argued that chronic poverty is just like poverty only more so – in which case simply doing more of the same – "business-as-usual" policies – should get us to zero. "Business as usual" in this context means the three legs of poverty reduction outlined in the World Bank's 1990 *World Development Report*: 1) macro-economic policies that prevent inflation and generate economic growth; 2) policies that address basic human development (health, water and sanitation, education); and 3) social protection. To this trilogy, the 2000 *World Development Report* added "empowerment", admitting that social relations and politics were important determinants of poverty reduction – and that empowerment is especially important for the chronically poor, who tend to be relatively powerless (Chapter 16, Global approach 5; and World Bank, 2000).

Today, however, the social protection and empowerment dimensions of this agenda have only been fully addressed in the policies of a few countries (Shepherd and Scott, 2011; Chapter 6). Not only do many governments fail to actively work to empower their people; they may, in fact, do the opposite. Eradicating poverty will definitely entail raising the levels of power held by the poorest people – in terms of bargaining power in labour and commodity markets, power in the household and community, and power to get their issues addressed by politicians. Some countries still do not accept the need for systemic, state-provided social protection. And some, even middle-income countries, have not invested much of their income in public education or health. So even these well-established agendas are by no means fully implemented, and there is plenty of scope for improving business as usual.

Even if we were to redouble business-as-usual efforts, it would not suffice to eradicate chronic poverty. So what else will it take? What is needed is a root-and-branch re-orientation and re-prioritisation of policies and programmes. Tackling chronic poverty requires leadership and committed policies under four headings: social protection, growth that reaches the poorest, human development for the hard to reach, and transformative social change. The Chronic Poverty Advisory Network has begun to produce a series of policy guides for doing this, sector by sector, topic by topic, and for different categories of countries (e.g. see Hossain et al., 2012; Lenhardt et al., 2012; Scott et al., 2013). Some of the key points are outlined here.

Solid social protection

Systems of social protection, backed by national political commitment, are essential (Chapter 6). This means strong investment in the kind of social protection that provides a minimum income as part of a standing political settlement, rather than a temporary safety net for the vulnerable (Barrientos and Nuno-Zarazua, 2011). Well-targeted social assistance schemes can work well: examples include numerous cases of conditional cash transfers in Latin America (see Box 6.1 in Chapter 6 for an example in Mexico) and combined pensions, child and disability allowances in southern Africa (also in Chapter 6). What does not work is the pilot-programme approach being tried with donor funding in so many of their partner countries. Why? At best, such projects and programmes can only prepare the ground. Systems, on the other hand, provide vulnerable people with the knowledge that there will be a social floor this year, next year and in the future. This reassurance allows vulnerable people to make greater investments in their children's education, health and nutrition, and in productive assets.

Better quality employment

There are groups of people in many societies – agricultural, construction and domestic workers, for instance, and internal migrants – who experience persistently low wages and unhealthy or even "unfree" working conditions, where they are tied to a particular employer or labour contractor to pay off a debt (see Phillips, 2011). Casual and other forms of wage labour – increasingly supplied by labour contractors – are often effectively excluded from labour legislation. Many economists and ministries of finance are unwilling to promote the formalisation of such informal employment – which is often insecure and exploitative – because they fear this will undermine job creation. The result is that the worst forms of wage labour are not avenues out of poverty, but simply survival options. At best, they can help a household escape poverty, but only when combined with other economic activities in a "portfolio".

If employment is to play a more positive role in improving the lot of chronically poor households, job quality needs to get on the policy agenda. And while legislation can set the tone for a society, recognising the importance of informal professions and providing the basis for trade union collective bargaining approaches, it may not have a significant impact on wage levels or working conditions. This can be the role for employment guarantees that extend social protection to the informal economy, by guaranteeing a minimum of work to people who would otherwise struggle to find enough. India's Mahatma Gandhi Rural Employment Guarantee Act and Scheme is the premier example; Ethiopia's Productive Safety Nets Programme is an example of a temporary but large-scale programme from which the country is learning how to establish a permanent system. However, these are the only two functioning systems. The greater participation of foreign direct investment in an economy and the international consumer pressure and media scrutiny that comes with such investment could also be a powerful force for improvements in job quality (Scott et al., forthcoming). If such consumer pressure were to be exercised by Southern consumers, this would be an even more powerful force for change.

Productive assets

Rather than (or at least as well as) obsessing about crop productivity, there are other areas on which agriculture ministries and agencies could focus to help poor farm households build the asset bases – additional land, livestock and equipment – they need to escape poverty permanently. For example, improving market functioning would allow greater returns and add value by increasing competition, or improving regulation or how value chains operate. Introducing agricultural labour into the agriculture policy agenda would ensure that the growing numbers of landless households that gain all or most of their incomes from wage labour get the best deal they can (Lenhardt et al., 2012). Much can also be gained by helping landless households to get hold of non-land assets, such as livestock, or farm equipment which they can rent to farmers, enabling them to participate in the agricultural market economy in a self-employed capacity, not only as labourers.

Productive energy

Chronically poor people are less likely to have access to electricity than others, and more likely to depend on biomass for cooking and other energy requirements. Access to electricity often goes hand in hand with escaping from poverty. It can provide the basis for non-farm and more productive employment, allow children from poor households to perform better in school because they can do more homework, and has a variety of other benefits. Providing a light bulb or two will not change many lives for the better, however. Enabling chronically poor households to be part of the energy revolution will involve reducing the upfront costs of connection to the grid by allowing the poorest to pay the initial connection charges over long periods, or be cross-subsidised by wealthier customers. Other essential steps include extending the grid; or investing widely in off-grid decentralised and environmentally sustainable power. At the same time, energy providers need to work with other development agencies to enable the poorest households to acquire the equipment they need to render access to energy productive, thereby reducing drudgery (Scott et al., 2013).

Education for longer

Development efforts have focused on getting enrolment rates up in primary education, but it is when children can complete primary schooling and continue into post-primary education (secondary school, technical/vocational training) that it makes the difference for chronically poor households. Education is "portable capital", critical for successful migration and participation in the labour and other markets (Bird et al., 2010). The education agenda needs to focus on post-primary education and its links to the labour market (Hossain et al., 2012). Governments also need to expand pre-school arrangements, especially for children from poor households, because there is abundant evidence that this assists poor children's performance at school. They also need to increase the effective demand for education and address the barriers faced by the poorest households (by improving its quality, and by providing cash transfers, school meals and scholarships).

There are additional important areas of policy that will require revision or strengthening: for example, policies on health; in the legal sector; policies on marriage, inheritance and gender equality (Chapter 16, Global approach 1); policies on the social economy, internally displaced people and refugees. The Chronic Poverty Advisory Network is committed to providing policy guidance on all such issues.

Far-sighted political leadership

There are 107 middle-income countries (MICs) in the world today – and as we have seen in Chapter 1, these countries are home to a large proportion of today's extremely poor. Upper MICs have the resources to invest in the chronically poor – and many now have political regimes that are determined to do so. There are three major models followed by such regimes: the Latin American social-democratic redistributionist model (Brazil, Ecuador and possibly Nicaragua can be grouped here); the East Asian elite-led growth and education model (the People's Republic of China, Korea, Chinese Taipei and Viet Nam); and a populist "third way", combining elements of both (Cape Verde since 1991, Thailand in the 2000s, Tunisia pre-Arab Spring). The first two models require heavy political pre-conditions (movement-based socialist or communist parties or a history of authoritarian anti-communist politics), but can be very effective in addressing chronic poverty. Yet most countries will probably have to go down the third route.

In all these models, far-sighted political leadership with a strong nation-building plan are critical. Economic growth can be the Achilles heel of the redistributionist model. In the elite-led growth and education model, investments in health services and social protection have typically come late – in response to crisis, violence or the threat of it – rather than being built in from the beginning. In all three models, however, social and economic structural transformations have been fundamental in addressing chronic poverty. Lower-middle-income and low-income countries need to debate and decide which route they will go down; the upper-middle-income countries, which have had limited success in addressing chronic poverty, would also do well to learn from others' success.

The post-2015 framework should have chronic poverty at its heart

Specific targets could put chronic poverty and vulnerability at the core of the post-2015 framework

There is some concern that the enthusiasm for a global public goods approach (Chapter 13) could result in a "Christmas tree" of goals and targets in the post-2015 framework, many of which may not be closely related to eradicating extreme poverty and deprivation. Such an approach could divert attention from some of the core issues mentioned above. The post-2015 framework needs to focus on goals and targets that will very directly help to achieve poverty eradication as the overriding goal, rather than struggling to construct a single framework for developmental and environmental issues; in such a monolithic framework, poverty eradication could get lost. On the other hand, a poverty-focused framework can – of course – include global public goods[3] where relevant.

Equality as a goal

It would be extremely helpful to have a goal of reducing income inequality (Chapter 1) or at least a set of indicators of inequality across the various goals. This would draw attention to the fortunes of the poorest people. The Gini Index is the best known and most popular measure of income inequality, but does not particularly draw attention to progress for the poorest (Cobham and Sumner, 2013). The Palma Index is an improvement, by focusing on the position of the poorest 40% compared to the richest 10%. In many societies, however, the people who are ranked in the bottom 40% include many more than those considered to be in extreme poverty, and this will increasingly be the case beyond 2015. This is why the Chronic Poverty Advisory Network is proposing a "median measure" of inequality, which would compare the bottom 5%, 10% and 20% with the middle of the distribution (Lenhardt and Shepherd, 2013). The advantage of this measure is that it would enable a policy maker to set a realistic objective of bringing the poorest up towards the median level (and not just for income: it can also be used for health, education, etc.). This makes the comparison much more policy-relevant than the Gini or the Palma. Such objectives can be achieved within 15 or 20 years.

Getting widespread commitment to ending inequality will, however, be a huge political challenge. The UN's consultation on inequalities[4] is laying the intellectual groundwork, but significant international and national political groundwork will also be needed if enough countries are to get to grips with inequality. A strong Inequalities Alliance, bringing together countries that are active in containing inequality and entities that are working to tackle the issue (non-governmental organisations [NGOs], UN agencies), could help motivate other countries and development communities to take inequality on board more fully.

An assortment of poverty lines

The world has been very focused on a USD 1.25 per day definition of extreme poverty, but it also needs to focus attention on what happens above as well as below that level. Whatever the merits of this poverty line methodologically (Chapter 2; and Anand et al., 2010), if the post-2015 framework is concerned with getting people out of poverty permanently, and avoiding re-impoverishment, it needs to focus on USD 2 and USD 4 per day levels of income as well. Otherwise, there is the risk that once a household escapes USD 1.25 per day poverty it enters a policy no-man's land. For example, the rationale for providing social protection has been to bring the poorest people nearer to crossing the poverty line. Once people cross the poverty line, their entitlements to such services may cease. On the other hand, economically focused programmes – such as micro-finance and value-chain development – have largely benefited those above the poverty line. The people most vulnerable to exploitation and unfree labour may not only be in the extreme poverty bracket, and therefore could be missed by poverty-reduction strategies and social protection aimed at the USD 1.25 per day poor, making them more vulnerable to exploitation. Only eight upper-middle-income countries – Brazil, Chile, Costa Rica, Dominican Republic, Iran, Jordan, Thailand and Tunisia – have reduced USD 1.25 and USD 2 per day poverty at the same time.

Targets for getting to, and staying at, zero

Policy makers who *really* want to eliminate poverty for good need not only to design policies that get people out of poverty and vulnerability, but also those that stop people slipping into poverty, and those that address the causes of chronic poverty. However the policies for each of these are not necessarily the same. There is a huge amount of mobility around poverty lines: statements such as "31% of people are extremely poor" can be due to many different combinations of chronic poverty, escaping poverty and impoverishment. Although it is now possible to measure this mobility in a few countries, better policy making requires that governments and other stakeholders have much better information about – and causal analysis of – these poverty dynamics.

Establishing a target for each of these policy goals would not only help to improve the quality of policies; it would also generate a long overdue demand for new investment in the longitudinal household survey data necessary to track the progress households make over time. Box 4.2 provides an idea of what the new poverty dynamics goal and targets could look like. While this schema needs further elaboration and assessment, it suggests a new approach that puts chronic poverty and vulnerability at the core of the framework. This is essential as the numbers of households just under the extreme poverty line will diminish as time goes on, making it harder to get people over the poverty line (Chandy et al., 2013).

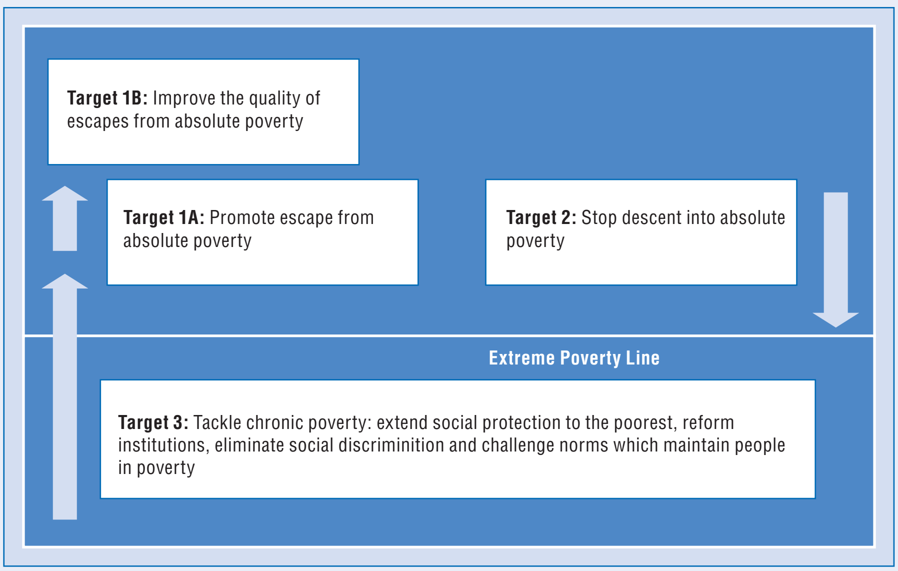
The exciting thing about adopting such goals and targets in the new framework is that it means looking at policy and data in a new and much more sophisticated, but feasible, way. This dynamic perspective could also be applied to other dimensions of deprivation in the post-2015 framework for which thresholds can be established (as described in Chapter 3). For example, in education, the thresholds could be completion of primary education, or completion of nine or ten years of education.

In order to monitor the achievement of these targets, panel surveys in all countries could measure progress in a number of these different dimensions over time. From this one could also construct a Multidimensional Poverty Index if required. Countries would need to establish a baseline against which to track poverty dynamics, and could also track households escaping multi-dimensional poverty or entering it, if desired. They can do so by

Box 4.2. **A poverty eradication goal expressed as new poverty dynamics targets**

- Target 1: *Increase and sustain escapes from income poverty until extreme poverty is all but eliminated (countries to set own targets to reach zero by 2030).*
- Target 2: *Reduce impoverishment (people becoming poor) to zero (this implies protection against economic, climatic and other environmental shocks as well as idiosyncratic shocks and stresses which can impoverish people).*
- Target 3: *Reform institutions, eliminate discrimination (including based on gender) and other social norms and intersecting inequalities that keep people poor. This target will require countries to develop their own specific reforms.*

Figure 4.1. **A dynamic post-2015 goal: Eradicate extreme poverty**



Note: Target 1 should be combined with Target 2 for each country, since some countries need to do more of 1 and less of 2, and vice versa.

developing a panel in or around 2015 to track households originally surveyed up to ten years previously[5] (given the global recession the choice of base year will be critical). They will then need to commit to regular surveys to monitor trends in poverty dynamics. The World Bank's Living Standards Measurement Surveys[6] could be adapted to this end. These changes in data collection are financially achievable: bringing a country up to speed with a panel data baseline, or any other major survey, by around 2015 might cost USD 200 000 on average, depending on the size of the country; for all developing countries the total would be well under USD 100 million.

Redress global inequities, strengthen local voices

Clearly, such targets are more ambitious for many of the sub-Saharan African countries than they are for some others. An element of global income redistribution (see Box 4.3) as well as national policy development and socio-economic transformation will be required to speed up current progress. The level of development assistance needed by each country

Box 4.3. **The rich must consume less, and the poor more**

Chronic poverty brings the issue of sustainability right to the top of the agenda, since there are clearly planetary boundaries at stake. It is critical that rich countries and people reduce their consumption to make room for the growing numbers of poor people, and that poor countries increase theirs, in a process of consumption convergence. The discussion about reducing consumption in rich countries, and increasingly among elites and upper middle classes in emerging countries, is an aspect of the debate about inequality which is still to be properly aired among global and national leaders.

The effort to cross-fertilise the post-2015 framework with sustainable development goals is an excellent aspiration (Chapter 11). Unfortunately, until the leaders and political classes of rich and emerging economies can persuade their populations to begin to reduce consumption, making the necessary investments in green growth* (OECD, 2011), reduced energy consumption, and alternative/greener forms of manufacturing, construction, energy and food production, this will remain merely an aspiration.

* 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. It focuses on the synergies and trade-offs between the environmental and economic pillars of sustainable development.

can be gauged based on how much additional effort will be required to accelerate current trends. Changes in international policies on economic vulnerability, such as insuring against trade shocks and on climate change, will also be required as these do not currently protect the poorest countries.

Furthermore, a post-2015 agreement cannot provide a guide to what to do in each and every country, how best to combine and sequence policies, or how to address context-specific issues that keep people poor: discrimination, exclusion, social norms, etc. To transform these and other critical aspects of social, economic and political relationships, progressive political movements and solid relationships between state and civil society will be critical. Civil society organisations need to be able to press governments on difficult issues, run public campaigns and work at the grassroots to change impoverishing social norms and practices. These organisations also have a crucial role to play, as do local governments, in experimenting with new approaches.

Conclusions

Tackling chronic poverty means not only providing the social protection that brings the poorest up near the poverty line, but also moving beyond social protection to a root-and-branch re-appraisal of how each sector can contribute. Indiscriminate economic growth, human development, empowerment and social protection will not be enough: economic growth needs to benefit the poorest; the hardest to reach need to be included in human development progress; empowerment strategies need to address the systematic discrimination and exclusion that in certain situations keep people poor over long periods of time; and social protection needs to be systemic. Evidence from middle-income countries that have successfully tackled chronic poverty suggests that social and economic structural transformation is helpful, but still not the whole story.

Addressing poverty in fragile states is a key to getting to zero. Here, as elsewhere, primacy must be given to national-level action. Politics are critical – and democracy is not the only route, although it is generally helpful in the long term. The post-2015 framework cannot impose political settlements, but it can suggest the reduction of vulnerability, the inclusion of the most marginalised, and the achievement of greater equality – including for poor and vulnerable women. All of these are necessary to eradicate poverty, but are also fundamental building blocks for sustained peace, social cohesion and economic growth. The new framework can also provide benchmarks to be achieved in these areas.

Notes

1. Thanks to Amanda Lenhardt, Amdissa Teshome, Bob Baulch, Felix Tete, Karori Singh, Lucia Dacorta, Lucy Scott, Nicola Phillips, Prakash Karn and Tim Mahoney for comments on the draft of this chapter. The responsibility is of course entirely mine.
2. Even if "zero" is defined as not quite zero – for example, the World Bank is proposing it should be defined as 3% of the population in the case of income poverty (Kim, 2013; Ravallion, 2012).
3. Global public goods are qualities that potentially affect anyone, anywhere, such as a stable climate, or freedom from infectious disease.
4. This joint civil society/UN consultation, co-led by UNICEF and UN Women with support from the governments of Denmark and Ghana, is an open and inclusive conversation for civil society, academia, governments and the UN to discuss what the post-2015 development agenda should look like. See *www.worldwewant2015.org/inequalities*.
5. A new survey in 2015 would at least partly select its sample from a previous survey, to create an instant "panel" of households surveyed across two points in time, from which measures of rates of escape, impoverishment and chronic poverty could be derived.
6. See *http://go.worldbank.org/IPLXWMCNJ0*.

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Ending Poverty

PART I

Chapter 5

Local solutions for measuring poverty in Bangladesh, Guatemala, Indonesia, Mexico and Uganda

The previous four chapters in this DCR have offered a rich theoretical palette of ways of improving the definition and measurement of poverty, in its many forms. In this chapter, practitioners and policy makers from Africa, Asia and Latin America share practical examples of how some of these ideas have been put into practice. They have helped to identify the vulnerable across a range of poverty dimensions in Mexico; pin down and tackle specific deprivations through participatory approaches in Indonesia; and gauge women's empowerment – from the women's point of view – in Bangladesh, Guatemala and Uganda.

Local solution 1. Mexico measures the many facets of poverty[1]

Gonzalo Hernández Licona, National Council for the Evaluation of Social Policy (CONEVAL), Mexico

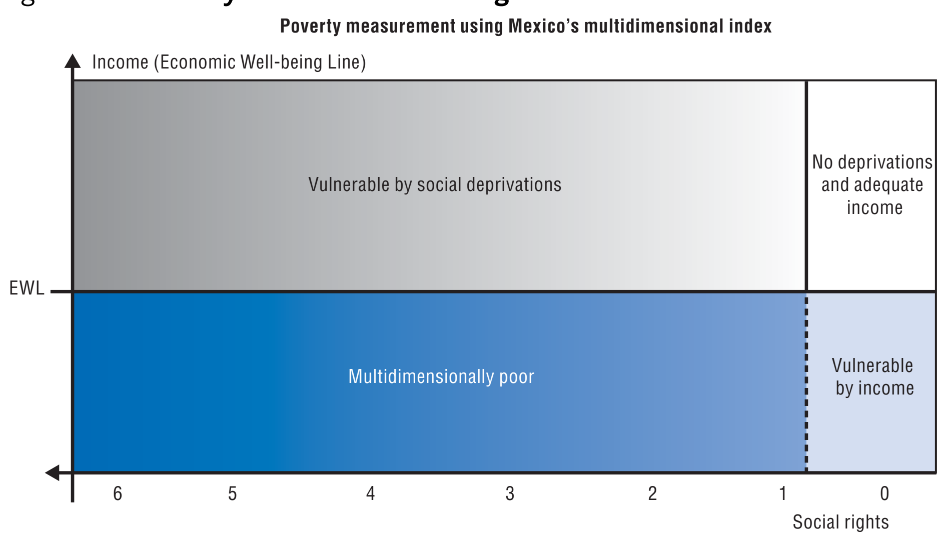
It would be difficult for a doctor to get a good diagnosis by just measuring the patient's blood pressure. The same is true with social problems, including poverty: if, for simplicity's sake, we use only one indicator – such as income – we risk getting a misleading picture of a country's social illness.

For this reason, the Mexican Law of Social Development, 2004 created the National Council for the Evaluation of Social Development Policy (CONEVAL) with two important mandates: to measure poverty from multiple viewpoints, and to evaluate social programmes and policies. This law stipulates that poverty measurement should:

- create a clear link between social programmes and poverty in order to guide public policy decisions;
- be defined within the context of social rights and well-being;
- include measures of income, education (gaps), access to health services, access to social security, quality of living spaces, housing, access to basic services, access to food and degree of social cohesion.

The methodological challenge in developing this multidimensional measurement of poverty was huge. How did we work it out? We first mapped the national population's social rights (such as access to health services or social security): those not deprived of access to any social right versus those deprived of at least one social right. Then we mapped the population based on income: those with enough income to meet all basic needs versus those without enough income resources using a poverty line which we call the Economic Well-Being Line (EWL; see Figure 5.1).

Figure 5.1. **Poverty measurement using Mexico's multidimensional index**



This mapping allowed us to identify the "multidimensional poor": those people whose income is less than the value of a food and non-food basket *and* who are deprived of at least one social right (see bottom left-hand sector of Figure 5.1). But identifying poor people is not enough. This figure also reveals vulnerable households. These include those with relatively high income, but which suffer from at least one social deprivation. An example would be a self-employed person earning USD 3 500 a month for the whole family but who does not have the right to access health services or social security. This person is vulnerable in terms of social rights. Others may be vulnerable because although they are not deprived of any social rights, their income may be very low and they might be deprived of their social rights in the future. The methodology also identifies people with income above the income threshold and who are not deprived of any social right (see top right-hand sector of Figure 5.1) – the desired state for Mexico's social development and public policy.

A self-employed person earning USD 3 500 a month for the whole family but who does not have the right to access health services or social security is vulnerable in terms of social rights

This multidimensional way of measuring social problems can guide public policy not only to reduce poverty, but also to reduce vulnerability through better economic and social policy. It also helps to sort out a number of methodological issues, in particular the problems of weights and thresholds. Since all social rights are equally important, for instance, the weight is the same for all social dimensions. We also use the thresholds specified by Mexican regulations, such as the minimum educational level of secondary school as specified by the Constitution.

Local solution 2. Indonesia applies global goals to local targets

Kuntoro Mangkusubroto, Presidential Working Unit for Supervision and Management of Development, Indonesia

The Millennium Development Goals (MDGs) reached iconic status, inspiring and catalysing development. They have inspired governments to create policies, and communities to embark on programmes and activities that improve people's well-being. When these programmes are implemented on the ground, the MDGs do make a difference.

On the reporting and aggregation level, however, the story is significantly less rosy. Goals and targets are too generically defined and their achievement measured by numbers that are insufficiently broken down into categories. The consequence is that targets may not fit local needs, and the stories told in the reports bear little relation to reality. Let's take poverty reduction as an example. The definition only addresses incomes, limiting its ability to portray the real, multidimensional poverty picture. And the lack of disaggregation in its reporting blinds us to any inequity that happened in its achievement (Chapter 3).

Poverty happens at the individual and community level. And it comes in different forms. In some communities it bites hardest in the form of deprivation of access to water, in others it is a lack of other basic services, while income may be the core issue in still others. One needs to define poverty in forms that fit the people and community who experience it, and find the right solutions to empower them to leave poverty behind. And as the problems and solutions differ from place to place, reporting needs to be sufficiently disaggregated to make it a meaningful portrayal of progress, or lack of progress.

One needs to define poverty in forms that fit the people and community who experience it

In addition to providing conditional and unconditional cash transfers to the poorest of the poor, Indonesia has tried to address this issue by asking the community themselves what they need. The National Programme for Community Empowerment (*Program Nasional Pemberdayaan Mandiri* or PNPM) sends facilitators to live in communities for an extended period to understand and gain their trust. Together they plan a solution to the most serious deprivation they face. It may be access to water, or to build a small bridge to enable access to other services, or to develop a micro hydropower plant for electricity. The PNPM is now perhaps the largest of its kind in the world. Assisted by the World Bank and individual countries' development assistance programmes, the PNPM could be an important starting point for a global poverty eradication scheme. The fact that it is defined and implemented at the grassroots level, with active participation by the community, helps ensure it is relevant.

What would be needed to scale up such an approach? Well-prepared facilitators with good understanding of how multidimensional poverty works are key. Continuous strengthening is needed both in implementation and for reporting, particularly in aggregating results to a national, and later international level. The aggregating and reporting part will not be easy, as it means dealing with the complexity of diversity at face value. But it will give a truer picture of what needs to be addressed and how, and action can be immediate. All this while improving the capacity and preserving the dignity of communities, a key asset for moving further forward in development.

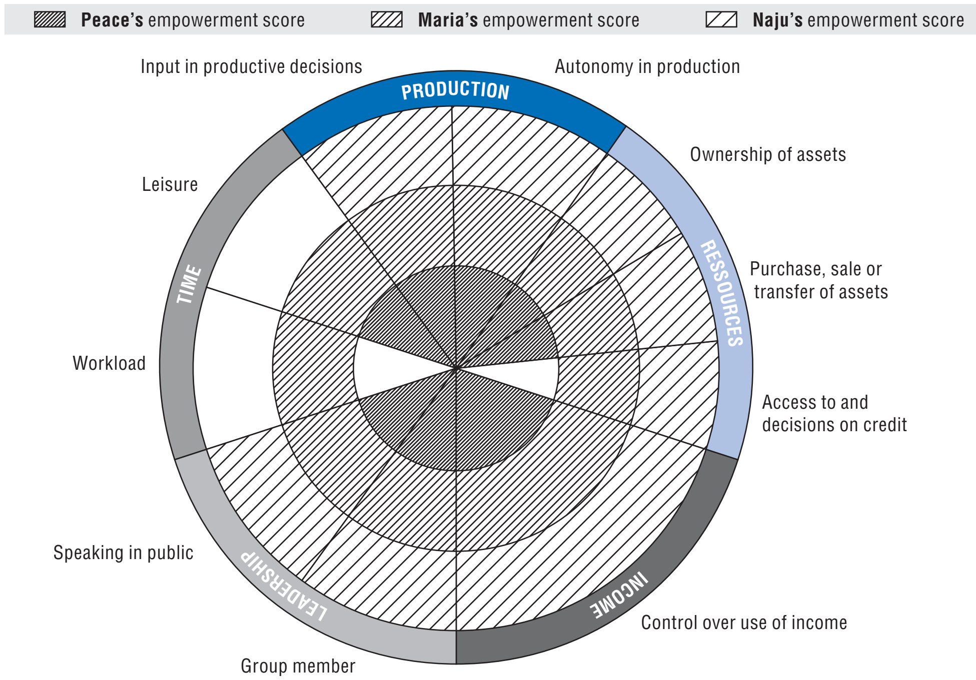
With the right adjustment to fit other countries' conditions, PNPM could become a model for at least a part of an agenda to eradicate poverty in all its forms. The report of the High-Level Panel of Eminent Persons for the Post-2015 Development Agenda has captured some of these ideas in its extensive consultation process, and spelled them out boldly (Chapter 11). It is now time to shape such an approach and prepare whatever is needed to turn it into workable programmes.

Local solution 3. An index tells stories about women's empowerment

The Women's Empowerment in Agriculture Index[2] is an innovative tool that measures the empowerment and inclusion of women in the agriculture sector in an effort to identify ways to overcome the obstacles that hinder their engagement and equality. Using data collected by interviewing men and women in the same households, the index reflects the percentage of women who are empowered in five domains of empowerment (5DE): decisions about agricultural **production**; decision-making power about productive **resources**; control of use of **income**; **leadership** in the community; and **time** allocation. According to the index, a woman is empowered if she has "adequate" achievements in four of these five domains.

This case study describes three women – Naju, Peace and Maria – who score highly on the empowerment index (see Figure 5.2). They come from different continents but their paths are similar: at least a few years of schooling and the drive to keep their children in school. Two of them are single mothers, while one has a husband who is willing to share decisions on agricultural matters.

Figure 5.2. **A comparison of Naju, Peace and Maria's empowerment scores**



Note: The textured areas indicated the domains in which each woman's empowerment is shown by the index to be adequate. A woman is considered empowered if she has adequate achievements in four of the five domains.

Naju, Bangladesh. Naju lives in the village of Amtoli with her only daughter. Naju divorced her husband because he first left her to take another wife, and then mistreated her when he returned. For the past 12 years, she has grown rice and almonds on her own land, and has also ventured into fish cultivation. She produces sufficient rice to meet her household's needs and sells both almonds and fish at the market. She feels that paddy cultivation is her most important agricultural activity and land her most important asset.

Naju makes all agricultural decisions independently. She feels that women who work in agriculture and make decisions are powerful and thinks that people in her community also see her as powerful. She sees disempowerment arising from relationships between men and women within the household, specifically husbands not listening to or co-operating with their wives (IFPRI, 2012a).

Peace, Uganda. Peace lives in the Kole District of northern Uganda where she farms two gardens to provide for her four children. Peace dropped out of school at the age of 11 because her family could no longer afford her schooling. After her husband's death, she decided against remarriage because she did not want to increase the size of her family.

For Peace, providing a solid education for her children is a big priority and she focuses her agricultural choices on this. She chooses crops that she describes as "very good at bringing enough income to help us survive". She would like to purchase goats to help pay for her children's education and as a form of savings. Peace feels that her most valuable household asset is farmland. As a single parent, she owns all of her household's assets, which is very important to her since this guarantees her rights. Peace describes an empowered individual as someone who can "sustain herself, stand on her own. Such a person should be one who can plan for himself, one with vision" (IFPRI, 2012b).

Empowerment is an individual's ability to make decisions

Maria, Guatemala. Maria lives with her husband and four children in the highlands of the Quetzaltenango District. In sharp contrast to most women in her village, she attended university and now, like her husband, works as a secondary school teacher. Fifteen years ago, Maria began to participate in community agriculture projects focused on vegetable cultivation but stopped to go back to school. "My husband told me that I should continue my studies", Maria explains. Her greatest goal is for her son to complete a university education. She values education highly and feels disappointed because one of her daughters dropped her studies to get married. To provide for household consumption, Maria and her family grow maize and keep small livestock. Her husband does most of the household's agricultural work – although the couple shares the task of caring for their four pigs. Maria and Victor discuss and share all agricultural decisions as well as all decisions regarding assets, credit and expenditures.

Maria defines empowerment as an individual's ability to make decisions. Unlike some of the women in her community, who are disempowered by their husbands, Maria has felt empowered and is proud of her university degree. Victor mirrors these sentiments, describing his wife as a "beautiful and hardworking woman who understands and supports me" (IFPRI, 2012c).

Notes

1. In preparing this measurement, CONEVAL gained important insights from numerous poverty experts. From David Gordon, Professor of Social Justice of the University of Bristol, we got the idea of mapping all people with different levels of necessities in the same chart. James Foster, Professor of Economics and International Affairs at George Washington University, United States and Sabina Alkire, Director of the Oxford Poverty and Human Development Initiative enriched our methodology by including measures of intensity of poverty in the deprivation space. Our thanks go to all of them.
2. The index is based on the Oxford Poverty and Human Development Initiative method for measuring multidimensional poverty described in Chapter 3. It was developed in close collaboration with the United States Agency for International Development (USAID) and the International Food Policy Research Institute (IFPRI).

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PART II

Policies that tackle poverty

Development Co-operation Report 2013
Ending Poverty

PART II

Chapter 6

How are countries using social protection to benefit the poor?

by
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A decade ago, the notion that social protection would promote economic growth was sometimes dismissed as fantasy. Yet today the World Bank describes social protection as investment, and economists around the world are building credible evidence that rigorously links social protection to economic growth. This chapter looks at the role of social protection in countries ranging from Bangladesh to Zambia that have made dramatic advances in reducing poverty in all its facets. It outlines what social protection encompasses, focusing on three areas of innovation: universal rights-based approaches; designing social protection so that it triggers broader development; and holistic policy frameworks that integrate social protection into national development plans. It describes mounting evidence of how social protection promotes skills development and productive investments, strengthens households' capacity to take productive risks, boosts livelihoods and employment, increases national economic resilience, builds social cohesion and allows the poor to reap the benefits of economic reforms.

What do Nepal, Rwanda, Ghana, Tanzania, Bangladesh, Bolivia, Cambodia, Uganda and Lesotho have in common? They have all managed to reduce poverty in all its dimensions significantly over the past decade (Alkire and Roche, 2013)[1] and as a group made above-average progress towards achieving the Millennium Development Goals (CDG 2013).[2] One of the ways in which they have done so is by using social protection to contribute to economic growth. Social protection refers to a wide range of policies designed to prevent, manage and overcome situations that negatively affect people's well-being. To be more precise, it includes policies and programmes that aim to reduce poverty and make people less vulnerable to unemployment, social exclusion, sickness, disability and old age by helping them to manage these risks and shocks.

In Africa alone, the number of cash transfer programmes increased from 25 in 9 countries to 245 in 41 countries between 2000 and 2009

Over the past decade, countries of the South have increasingly recognised the importance of social protection for ensuring that development reaches all members of society, especially the poor (OECD, 2009). A growing number and range of programmes – such as cash transfers (direct payments by the government to the poorest sectors of society) and health insurance – have been implemented around the world. In Africa alone, the number of cash transfer programmes increased ten-fold between 2000 and 2009 – from 25 in 9 countries to 245 in 41 countries (Garcia and Moore, 2012).

This chapter draws lessons from the nine top-performing countries identified by the Alkire and Roche study, as well as experiences from seven other countries that provide particularly interesting insights into the development impacts of social protection.[3] It focuses in on three major areas of innovation: universal rights-based approaches; designing social protection so that it triggers broader development; and holistic national policy frameworks that integrate social protection into their national development plans.

A universal approach to reaching the poor

Over the past decade there has been a marked tendency in many Southern countries to move away from policies that attempt to target poverty – in other words, to identify who and where the poor are and design policies specifically to reach and benefit them – to more universal approaches based on concepts of human rights. This is one of the most important innovations in recent social protection policy and is a reaction to the problem of how to find and target the poor. While most social protection programmes do include administrative mechanisms for reaching the poor, increasingly policy makers recognise the high costs associated with poverty targeting, and are aware of the important trade-offs.

Bolivia's universal pension and child benefit programmes contributed to a 15% decline in extreme poverty between 2007 and 2009

By way of example, in 2000 South Africa found that only 10% of poor children eligible for the Child Support Grant were receiving it. Why? A study in one of the poorest districts found that only 5% of caregivers were able to navigate the bureaucratic hurdles to successfully qualify for the grant. Today, this error has been reduced by relaxing the testing system and placing greater emphasis on the grant as a right guaranteed by the country's Constitution (Samson et al., 2013).

South Africa has not been alone in making such adjustments. In March 2013, India expanded the coverage of its pension programme to ensure more universal delivery.[4] In the same month, Mexico introduced a new pension scheme expanding coverage to all people aged 65 years and older (US Social Security Administration, 2013). Rwanda has also made universal coverage by the health insurance scheme a top priority, valuing the national solidarity the programme fosters as much as the direct impact of improved health.[5] In Nepal, when a study identified families with very young children as the nation's poorest (Samson, 2008), the government implemented a benefit for all households with young children in the country's poorest districts. In this conflict-affected country, the high cost of excluding some young children from such a benefit was found to outweigh, particularly in terms of social cohesion and solidarity, the savings from targeting (Samson et al., 2013). In Bolivia, a universal pension scheme – *Renta Dignidad* – and a child benefit programme – *Bono Juancito Pinto* – contributed to a 15% decline in extreme poverty between 2007 and 2009 despite the global financial crisis (Gonzales, 2011; McCord, 2009).[6]

Not all countries, however, have embraced the move towards universal rights-based approaches. Many policy makers continue to perceive poverty targeting as a design feature that will improve cost-effectiveness and enable them to better reach the poor. International studies, however, contradict this intuitive assumption, finding that the high costs of targeting often outweigh the uncertain benefits, particularly when considering the interests of the excluded poorest (Mkwandawire, 2005; Coady et al., 2004; Devereux et al., 2013).

Important pilots around the world are seeking to strengthen the evidence base. Examples include Kenya's Hunger Safety Net Programme (Samson et al., 2013) and Indonesia's sequencing experience in evaluating complementary targeting approaches (Alatas et al., 2010). Zambia held a series of consultative evaluations before deciding to shift its Social Cash Transfer programme from an intensive poverty targeting scheme towards more universal coverage – including child benefits and pensions.[7] Recent studies by the World Bank and others have identified country conditions that make categorical targeting approaches relatively more effective and efficient in reaching poor households (Acosta et al., 2011; Samson, 2012b). Around the developing world, the growing awareness of the challenges of targeting is opening the door to more universal social protection programmes, which are more effective than targeted schemes in their design and implementation.

Social protection can trigger broader development

South Africa's social grants reduced the country's food poverty gap by 65%

The first generation of social protection programmes focused on poverty reduction. South Africa's social grants, for example, reduced the country's food poverty gap by 65% (Samson et al., 2013). Many programmes in Latin America aim to break the pattern of perpetuation of poverty from one generation to the next. Mexico's *Oportunidades* programme (Box 6.1) and Brazil's *Bolsa Familia* (Chapter 7) have substantially reduced poverty while building people's skills. The same is true for other cash transfer programmes around the world (Arnold, 2011; Samson et al., 2013).

Box 6.1. **The Mexican *Oportunidades* Programme**

Mexico began structural reforms in the 1990s to increase economic growth and employment. Many of those in extreme poverty, however, were not able to benefit from these reforms because of low levels of schooling, nutrition and health. In order to break this poverty cycle, the *Oportunidades* Programme was created in 1997 (under the name *Progressa*). It aimed to improve the basic capacity of children living in extreme poverty, enabling them to benefit from economic growth and future employment opportunities. The programme did so by giving mothers cash on the condition that they made sure their children had basic schooling and periodic health screenings (the grant for girls was higher than for boys to overcome cultural gender biases).

Oportunidades had several positive impacts in poor rural areas:

- Education: more children attended school for longer, and with higher academic achievement; the educational gap between girls and boys was also reduced (both for indigenous and non-indigenous children).
- Health: the incidence of illness – especially diarrhoea – among children was reduced; the use of contraceptives by women also increased, as did the use of health services by poor people in general.
- Nutrition: the nutritional status of children was improved in terms of weight, height and anaemia.

Nonetheless, the programme also faced several problems. Because poor families in Mexico – and especially the indigenous population – receive lower quality health and educational services, the health status of the indigenous children did not improve at the same pace as others; anaemia, reduced height and maternal mortality are continuing problems for these children. Furthermore, evaluations show that the impact in urban areas has been negligible.

The pace of poverty reduction in Mexico has also been slow; in fact, poverty increased in the country on the whole between 2006 and 2010. *Oportunidades*' cash transfers helped to alleviate income poverty among its target families, but the main driver for the reduction of poverty in Mexico is still linked to employment and income from labour. This indicates that programmes such as *Oportunidades* need to be implemented in tandem with better programmes or strategies for job creation and economic growth. In this way, poor children in rural and urban areas are more likely to overcome the obstacles they face in trying to build healthier and better futures.

Source: Contributed by Gonzalo Hernández Licona, Executive Secretary, National Council for the Evaluation of Social Policy (CONEVAL).

The next generation of social protection programmes exemplifies how challenges such as those outlined in Box 6.1 have been overcome by moving beyond income and incentives to design social protection policies that contribute to overall development. This is the second major innovation in social protection. Among countries of the South, Bangladesh has taken a lead in this approach. Government schemes like the Rural Employment Opportunities for Productive Assets,[8] as well as non-governmental programmes such as BRAC's[9] Challenging the Frontiers of Poverty Reduction (CFPR) and the *Chars* Livelihood Programme (Box 6.2),[10] have shown how social protection instruments can give the boost households need to escape the poverty trap. Often the immediate income gains

Box 6.2. **Tackling vulnerability in Bangladesh: The Chars Livelihood Programme**

The *Chars* of north-western Bangladesh – riverine islands created and destroyed by floods and erosion – provide a precarious home for some of the country's poorest people. Near-annual monsoon floods deposit fertile silt that supports the agriculture on which the majority of residents depend. The floods and associated erosion, however, can also leave families homeless and contribute to disease and lack of employment; they often force *Char* dwellers to migrate, rendering them even more vulnerable. It is estimated that *Char* households relocate between five and seven times each generation. One of the main objectives of the *Chars* Livelihood Programme (CLP) is to reduce vulnerabilities to external shocks such as floods. By providing an integrated package of support, the CLP targets the greatest challenges faced by *Char* dwellers.

The CLP recognises that women in the *Chars* are more vulnerable than men in a number of ways. By placing women at the centre of its interventions, the CLP seeks to reduce their vulnerability in two key ways. First, the transfer of assets to women builds their negotiating power, both within the household and in the community. Second, the programme attempts to change damaging gender attitudes through its social development activities.

Take the example of Nurun Nahar, a 23 year-old pregnant woman. Nurun and her husband Sohel used to be extremely poor. She had no land, work opportunities were limited, food was hard to find and she lacked access to basic services. Joining the CLP has radically changed her life. With the CLP's support, the base of Nurun's house was raised in 2011, keeping her family and her assets safe all year round. As part of the CLP's social development training, Nurun has also learned how to keep her family safe from disease. Her well – made from a piece of tubing – has been fitted with a concrete platform and she also has a sanitary latrine which she shares with her neighbours. "I understand the importance of clean water and sanitation and the positive impact they have on health" she explains.

By accumulating income generating assets using the CLP asset transfer grant, Nurun has begun to develop a more sustainable livelihood. When her pregnant cow gives birth she plans to sell the milk produced, for example. "Before, I felt vulnerable", says Nurun. "I did not have any land and my husband did not work. I was used to only eating twice a day and drinking water from the river."

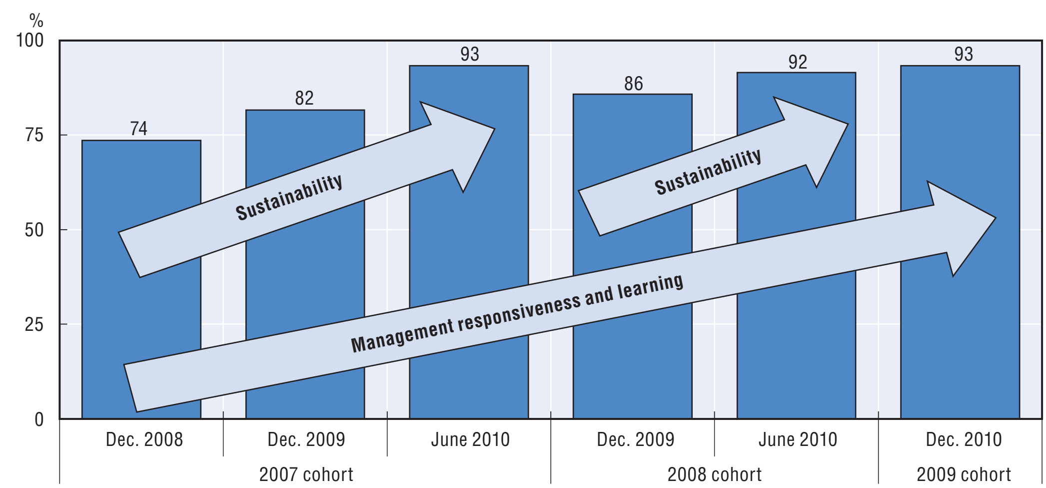
The remoteness of these islands makes it difficult for the government to provide basic services, especially schools and health care. The CLP is lobbying the government and relevant agencies to bring essential services to the *Chars*. With this support, Nurun will receive care during and after her pregnancy. "I am confident that I will give birth to a healthy child", she says.

Source: Adapted from: The Chars Livelihoods Programme website, *www.clp-bangladesh.org/newsdetails.php?id=62* (accessed 20 June 2013).

are small, but other important impacts include continuous and sustained improvement across many areas, including in people's attitudes and economic opportunities.

Figure 6.1 illustrates continuing increases in a multiple indicator index of developmental outcomes[11] for three groups of participants in the BRAC's CFPR programme from 2007 to 2009. Beneficiary groups consistently improved outcomes year after year across a range of areas, including food security, livelihoods diversity, productive assets, human capital and others. Even after BRAC's provision of developmental benefits ended, programme participants increased their productive assets, improved their livelihoods and strengthened their households' social development (measured through education, health and gender empowerment indicators) and economic opportunities (Das and Misha, 2010; Akhter et al., 2009; Samson, 2012a). The increases in the developmental index year after year for each of the 2007 and 2008 groups highlight the sustainability of the programme's impact. The increases over time across groups reflect improvements in the programme's design and implementation as time goes on.

Figure 6.1. **Dynamic deepening of development impact: BRAC's Challenging the Frontiers of Poverty Reduction Programme**



Source: Samson, M. (2012a), "Exit or Developmental Impact? The Role of 'Graduation' in Social Protection Programs", Research Report commissioned by the Australian Agency for International Development (AusAID), AusAid, Canberra.

StatLink http://dx.doi.org/10.1787/888932895691

How can the lessons from these kinds of programmes be taken elsewhere? The Ford Foundation and Consultative Group to Assist the Poor (CGAP) are working on ten pilots in Ethiopia, Ghana, Haiti, Honduras, India, Pakistan, Peru and Yemen to do just this. This global effort aims to understand how various forms of support and development initiatives – e.g. support for food consumption, savings plans, skills training and microfinance – can be sequenced to enable people to "graduate" out of extreme poverty, adapting a methodology developed by *BRAC* in Bangladesh. The initial results of this Graduation Program are encouraging, including a 50% decline in food insecurity in Haiti, and a 25% increase in food consumption in India; other outcomes include more diverse incomes, higher savings and improved health (CGAP-Ford Foundation, 2012).

The government of South Africa, also with Ford Foundation support, is implementing a similar pilot in two provinces to address the challenges of high HIV prevalence, unemployment, an under-resourced education system and the legacy of apartheid. The pilot adopts an evidence-building approach which combines a robust evaluation methodology with a dynamic flexible design, integrating financial inclusion, education and career development initiatives with South Africa's successful social protection programmes to strengthen economic opportunities for the country's youth (Samson, 2011).

These second generation social protection programmes tackle the complex drivers of chronic poverty in order to trigger and accelerate development – creating a virtuous cycle that enables poor people to lift themselves to more sustaining livelihoods, build assets and access economic opportunities. The challenges vary from country to country, however, and to adapt these approaches to each context requires complex evaluation and a better evidence base than single-country studies can provide. Development partners are supporting global networks that share experiences and build capacity through exchanges of experience and knowledge among partner countries, with promising initial results. More rapid progress demands better integrated cross-country evaluation frameworks that can effectively identify the strategies with the greatest impact.

Making development planning more holistic

A national co-ordinating mechanism integrating social protection improves impact and value for money

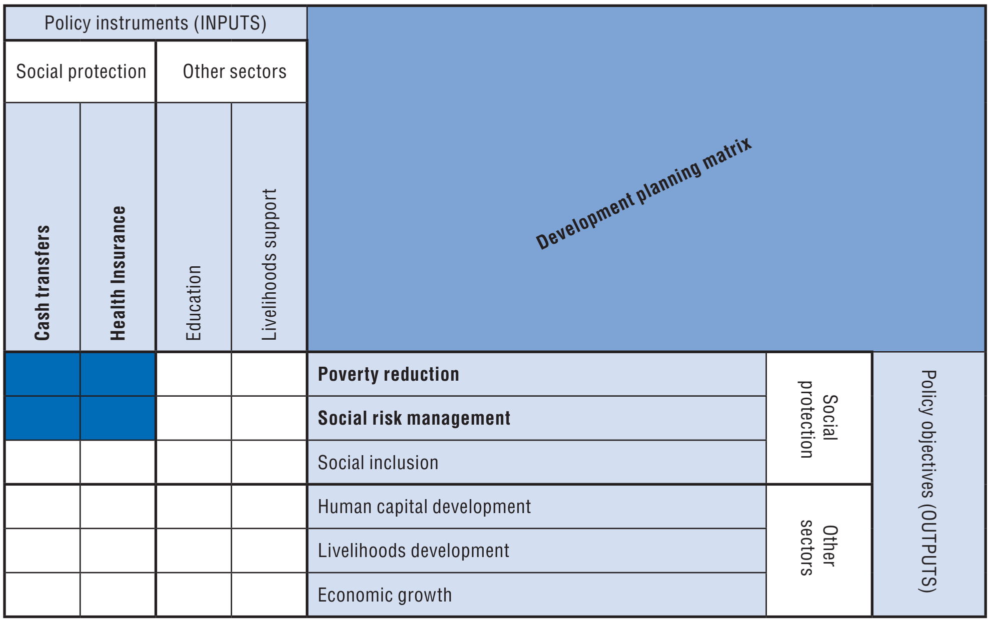
The third innovation reflects the changing policy environment for social protection. More and more ministries in charge of socio-economic planning are integrating comprehensive social protection into national development plans. This holistic approach recognises that policies to promote livelihoods and inclusive economic growth and development yield the greatest impact when co-ordinated within a broader planning framework.

In Ghana, for instance, the Livelihoods Empowerment Against Poverty (LEAP) programme integrates social health insurance with cash transfers. Mozambique's new cash transfer instrument links diverse ministries to promote livelihoods by "considering broader macro-economic areas for social investments [and] raise overall living standards (such as in agriculture, food security and employment-generating activities)" (UNICEF Mozambique, 2012). Countries as diverse as Bangladesh, Brazil, Cambodia, Indonesia, Nepal, Rwanda, South Africa, Tanzania and Uganda are, in varying ways, employing the development planning approach to improve cross-cutting social and economic impacts (Samson, 2012a; Samson et al., 2013).

Within this framework, governments balance national policies and spending to maximise the linkages between social protection and other development sectors. This involves strengthening relationships within government, and between government and other partners, in an on-going process of policy co-ordination that embeds social protection within broader social and economic policy planning. Figure 6.2, adapted from Uganda's successful approach to integrating social protection within its development planning process, illustrates the process.

The framework defines "inputs" as government policies, programmes and instruments that enable the achievement of national policy objectives ("outputs"), emphasising the importance of linkages within and between sectors. For example, the shaded box depicts a potential area for intra-sectoral linkages. In the social protection sector, when cash transfers finance otherwise destitute households' contributions for social health insurance, these two areas are mutually reinforcing, protecting household members from catastrophic health shocks for which social cash transfers are inadequate. Social protection instruments can also

Figure 6.2. **The development planning approach to social protection**



improve the impact of other policy sectors and vice versa, for instance by promoting inclusive economic growth (Figure 6.2).

A national co-ordinating mechanism that plans, prioritises and integrates social protection policies and practices improves impact and value for money by maximising the likelihood of achieving critical policy objectives while minimising the associated risks and costs.

Conclusions

Only a decade ago, the notion that social protection would promote economic growth was sometimes dismissed as fantasy, as it contradicted the conventional wisdom of a trade-off between equity and growth.[12] Today, the World Bank describes social protection as investment,[13] and economists around the world are building credible evidence that rigorously links economic growth to social protection (OECD, 2009). Others have corroborated this view: social protection promotes human capital and other productive investment, strengthens households' capacity to take productive risks, boosts livelihoods and employment, increases national economic resilience, and builds social cohesion and opportunities for economic reforms that benefit the poor.

Social protection is not a discretionary option for governments, but rather an essential element of a policy framework to effectively tackle poverty and promote inclusive growth. Evidence from countries that have successfully achieved the Millennium Development Goals demonstrates that rights-based approaches reach poor households more effectively while minimising administrative, social, political and particularly economic costs, enabling social protection to generate maximum growth and development.

In addition, social protection programmes that are based on evidence of what works can effectively draw from global lessons of success while carefully rooting programmes within the country's specific context. This focus not only sustains poverty reduction but also strengthens growth processes at the local level.

At a national policy level, planning social protection policies and instruments within a cross-cutting development framework maximises linkages, enabling such programmes to reach beyond their core objectives of tackling poverty, vulnerability and social exclusion to strengthen other development sectors. This is how social protection can stimulate the kind of inclusive growth required for ending poverty (Chapter 1).

Notes

1. These nine countries were identified in a study by the Oxford Poverty and Human Development Initiative (OPHI), listed here in the order of absolute change according to the Multidimensional Poverty Index (MPI – see Chapter 3). The Economic Policy Research Institute (EPRI) and the author have worked in all nine of these countries supporting relevant social protection programmes. However, neither the EPRI nor the author was involved in the Oxford study.
2. The Center for Global Development has constructed performance indicators for all developing countries and ranked progress towards MDG achievement. Bangladesh, Bolivia, Cambodia, Ghana, Nepal and Uganda all rank among the top 20 low-income countries in terms of overall progress.
3. Brazil, India, Kenya, Mexico, Mozambique, South Africa and Zambia.
4. Minister for Rural Development Jairam Ramesh, speech outside of parliament on 7 March 2013, reported by *The Hindu* newspaper, 8 March 2013, see *www.thehindu.com*.
5. From a speech made by Rwandan Prime Minister Bernard Makuza (2008), at the International Social Security Association (ISSA) Regional Social Security Forum for Africa, 18-20 November, Kigali (ISSA, 2008).
6. For example, the World Bank has estimated that an increase of four percentage points in Mexico's poverty rate from 2008 to 2010 can be attributed to the global financial crisis (Habib et al., 2010).
7. See Samson et al. (2013) for a review of studies documenting evidence of social protection's growth impacts in Zambia since 2008.
8. Supported by the UNDP.
9. BRAC started in rural Bangladesh as a small-scale relief and rehabilitation project called the Bangladesh Rehabilitation Assistance Committee; this name was later changed to Bangladesh Rural Advancement Committee. Since then, BRAC has expanded across the country into rural as well as urban areas, and has also recently expanded to other countries in Asia and Africa. With this, the name of the organisation has been changed to BRAC, which is no longer an acronym.
10. Both supported financially by AusAID and DFID.
11. Including socio-economic indicators related to food security, robustness and diversification of livelihoods, access to quality housing, water and sanitation, savings, school attendance for children, etc.
12. For example, international economists criticised evidence of the economic growth impact of South Africa's system of social cash transfers at a conference organised by the government of South Africa's Committee of Inquiry for Comprehensive Social Security held in Cape Town in 2000 ("Towards a Sustainable and Comprehensive Social Security System"). Specifically, the evidence that cash transfers had a greater impact on reducing liquidity constraints to labour market participation and strengthening risk management barriers to investment in job search contradicted the conventional wisdom that reducing the personal costs of unemployment would undermine incentives to work and create dependency.
13. "Social protection is a powerful way to fight poverty and promote growth." First key message in the World Bank's Africa Social Protection Strategy 2012-22 (World Bank, 2012).

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Development Co-operation Report 2013
Ending Poverty

PART II

Chapter 7

What are the politics of poverty?

by

Luiz Inácio Lula da Silva, President of Brazil 2003-11

Brazil has experienced a quiet revolution in recent years. Between 2001 and 2011, GDP per capita increased by 29% and the poorest 20% of people saw their income grow seven times as fast as the top 20%. Brazil also reduced by half the number of people living in poverty – in half the time expected. In this chapter, the man at the helm of this remarkable transformation – Luiz Inácio Lula da Silva – explains how this was enabled by a democratic decision to put social policy at the heart of the country's development strategy. The flagship Bolsa Família *(Family Stipend) programme transferred cash to low-income households in exchange for enrolling children in school and ensuring regular medical check-ups and vaccinations (conditional cash transfers). The programme has benefitted an entire generation by helping to break the vicious circle of poverty. The country is now focusing on the last bastion of poverty – the extreme poor – through the* strategy called Brazil Without Extreme Poverty Plan. *Brazil's move to reshape its development shows how aligning social and economic policies, transferring cash to poor families (97% to women) and offering public services to those who most need them can have multiple benefits, but that courage and determination are required in choosing such a path.*

For centuries, the Brazilian State handled the process of development through a "top-down" approach. Priority was historically given to satisfying the requirements of the owners of mills and plantations, and of the industrial and financial elites.

After the ratification of the Constitution in 1988, social policies designed to improve the lives of the less privileged segments of the population began to take shape. At the first sign of threats to the economy, however, these policies – essential for the construction of a truly democratic nation – were rejected in the quest for economic stability.

Over the past decade, Brazil finally placed social policy at the centre of its development strategy. This was a democratic choice, ratified and endorsed at the voting booth. It was the choice for a political project that, instead of separating people, joined them together in the effort to achieve growth coupled with income distribution and social inclusion.

Brazil's new era has been shaped by social policy

The results of Brazil's move to reshape its development through social policy show us that when social and economic policies are aligned, the positive impact in each of these areas is multiplied. GDP per capita increased by 29% between 2001 and 2011. The corresponding increase in earnings was shared by all, in contrast to the historical tradition. In fact, the 20% of people in the lower income brackets showed the greatest rate of increase in income: seven times that of the top 20%.

Over the same period, 19 million jobs were created in the formal sector and the minimum wage increased by 72% in real terms. Infant mortality fell by 40%, life expectancy increased by 3.2 years and education levels increased. Overall, the Gini coefficient[1] fell from 0.553 to 0.500 and in 2008 Brazil achieved its goal of reducing by half the number of people living in poverty – the primary objective of the Millennium Development Goals proposed by the United Nations – in half the time expected.

Mothers know better than anyone how to use funds for the benefit of the entire family, and especially the children

This transformation was only possible because Brazil used a new model for development – one that focused on social policy.[2] One of the landmarks of this new era was the *Bolsa Família* ("Family Stipend") programme, which in 2013 marked its tenth anniversary. *Bolsa Família*'s conditional cash transfers have proved to be fundamental in achieving the poverty reduction observed over recent years.

Bolsa Família was Brazil's first major social-policy incursion to focus on the reality of poverty. The paradigm shift it implied required an unusual measure of courage and political will. Although Brazil's Constitution had already included poverty eradication among its basic fundamentals, the tendency to blame the poor for being poor was still deeply rooted in society, generating strong opposition to the programme in its first few years.

A huge operational challenge

To this enormous political challenge was added the operational challenge of finding the families that would participate in the programme, registering them, transferring income to them and monitoring progress. To give help where it was needed, the federal government had to improve the structure of its social assistance networks and those of the municipalities.

The *Bolsa Família* programme developed a format that is highly dependent on the federal government for its orchestration. To register families, for example, an existing tool was expanded and improved to produce the Single Registry for Social Programmes; today this registry is used for a series of policies to benefit low-income groups. The federal government transfers income directly to the beneficiaries using magnetic cards that are issued by a federal public bank with a very large distribution network – over 5 570 municipalities. Women hold 97% of these cards because research has shown that mothers know better than anyone how to use funds for the benefit of the entire family, and especially the children. Finally, to provide services and monitor these families, three systems were mobilised: the education system, which monitors the frequency of school attendance by children and young people in the programme; the health care system, which monitors inoculations and the children's nutrition as well as prenatal care for expectant mothers; and the social assistance system, which focuses on low-income and highly vulnerable families.

Success not only in numbers

None of this was easy to accomplish. Yet in 2013, after more than ten years of constantly improving its transfer and management mechanisms, the programme provides benefits to no less than 14 million families, bringing dignity to the lives of 50 million Brazilians. Today, *Bolsa Família* has the approval of the majority of the population, in contrast to the strong opposition it faced in its first few years. Critical comments are now generally focused on the need to strengthen the programme, principally by increasing the amount of benefits transferred.

> *The Bolsa Família programme has brought dignity to the lives of 50 million Brazilians*

How did this come about? Over time it became clear that the impact of *Bolsa Família* extends far beyond providing immediate relief from poverty through a fixed complement to family income: it provides, in addition, a contribution to economic growth. The Brazilian *Instituto de Pesquisa Econômica Aplicada* (Institute of Applied Economic Research, IPEA) has noted that every *Real* (BRL) invested in the programme increases GDP by BRL 1.44.

It is also clear that *Bolsa Família* has benefitted an entire generation by helping – through education – to break the vicious circle of poverty. The 16 million children and adolescents whose school attendance is monitored by the programme show lower rates of truancy and are performing at a level equal to the average student in the public school system, despite their impoverished economic condition. This will lead to a future for these children far different from the situation of exclusion suffered by their parents and grandparents.

The "Brazil Without Poverty Plan" tackles the core of extreme poverty

While Brazil has made important gains on its pathway towards inclusive development, the further the country advances along this path the more difficult further progress becomes. This is because Brazil is finally approaching the hard core of extreme poverty – those who are lacking in everything. Limited access to infrastructure and public services, low levels of education, precarious relationships with the world of work, minimal and unstable income, and little or no knowledge of their civil rights are some of the characteristics that combine to keep these people in poverty. Left to themselves, they do not have the necessary tools to break this perverse cycle, nor do they possess useful skills to offer the market. Only government action can provide these people and families with a chance to take advantage of the opportunities that Brazil has to offer.

Fortunately, the path that Brazil has followed since 2003 – and the tools it has developed – are helping to take it to the next level and deal with this sector of the population. One such tool is the *Brazil Without Extreme Poverty Plan* (BSM), organised around two concepts:

1. **Actively search out the poor.** In general, the hard-core poor do not have the means to demand their rights from public authorities. The state, therefore, must actively search to find the families that live in extreme poverty, record them in the Registry For Social Programmes and include them in a series of activities and programmes – for instance for cash transfer and professional training – in order to improve their immediate situation and increase their future prospects.
2. **Direct public service supply to the poorest areas.** The BSM programme inverts the previously reigning logic of investment – directed in large measure to areas already well served – to encourage the expansion of programmes that target areas with little or no infrastructure. This is where the vulnerable families in extreme poverty are found. To begin with, a poverty map is created using constantly input information from the Single Registry programme. This then supports the re-targeting of investment. For example, the full-time education programme gives priority to expansion in regions where the incidence of poverty is highest and where schools have the largest numbers of students enrolled in the *Bolsa Família* programme. Health and public assistance programmes are also extended to the municipalities and locations with the highest incidence of extreme poverty.

Recent changes to Bolsa Família have enabled 22 million people to escape from extreme poverty

This review of service supply to direct it where it is most needed will now go even further, because it is not enough to direct services to the poorest areas. Achieving the goal of overcoming extreme poverty makes it necessary to break with many other paradigms. For example, poor – and extremely poor – micro-entrepreneurs have no knowledge of financial services, nor do they feel comfortable in a banking environment. The professionals who provide services to them need to be trained to serve their public; they must be prepared to meet their needs with redoubled patience and care, and with an understanding of the difficulties they face.

This is not to negate the need for universal availability of services. The question is where to begin expansion to achieve this universal access. The answer, in Brazil's experience, is to start with the poor, the most vulnerable, with those who have so much more to lose from any delay. For the first time, we are finally putting public service at the disposal of those who most need it.

The extreme poverty line adopted by *Brazil Without Extreme Poverty* took into account the international parameter established by the United Nation's Millennium Development Goals, of 1.25 dollar PPP per person a day, which, when the plan was launched in June 2011, represented about BRL 70 per person per month. This amount was already *Bolsa Família's* parameter for extreme poverty. Given that poverty is a multidimensional phenomenon, the use of a multidimensional line was considered. A monetary line, however, loses very little compared to a multidimensional one in terms of reflecting all types of destitution, and gains a lot in terms of simplicity and transparency. Besides, the policy itself was designed through a multidimensional approach.

Over the past two years the government of Brazil has improved *Bolsa Família*, adjusting the amounts and changing the logic of its benefits – especially those directed toward children. One of the cruellest faces of inequality in Brazil is the heavy concentration of poverty in Brazilians less than 16 years old. Data from the 2010 census show that the incidence of extreme poverty in this age group was four times greater than that observed among people over 60; this last group benefits from a consolidated social protection network – for instance both retirement and pension plans are already available to them. Since the initiation of the Brazil Without Poverty Plan in 2011, the changes introduced by *Bolsa Família* have enabled 22 million people to escape from extreme poverty – all of the people receiving benefits through the programme. The incidence of extreme poverty has declined in all age groups and the income abyss that separated the young from the old no longer exists.

Brazil is ensuring productive opportunities for all Brazilians

The slogan of President Dilma Rousseff's government is: "The end of poverty is just the beginning." This slogan reflects a commitment to confronting poverty in all its dimensions. We have overcome the first hurdle – the income dimension – and we are expanding services. The *Brazil Without Extreme Poverty Plan* aims to see the country filled with productive opportunities for all Brazilians. One of the most important initiatives in this sense is the National Programme for Access to Technical Education and Employment (Pronatec) being carried out by the Ministry of Education in partnership with the Ministry of Social Development. The programme offers free professional training courses, lasting a minimum of 160 hours, for citizens 16 years and older, focused on those in the Single Registry for Social Programmes.

Assistance for the labour force is provided principally by the National Employment System (SINE), which guides workers to employment openings provided by companies. Those who prefer to work autonomously are encouraged to register in the Brazil Without Poverty Plan as individual micro-businesses, enabling the Brazilian Small and Micro Businesses Support Service (Sebrae) to co-ordinate their participation in a programme that offers technical and managerial assistance. These workers also have access to programmes for productive microcredit provided by public federal banks (the Crescer programme). Those who work collectively can seek support from the Brazil Without Poverty Plan for purposes of organisation, production, commercialisation and access to credit.

Conclusions

The quiet revolution that has been taking place in Brazil over recent years is the result of a persistent democratic choice by the people for a project that places social policy at the core of the strategy for development. The *Bolsa Família* programme and the *Brazil Without*

Extreme Poverty Plan are reflections of the Brazilian government's political will, courage and technical ability to carry out this project.

What is taking place in Brazil is not trivial. The structural changes required to put these programmes in place encounter resistance at every turn from those who were previously the focus of the development model. Centuries of policies founded on aristocratic bases and subordinate to oligarchic interests cannot be erased in a single decade. But it is now clear that we are not going to give up the guarantee of social sustainability for economic growth if this demands that we turn our backs on a significant portion of the population. That is a thing of the past. Brazil now recognises that its greatest resource is its people, and that the government has to act for all of them.

The rising lower classes, on the other hand, are now generating new demands and claiming new rights. This was reflected by the hundreds of thousands of protesters who took to the streets of Brazil in June 2013. They value the achievements of the past decade, but want more. They have access to higher education and now they want skilled jobs to enable them to put into practice what they have learnt in universities. They have come to rely on public services that were not available before and now they want to improve the quality of those services. Millions of Brazilians can now buy a car for the first time and can also travel by plane. The counterpart to that, however, should be decent and efficient public transportation to facilitate urban mobility and make life in the big cities less painful and stressful.

The spirit of Brazilian society today can be summed up in the words of composer Luiz Gonzaga Junior: "If what is achieved has great value, there is even greater value in what is to come".

Notes

1. The Gini coefficient is commonly used as a measure of inequality of income or wealth, where a coefficient of one means maximum inequality, and zero means total equality.
2. Chapter 6 contains a detailed discussion of social protection policies.

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PART II

Chapter 8

What can Africa learn from China's agricultural miracle?

by
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Although many sub-Saharan African countries have seen notable economic growth recently, this has not always translated into good poverty reduction rates. This chapter shows how China's dramatic poverty reduction was largely driven by growth in smallholder farming, teasing out possible lessons for Africa. The Chinese experience underlines the importance of focusing on effective agricultural growth as a means of poverty reduction in countries where most people live in rural areas, as is the case in many African countries. The author cautions, however, against encouraging poor people to move off the land and out of agriculture before they have increased their incomes, as this can trap them in poverty. Instead, policies should promote high growth in agricultural productivity – particularly in basic food crops – coupled with diversification to enable the large farming population to generate a surplus, offer lower food prices for consumers and reduce the costs of industrial and service-sector development. The growing agricultural sector provides raw materials, capital and markets for manufacturing and other sectors that stimulate broader economic development and growth in off-farm employment; this, in turn, helps absorb surplus labour from agriculture. The challenge for Africa will be to avoid some of the negative by-products of the Chinese experience, which include environmental damage and growing inequity between rural and urban areas.

> "The importance of the pattern of growth to China's progress against poverty carries a lesson for Africa. When so much of a country's poverty is found in its rural areas it is not surprising that agricultural growth plays an important role in poverty reduction." (Ravallion, 2009)

Following decades of relative economic stagnation, sub-Saharan Africa has experienced notable economic growth over recent years. With an average growth rate close to 6% between 2001 and 2008, the continent has weathered the impact of the global and financial crisis quite well (AfDB et al., 2011). Between 2002 and 2012, six of the world's ten fastest-growing economies were in sub-Saharan Africa. Over the next five years, it is likely to become a new growth pole that will energise the ailing global economy. In other words, economic growth rates in the average sub-Saharan African economy will outpace those of its Asian counterparts (*The Economist*, 2011; UNECA and African Union Commission, 2012; AfDB, 2012).

Nevertheless, despite some findings that African poverty has been falling steadily since 1995 (Pinkovskiy, 2010), the continent's overall performance in poverty reduction has really been rather disappointing. The share of the poor has decreased only marginally – from 51.5% in 1981 to 47.5% in 2008 – while the number of poor people, measured as those living on less than USD 1.25 per day, has increased substantially – from 204.9 million in 1981 to 386 million in 2008 (Devarajan, 2013). This disconnect between growth and poverty reduction suggests that the continent's development pattern, which has historically failed the poor, has not changed for the better with current globalisation processes. Sub-Saharan Africa still faces the challenge of achieving a virtuous circle of growth and poverty reduction, and of ensuring that poor people are the ultimate beneficiaries of economic growth.

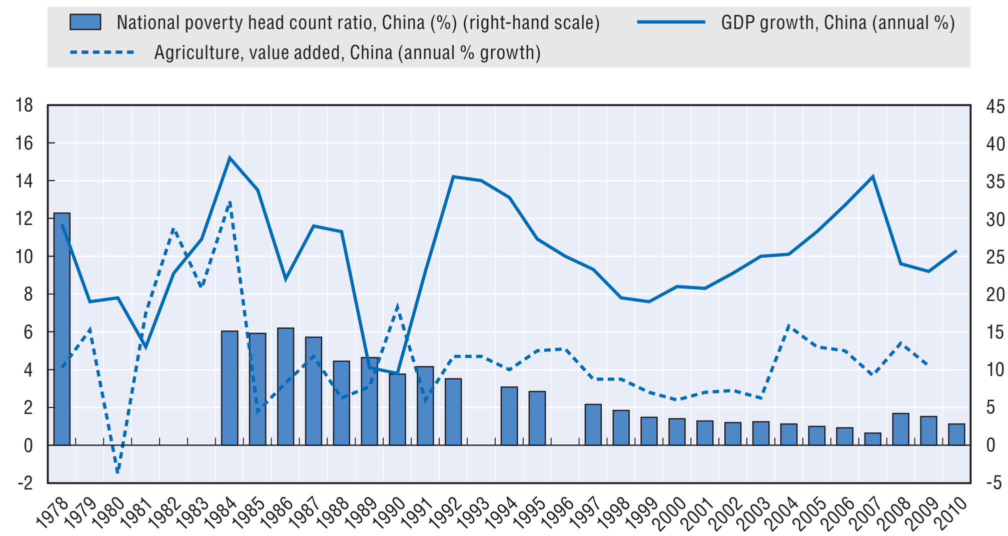
The number of people living on less than USD 1.25 per day in Africa increased from 204.9 million in 1981 to 386 million in 2008

In comparison, China's high economic growth over the past three decades has been coupled with remarkable poverty reduction. From 1978 to 2008, the country's economy grew at an average 9.8% annually, while its poverty incidence dropped from 63% in 1979 to less than 10% in 2008 (Wang, 2008). While care must be taken in drawing lessons for sub-Saharan Africa from China's success in tackling poverty (Ravallion, 2009), China's experiences of economic transformation and poverty reduction have attracted much interest from African countries and the international development community, for example within the China-DAC Study Group (CDSG, 2011). This chapter highlights key aspects of China's success in growth and poverty reduction, drawing lessons that could be relevant to Africa.

China's poverty reduction is agriculture-led

In the period spanning 1978 to 1985, China experienced the highest economic growth rate of its reform era – an average 9.9% every year – and the highest agricultural growth – at 7.7% a year on average (Figure 8.1; Song, 2008). This short period also witnessed about 50%

Figure 8.1. **Growth, agriculture and poverty in China, 1978-2010**



Source: Author's calculations based on NBS (National Bureau of Statistics) (2011), *Poverty Monitoring Report of Rural China*, China Statistics Press.

StatLink http://dx.doi.org/10.1787/888932895710

of the country's rural poverty reduction (using China's own national poverty line). Two-thirds of China's impressive national decline in the number of people living under USD 1 per day occurred between 1981 and 1987, with an astonishing 40% taking place in just the first three years of that period (Chen and Ravallion, 2007). Growth in the agricultural sector contributed significantly to China's GDP growth (35%) between 1978 and 2008 (Li, 2013), while the poverty elasticity of China's agricultural growth* during the 1990s was –2.7, and remained at –1.5 from 2000 to 2008 (Li, 2010).

In China from 1978 to 2008, agriculture's contribution to poverty reduction was around four times that of all manufacturing services

The contribution of China's agricultural growth to poverty reduction over the 30-year period from 1978 to 2008 is estimated to be four times that of all manufacturing services combined (Ravallion and Chen, 2007; Ravallion, 2009). This suggests that China's significant poverty reduction was primarily the result of agriculture-led economic growth. This can be explained by the labour-intensive nature of that agriculture: the rapid growth of the sector significantly absorbed unskilled labour.

This is not to negate the contribution of industry to overall economic growth. Nonetheless, a substantial part of China's industrial growth had its origins in the capital, labour and raw materials that the growing agricultural sector provided for rural enterprises. The contribution of rural enterprises to total industrial production value expanded from less than 9.1% in 1979 to 20% in 1985, while total industrial production value increased from RMB 219.2 billion in 1980 to RMB 386.7 billion in 1985 (Huang, 2008).

* The rate at which poverty reduced relative to the rate of growth in agriculture. An elasticity of –2.7 would mean that for each 1% growth in agriculture, poverty reduced by 2.7%.

During China's rapid economic growth, agricultural growth was broad-based but driven by different sub-sectors, which had diverse effects on poverty reduction. Food crop production was central in linking growth with poverty reduction. Between 1978 and 1985, rice production grew at a rate of 4.5% and wheat by 8.2% a year; together these were the primary drivers of China's increase in food crop production (Li, 2013). The growth of wheat and rice had major implications for household income, as both were widely grown by the rural poor. It is important to note that the food crop production increases were driven mainly by productivity increases and not by area expansion.

Cash crop production also increased, with cotton and oil seed growing annually at 11.4% and 20.3% respectively (Li, 2013). Although this increase had an impact on poverty in certain areas, it was limited by these crops' narrow geographical distribution. During this period, fruit production also grew annually by 10%. While this was more widely distributed across the country, the benefits were mainly accrued by the wealthier farmers.

By 2005, 200 million off-farm jobs had been created in China, providing 46% of the income of rural households

Agriculture's poverty-reduction impact in China was reinforced by a structural transformation, first within agriculture and then in the wider economy. Between 1978 and 1984 – with rapid increases in production of food crops, cash crops and livestock – agriculture shifted from a concentration on food crops to more diversified production, including cash crops and livestock. As a result, although the value of food crop production in itself was rising, it dropped as a share of total agricultural production – from 80% in 1978 to 69% in 1985; the value of livestock increased from 15% to 22% over the same period (Li, 2013). From 1985 onward, rural enterprises and off-farm employment became increasingly important engines of growth. By 2005, 200 million off-farm jobs had been created, providing 40% of the employment in rural areas and 46% of the income of rural households (Song, 2008).

A striking feature in China's poverty reduction is that the largest and fastest inroads were achieved at an early stage in the transformation of the Chinese economy. Two-thirds of China's poverty reduction in the 24 years between 1981 and 2004 happened in the first 7 years and 40% in the first 3 years. The increasing productivity and profitability of smallholder agricultural production drove rapid growth in the incomes of rural households, breaking the back of poverty and providing the capital, labour, raw materials and demand to kick-start growth in the non-agricultural sector.

This broad-based growth pattern would appear to confirm the importance of focusing on effective agricultural growth as a means of poverty reduction in countries where the rural population is dominant, as is the case both in China and in many African countries. This has also been seen in countries such as Viet Nam (Chapter 10, Local solution 6), and to some extent, Indonesia (OECD/FAO, 2010).

What China's experience does is to challenge the widely held notion that growth and economic transformation in poor countries automatically result in poverty reduction. Instead it suggests a more complex causality, where poverty reduction is a precondition for sustained economic development and transformation. We could describe this as poverty-reduction driven growth.

Key policies were investment, market reform and a focus on smallholders

What factors combined to create and drive China's interlinked growth and poverty reduction?

Land reform, education and infrastructure were the building blocks

China's remarkable economic growth, agricultural development and poverty reduction from 1978 onward are strongly associated with previous investments in a number of sectors that are critical to poverty reduction. For instance, in 1978 China's primary and middle school enrolment rate was 95.9%, up from 20% in 1949. The proportion of irrigated planted area was 16.3% in 1949 and had already risen to 49% in 1980, close to the current 50% (Li, 2013). Land redistribution – which started with land reform in the beginning of the 1950s and continued with further reform at the end of the 1970s – provided poor, agriculture-dependent households with land rights, ensuring that they could benefit from growth (Wang, 2008).

> *Between 1949 and 1978, China's primary and middle school enrolment rate rose from 20% to 96%*

Reform was gradual, state-led, market-driven and farmer-based

China's agricultural policy since the end of the 1970s has been based on an incremental learning process. Agriculture was already the foundation of the national economy, with grain crops the central component. Market reform for agricultural products was never radical, but instead based on experiences and policy experiments at specific sites over various regions; this has allowed small-scale success to be replicated on a larger scale. Moving the grain market towards a free market system took more than 20 years of putting regulations and infrastructure in place, while at the same time controlling the prices of fertiliser and other agro-inputs to maintain affordability for farmers. Over this time, the state continued to provide public services such as research and extension. Finally, agricultural development was well integrated with non-agricultural development through encouraging agricultural diversification and rural enterprise development. Overall, the state-led, market-driven and farmer-based model has been central to the success of Chinese agriculture.

Smallholders are the lynchpins of agricultural transformation

The key for connecting growth with poverty reduction is the development of smallholder agriculture. In China, smallholder agriculture has been transformed in various key aspects:

1. Productivity was increased through an intensive household farming system. In most parts of China, multiple cropping is now widely practised, and double and triple harvests within one year help farmers maintain high output per unit of land. Even in northern China, intercropping – such as wheat-maize and maize-soybean combinations – is widely applied.
2. Crop-livestock mixed systems are common on Chinese smallholdings. Livestock are raised on almost all smallholder farms, despite differences in scales, helping to diversify household nutrients and incomes; animal manure is also collected as fertiliser to maintain soil fertility.
3. Smallholder agriculture in China employs manual labour very intensively, from land preparation to sowing, transplanting, weeding, fertilising, irrigation, harvesting and processing (although recently, some of this work has been taken over by machines).
4. Chinese smallholders make wide use of improved seed varieties and fertilisers. The state has lent strong support by providing irrigation, improved seed, research, training and affordable agro-inputs.

Three harvests a year keep productivity high

5. Settlement patterns and land use in rural China contribute to agricultural development: villages are usually nuclear with arable land belonging to different smallholders relatively concentrated (apart from in mountainous areas). This organised land-use pattern supports the development of large-scale commercial crop clusters, such as the maize clusters in northern China and the rice clusters in southern China. These cluster patterns favour the use of joint services provided by the state, such as irrigation, training, harvesting and marketing.

China's experience has several relevant lessons for Africa

Agriculture in China and sub-Saharan Africa has developed under different historical, political, social and economic conditions. Nevertheless, there are some important lessons from China's experience that could be useful to African countries when discussing and deciding on agricultural policies.

The headline message is that for countries where rates of poverty are high and a large proportion of the population – and especially of poor people – depend on agriculture for their livelihoods, rapid impact on poverty is possible. There can be a huge poverty reduction "dividend" during the early phases of economic transformation, when the increasing profitability and productivity of smallholder production drives growth in agriculture and agricultural growth in turn begins to stimulate the broader economy. This is very good news for most African countries where this phase of economic transformation has still to take off, and where most poor people are small-scale rural producers and most smallholders are poor. For them, there is potential for massive and rapid poverty reduction.

Passing through this phase of growth in smallholder production, profitability and incomes seems to be essential to realising the poverty reduction dividend. Pursuing rapid economic transformation *without* passing through this phase carries the risk of trapping people in poverty. People often give up farming and move off the land before sustained growth in agriculture has either increased their incomes or catalysed the economic transformations that can provide off-farm employment. In the process, they become disconnected from the source of their economic livelihoods before alternatives have materialised. This means that poverty becomes entrenched and much more difficult to escape. When this opportunity is missed, it may be gone forever, permanently altering the trend in poverty reduction.

On another front, China's agricultural development experience suggests that the combination of sound policy making, strong state institutions, and leadership committed to poverty reduction are key (Ravallion, 2009). Today, the political and institutional contexts in which African countries develop and implement agricultural and economic policies are varied, and are significantly different from those of China during its period of rapid poverty reduction. In China, the state and public institutions have the role and capacity to determine, finance and implement policies in the agricultural sector, and to regulate markets in order to achieve specific development objectives. China's political stability allows long-term perspectives and consistency in policy objectives and approaches over time. In many African countries, these conditions do not apply, or at least not to the same extent; this means that different approaches to policy formulation and financing will be required.

Nonetheless, there are fundamental lessons from the Chinese experience about policy focus and the critical objectives of those policies. China established a consistent agriculture-centred development strategy and a staple food-led agricultural development policy that were honed over time through an incremental learning process. This, in turn, shaped and developed smallholder agriculture. This underlines the need for long-term consistency of purpose, and for the confidence to invest in and develop production systems and capacities.

For Africa, the key lesson seems to be that a substantial increase in farmer income can transform the entire economy. Specific lessons could include the following:

- Promote high rates of agricultural growth based on enhanced productivity to enable the large population engaged in agriculture to generate a surplus and, at the same time, offer lower food prices for consumers and reduce the costs of industrial and service-sector development.
- Use growing famer incomes to stimulate the wider economy by linking agricultural surplus to investment and business opportunities for the manufacturing or other sectors to help absorb surplus labour from agriculture and stimulate broader economic development.
- Rapidly develop the production volumes and productivity of the food crops already being grown by the majority of smallholders, in order to both provide food security and generate a surplus that will increase household incomes.
- Evolve from purely crop-oriented agricultural production to more diversified farming systems, including agro-forestry, livestock and aquaculture.
- Move to an efficient market system through a steady and incremental transformation that ensures smallholder access to markets and services on economically viable terms (Chapter 10, Local solution 4). This may, as it did in the case of China, involve the state guaranteeing provision of irrigation, improved seed, fertiliser and market facilities.

There are also negative aspects to China's poverty reduction story which should also be heeded. It is true that China's long-standing food-production-based agricultural policy has achieved national food security and increased food exports while farmers' incomes have grown. Nonetheless, some of the high-input/high-output production systems that have contributed to this food security have also had an irreversible negative impact on the environment and natural resources; the falls in poverty levels have also been accompanied by inequality between urban and rural populations. Both problems are becoming major policy concerns.

Conclusions

African countries should carefully examine China's experience, identify what can work for them and adjust and adapt the lessons to their national contexts. Given the diversity of the African continent, one of the most important lessons from China's experience in agricultural development is the need to adapt to local and regional situations, just as China has done throughout its long history. Above all, African nations need to make their own agricultural plans and continue to develop the human and fiscal resources to implement them.

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PART II

Chapter 9

What works on the ground to end poverty?

by
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How do the poor perceive poverty, and what can we learn from the poor about the type of development that works to overcome poverty? This chapter explores these two questions through a review of the poverty literature and four case studies of development projects (in Ethiopia, India and Tanzania). The studies highlight the many facets of poverty as understood by the poor; they emphasise clear linkages between economic deprivation and the non-economic dimensions of poverty, such as poor health, access to education, lack of dignity and participation in village matters. Succesful projects shared the following features: grassroots participation ownership and empowerment, social policy frameworks, a pro-development agenda and a functioning institutional infrastructure for public services – including service delivery systems accessible to poor people.

How we define and perceive poverty has shifted over time, from an economic focus to a more comprehensive and multidimensional understanding. Over the past two decades, researchers have focused on understanding just what poverty means in people's lives, as reflected in the conceptual approach of the annual *Human Development Reports*, issued by the United Nations Development Programme since 1990, and later in the overarching framework for human development: the Millennium Development Goals. Much has also been written about the drivers of recent success stories in countries that are tackling poverty successfully, such as Brazil (Chapter 7), the People's Republic of China (Chapter 8), India and the Russian Federation (Fosu, 2013; ODI, 2011).

Yet despite this rich literature, our understanding of what poverty means to the poor – and what works at the grassroots level to eliminate it – remains sparse and thinly spread.

This chapter aims to address this gap by asking two fundamental questions: How do the poor perceive poverty? And what can we learn from the poor about the type of development that works to overcome poverty? I begin with an overview of some of the key research on these subjects. This is followed by four rural case studies: two from India, one from Ethiopia and another from Tanzania. I conclude by highlighting the key findings of the research in the four locations, and the lessons they provide.

When it comes to defining poverty, one size does not fit all

Based on his work in Asia and Africa, Robert Chambers derived a set of ill-being indicators that include lack of assets, disability, social exclusion and insufficient income to educate children and fulfil basic needs (Chambers, 1995).

A comprehensive review of the literature on poor people's perceptions of poverty in Asia led Mick Moore and colleagues to conclude that the rural poor tend to compare their situations with their better-off neighbours. Yet, these rural views of poverty do not appear to reflect what poverty may mean within peri-urban and urban contexts, nor do they contribute any generic definition of poverty (Moore et al., 1998).

Abhijit Banerjee and Esther Duflo conducted surveys in 13 countries on the economic lives of the poor. The research provides insightful findings into the economic decisions of the poor – considering questions such as "Why don't the poor eat more?" and "Why don't the poor save more?" (Banerjee and Duflo, 2007) – but does not explore the social dimensions of poverty, which include deprivations in health, education, sanitation and participatory freedoms.

At the turn of the new millennium, the World Bank collected the voices of more than 60 000 poor women and men from 60 countries in an unprecedented effort to understand poverty from the perspective of the poor (Narayan et al., 1999; 2000; 2002). Known as *Voices of the Poor* and published in three volumes, the series has attracted much popular and academic attention since its publication. What it reveals is the undeniable challenge of drawing general conclusions from individual case studies in extremely diverse contexts. Nevertheless, the series confirms a range of factors that poor people identify as elements of poverty, including precarious livelihoods, physical limitations, problems in social relationships, lack of security, abuse by those in power, disempowering institutions and weak community organisations.

The themes emerging from these studies underline the importance of considerations such as ownership of assets, capabilities and social dynamics in conceptions of poverty. Other studies reinforce the multidimensional nature of well-being, but also emphasise the influence of context, values and culture in defining well-being – one size does not necessarily fit all (see, for example, Brock, 1999; Clark, 2000).

The case studies examined in this chapter build on this literature, but go further to provide a micro-level understanding: firstly of what poverty means at the grassroots; and secondly, and more importantly, of why some development interventions work at the grassroots.

Grassroots studies of poverty give us insights into how to tackle it

The following four case studies explore rural areas with overall low-to-poor human development, but which have recently seen some progressive policy regimes.

India

The states of Madhya Pradesh and Bihar – considered until recently as amongst the poorest in India – have high levels of poverty, poor institutional infrastructure and stagnant growth. Over the past five years, both states have adopted policy regimes to promote development, with some tangibly positive outcomes in primary education, infrastructure, gender representation and livelihood expansion.

A study in Dhar district, Madhya Pradesh, examined user and non-user perspectives of a rural development project called Gyandoot,[1] a low-cost, self-sustainable and community-owned rural intranet project (Tiwari, 2008). The research was conducted mainly in communities with male-headed households in three general categories: those below the poverty line of USD 1.25 per day and the much lower Indian poverty line of INR 32 per day; marginally poor; and comfortable or non-poor.

The Bihar study was a poverty and social impact assessment of a rural livelihoods project called JeeVika.[2] The research targeted self-help groups comprising poor and socially excluded women (Tiwari, 2010).

In both these rural studies, when asked what being poor meant, the most frequently cited qualifiers were – in order of importance – low ownership of land or landlessness (over 40% of respondents in both cases); lack of both material and non-material resources; and insufficient work and income opportunities. Deficiencies in these areas made it impossible for people to satisfy their basic needs for food, clothing and housing. They also described illiteracy (52% of respondents in the Bihar study) and poor health/illness as conditions that made their situations worse. Other factors that were seen to aggravate or even cause poverty were corruption, poor governance and poor public service delivery, and over-population. On the other hand, population control, better education, improvement in access to health care, and livelihood security ranked high as priorities for poverty reduction.

The rural women in Bihar mentioned three very context-specific suggestions for reducing poverty: micro-savings that enable access to group money and bank linkages; support in establishing livestock and other livelihood systems; and reduction in the prevalence of chronic alcoholism through control of the locally brewed liquor.

To these women, happiness and well-being meant first and foremost having income and food security. The non-economic dimensions that followed included good health for all in the family, children being educated and having a secure future. Things that would bring happiness included being debt free, having income guarantees, being able to visit the bank and other officials with dignity, being able to sign their name instead of putting a thumb mark, having savings and an inter-village social network.

The male respondents in the Dhar ICT study saw lack of employment opportunities – for both illiterate and literate youth from the poorer households – as the main cause of poverty.

East Africa: Ethiopia and Tanzania

The Ethiopian highland region of Sidama is representative of the country's recent progress. Like Ethiopia in general, 94% of Sidama's population is rural. Since 2000, this region has been the focus of the government's flagship programmes to promote agriculture and support smallholder farmers. Research focusing on small and medium-scale farmers is exploring their understanding of climate change and their strategies to adapt to it.[3] As part of this study, these farmers were asked about their perceptions of poverty, coping strategies and views on development programmes.

The Tanzania case study is located in the predominantly rural Kilimanjaro area. The region has a multidimensional poverty index of 0.133 (OPHI, 2013; Chapter 3). The aim was to gauge the impact of a non-governmental organisation (NGO) project to rebuild and enhance the local school infrastructure. The study focused on exploring children's, parents' and teachers' perceptions of poverty, and on analysing what works on the ground to overcome it.

In both the East African studies, landlessness was not seen as a cause of poverty, although a high proportion of respondents saw shrinking land holdings (through subdivisions amongst siblings) and large family sizes as either worsening or causing poverty. In both locations, the communities described being poor as having few resources and insufficient income opportunities.

The Sidama communities were acutely aware of their extreme vulnerability to climatic volatility given their degree of dependence on rainfed agriculture. This was further exacerbated by the rising costs of manufactured and/or industrial inputs needed for agriculture on the one hand, and poor market prices for their produce on the other. All of this was seen to contribute to poverty. Market access was also difficult because of weak infrastructure, which hindered their ability to transport cash crops. A good proportion of smallholder farmers interviewed in Sidama were concerned about their increasing dependency on food-for-work programmes, which they felt trapped them in a precarious equilibrium. Despite short-term improvements in food security, time for working on their own farms was reduced by their involvement in food-for-work activities. This argument is reiterated in the literature on the impact of similar programmes in Ethiopia since the famine of the 1980s (Gillian et al., 2009).

The communities researched in the Kilimanjaro area included a much higher proportion of women – either mothers or teachers in the rural schools that had benefitted from the NGO support. Their concerns were focused on sanitation facilities for girls in particular, drinking water, information on diseases such as malaria and diarrhoea, and provision of food for the children in the school. Parents were also concerned about the security and well-being of their children while they were at work in the fields.

These four studies highlight the many facets of poverty as understood by the poor (although see Box 9.1). While the general emphasis tended to be on economic aspects, when probed, people expressed clear linkages between economic deprivations and the non-economic dimensions of poverty, such as poor health, access to education, lack of dignity and participation in village matters that affect them.

Box 9.1. **The limitations of studies of the poor**

Interviewing the poor about how they perceive poverty has some limitations that need to be borne in mind. Both the subject of such research and the participatory methodology are complex, as also acknowledged in Moore et al. (1998). To begin with, despite concerted efforts to capture the views of the most disadvantaged, the poorest households are often not represented. Secondly, the interaction usually takes place in a situation in which the interviewer and the interviewee are surrounded by family, neighbours and friends. The information collected is, therefore, likely to be influenced by others. For example, the respondent may not wish to admit certain facts in front of other people. It is also understandable and natural for people to be cautious in what they say and reveal only partial information to outsiders, who may have spent only a few hours or a few days building "trust". Yet attempts to isolate the interviewee and the interviewer can cause suspicion and worsen the quality of information.

Poorer interviewees often appear to be more willing to share information. The expectation, as some of respondents have explained, is that the encounter may somehow lead to an improvement in their situation. Wealthier respondents, on the other hand, tend to adopt a more measured stance towards sharing of information.

Overall, it is difficult to gauge when respondents are revealing partial information, and to what extent this affects the findings (Tiwari, 2009).

Micro-level studies can provide insights into how the poor view poverty

In all four case studies the respondents appeared to focus on what they did not have – a "deficit approach" to understanding poverty. This differs from the well-being approach, which builds on "what the poor have" (Camfield and McGregor, 2005). On the other hand, the frequent aspirational responses to questions about what could be done to change their circumstances demonstrated the active pursuit of what they value in life and belief that they can achieve it.

The behaviour and actions of these communities thus offer rich insight into the theoretical constructs of two important approaches to poverty and development: Amartya Sen's capability approach (Sen, 1985; 1999) and Thomas Pogge's human rights-based approach (Pogge, 2008). Sen's explanations of human-centred development are founded on understanding *what* deprived communities value and aspire to as individuals, families and collective entities, and *why*. Their resolve to achieve these objectives – and their belief that they can do so – can be explained and understood through Pogge's rights-based development approach: communities engage with local institutions and public services to seek things which they consider it is their right to have.

Although the respondents did not refer to injustice and human rights directly, their responses reflect awareness of social injustices and of the weakness of the local institutional infrastructure in addressing them. This seems to coincide with the two approaches outlined above in shedding light on what the poor perceive as poverty, and how they think it can be resolved. More in-depth investigations of such grassroots mechanisms can provide further insights.

Positive impacts on livelihoods, empowerment, education and access to credit

Involving and investing in women can have significant socio-economic impacts

Three of the programmes studied can be considered success stories with tangible outcomes at the grassroots, while the Madhya Pradesh programme had mixed results.

In Madhya Pradesh, the intranet project provided invaluable enabling services and introduced a unique public-private partnership encouraging entrepreneurship in the local economy. Yet at the time of the study in 2007, the project was not managing to bridge the digital divide to provide health and education services and address market-information asymmetries in the rural sector. The reason for this is that the technical model chosen was not able to engage the poorest community members or the women.

The remaining three case studies demonstrated achievements in livelihood security, empowerment of women, improvement in education facilities and access to credit. While the case studies were not specifically focused on investigating the impact of gender-led development, the impact from the women's self-help group in Bihar was found to be more far-reaching and inclusive of the wider family – children, husbands and the elderly – than in the other programmes. This is in line with gender-focused development research that shows how better socio-economic outcomes can be achieved by involving and investing in women.

In all cases, the positive outcomes reflected agreement by people and groups in each specific community as to what worked on the ground: in Madhya Pradesh, the individual users and the policy makers; in Bihar, the women in the rural self-help group and the policy makers; in Sidama, the farmers and the policy makers; and in the Kilamanjaro, the NGO, together with the parents, teachers and children.

Conclusions

Micro-level studies can teach us why some programmes work and others do not

Since the adoption of the MDG framework in 2000, policy frameworks aimed at combating poverty have mushroomed in many countries – yet without the same level of success in tackling economic and social poverty noted in the above case studies. Where does the key to success lie?

All of the successful cases shared a common feature: a supportive social policy framework coupled with public institutions to deliver essential services.[4] For example:

- The Bihar government had a pro-development agenda, with a state-supported rural livelihoods programme initiated in 2007.

- In Ethiopia, the Sustainable Development and Poverty Reduction Program (SDPRP) 2002-05 was followed by a Plan for Accelerated and Sustained Development to End Poverty 2005-10 (PASDEP). Most recently, the Climate Resilient Green Economy (CRGE) offers a new policy response to adaptation and mitigation of climate change in agriculture.
- Tanzania's open policy regime enabled the NGO to collaborate with local partners to build and expand the school infrastructure in the Kilimanjaro area.

Yet, does this fully explain the successful outcomes? The successful case studies shared two further common features:

- Enabling the poor to access public service delivery systems, and to claim their entitlements through direct engagement.
- The presence of local champions of diverse types: individual citizens, community groups with collective strength, inspired and driven policy makers, and state and civil society implementers at all levels. These local champions galvanise groups, empower local communities to access the services to which they are entitled, and create institutions to deliver services that allow people to achieve what they value in life. It was these local champions – the rural women in Bihar, a few individual smallholder farmers in Sidama, the school principal and rural parents in the Kilimanjaro villages, together with a few champions in civil society, the NGO sector and amongst state officials – who made the projects successful.

In summary, it was the grassroots participation and ownership of the project, and a functioning public service institutional infrastructure with local champions as drivers, that made the particular intervention work on the ground (see Chapter 10 for many other similar examples). Furthermore, the interventions were all geared to meet the context-specific needs of the target communities through mechanisms that entailed direct engagement at the grassroots level.

What does this research tell us about what really works on the ground to end poverty? *First*, that is difficult to say just *which* intervention will work best – but *second*, that fulfilling the key conditions outlined above can do much to facilitate the success of interventions designed to end poverty as poor people themselves perceive it.

Notes

1. See *www.gyandoot.nic.in/gyandoot/intranet.html*.
2. See *http://brlp.in*.
3. This research is part of the on-going doctoral work of S. Hameso. The author conducted this research while on a supervisory field visit to Sidama in 2012.
4. Although these were not necessarily accessible to the most deprived communities.

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PART II

Chapter 10

Local solutions for tackling poverty in Costa Rica, the Dominican Republic, Sri Lanka, Uganda and Viet Nam

This chapter brings together stories from Costa Rica, the Dominican Republic, Sri Lanka, Uganda and Viet Nam relating approaches, ideas and policies that have had measurable impact on reducing poverty. Numerous themes emerge: participatory processes are a powerful force for development (Dominican Republic and Viet Nam); adding value to farmers' production pays dividends – in the form of jobs and income – across rural communities (Dominican Republic, Uganda and Viet Nam); egalitarian social protection policies can help reduce poverty and ensure a minimum standard of living for all (Sri Lanka); and getting the incentives right can protect nature and biodiversity, mitigate climate change, and at the same time promote rural development and alleviate poverty (Costa Rica).

Local solution 1: Costa Rica protects global public goods while improving livelihoods

Carlos Manuel Rodriguez, Conservation International and former Minister of the Environment and Energy, Costa Rica

In the past, Costa Rica's policies encouraged agricultural colonisation, leading to one of the world's highest tropical deforestation rates in the world. Though many policies were developed to reverse this trend, it was not until 1996 that an effective law prohibited deforestation and launched a programme of payment for environmental services (PES). This programme compensates farmers and indigenous communities for providing four environmental services (public goods; Chapter 13): preventing greenhouse gas emissions, hydrological services, beautiful landscapes and biodiversity.

Payment for environmental services is based on the premise that those who maintain the natural resources that provide these services should be compensated for doing so, and that those who use the services should pay. The idea is to ensure that farmers and indigenous communities are encouraged and rewarded for making decisions that ensure supplies of clean air, water, and other benefits from the resources for which they act as custodians. This approach, in turn, provides income for poor land and forest owners, helping them improve their livelihoods. Deforestation rates have declined since Costa Rica's system was put in place and today forests cover more than 50% of the country's total land area, compared to 21% in the 1980s.

> *Since the payment for environmental services scheme was put in place, forest cover has increased from 21% to 50% of Costa Rica's land area*

The programme targets owners of the following: land within biological corridors; land supporting key biodiversity and carbon stocks; private land inside protected areas; forests that function as watershed protection; and land in all of these areas containing a large proportion of poor farmers or indigenous communities.

Today, Costa Rica invests USD 40 million annually in the PES programme, which covers 700 000 hectares (12% of the country's land area). The system has more than 8 000 beneficiaries, 40% of whom live in the least developed districts. For many vulnerable farmers, maintaining their land to provide environmental services now seems a more attractive economic option than using it for agriculture or to raise livestock. This is partly explained by the underlying characteristics of the PES programme – which include secure land tenure, provision of off-farm income opportunities and the opportunity to link up with other farmers – together with its uncomplicated contractual procedures.

Although the primary objective of PES programmes is to improve and maintain the provision of environmental services, Costa Rica's programme has also successfully contributed to poverty reduction and equitable growth. It prioritises participation by regions that are particularly poor and vulnerable, and where lands are at the highest risk of degradation. Recent social impact studies of the PES programme indicate that 50% of the annual budget is invested in the least developed rural districts, thereby having a direct impact on 10% of people who are currently under the poverty line. For half of Costa Rica's indigenous territories, PES payments have become the most important source of income and livelihoods.

If implemented correctly, payments for environmental services have the potential to provide long-term social benefits. Devising a successful incentive structure, however, requires a good understanding of local livelihoods. This structure must also remain flexible, evolving as local development occurs and as the economics of land-use change over time.

The PES payments have become the most important source of income for 50% of Costa Rica's indigenous territories

An important lesson can be learned from the Costa Rican experience: forest conservation can protect nature and biodiversity, mitigate climate change, and at the same time promote rural development and alleviate poverty. The approach has been adopted by other countries (e.g. Ecuador and Mexico) and local governments (in Brazil, Indonesia and South Africa).

Costa Rica has also strongly influenced global climate change negotiations, serving as a frontrunner for the Reduced Emissions for Deforestation and Forest Degradation (REDD) mechanism, which is currently mitigating greenhouse gas emissions in many parts of the South with financial support from developed countries.

Local solution 2. The Dominican Republic invests in trust, leadership and empowerment

Giovanni Camilleri, Articulating Territorial and Thematic Networks for Human Development (ART) Initiative, UNDP

Dajabón is a rural province in the northwest of the Dominican Republic, on the border with Haiti. Trade in agricultural products with Haiti is the key economic activity and the main source of potential development, together with an entrepreneurial and enthusiastic population. Nevertheless, this province's poverty rate – and in particular extreme poverty (65% and 25% respectively) – is the highest in the country and coupled with worrying inequality and unemployment rates.

In 2009, a group of residents set in motion a participatory process involving local institutions and stakeholders in the design of strategies to improve citizens' lives. This bottom-up process empowered local people while strengthening local institutions.

The residents included Manuela, a small entrepreneur who later became vice mayor of the municipality of Dajabón; Wilson, a wood worker from the municipality of Restauración; and Chio, a local public servant responsible for cultural activities. They, and others, were brought together to map potential productive areas. The process led to the creation of a network of local producers and small entrepreneurs. This in turn stimulated multiple public-private partnerships – for example, the Local Economic Development Agency of Dajabón, launched in 2010 with the support of UNDP's ART Global Initiative (Box 10.1). More than 10 000 people from Dajabón actively participated in the consultations and in defining the local development strategies.

Box 10.1. **What is the ART Global Initiative?**

The UNDP launched the ART Global Initiative in 2005 to support countries in their efforts to accelerate progress on the MDGs and achieve sustainable development. ART stands for Articulation of Territorial and Thematic Networks of Co-operation for Human Development. This international co-operation initiative promotes a legal, programmatic, operational and administrative framework in the countries that request it.

For more information see *http://web.undp.org/geneva/*ART.

The bottom-up process has increased incomes for farmers and small entrepreneurs by 25% on average

The Dajabón development agency identified five activities to boost the local economy: dairies, timber, beekeeping, fruit growing and cultural and tourist activities. Local people then got together to work out how to make these activities profitable and to mobilise the resources required: human talent, expertise, know-how and financing.

The past four years have witnessed many positive results:

- One hundred and ten jobs have been created (including for small processors, who add value to dairy, fruit and beekeeping products).
- The incomes of the farmers and small entrepreneurs involved in the five target activities have increased by 25% on average every year (or USD 500 a year).
- A total of 486 micro, small and medium-size businesses have started to sell their products direct to Haiti.
- Four co-operatives of producers and processors have been merged into the Dajabón Dairy Company to improve both the quality and the added value of milk products. The company is also partnering with similar agencies overseas.
- Cross-border value chains involving dairy farmers, honey and wood producers from Haiti and neighbouring Dajabón have received capacity-building support, increasing production and incomes for both communities.

The Dajabón development agency has ensured that its activities are co-ordinated with and supported by seven government ministries. They aim to use the examples of good practice in the province to influence the national development path. This is helping to inspire other sub-national governments to put in motion similar bottom-up processes elsewhere in the country.

Local solution 3. Sri Lanka tackles poverty through equality

Priyanthi Fernando, Centre for Poverty Analysis, Colombo, Sri Lanka

Sri Lanka is on course to achieve the Millennium Development Goals (MDGs), including halving poverty by 2015. Government statistics show that the incidence of poverty at the national level decreased from 15.2% in 2006 to 8.9% in 2010. The poverty gap index* is also declining, which means that the poor are getting less poor. Other headline indicators are also positive, at least when aggregated for areas outside of the war-affected north and east: Sri Lanka has achieved the MDG of universal primary education; average life expectancy is

* The poverty gap index estimates the depth of poverty by considering how far, on average, the poor are from the poverty line.

77 years for women and 72 for men; maternal mortality is 39.3 per 100 000 births; infant mortality is 1.3 infant deaths per 1 000 births; and almost 100% of births are assisted by health personnel.

Free schooling, subsidised food, free health services and heavy investment in education have all played a part in Sri Lanka's impressive poverty reduction

This positive picture is largely the result of egalitarian public policies that have been in place since the early 20th century: free education and health services, food rations and subsidy schemes, all aimed at reducing poverty and ensuring a minimum standard of living for all. These policies have been maintained despite changes in political orientations, war and insurrections, and changes in the economy as well as in the demographic composition of the population.

The following examples illustrate this focus:

- Education in government schools was made free in 1938 as a means of addressing socio-economic, ethnic, religious and regional disparities created by the early colonialists.
- The cost of food has been subsidised since 1943 and a food ration system was introduced in 1948.
- In 1973, the government began the *Thriposha* feeding programme, targeting malnutrition among pregnant mothers and young children.
- By 1950, free health services were the norm.
- In the 1950s and 1960s, about one-third of budgetary expenditure was allocated to welfare (Ratnayake, 1998).
- Expenditure on health and education constituted 9.96% of GDP in the 1960s and 9.5% of GDP in the 1970s.
- Following the 1971 youth insurrection, the government introduced further measures to reduce inequality and disparities, such as land reform, a ceiling on housing ownership, compulsory savings and nationalisation of private enterprises.

This emphasis on equity in public policy can be seen through different lenses. It has been criticised because of its negative impact on economic growth, especially as the revenue from the plantation economy is no longer able to support it (Amirthalingam, 2008). It has also been seen as representing a covertly political agenda targeted at garnering the majority vote. Whatever the motivations, these social development policies have served to empower many poor women and men, and their families, to exercise their right to a life without poverty.

Many challenges remain for a post-2015 Sri Lanka: social development policies are under threat from rapidly declining state investments in education and health, even as the economy is growing. Inequalities in income are increasing, patriarchy is entrenched and despite developments in infrastructure, livelihoods in the post-war north are constrained by militarisation and the absence of political solutions. As policy makers grapple with the changes that need to take place, they would do well to remember how history has shown that egalitarian policies have a long-term social justice impact which seriously outweighs the seeming "inefficiency" of their implementation.

Local solution 4. Uganda produces "Good African" coffee

Andrew Rugasira, Good African Coffee, Uganda

Uganda produces over 3 million bags of coffee a year (approximately 200 000 tonnes), but most of this coffee is exported raw – as green beans – for processing in the consuming countries of the developed world. We founded Good African coffee in 2003 to help coffee farmers in western Uganda produce quality coffee that we would then roast, pack and brand for local and international markets. Before this, no Ugandan coffee company had ever placed a branded coffee product on supermarket shelves in South Africa or the United Kingdom. This became my mission and has been my journey over the past nine years.

Our challenge was clear: can an African social enterprise that aspires to empower the rural community develop a profitable, sustainable, global brand? Under the banner "Africa needs trade not aid" and a profit-sharing commitment to our farmers and their communities, we developed the building blocks for the social enterprise. These included improving crop quality and post-harvest handling, boosting productivity and environmental stewardship, and building institutional capacity through financial training and the development of savings and credit co-operatives for the farmers.

Good African coffee has come a long way since 2003. When we began, we met significant resistance to our business model both at home and abroad. At home, the resistance came not only from the bankers and private equity firms from whom I sought capital, but also from coffee farmers who were cynical after decades of exploitation by the industry.

> *Good African coffee now has a network of more than 14 000 coffee farmers organised into 280 producer groups and has set up 17 savings and credit co-operatives*

Abroad, supermarkets were hesitant to work directly with an African-based brand because they had not done it before and the risks looked too great: could we consistently deliver a product of high quality? Did we have the managerial competence to drive the business forward? Were we actually credible? Yet despite this resistance, farmer by farmer, village by village, trip after trip, banker's meeting after banker's meeting, we gained credibility, acceptance and momentum.

When we started buying coffee from farmers in the Kasese District in 2004, the average market price was USD 0.43 per kilogram of quality Arabica coffee. We purchased around seven tonnes, paying three times that price – USD 1.25/kg. Seven years later, in 2011, the average price we paid was USD 4.25/kg, almost 25% more than the average market price; that year, we bought over 400 tonnes. Today, Good African Coffee has a network of more than 14 000 coffee farmers organised into 280 producer groups; and we have partnered with these farmers to set up 17 savings and credit co-operatives.

In 2003, the majority of the farmers we met lived in mud-and-wattle huts; they had few assets and were economically insecure. Today, many have built permanent structures and own bicycles and motor bikes; they are rearing goats and chickens as a business, and they grow a variety of crops in addition to coffee. They have seen their household incomes grow in real terms. In a modest way, Good African coffee spurred the entrepreneurial talents of these farmers. Our testimony points to the huge reservoir of entrepreneurs on the continent, and to the enormous impact social entrepreneurship can have on Africa's agricultural economy.

Local solution 5. Viet Nam involves people to reduce poverty

Le Viet Thai, *Central Institute for Economic Management, Ministry of Planning and Investment, Viet Nam*

Viet Nam has made impressive progress in eradicating poverty. The country's poverty rate fell from 60% in 1990 to 20.7% in 2010 (World Bank, 2013). It met the Millennium Development Goal on poverty reduction in 2008, well ahead of the 2015 target date (UNICEF, 2013). How has the country achieved this? Four people-based approaches have proven essential:

Involving people. Until 1990, Viet Nam's socio-economic development was decided by the central government. There was little participation by people or social organisations in the process of formulating development policies. This top-down decision making continued into the early 1990s, when numerous programmes focused on poverty reduction. Analysis of the reality at the grassroots level, however, made it clear that many decisions about rural infrastructure development did not meet people's actual needs. In the mid-1990s, the Song Da Social Forestry Development project pioneered a participatory planning approach that gave household representatives a voice in decision making. The gains were far beyond expectations: people's participation in decision making not only helped infrastructure development to meet real needs; it also made it easier to mobilise direct participation in the construction process and improved awareness of people's responsibility in using and conserving the infrastructure. In 2000, the Son La Provincial People Committee issued a call to all communes in the province to apply this method to their socio-economic development planning. This approach has since been promoted and implemented in 30 of Viet Nam's 63 provinces.

Helping farmers. Most of Viet Nam's poor live in rural areas and depend mainly on agriculture. For hundreds of years, Viet Nam's society was founded on feudalism within a self-sufficient economy. This became a problem after the Viet Nam War, when the centrally planned economy collapsed. Viet Namese farmers may have rich experience in agricultural production, but they had no knowledge of how to sell their products on the market. This explains in large part how many provinces in Viet Nam were able to make rapid gains in eliminating hunger, but faced difficulties in reducing the poverty rate. Viet Nam reacted by focusing on helping farmers gain market access through two main approaches: 1) training to help identify market demands and learn about marketing, advertising and product packaging; and 2) co-operation between enterprises and farmers (see Local solution 6). This enabled farmers to develop new products and production methods to better meet market demands.

Viet Nam's poverty rate fell from 60% to 20.7% in ten years

Creating jobs for the poor. Almost all poverty reduction programmes in Viet Nam aim to provide direct support to the poor (through training, credit, etc.). This has produced some positive results, but in many cases, people have lost ground after several years and fallen back into poverty. This is often because farmers lack production or marketing knowledge, or their products do not meet consumer demand. In short, not all farmers are able to become business people. Projects were therefore implemented to support farmers in expanding production so as to create jobs with stable income, enabling the poor to ensure their families' living standards without having to become businessmen.

Paying attention to gender and ethnicity. The poverty rate in the mountainous and ethnic minority areas of Viet Nam is higher than elsewhere. In the 1990s, in these areas it was the men – who characteristically held the most important positions in their households – who were given credit and made the decisions on how to use it. Many such poverty reduction activities failed because the men were too ambitious or reckless in making business decisions. In some cases, men used credit to buy motorbikes, televisions or alcohol. Local Viet Namese authorities reacted by issuing a regulation stipulating that credit would be provided only to women. This greatly reduced the risk of people using it for other purposes than poverty reduction. Likewise, people in some ethnic minority areas who were not familiar with credit – or were afraid of interest on credit accounts – were offered credit in kind, for instance cows and rice seeds.

Local solution 6. Land tenure and productivity reforms drive economic growth in Viet Nam

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Viet Nam has only recently graduated from low-income country status, passing the annual USD 1 005 per capita income threshold in 2010. The country still faces many weaknesses in areas such as institutional capacity, infrastructure, science and technology, and natural resource depletion is a major issue. Nevertheless, poverty reduction in Viet Nam has been rapid as shown in the previous section. This success hinged on a policy designed to develop agricultural markets and provide incentives for people to invest their own resources in agricultural production and trading.

Fifteen years of war followed by 15 years as a government-regulated "command" economy had left Viet Nam with serious food insecurity. Until the late 1980s, Viet Nam was importing between 200 000 and 500 000 tonnes of rice annually, along with large quantities of other food. In 1980 alone, Viet Nam imported more than 1.6 million tonnes of food. Many parts of the country, including agricultural production areas, experienced famine, with food shortages often blamed on natural disasters and war. The main reason for these shortages, however, was that most of the cultivated land was controlled by agricultural co-operatives, leaving farmers with little incentive to work. In 1981, the land tenure system was changed to allow contracting of co-operative land to individuals and farm households for periods of 15 years for annual crops, and 40 years for perennial crops.

With the decline of the socialist economies, Viet Nam's market access was reduced, as was its supply of capital and inputs for agriculture. To compensate, a set of policies was put in place to strengthen incentives for farmers to increase production: the Viet Namese dong was devalued, increasing the competitiveness of agricultural products in world markets; land and agriculture equipment were returned to households; domestic and international markets were liberalised; and farmers were encouraged to use the technological advances that the co-operatives had failed to successfully adopt, and were supported in doing so.

> *By 1989, Viet Nam was no longer importing rice and had become the third-largest rice exporter globally*

With these reforms, agricultural productivity increased rapidly and became a driving force for growth. In 1989, Viet Nam exported 1.4 million tonnes of rice; by then, the country had shifted from being a rice importer to become the third-largest exporter of rice in the world. A quota policy for rice exports was used to protect consumers by preventing rapid rises in domestic rice prices that could potentially result from opening up to world markets. The negative effects of quotas on rice farmers were mitigated by a range of production supports in areas such as irrigation, new varieties and credit. Warehousing, subsidised credit and insurance schemes, linked with increased security of land tenure, helped to reduce market risks and build farmer confidence. As a result, farmers continued to increase both crops and cultivation area. Thanks to these measures – in particular to increased irrigation and expanding land area – agricultural GDP growth averaged 4-5% annually. As productivity and production increased, the rice export quota was gradually eased before being phased out entirely in the 2000s.

At the beginning of this century, control of internal migration was also relaxed, helping millions of farmers to move to mountainous and highland regions. Forestry land was converted to expand production of perennial crops, increasing farmer income; while new legislation allowing private investment in state enterprises enabled industrial crops such as coffee, rubber, pepper and cashew to become key exports.

Viet Nam's success with rice in particular, and in the agricultural sector in general, created new drivers of overall economic growth. The stable price of food and agricultural products in the domestic market helped contain inflation, while increases in agricultural productivity allowed industrial and urban sectors to attract labour from rural areas. Rising income generally boosted the demand for agricultural products and also for livestock and fishery products. Even with the growing importance of animal protein in the Viet Namese diet, per capita rice production has continued to increase – up from 410 kg/person in 2001 to 460 kg/person in 2010, with exports averaging between 6 and 7 million tonnes annually.

Unlike many formerly socialist countries that have endured prolonged crises when switching to market economies, Viet Nam has ensured national food security through successful and carefully managed policy reforms in agriculture.

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PART III

A new framework for ending poverty

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PART III

Chapter 11

The United Nations High-Level Panel's vision for ending poverty

by
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In May 2013, a High-Level Panel of Eminent Persons delivered to the UN its vision of what a new development framework could look like once the Millennium Development Goals expire in 2015. This chapter summarises this vision, which retains poverty as the central focus. The approach it takes has four dimensions:

1. *end poverty in all its forms (multidimensional poverty);*
2. *end poverty not only where it is easiest to do so, but also where it is hardest to make progress (by having both a global goal and targets that are set nationally);*
3. *address inequality of opportunities (by disaggregating indicators according to income, gender, location, age, disabilities and social group; and by agreeing that a target is only considered to be achieved if it is met for all relevant income and social groups);*
4. *pay attention to vulnerabilities and resilience.*

In order to make reductions in poverty permanent, the authors stress the need to not only fight the symptoms, but also the causes of poverty. They highlight the need to move away from charity-based poverty programmes to providing a level playing field of equal opportunity that gives every person the tools necessary to build a prosperous life without depriving future generations of their opportunities to do the same.

United Nations Secretary-General Ban Ki-moon recently appointed a High-Level Panel of Eminent Persons (HLP) to advise him on a bold yet practical development agenda beyond 2015, considering the challenges of countries in conflict and post-conflict situations. The panel report, delivered on 30 May 2013, proposed that a central element of the post-2015 agenda should be the eradication of extreme poverty from the face of the Earth by 2030. It recognised that this repeats a promise that world leaders have made time and again for decades, but concluded that there is a strong case for thinking that today such a historic challenge can actually be met.

The panel took an expansive approach to poverty reduction:

> "Our vision and our responsibility is to end extreme poverty in all its forms in the context of sustainable development and to have in place the building blocks of sustained prosperity for all. We seek to make gains in poverty eradication irreversible. This is a global, people-centred and planet-sensitive agenda to address the universal challenges of the 21st century: Promoting sustainable development, supporting job-creating growth, protecting the environment and providing peace, security, justice, freedom and equity at all levels." (HLP, 2013:5)

The approach, therefore, has several dimensions. *First*, it focuses on ending extreme poverty in all its forms, clearly highlighting the multidimensional nature of poverty (Chapter 3) as well as underscoring the links between the poverty agenda and sustainable development, including environmental issues. *Second*, by focusing on ending poverty it implicitly acknowledges that it is not enough to reduce poverty in countries that are committed to poverty reduction and where it is easiest to do so, but to tackle poverty wherever it exists. *Third*, the same focus on ending poverty suggests that inequality of opportunities within countries must be addressed head on. *Fourth*, the idea that poverty can be ended irreversibly suggests that attention must be paid to people's resilience and vulnerabilities as well as to those above the poverty line who may nevertheless be at risk of falling back into poverty until they enter the middle class and can afford to protect their lifestyles themselves (Chapter 4).

End extreme poverty in all its forms

The panel report reflects the voices of more than 5 000 civil society organisations from 120 countries

That poverty is not only about income is already recognised in the Millennium Development Goals (MDGs). The post-2015 report also embraces the multidimensional interpretation of poverty in stressing that the "many forms of poverty" need to be fought, including – but not limited to – income poverty. But which dimensions exactly should be included in a multidimensional poverty structure (Chapter 3)? There is much less consensus on this. The poverty dimensions of the MDGs were selected by an expert group comprising members from the OECD Development Assistance Committee, World Bank, International Monetary Fund and the United Nations Development Programme (Manning, 2009; Hulme, 2009; 2010). The aspects of poverty that this group focused on were income, hunger and basic needs such as health and enrolment in primary education.

The High-Level Panel took a different approach and based its concept of poverty directly on the voices and concerns of those who are actually living in poverty but who are often unheard. The HLP members spoke with farmers, indigenous and local communities, workers in the informal sector, migrants, people with disabilities, small business owners, traders, young people and children, women's groups, and elderly people. Their discussions included the voices of more than 5 000 civil society organisations from 120 countries.

Based on these consultations, the panel included many less tangible expressions of poverty that were excluded from the MDGs, but that are tackled by public institutions with whom people living in poverty must deal on a regular basis. Examples of these "institutional" dimensions of poverty include protection from natural disasters, violence, the exploitation associated with child marriage and discrimination; the right to own and inherit property and run a business; access to infrastructure (including energy), jobs, legal identity, freedom of speech and association; participation in political processes and the right to information; access to justice; and freedom from abuse by security forces, police and the judiciary.

With so many aspects of poverty, the panel considered whether it would be appropriate to merge indicators within a multidimensional target, as suggested by several experts (Chapter 3). However, just like the MDGs, the panel decided to map the different dimensions of poverty using separate goals and targets. In this way, progress on targets cannot be traded off against each other – for example, some authoritarian governments have argued they lower poverty by providing more food to poor people (less hunger) even at the expense of less freedom. In some weighting systems (known as the authoritarian bargain), this could be said to reduce overall poverty, but in the panel's view hunger and freedom cannot be traded-off against each other. The assessment would be simply less poverty on the hunger dimension and more poverty on the institutional dimension. Judgements about the balance between the two are not required with separate goals and targets.

Separate goals and targets on health, education, gender, etc., are also easier to understand and to communicate to the public than a multidimensional composite index on its own. It is easy to envisage a global campaign to end preventable child deaths, but much harder to imagine that social activists could mobilise around reducing a multidimensional poverty index. Given that a major function of the post-2015 agenda is to motivate action globally, communication aspects are very important and should not be underestimated.

Most importantly, the panel report makes clear that poverty can no longer be tackled in isolation from other issues in sustainable development; and that sustainable development is a challenge that no country has as yet achieved. It calls for a single agenda that merges the various work streams of development, sustainable development and climate change. The connections are clear:

> "Without ending poverty, we cannot build prosperity; too many people get left behind. Without building prosperity, we cannot tackle environmental challenges; we need to mobilize massive investments in new technologies to reduce the footprint of unsustainable production and consumption patterns. Without environmental sustainability, we cannot end poverty; the poor are too deeply affected by natural disasters and too dependent on deteriorating oceans, forests and soils." (HLP, 2013:5).

The recognition that many people slide back into poverty if resilient structures are not built at the household, national and global levels (Chapter 4) leads to the panel suggestion to add social protection, disaster relief, natural resource accounting and stability in international financial and commodity markets to its list of essential ingredients for addressing poverty in all its forms.

End poverty wherever it exists

The MDGs were meant to be global goals, yet they applied largely to low-income countries supported by developed countries that were expected to provide development assistance and debt relief. Most of the quantitative targets applied to low-income countries. This went against the spirit of existing global agreements that already recognised the universal nature of poverty, but was considered to be more pragmatic and focused. For instance, the World Summit for Social Development (1995) had declared that "profound social problems, especially poverty, unemployment and social exclusion [...] affect every country" (World Summit for Social Development, 1995), but the targets of the MDGs were set in an unbalanced way to require most action by low-income countries.

The HLP report is an expression of the belief that a global partnership needs to be based on an agenda that applies universally to all countries, but with responsibilities differentiated according to a country's starting point, capabilities, and the resources and assistance it may expect to receive. Because countries differ dramatically in each of these dimensions, they cannot be expected to achieve similar outcomes. There must be a realistic differentiation, set through a process of national consultations.

In this, the post-2015 Panel report differs considerably from the MDGs: these sought to galvanise action at the global rather than the country level. In their original intent and formulation, the MDGs were designed to be global goals only; in other words, they were not to be applied at the national level. However, this exclusive concentration on the global level concealed the fact that successes in a few countries could dilute lack of progress in others. One example that highlights the difference between a global goal and national goals is the income poverty goal as measured by the USD 1.25 (PPP) per day international poverty line (Chapters 1 and 2). The MDGs called for halving the proportion of people living on less than USD 1.25 per day. This global target was met five years ahead of schedule: the proportion of people living in extreme poverty decreased from 43% in 1990 to 21% in 2010. But most of this overall reduction is due to progress in the People's Republic of China. With China left aside, only 5% of people have passed this threshold in 20 years. The concentration on global goals, in this way, obscures the important differentiation across countries.

With China left aside, only 5% of people have ceased to live in extreme poverty in 20 years

To make matters worse, the global targets of the MDGs became transferred into national targets in the absence of alternative metrics and countries were ranked depending on their performance against the global aggregate. That gave rise to "findings" like "No low-income fragile or conflict-affected country has yet achieved a single MDG" (World Bank, 2011). Such findings, requiring the same progress from countries regardless of national circumstances and state capacities, are not fair to countries with bad starting conditions, like conflict-affected countries. Many such countries have made remarkable progress and should not be declared to be off-track when measured against an abstract global goal that was never realistic given their starting point. For instance, in the case of MDG 4 (under-five mortality), Angola, Ethiopia, Guinea, Liberia, Malawi, Mozambique and Niger are clear over performers in the sense that they have been able to achieve progress that distinctly exceeds what could be expected from them, given their relatively weak state capacities (Klasen and Lange, 2012). Nevertheless, they are considered to be not meeting the MDG in global evaluations.

The post-2015 Panel Report emphasises country leadership and ownership in setting appropriate poverty reduction targets. In this, it goes back to older precedents like the *Action Plan of the World Summit for Children* (1990):

> "These goals will first need to be adapted to the specific realities of each country in terms of phasing, priorities, standards and availability of resources. […] Such adaptation of the goals is of crucial importance to ensure their technical validity, logistical feasibility, financial affordability and to secure political commitment and broad public support for their achievement." (UNICEF, 1990)

Building on recommendations like this, the report suggests that targets be set nationally, although with global minimum standards in some cases to ensure that an appropriate level of ambition is achieved. For instance, referring to the illustrative goals suggested in the report, the first target is defined in two parts: one is global, to end extreme poverty at USD 1.25 per day, applying to all countries alike; the other is country-specific, to "reduce by X% the share of people living below their country's 2015 national poverty line" (HLP, 2013). The choice of X% takes account of the differences in state capacities across countries, thereby allowing a fair and meaningful application of the goal at the national level, while preserving the global ambition and obligation to eradicate extreme poverty.

Leave no-one behind

> *A target is only considered to be achieved if it is met for all relevant income and social groups*

The panel report recommends that the post-2015 agenda ensure that every person achieves a basic minimum standard of well-being by 2030[1] with no excuses or exceptions, a recommendation for which all countries must accept their proper share of responsibility. This is a powerful commitment that recognises that while development targets should be set in a fair and meaningful way at the national level, the result may not meet the ambition of the global community without adequate external support. For example, state capacities are lowest in the poorest countries that face the highest rates of extreme poverty. These countries cannot be left to their own devices, otherwise it would take too long to eradicate poverty from the face of the Earth.

In other words, the responsibility to eradicate extreme poverty in all its forms is both a national and a global responsibility at the same time. The global community takes responsibility for setting a minimum standard that is feasible and appropriate from a moral and economic point of view. National governments take responsibility for using global assistance to the best possible effect (Chapter 14) and for systematically elevating national standards to raise the bar in their own country. Over time, as national poverty lines rise, the globally acceptable norm is also expected to rise, in the same way that it has been raised from USD 1 per day to USD 1.25 per day from 1990 to today (Chapter 2).[2] The panel report uses this combination of global minimum standards and national standards for several targets, and encourages the setting of ambitious, yet practical, global standards.

Another aspect of the commitment to leave no-one behind is the strong statement that a target is only considered to be achieved if it is met for all relevant income and social groups. This prevents distortions that can arise when looking just at national averages. Take the case of Nigeria as one example of such distortions. Between 1990 and 2008, the country faced a slight decline in the percentage of children who received the measles vaccination, from 47% to 44%, suggesting that progress on this indicator had slowed down only slightly. However, the immunisation rate of the bottom quintile actually fell by one-half, and the immunisation rate in the fourth quintile fell by about 25%. This troubling sign of worsening health conditions for poor people was obscured by the increases in the vaccination rates of the first three quintiles that together led to an only minor decrease in the national average vaccination rate (Vandemoortele, 2011).

In order to prevent the poorest populations from being left behind, and in an effort to create equal opportunities for all, the report requests that all relevant indicators be broken down into income categories (especially the bottom 20%), gender, location (rural/urban as well as region), age, people with disabilities, and social groups. Such disaggregated data will permit policy makers to identify whether specific groups are being left behind and to take remedial action if they are (Chapter 16, Global aproach 1).

End poverty once and for all

People living in poverty get half their income from natural resources; they must be able to rely on these to sustain their livelihoods

In order to make reductions in poverty permanent, it is not enough to fight the symptoms of poverty; the causes of poverty have to be addressed as well (Chapter 9). The panel report moves away from poverty programmes that are based on charity ("lifting people out of poverty") to a focus on providing a level playing field of equal opportunity that gives every person the tools necessary to build prosperous lives for themselves and for their families – without depriving future generations of their opportunities to do the same. The report identifies five transformative shifts that need to happen in order to realise this overall objective.

1. **Leave no-one behind:** No person should be denied universal human rights and basic economic opportunities, no matter where a person lives or to which social group he or she belongs. This requires strengthened property rights for people and businesses, social protection of the poor and vulnerable, and resilience to natural disasters.
2. **Put sustainable development at the core:** If poverty is to be eradicated irreversibly, every country is challenged to embark on a course of structural transformation that integrates the three dimensions of sustainability, social, economic and environmental. As people living in poverty get half their income from natural resources, they must be able to rely on these to sustain their livelihoods. Rich countries need to adopt sustainable consumption and production patterns to avoid carbon emissions that threaten to undermine progress on reducing poverty.
3. **Transform economies for jobs and inclusive growth:** Diversification of economies that provide more opportunities for jobs and livelihoods as well as a radical shift towards sustainable production and consumption patterns is a precondition if we are to create good job opportunities for everyone without threatening the world's limited natural resources.

4. **Build peace and effective, open and accountable institutions for all:** Peace and good governance are core elements of well-being, not optional extras. Every country is challenged to ensure that governments are accountable and responsive to people's needs and that every person is provided the fundamental human right of freedom from fear, conflict and violence (Chapter 10).
5. **Forge a new global partnership:** In order to be able to live up to the fundamental challenges the world faces today, a new global partnership has to be formed that is based on principles of common humanity and mutual respect and includes local and national governments, business, civil society, scientists and academics.

Conclusions

The eradication of poverty will only be irreversible if the building blocks for sustained prosperity are put in place for all countries. Only then will poverty in all its forms be eliminated once and for all.

Notes

1. Defined by international agreement among UN member states.
2. Global extreme poverty lines have been defined as the average of the lowest national poverty lines in use; see Chapter 2 for more detail.

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PART III

Chapter 12

Delivering the vision of the Millennium Declaration

by
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Although the Millennium Development Goals (MDGs) have been highly effective in raising public awareness and galvanising political support for ending poverty, they have not delivered the vision of the United Nations Millennium Declaration: globalisation as a positive force for all, based on ethical principles of solidarity, equality, dignity and respect for nature. The MDGs have a narrow scope, lack a strategic approach and do not foster new thinking. To live up to the promises of the Millennium Declaration and tackle key contemporaty challenges, the new international agenda should recapture the vision of the Millennium Declaration and its ethical commitments to shared values and human rights. To do so, it will need to encompass goals that can effectively communicate core aspirations, targets that facilitate monitoring and strategies for economic and social transformation.

* This paper draws on the work of the UN Committee on Development Policy and the author's work as a member of the Committee.

One of the most important achievements of the 20th century was reaching broad consensus on the idea that ending poverty is an urgent global priority (Fukuda-Parr and Hulme, 2011). The United Nations Millennium Declaration embodied international agreement that globalisation should be a positive force for all; this was a commitment based on the ethical principles of solidarity, equality, dignity and respect for nature (Box 12.1; UN, 2000). Yet when the MDGs expire in 2015, the promises of the Millennium Declaration will remain unfulfilled.

Box 12.1. **The universal values of the Millennium Declaration**

The Millennium Declaration's vision for the 21st century is one of shared social objectives based on universal values: freedom, equality, solidarity, tolerance, respect for nature and shared responsibility. The Declaration commits governments to pursuing a particular pattern of growth and development – one that is equitable and based on human rights:

- **Equitable growth.** The core theme of equality is interwoven throughout the document, not only equality within countries, but among them. This includes gender equality as well as equitable and non-discriminatory trading and financial systems, with special attention given to the poorest and most vulnerable people, and the multiple challenges faced by Africa. The Declaration goes beyond the economic concept of development "with equity", seeking a world that is not only more peaceful and prosperous, but "just".
- **Human rights.** International human rights principles are reflected throughout the Declaration, including the core principles of "human dignity and freedom, equality and equity" and the respect for economic, social, cultural, civil and political rights. It reaffirms commitment to the UN Charter, the Universal Declaration of Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women, and the Convention on the Rights of the Child.

Source: UN (United Nations) (2000), *United Nations Millennium Declaration,* Resolution adopted by the General Assembly, United Nations, New York.

The extent of global poverty and the slow pace of progress in tackling it are unacceptable in today's world of prosperity. Since 2000, the benefits of global economic integration have been as unevenly distributed as in the previous decade – the gaps between the rich and the poor have actually widened within and between countries. The expiry of the MDGs in 2015 provides an opportunity to develop a new framework to realise the vision of the Millennium Declaration.

Poverty eradication has not always been an explicit development goal

The human right of freedom from want was neglected for many years

Since the focus on "development" emerged in the late 1940s, eradicating poverty has been one of several important concerns, but not always the central objective, or even an explicit one. Development as an international project originated during the de-colonisation process with the aim of ensuring that newly independent countries would not only be politically, but also economically, self-sustaining. Thus, the key objectives were to transform the productive capacity of the economy by building infrastructure, technology, human capital and institutions (Gore, 2010). The key development objectives in the 1960s, 1970s and 1980s focused on economic growth and transformation, especially industrialisation; it was assumed that this growth would trickle down to reduce poverty and stimulate human development.

The adoption of the Universal Declaration of Human Rights in 1948 was motivated by aspirations for "freedom from want" along with "freedom from fear"; it recognised economic, social and cultural rights as well as civil and political rights. Nonetheless, the first set of rights, on freedom from want, were neglected – and sometimes rejected – by international human rights movements in the following decades. It was not until the last decade of the 20th century that international consensus emerged around ending poverty and pursuing the human right to freedom from want; this then became a key motivation for international development co-operation.

A number of initiatives during the 1990s built momentum towards this goal. The first was the series of UN development conferences on major global challenges that began with the Children's Summit in 1990 in New York and the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992. Though each event had a specific origin and purpose, they shared a common theme: a goal of inclusive globalisation emphasising poverty reduction, equal rights and empowerment. As UN events go, these conferences were unusually open and were driven by a broad spectrum of stakeholders, including governments of the North and South, local and international civil society groups, UN and multilateral organisations, and development agencies (UN Department of Economic and Social Affairs, 2007). Civil society groups played a major role in pushing for a people-centred agenda. Governments of the South were also vocal in emphasising the obstacles that prevented them from reaping the benefits of the global economy. The declarations and action programmes that emerged from several of these conferences broke new ground in forging a progressive surge of recognition for the essential role of people and social change – or people's empowerment – in development. For example:

- The Cairo Agenda on Population and Development (United Nations, 1994) highlighted how giving women a say in household decision making, and women's rights more broadly, were central drivers of family planning and reproductive health.
- The Beijing Platform for Action broadened the women's equality agenda to encompass gender empowerment and issues such as violence and political participation.
- The 1995 World Social Summit in Copenhagen became the first-ever UN conference to focus on poverty, addressing income poverty and inequality while integrating various sector-specific dimensions under a single umbrella.

In 1996, the OECD DAC policy document, *Shaping the 21st Century* took this international consensus a step further by proposing six International Development Goals (IDGs) centred on income poverty, education, gender disparity, maternal and child mortality, reproductive health and environmental sustainability (OECD, 1996). This proved to be an effective way of communicating the purpose of development co-operation to the public in donor countries. The goals gained traction in raising the public profile of these challenges and mobilising political support (Ortiz, 2011).

The 2000 Millennium Declaration and MDGs assembled the numerous goals and agendas adopted during the 1990s – including the DAC IDGs – into a single poverty agenda or "super-goal" (Fukuda-Parr and Hulme, 2011). The Declaration was a turning point in achieving international agreement on poverty eradication as the central objective of international development, while the MDGs became a vehicle for deepening and spreading the consensus. They also helped people to conceptualise poverty as a multidimensional human condition, as opposed to a solely income-based problem. Nevertheless, as we shall see below (and elsewhere in this report), the MDGs have their own set of limitations.

The MDGs have been a mixed blessing

While the Millennium Declaration was highly meaningful as an international agreement, the MDGs took poverty to the public; they raised awareness and galvanised political support for poverty eradication as the over-arching objective of international development. As Melamed remarks, no summit declaration is complete without a reference to the MDGs (Melamed, 2012). The eight goals – on income poverty and hunger, education, global diseases, maternal and child health, gender equality, environmental sustainability and global partnership – were highly effective in communicating the urgent need to improve the widespread and dehumanising conditions of poverty in the world. The MDGs have come to be used as standards for evaluating progress or justifying allocation of resources and effort. They are a reference point around which international development debates revolve, and have come to be used as a convenient shorthand to describe what we mean by development.

Whether and how the MDGs had any direct influence on poverty reduction since 2000 is impossible to establish, just as it is impossible to attribute outcomes to the MDGs amongst the myriad other contributing factors. Many poverty reduction efforts – such as increased social-sector spending by donor countries – began before 2000 (Melamed, 2012; Fukuda-Parr, 2012). What is clear, however, is that the MDGs helped to keep development and global poverty high on the list of international priorities and central to debates on policy; maintain support for development funding; and increase allocations for social investments, notably in health.

But the MDGs also sparked numerous controversies, in particular on the process through which they were developed. Criticisms include the assertion that their development did not involve adequate participation by civil society and governments; that the methodologies used to set the targets were inconsistent (Easterly, 2009; Clemens et al., 2007; Saith, 2006); and that measuring success by meeting targets does not adequately recognise the efforts of the countries that started out with the biggest problems – in fact, it penalises them (Fukuda-Parr et al., 2013). The relevance of the MDG targets to specific countries has also been questioned; depending on each country context they can be over- or under-ambitious – or simply off target – resulting in a distortion of national priorities. Underpinning many of these particular shortcomings are two fundamental characteristics of the MDGs: their narrow scope, and the lack of strategic measures for achieving them. I explore these two characteristics in the following sections.

The MDGs exclude some key goals

The simplicity of the eight-point MDG agenda is a key strength, but also a major weakness

The simplicity of the eight-point agenda is a key strength of the MDGs, but also a major weakness. The eight goals leave out many priorities that are particularly critical challenges today, notably: the employment and growth that create decent jobs; climate change and environmental sustainability; the instability of global markets; and equity and inclusion in development processes. They also exclude the critical concept of empowering people in order to achieve equitable development – a theme that is central to the Millennium Declaration vision (Box 12.1; UN, 2000); the only goal with a clear focus on empowerment is MDG 3 (to promote gender equality and empower women).

The human rights community has been particularly critical of the MDGs (Darrow, 2011). While many of the MDGs overlap with economic and social rights, they do not reflect certain core principles, such as the concern for the most vulnerable and the excluded, the principles of equality and participation, and the standard of universalism. In short, setting goals that apply only to poor countries is at odds with the fundamental principle that all people, regardless of where they are born or live, have the same human rights. Achieving more consistent application of human-rights norms and principles would require goals that prioritise the eradication of discrimination, that recognise the universal nature of rights, and that incorporate participation as well as civil and political rights.

The MDG targets and indicators further narrowed the agenda, for example by reducing gender equality and empowerment to equality for girls and boys in primary and secondary education; what's more, education goals were limited to primary education (Chapter 4). Another example is the target to reduce maternal mortality, which led to the marginalisation of issues such as family planning (Yamin and Falb, 2012); it also overlooked the social determinants of reproductive health, such as women's education and their voice in decision making. The broader agendas for reproductive and sexual health agreed at the 1994 International Conference on Population and Development in Cairo (United Nations, 1994) built on research from the 1980s and 1990s that identified the social roots of poverty and exclusion, as evidenced in maternal health as well as in other areas, such as child mortality, hunger, under-nutrition and gender inequality.

In short, while the targets created incentives to address neglected priorities, they also created perverse incentives through over-simplification and a narrow focus. This over-simplification was an unintended consequence of the excessive use of global targets to shape planning, thereby removing issues from their context.

The MDG process lacks a strategy

Recurring global finance, food and energy crises underline the inadequacy of our policies and institutions

The second, and related, drawback is the absence of strategy. Unlike other paradigms that drove shifts in thinking and policy – such as the basic needs concept of the 1970s, the liberalisation reforms in the 1980s or the human development approach of the 1990s – the MDGs did not have an accompanying policy approach. It is therefore not surprising that while the MDGs raised awareness and support for development, they did not foster new and more effective strategies to achieve sustained economic growth and increase social equity and environmental sustainability. In the first decade of the 2000s, while progress was made in forging an international consensus on the purpose of development, there was little progress on how to achieve those objectives. Consequently, there has been little shift in international consensus on successful macroeconomic and development strategies. Although many national governments have undertaken important initiatives, the overall approach of the 1990s has continued, emphasising macroeconomic stability and a reliance on private investments as the principal drivers of growth, together with social sector investments to reduce poverty.

Social equity, empowerment and sustainable development require more than trickle down growth, as evidenced by the following:

- While there has been significant progress in reducing income poverty, this progress has been uneven and concentrated in a few countries; it disappears, for example, when China is removed from the global trend (United Nations, 2012; Chapters 1 and 2).
- While there has been progress on some goals, such as reducing child mortality and increasing access to sanitation, the same cannot be said for reducing hunger and maternal mortality, or increasing gender equality and strengthening global partnerships.
- While progress in income growth is to be lauded, it has been accompanied by rising inequality among and within countries (Ortiz, 2011; and Chapter 1).
- The environmental costs of our patterns of growth continue – including climate change, depletion of natural resources and decreasing biodiversity – because they depend on consumption patterns and technologies that perpetuate environmentally unsustainable practices (OECD, 2012b).
- Recurring global crises in finance, food, and energy continue to undermine stability and human security. These crises bring into sharp focus the inadequacy of our policies and institutions.

We need a coherent model for development

We must renew our effort and approaches if we are to make real the Millennium Declaration vision. This will require an agenda to address key contemporary challenges, such as rising inequality – which is both unjust and a threat to social peace – persistent unemployment, especially for young people; instability in world financial, food and energy markets; and environmentally unsustainable growth patterns.

To achieve this, we need new policy approaches within a coherent model for development that will ensure the achievement of a broad set of human objectives while at the same time responding to the key global challenges listed above. What have we learned from the research about key elements of this model?

- Each country needs to start by identifying its own specific drivers of economic growth, which can, at the same time, also achieve social equity (especially through employment creation and social policy) and environmental sustainability (UN Committee on Development Policy, 2012).
- Proactive labour and industrial policies must play a key role in creating jobs and reducing income inequalities (Cornia and Uvalis, 2012).

- Social protection is an essential component of ensuring social equity, together with the right economic policies (Chapter 6).
- Global governance and co-ordination need to provide adequate space for national governments to pursue the policy measures necessary; finance global public goods (Chapter 13); and establish new instruments for – and a broader approach to – financing development (UN Committee on Development Policy, 2012; OECD, 2013).
- We need to address the social, economic and political determinants of poverty, building a development strategy for empowering people. Several decades of research tell us that the root causes of poverty lie in how societies are structured. Poor people and communities remain poor in part because of institutionalised discrimination that limits their opportunities (World Bank, 2006).The World Bank's 2000 *World Development Report* on poverty and the OECD Development Assistance Committee's Poverty Reduction Network have identified three pillars of an effective poverty reduction strategy: empowerment of people and communities; expansion of economic and social opportunities; and reduction of insecurity (World Bank, 2000; OECD 2012a).
- An empowerment strategy derives its ethical commitments from human rights, especially removing discrimination and injustice (Chapter 16, Global approach 5).

Conclusions

Simple goals and numeric targets cannot capture the complex transformational change needed to attack poverty

The experience with the MDGs has highlighted the limitations of global goals in driving international development agendas. Simple goals and numeric targets cannot capture the complex transformational change needed to tackle poverty. The new framework needs to be broader, encompassing not only goals that can effectively communicate core aspirations and targets – and that facilitate monitoring – but also strategies for economic and social transformation.

More work is needed to allow countries of the South to benefit from global market integration and to protect them from its negative consequences. More also needs to be done to protect the poor against the consequences of climate change and global financial, fuel and food crises. Inclusive globalisation is a central theme of the Millennium Declaration: "We believe that the central challenge we face today is to ensure that globalisation becomes a positive force for *all* the world's people. For, while globalisation offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed" (UN, 2000, paragraph 5).

The new international agenda should recapture the vision of the Millennium Declaration to end the scourge of poverty. It should be guided by the following principles: multidimensional and human-centred development, environmental sustainability, social justice and equality, and universality. The agenda should be applicable to all countries, not just the poorest. It should seek to achieve human resilience to economic shocks, violence, armed conflict, natural disasters, health hazards and seasonal hunger. Finally, the new agenda should be developed through inclusive and participatory processes, and there should be stronger accountability mechanisms in its implementation.

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Development Co-operation Report 2013
Ending Poverty

PART III

Chapter 13

Accelerating poverty reduction through global public goods

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Policy making needs to change so that we do not endlessly "forget" about the poor. How can we anchor concerns for ending poverty in governance systems, both nationally and internationally? This chapter outlines how providing global public goods (GPGs) – such as peace, a stable climate and freedom from communicable diseases – can contribute to ending poverty. The author argues that a focus on GPGs can strengthen people's resilience to economic, climate and other shocks; help tap the opportunities presented by freely and universally available information and technology; ensure the "public" nature not only of consumption of GPGs, but also of their use and decision making about them; and build fairness into the international decision-making architecture. The author outlines some specific steps for achieving this, such as fitting GPGs into national and international governance systems; twinning GPGs and poverty concerns; refurbishing the toolbox of international co-operation; and instilling "smart" sovereignty based on the recognition that fair – and poverty-focused – international co-operation is both a solution to many global challenges and the best way of meeting a country's own, national interests.

Personal income and wealth are of little value where life is threatened by conflict, disease or violent weather – storms, floods or drought

While income and wealth (private goods) certainly do widen our choices and improve our well-being, the socio-economic, cultural and political context in which we live also matters: whether we live in peace or war, expanding or contracting economies, stable or changing climatic conditions (public goods). In other words, people's well-being depends on private goods *and* public goods (Box 13.1).

In the case of the poor, their well-being depends on public goods in relatively large measure. Wealthier households may be able to protect themselves against a shortfall in public goods by purchasing private goods: locks for their houses, if the public domain is filled with crime and violence; medicines, if they are being attacked by a virus; a car, where public transport is lacking; or an air-conditioner where temperatures and pollution levels are high. The poor usually cannot afford such private escapes from a problem-filled public domain.

The United Nations Post-2015 High-Level Panel of Eminent Persons has recently released its vision for a development framework beyond the Millennium Development Goals, which expire in 2015. The document, *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*, identifies ending extreme poverty as one of the "transformative shifts" required to foster more inclusive and sustainable global growth and development (HLP, 2013; Chapter 11). It also lists some intermediate goals for realising this shift, ranging from ensuring a basic standard of well-being and human rights for all people, to building resilience to – and reducing deaths from – natural disasters.

But what the report does not tell us – perhaps because this was not part of its mandate – is how approaches to policy making would need to change so that we do not keep overlooking the poor. What criteria can guide policy making that targets poverty? And how could the goal of ending poverty be anchored in our governance systems, both nationally and internationally? National development efforts and development assistance will certainly play a key role (Chapters 14 and 15). Yet in today's globalising and interdependent world, providing global public goods (GPGs) – such as control of communicable disease or climate-change mitigation – is also crucial.

The provision of global public goods can benefit the poor

As today's lengthening list of global challenges signals, many GPGs are currently not adequately provided. Just think of global climate change, the excessive financial and commodity-price volatility we have recently experienced, or the rising spectre of land and water scarcity. This lack of availability of public goods – such as free schooling and affordable public transport – can make the situation even worse for poor and vulnerable households.

Box 13.1. **What are public goods and global public goods?**

Standard economic theory distinguishes between two main categories of goods: private goods and public goods.

- *Private goods* are goods that can be parcelled out and made exclusive, so that clear property rights can be attached to them. An example is a bicycle or car.
- *Public goods*, by contrast, are goods that are non-exclusive, meaning that the goods' effects (benefits or costs) are shared by everyone. Examples are peace and security or climate stability.

If a good is to be purely public, it must be both "non-exclusive" and "non-rival" in consumption (i.e. an additional consumer of the good does not reduce its availability for others). Examples are peace and security. If a good has only one of these characteristics, it is impurely public. The atmosphere, for example, is non-exclusive but rival in consumption, because pollution can change its gas composition and contribute to global warming. Patented pharmaceutical knowledge illustrates a non-rival good, whose use has, at least for a limited period of time, been made exclusive. So it, too, falls into the category of an impure public good.

The public effects of a good can be of different geographic – local, national, regional or worldwide – reach; and they can span across one generation or several generations.

- *Global public goods* are goods whose benefits or costs are of nearly universal reach or which potentially affect anyone anywhere. Together with regional public goods they constitute the category of transnational public goods.

It is important to emphasise that in this context the term "good" is used as a short form for the goods or products as well as services and conditions that exist in the public domain.

Also, in most cases, "publicness" and "privateness" are not innate properties of a good, but the result of social or political choice. For example, land can be freely accessible to everyone; or it can be fenced in, be made exclusive. Globality is a special form of publicness; and in most cases, it, too, results from a policy choice, e.g. a decision to promote free trade or financial liberalisation.

Some public goods are referred to as "final goods" because we perceive the benefits of them. Examples are peace and security or financial stability. Others constitute "intermediate goods", because they are an input into the provision of other goods. Green technologies, for example, could be an input into climate change mitigation.

Source: Adapted from I. Kaul (2013), "Global Public Goods: A Concept for Framing the Post-2015 Agenda?", *Discussion Paper*, No. 2/2013, German Development Institute, Bonn.

With growing economic openness and globalisation, more and more public goods have assumed a transnational nature, i.e. they have become global in nature. Therefore, meeting the challenge of ending poverty now also depends on international co-operation and co-ordinated domestic policies for many, if not most countries. Yet, it is not only a question of under-provisioning of GPGs. Poor countries and poor people may also suffer when the provision of GPGs is not properly designed, e.g. when their provision is over-standardised, failing to pay full attention to the fact that we live in a world of wide disparities and differences.

In order to allow individual GPGs – and the global public domain as a whole – to better serve the needs of the poor, and to do so in a sustainable manner, the international community, including state and non-state actors, should keep the following three policy-design criteria in mind.

Keep people out of poverty by strengthening resilience to external crises

Past experience has provided ample evidence of the fact that crises are costly in economic, social, environmental and other terms. Moreover, although the poor are in many cases only innocent bystanders, they often bear a major and devastating part of the costs. The ill-effects that global warming is already having on the poor are one example; similarly, the international financial crises and flagging global growth have hit people in the South especially hard, in particular those earning their livelihood in export-oriented industries.

The poor are innocent bystanders who often bear the brunt of economic, social and environmental crises

According to the World Economic Forum, more and more global problems are lingering in a near-crisis state, reinforcing each other and beginning to form risk clusters of potentially catastrophic proportions (WEF, 2013). This applies also to the reinforcing links among global warming, water scarcity and the growing demand for food. Such clustering of risks can make ending poverty an elusive goal. Priority attention must be directed to diffusing these emerging risk clusters and addressing seriously underprovided GPGs. Of course, this is easier said than done, but where the poor are already risk-exposed, we need to reinforce the existing set of international external-shock facilities, e.g. those helping poor countries and poor people cope with excessive financial or commodity-price volatility and natural disasters.[1]

Accelerate poverty reduction by tapping the opportunities of existing GPGs

There are several types of GPGs – knowledge and technology, the Internet and international markets – that hold much potential for improving the lives of the poor, but that currently are not fully and freely accessible by the poor. How can this be resolved?

- **Ensure knowledge and information for all:** Knowledge and technology are prime examples of global public goods that should be freely available but can sometimes be restricted (see Box 13.1). As revealed by continuing debates about Trade-Related Intellectual Property Rights (TRIPS),[2] or by issues such as the lack of research into diseases of the poor, we have not yet found the right balance between fostering innovation (i.e. rewarding innovators) and using knowledge and technology to solve the world's pressing problems. Ending poverty through sustainable growth and development by 2030 appears to require a full implementation of existing TRIPS flexibilities – e.g. in order to allow developing countries access to cheaper medicines – as well as new and innovative policy tools and mechanisms to further facilitate technology transfers to countries of the South.[3]
- **Provide "ladders" to help the poor overcome the hurdles to accessing GPGs:** The Internet and international markets are essentially pure public goods: the more participants they have the more useful they become. However, to access them people need to overcome certain hurdles. In the case of the Internet, they must be able to afford a phone or computer, as well as access or service fees; language problems may also come into play. In the case of markets, especially international markets, people need to demand or supply goods or services in quantities that are likely to arouse the interest of potential suppliers or buyers. This requires development agencies or programmes to help strengthen the supply and demand of the poor.

While the poor's access to these platforms has already improved – for instance, through the spread of mobile phones in the case of the Internet, and thanks to financial innovations like micro-credit in the case of markets – further improvements are certainly possible. For example, with some capacity support, small and medium-size enterprises in the South could play an important role as suppliers of "green" products and services, e.g. in the fields of biodiversity preservation or the generation of renewable power, creating new job and income opportunities while also helping to advance the global transition to more sustainable growth and development paths (see, for example, Watson et al., 2013; and OECD, 2013).

Sustain gains by giving people a stake in GPGs

Sustaining poverty elimination will also require getting the politics right, for example by matching a goods' publicness in consumption with publicness in utility and in decision making. In other words, a GPG's political acceptability could be enhanced if those affected by it could see that they are benefiting from its existence (as with payments for ecosystem services in Costa Rica, Chapter 10, Local solution 1). That, in turn, would be more likely if they also had a say in which goods to provide and how to shape them. How can this be achieved?

- **Allowing the poor to benefit:** the introduction of global norms to benefit the poor – such as corruption control or tax rules – is likely to meet with opposition from those who have benefitted from their absence (e.g. policy makers who have succumbed to the temptation of corruption or private firms in the field of extractive industries that do not report what they paid to their counterparts, e.g. for obtaining a license to operate).

  A way to reduce likely opposition could be to actively promote and monitor the globalisation of standards like corruption control so that they apply in all countries and to all actors, creating a level playing field for the private and government sector alike. This would ensure that, at a minimum, poverty reduction policy strategies would imply a zero/win solution: no loss for the non-poor and a win for the poor.[4]

  The Lough Erne Declaration and Communiqué of the 2013 summit of G8 leaders includes a number of important proposals that could lead to urgently needed improvements in areas such as taxation, mining and land acquisition. These will only bear fruit, however, if the international community can agree to move in unison on these issues. Much the same is true for many other issues of importance for the poor, including the regulation of international financial markets, strengthening of human rights, and good governance, i.e. governance that is participatory, open, transparent and accountable.

- **More participatory decision making at the global level:** most countries have come to realise that for an effective, efficient and equitable provisioning of public goods it is useful to bring together the circles of stakeholders and decision makers. Internationally, we are still searching for such decision-making patterns, although past experience has shown this lesson also to hold internationally. International agreements that are perceived as lacking in fairness often face serious implementation problems (see, for example UNDP, 2013).

  More participatory decision making on global matters might ensure policy makers do not overlook missing GPGs or set aside fairness principles, like those of common but differentiated responsibility.[5] It would help them to build fairness right into international regimes; the resultant flow of benefits for the poor would be much more reliable than the provision of concessional funding (so-called "aid") could ever be.

  As a more equitable design of international regimes – one that gives all an effective voice in matters that concern them – is likely to foster stronger policy ownership and more effective follow-up, enhanced global fairness will ultimately be also the more efficient policy path, because the incidences of reneging and non-compliance will be lower and more global challenges will be resolved effectively – benefitting all, rich and poor.

However, realising a poverty-focused provisioning of GPGs along the lines suggested above would call for a number of governance reforms, as the following discussion will show.

Coherence is needed between GPG provisioning and poverty reduction

Making GPG provisioning better serve the goal of ending poverty appears to require four sets of institutional reforms:[6]

1. recognising the existence and importance of GPGs in national and international governance systems;
2. twinning GPG and end-poverty concerns;
3. refurbishing the toolbox of international co-operation;
4. rethinking the current strategies of exercising sovereignty in order for these and other changes to make sense for policy makers.

Fitting GPGs into national and international governance systems

Today, most governance systems are structured along geographic or economic-sector lines rather than global-issue lines. However, addressing global challenges often requires multi-level, multi-sector and even multi-actor inputs. Therefore, where they do not yet exist, it would be important to create – for all major GPGs – an anchor institution, nationally and internationally, that could function as a "global-issue manager".

The role of such global-issue managers would be to nudge all concerned parties into action, help mobilise the resources required, monitor the coming-together of the good and ensure accountability to stakeholders.

Twinning concerns for GPGs with those for ending poverty

In order to ensure that ending poverty is one of the concerns that such anchor institutions or issue CEOs pursue, it would be useful to assign to them a high-level advisor on poverty reduction, both in industrial and Southern countries. At the same time, GPG advisors should be placed into aid agencies and foreign affairs ministries.

A further innovation could be to establish scientific councils for each of the major GPGs. Their mandate would be to help the international community identify measures that could better use GPGs in the fight against poverty. Joint meetings of some of these councils could be convened to work out possible cross-issue bargains.

If global issue managers were appointed at both the national and the international level, it would also become more feasible to achieve the concerted provisioning of national and international-level inputs required by many GPGs.

Refurbishing the toolbox of international co-operation

> *We need to shift mind-sets from a notion of "financing development" to "resourcing development"*

As discussed earlier, a range of new policy instruments might need to be developed in order to facilitate a closer twinning of GPG provisioning and poverty reduction. In particular, it would be important to demonstrate that poverty reduction is not only promising a win/win in the longer-run, but that it is affordable in the short term.

Enhanced risk management, based on public-private partnering, could be a way of bringing down the costs of poverty reduction. Similarly, new incentive measures for fostering poverty research and development or facilitating technology transfer could shift mind-sets from a notion of "financing development" to "resourcing development".

In order also to strengthen the willingness to co-operate of poor countries and the poor themselves, it would be important to get the prices right where international co-operation involves trade in global services such as the reduction of greenhouse gas emissions, rather than a conventional development co-operation relationship between a richer and a poorer country.

Local solution 1 in Chapter 10 (PES in Costa Rica) provides one example of innovations along these lines that have already produced results. It is now time to consolidate and mainstream them.[7]

Forging a consensus around "smart sovereignty"

The types of institutional reforms required to end poverty mean addressing, simultaneously and urgently, a fundamental, world-order issue: the role of national sovereignty and how it can be exercised under today's policy-making realities in order to meet both national interests and global challenges. Countries currently lack a rationale for GPG provisioning that is compatible with national objectives and benefits. Such a rationale would recognise that, for the most part, international co-operation must happen voluntarily and that, therefore, co-operation needs to be fair so that it can also be effective. For countries to buy into the need for fair GPGs, they must realise that working with the poor on these issues is in their own enlightened self-interest (because it increases security, reduces conflict, contributes to a stable climate and economy and reduces the transmission of disease) – and not, or not only, in the interests of development co-operation.

> *We lack a rationale for GPG provisioning that can help nations buy into it*

Therefore, it could be desirable to include in the post-2015 agenda a request to the UN Secretary-General to establish a high-level panel to foster consensus, through global discussion, on a notion of smart sovereignty, perhaps the most fundamental "missing" GPG at present (Kaul, 2013).

Conclusions

As the discussion in this chapter has shown, GPGs can play a major role in putting an end to extreme poverty, as envisaged by the United Nations commissioned High-Level Panel of Eminent Persons on the Post-2015 Development Agenda. Yet, fostering enhanced coherence between GPGs and poverty reduction requires two sets of reforms: first, building poverty eradication into the design of the provisioning of GPGs; and second, adjusting existing governance systems so that GPG and poverty reduction agendas of international co-operation are intertwined. In the current global context of economic openness and policy interdependence, achieving more sustainable growth and development depends on fostering, at the same time, more inclusive growth and development. Forging a new global partnership, as the UN High-Level Panel on the Post-2015 Development Agenda also recommends (UN, 2013), is no longer merely a matter of solidarity, but one of enlightened self-interest. All stand to gain.

Notes

1. On this point, see, among others: Griffith-Jones and te Velde (2012); Kaul et al. (2006); Laframboise and Loko (2012); Skees (2008); and Vargas and Torero (2009).
2. The agreement requires all World Trade Organisation member states to establish minimum standards of legal protection and enforcement for a number of different forms of intellectual property rights. Non-governmental organisations have criticised TRIPS on the grounds that it imposes various costs on developing countries – such as more expensive drugs, agricultural inputs and foreign-owned technologies – without producing sufficient longer-term gains in areas like trade and investment (*Source:* SciDevNet, *www.scidev.net/global/policy-brief/trips-and-its-impact-on-developing-countries.html*, accessed 19 July 2013).
3. See, for example, Correa (2013); OECD (2013); and Zaman (2013).
4. The larger the number of people accepting and abiding by such norms, the more established and legitimate they become. See Altinay (2013) and Rao (1999) on the issue of norms as GPGs, among others.
5. The concept of common but differentiated responsibility was enshrined as Principle 7 of the Rio Declaration at the first United Nations Conference on Environment and Development (the Rio Earth Summit) in 1992: In view of the different contributions to global environmental degradation, states have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command.
6. On the types of institutional reforms that more effective international co-operation might require in order to meet existing global challenges, as well as those that are likely to confront us in the next decades, see also Gavas (2013), and Kharas and Rogerson (2012).
7. For an overview of some of the principles that could guide a rethinking of international-cooperation financing, including the switch from "financing" to "resourcing" and the design of new and innovative tools, see, among others, Kaul et al. (2006), Shiller (2012), as well as the rich literature on climate finance.

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PART III

Chapter 14

Making international development co-operation "smart" enough to end poverty

by
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In the fast-evolving landscape of development financing, this chapter asks "What role now for official development assistance?" For many years, it has made a difference for millions of people all over the world – will this continue to be the case in the future given the economic crisis in Europe, the rise in private sector development finance, the growing reliance on domestic taxes to fuel development, and the strengthening role of co-operation among countries of the South? The answer to the question is yes, but only if aid gets "smart": in other words if it's effective, well-targeted (to the poorest countries and communities) and well co-ordinated. The author outlines key steps for making aid (official development assistance or ODA) smart enough to help the global community end poverty. These include ensuring that development assistance adapts nimbly and effectively to the needs, challenges and priorities that will define the post-2015 development framework; establishing a new development finance framework that brings together all the options provided by OECD countries – not only ODA; and holding each other accountable through an internationally recognised, open and transparent system to report on and publicise development financing efforts and the resources that actually flow to developing countries.

As the development community prepares for 2015 and the expiry of the Millennium Development Goals, we can look back at some impressive achievements over the past two decades. Foremost among these is our success in halving absolute poverty. Yet as we look forward, a new set of global challenges – security, climate change, health and migration, to mention a few – is clearly defining the horizon.

Above and beyond this, there is the remaining challenge of the 1 billion people who continue to live in extreme income poverty. Yet the locus of global poverty has shifted from low-income to middle-income countries (Chapter 1), and this creates new challenges for targeting and reaching the poor, and for maintaining political support in donor countries for doing so.

As the centre of economic growth shifts east and Africa aspires to make this century Africa's century, domestic resource mobilisation – or tax – is becoming widely acknowledged as the foundation for financing national development. Concessional development finance[1] is no longer the key instrument for national development; non-concessional lending from both public and private sources has increased significantly over recent years and is now playing an important role. Southern countries who provide resources, technology and knowledge to other *Southern countries* (a process known as South-South co-operation, see Chapter 16, Global approach 3) are becoming major economic powers, as well as players in the development financing arena.

Does all this mean that public concessional finance has become irrelevant, or does it still have a role to play? For many years it has made a difference for millions of people all over the world in the fight to eradicate poverty, disease and hunger and to address development challenges such as conflicts, disasters, good governance and equality. Will this continue to be the case in the future?

Official development assistance (ODA) – concessional public financial flows that have development as their main objective – is under threat as it is becoming increasingly challenging to sustain the political support it needs. The past two years have seen a small, yet significant, decline in ODA. This is primarily the effect of the continuing economic crisis in Europe, which has also fuelled deepening questions about the continued justification for ODA in the changing global environment. All of this has translated into growing pressure for these funds to be ever-more effective – for *smart aid*.

All in all, this is a healthy move: from seeing ODA as the main solution to global development challenges to today's more realistic assessment of it as one of several tools in the development toolkit. Yet it should not prematurely be written off as a tool of the past. What's needed is a facts-based discussion about where ODA will still be useful, and what it will take to make it more effective.

What has been learned over time? Has ODA adapted to continuously changing development challenges – has it shown itself to be "fit for purpose"? What has made ODA effective? What are the factors that will characterise smart aid in the future? These questions are ever-more pertinent as the world prepares to reshape the scope and thrust of a renewed global partnership for development beyond 2015.

Smart aid adjusts to changing needs, opportunities and challenges

Though the basic concept of ODA has remained largely unchanged since 1972, its use has changed substantially, responding flexibly to emerging needs and priorities. As new challenges have emerged – such as devastating famines, war and conflicts, debt crises, debilitating diseases, sudden geopolitical transformations, and now the effects of climate change – OECD Development Assistance Committee (DAC) members – the countries who provide the majority of ODA – have adapted their support accordingly. As we look to the future, it is possible to identify critical areas where ODA can continue to make a difference. Having an impact on all of the areas identified below will be essential if the world is to end poverty.

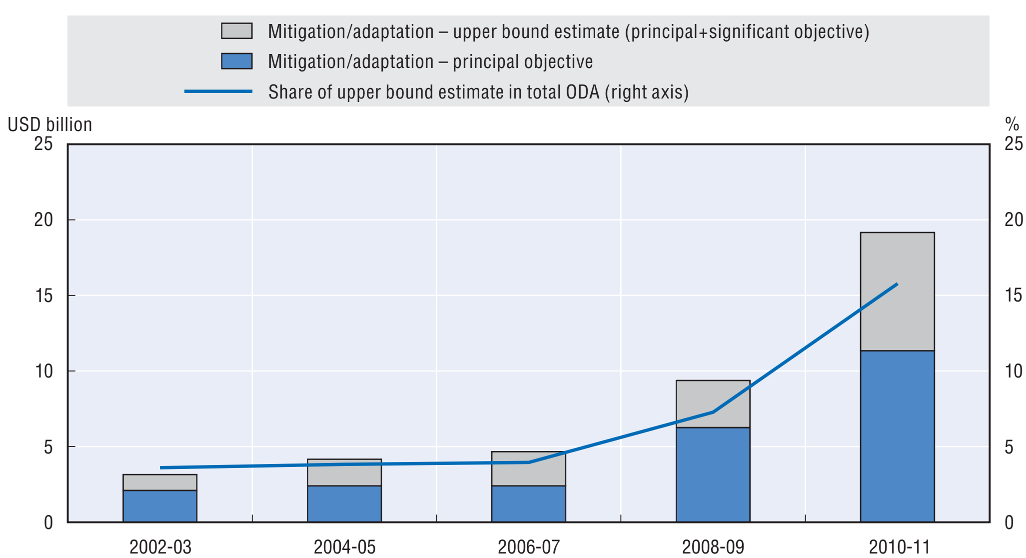
A great deal more money will be needed to deal with climate change

By 2020, USD 100 billion a year must be found from public and private sources to tackle climate change

The impact of climate change on health, food security, infrastructure and livelihoods will be felt strongly in the developing world, particularly in the poorest countries. At the 2009 United Nations Climate Change Conference in Copenhagen, developed countries committed to mobilising USD 100 billion a year from public and private sources by 2020. Figure 14.1 shows a major increase in funding for climate change, which peaked in 2010 – just after the Copenhagen Accord – at USD 22 billion. Statistics for 2010 indicate that more than two-thirds of climate change ODA in that year was targeted at reducing greenhouse gas emissions (mitigation), driven by Rio Convention[2] commitments in the energy, transport, water, forestry and environmental sectors. The People's Republic of China, India, Indonesia, Turkey and Viet Nam have been important partners for this support over the past decade, accounting for 35% of the total. Support for climate change adaptation is growing quickly, reaching approximately USD 8 billion in 2010 spread over a larger share of partner countries.

Figure 14.1. **Trends in ODA for climate change, 2002-11**

Biannual averages for bilateral commitments, USD billion constant 2010 prices



Note: DAC countries only started reporting data on ODA for climate change adaptation in 2010.

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To meet the challenges of climate change, substantial new financial resources will be required – from private investments to new forms of taxation. ODA for climate change will also continue to be important, but it will need to be smart – using innovative mechanisms to attract other finance and to create the systems and capacity for monitoring and assimilating these resources in diverse developing country settings.

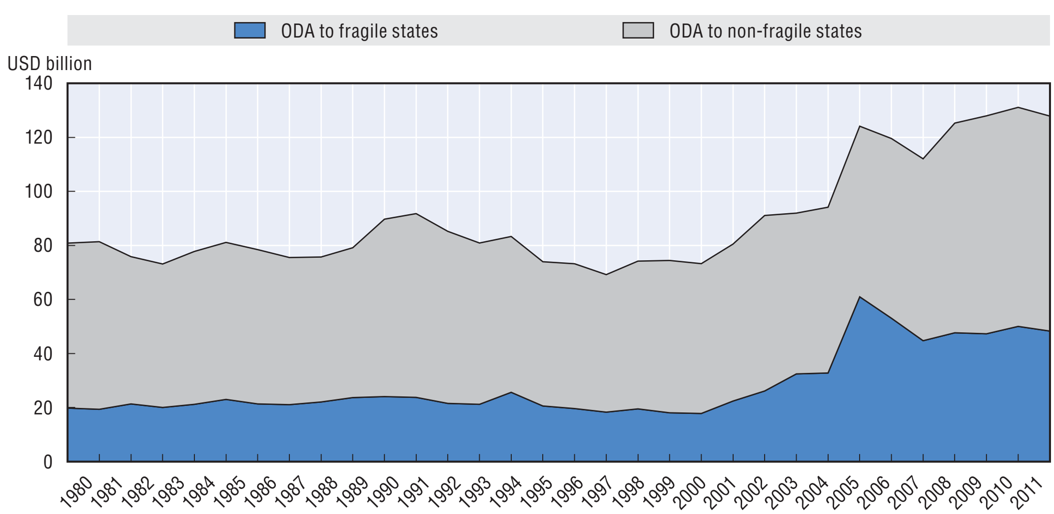
Support to fragile states is fundamental for eradicating poverty

In 2010, nearly 40% of all government-to-government ODA went to fragile states

The past two decades have seen the rise of conflict and fragility as major global concerns, with serious implications for poverty eradication (Chapter 16, Global approach 4). Between 2000 and 2010, support from DAC members to fragile states more than doubled – from USD 20 billion to USD 50 billion – reaching 38% of all ODA given by DAC countries (Figure 14.2). This support is fundamental for addressing global poverty: in 2010, these countries accounted for one-third of the world's poor and by 2015 they are projected to be home to half of them, particularly in sub-Saharan Africa (OECD, 2013). Many argue that this is where the main future use of ODA should be. The OECD-DAC is working with the New Deal for Engagement in Fragile States (International Dialogue on Peacebuilding and Statebuilding, 2011) to ensure that ODA is used effectively in the particularly challenging conditions that prevail in these countries.

Figure 14.2. **ODA to fragile states[1] and as a share of total ODA, 1980-2010**

Net disbursements in USD billion, constant 2010 prices



1. Countries classified as fragile states in 2012.

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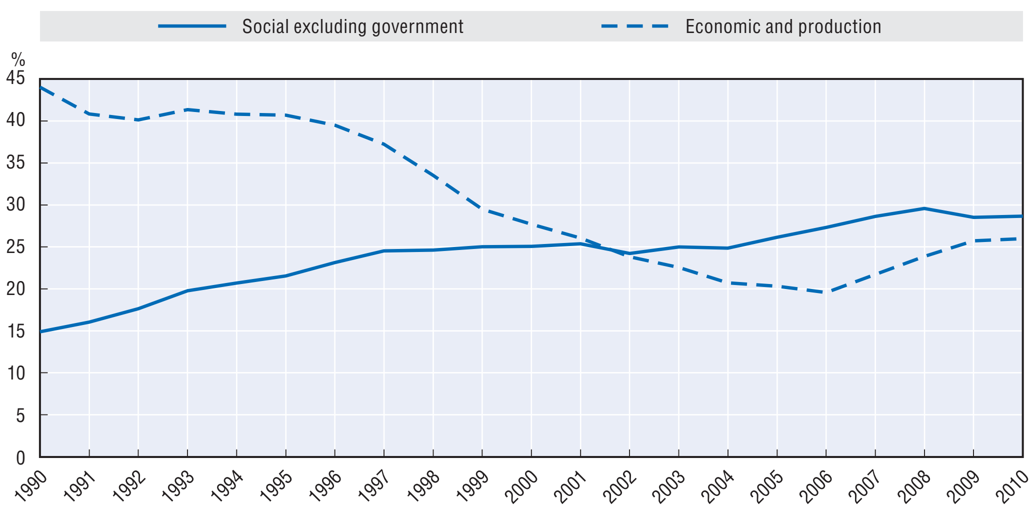
Poverty eradication means balancing social and economic policies

Over the past 20 years, ODA allocations have shifted notably between the economic and social sectors in response to changing political priorities. A strong and sustained upswing in donor support for health, education and other social issues was powered by growing international concern about these spheres after the 1995 World Summit for Social Development and, subsequently, the launch of the Millennium Development Goals. In parallel, support to agriculture, infrastructure and the productive sectors fell – from 44% to 20% of total ODA – between 1990 and 2007. This was prompted by a range of factors, including mixed experience with previous investments in these sectors and questions about the role of public investments in productive activities. Over the last few years, a growing recognition of the importance of economic growth and food security for poverty reduction and development progress has led to a welcome rebalancing (Figure 14.3). In the future, careful consideration needs to be given to the long-term nature of social sector development when allocating development finance, focusing on needs such as developing the core state capacity for delivering public goods.

Figure 14.3. **Share of ODA between the economic and social sectors, 1990-2010**

% total ODA, three-year average commitments



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It is important to target the neediest

Providers of ODA have historically given priority to the poorest of the poor. Figure 14.4 shows that the share of ODA going to low-income countries rose from the mid-1980s to the mid-1990s, when it peaked at approximately 55% of total ODA. Since then, however, it has followed a variable but declining trend. This reflects the fact that a large number of countries have "graduated" from the status of low to middle-income country; most of the ODA to middle-income countries has been targeted to the poorest segment of these countries.

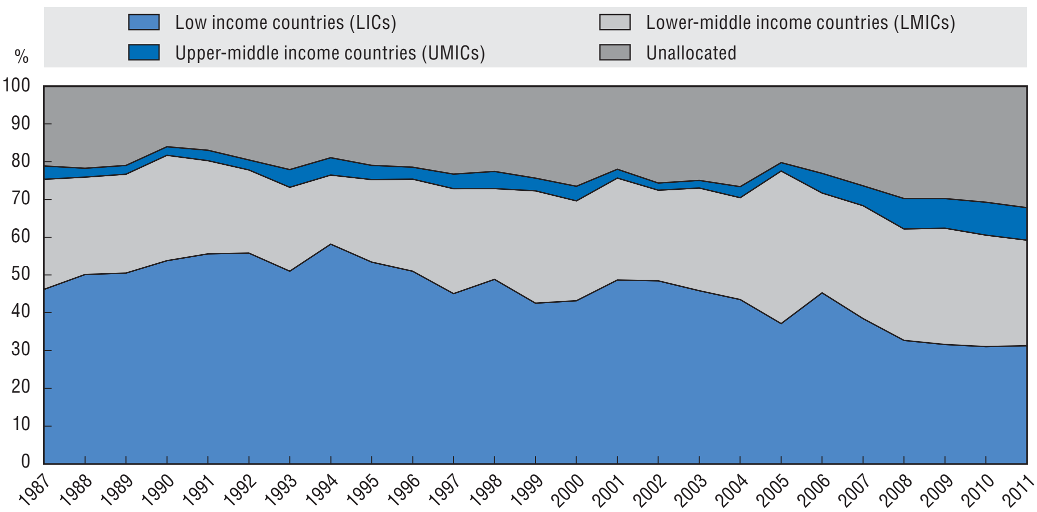
Figure 14.4 shows that since 2008, ODA to low-income countries (which today comprise 36 countries) has been around 30% of total ODA. Within this group, however, there are some countries which are not receiving enough ODA to meet their needs. The existence of under-aided countries – or "aid orphans" – results largely from donors' uncoordinated allocation practices: one donor rarely takes into consideration how other donors allocate their ODA when making their own decisions.

Nine countries – from Bangladesh to Togo – are "under-aided", receiving too little ODA to meet their needs

To address this vacuum, the OECD-DAC has developed a methodology for identifying potentially under-aided countries and monitoring assistance to them. The most recent analysis (using 2010 data) finds that nine countries – Bangladesh, Burkina Faso, Gambia, Guinea,

Figure 14.4. **Share of ODA to low and middle-income countries, 1987-2011**

% total ODA



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Madagascar, Malawi, Nepal, Niger and Togo – are under-aided according to allocation criteria that look both at a country's needs and at its performance in managing its economic policies (OECD, 2012). This analytical tool will help us better target ODA, making it smarter still.

Smart aid can tap new resources

While traditional development finance, notably ODA, will continue to be important, there is now agreement that extra financing will be needed for sustained development in the majority of poor countries. The challenge for smart aid is to provide ODA in ways that will stimulate additional resources for development. Using aid to strengthen tax collection systems, for example, can capture home-grown resources for development (Box 14.1). ODA can also be used to encourage foreign investment, engage the private sector and encourage the types of innovative financing mechanisms described below.

For example, through the advance market commitment,[3] public concessional finance has been used to encourage pharmaceutical companies to engage in the development, production and distribution of specialised vaccines. By issuing bonds against legally binding future ODA commitments, the International Finance Facility for Immunisation has been able to "frontload" development assistance for immediate investments in global immunisation campaigns. A range of other innovative approaches for catalysing additional resources for development – such as lotteries, international levies, international taxes on carbon and others – offer promising options for financing development in the future (OECD, 2011a).

As financing mechanisms for development diversify, however, there is a growing need to understand how flows and types of finance relate to each other and how synergies can be enhanced. The development community also needs to understand more about how public financing instruments can encourage additional resources. Can smart aid catalyse more private investment that is good for development? Can it bring on board additional money when combined in an overall financing package? The OECD DAC is looking closely at how various financial instruments interact – and how to make them work more effectively, separately or in tandem.

Box 14.1. **How smart aid can help developing countries claim taxes from multinationals**

Multinational companies use a technique known as transfer pricing to reduce their overall tax burden by positioning their profits in low-tax countries. This deprives the host country of essential tax revenues. But it can also have much wider implications: tax avoidance by high-profile corporate taxpayers can be perceived as unfair by citizens, undermining the legitimacy and credibility of the tax system; this, in turn, can discourage compliance among all taxpayers.

To help address this problem in Colombia, the OECD Tax and Development Programme implemented a capacity development project for tax administrators at a cost of approximately USD 15 000.

The increased tax revenues collected by the local authorities led to a 76% increase in tax revenues – from USD 3.3 million in 2011 to USD 5.83 million in 2012. This represents a rate of return of approximately USD 170 of revenue for every dollar spent. A similar capacity development project in Kenya enabled the local tax authorities to negotiate a transfer pricing adjustment resulting in additional tax revenues of USD 12.9 million – a rate of return of approximately USD 1 290 of revenue for every dollar spent.

Smart aid partnerships have more impact and value for money

Smart aid is quality aid. The question of how to ensure value for money is not new. From experience, the development community knows a lot about how to deliver development assistance so that it has the greatest possible positive impact on poverty. Yet putting this knowledge into practice often calls for politically challenging reforms which development assistance agencies and ministries may be reluctant to implement for fear of undermining public support. For example, when DAC members committed to the Paris Declaration on Aid Effectiveness in 2005, they agreed to provide aid directly to developing countries' own financial and budgeting systems, rather than setting up separate programmes and structures. The idea – grounded in evidence – was that channelling funds through a country's own system helps to build administrative and financial management capacity. Despite this knowledge and commitment, however, the 2011 Survey on Monitoring the Paris Declaration (OECD, 2011b) showed that donors are still not systematically making greater use of these systems, even when countries have taken steps to improve them and make them more reliable.

Donors are still not using partner countries' own systems despite the many benefits of doing so

Partnerships can strengthen public institutions

People in developing countries need to play a central and systematic role in making policy decisions and setting priorities. Their governments, likewise, must have strong public financial systems and ensure that agreed activities are implemented. Effective public institutions and systems not only improve the contribution of development assistance; they also help to ensure that all resources have a positive, sustainable impact on people's lives. The OECD DAC has been instrumental in facilitating progress and understanding in the use of country systems, which has led to the Effective Institutions Partnership. It has also been monitoring the quality of procurement.

Predictable and well-targeted aid is essential for productive partnerships

The focus of the post-2015 development framework needs to be squarely on the benefits aid actually generates for partner countries, especially the poor. More predictable ODA brings greater benefits because it enables partner governments to plan ahead for key public expenditures – for example on health care, education, and infrastructure such as roads and railways – that take some time to implement. To help with this, the DAC has developed a tool for monitoring how predictable ODA is. Known as the Survey on Donors' Forward Spending Plans, it has encouraged DAC donor countries to reform how they manage their aid (see Part IV).

Clarity about the magnitude of ODA that actually reaches a partner country and is readily available for investing in development priorities is also essential for better results. The forward spending survey makes it possible for development countries to readily see the resources they receive because it tracks a subset of ODA – "country programmable aid" (CPA)[4] – rather than what donors spend on aggregate ODA (this latter figure includes administrative and other costs in the donor's own country).

Partnerships based on trust and transparency work best

When developing countries obtain detailed and timely information on development financing and activities, development efforts can be made more effective and efficient. The recent trend for open data has shown that free, public, easily accessible and usable data improves the performance of local governments and implementing agencies, resulting in better policies and decision making. Transparency is also fundamental for building trust among partners. While the OECD DAC has long been recognised as the major provider of measurable, comparable and high quality statistics on ODA and other flows of development finance, there is still room for improvement. The OECD DAC is working to improve the frequency, timeliness and detail of reported data, and expand the number of donor countries and agencies that are included in its databases.

Partnerships with no strings are transparent and provide value for money

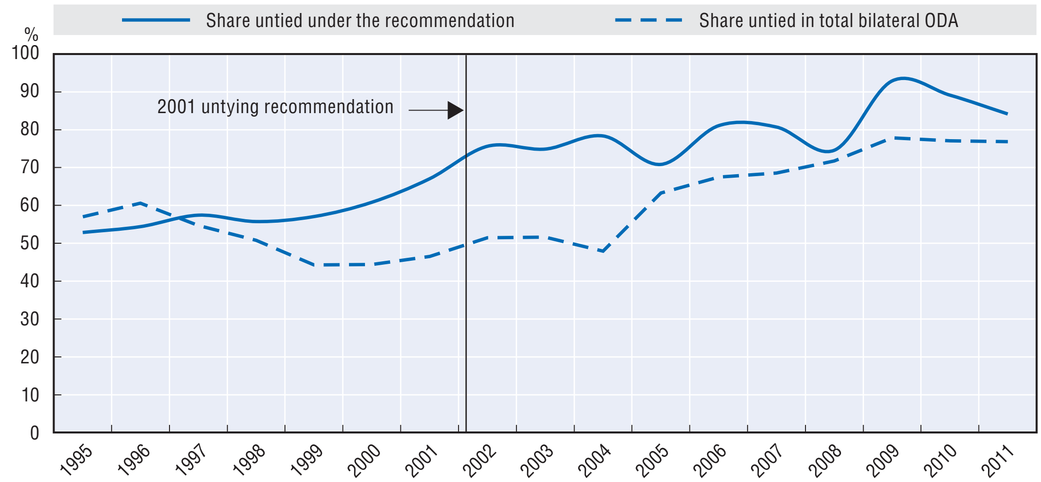
In 2001, the OECD DAC recommended that donor countries "untie" ODA to least developed countries (OECD, 2001). Untied aid is money that does not tie or oblige the partner country to procure services from companies based in the donor country. Why is this important and what does it mean for poverty eradication? Aside from improving transparency, untied aid ensures greater value for money – it has been shown to lower the cost of goods, services and works by 15% to 30% on average. Untied aid also improves countries' ownership of their own development plans and objectives. Between 2001 and 2010, total untied aid as a portion of total ODA rose from 45% to 75% (Figure 14.5 and see Part IV).

Conclusions

To end extreme poverty in the next generation, development assistance needs to adapt to emerging challenges and priorities. To do that, it needs to be smart. What steps can the international community take to ensure high-quality, smart aid?

- In the post-2015 framework, development assistance will need to renew its focus on eliminating extreme poverty and reducing inequality both within and between countries. It will also need to respond to new challenges linked to sustainable development and delivery of global public goods. It will be important that in the post-2015 era a single,

Figure 14.5. **Trends in untying aid, 1995-2010**



Source: OECD (2012), "Creditor Reporting System: Aid activities", *OECD International Development Statistics Database*, *http://dx.doi.org/10.1787/data-00061-en*.

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unified financing structure is agreed by the international community to fund global development, sustainable development and the environmental challenge (Chapter 11).

- Strategic and collaborative work with a range of development partners is needed to identify and develop new, innovative mechanisms to leverage, mobilise and catalyse additional resources for development. It is also fundamental to ensure that taxpayers in OECD countries remain willing to provide "smart aid" to those who need it most.
- Prioritise ODA to the poorest countries – where it is most difficult to mobilise other sources of finance – in particular to "under-aided" countries. As countries develop, ODA can be phased out – but in a predictable and gradual manner linked to the country's ability to mobilise resources domestically, for example through higher growth and improved tax collection systems.
- Encourage dialogue and partnership among "old" and "new" providers of development assistance to learn from each other's experience and respond effectively to the changing needs of developing countries.
- Develop a new development finance framework – one that takes account of the broad array of publicly-supported instruments and approaches provided by OECD countries that go beyond ODA. Understand better how these tools and mechanisms operate and how they can be improved, combined and enhanced – and this learning should be done in broad collaboration with others. It will be important to understand what the new development finance landscape means from partner countries' perspectives and their motivations and strategies to manage the diversity of development finance options they can access.
- Hold each other accountable for commitments already made through an internationally recognised, open and transparent system to report on and publicise the development financing efforts that countries are making, and the resources that actually flow to partner countries.

Notes

1. Concessional loans are provided at far lower than market rates for countries of the South, for longer terms, and with conditions which allow grace periods for payments. Concessional financing is part of the responsibilities normally given to development agencies of various industrialised countries and to local and regional development banks (Blackwell Reference Online).
2. The United Nations Framework Convention on Climate Change (UNFCCC or FCCC) is an international environmental treaty negotiated at the United Nations Conference on Environment and Development (UNCED), informally known as the Earth Summit, held in Rio de Janeiro from 3 to 14 June 1992. The industrialised countries that signed the three Rio Conventions in 1992 committed themselves to assist poorer countries to tackle challenges they face in the areas of biodiversity loss, desertification and climate change (*Source:* Wikipedia).
3. An advance market commitment is a binding contract, typically offered by a government or other financial entity, used to guarantee a viable market if a vaccine or other medicine is successfully developed. As a result of such a commitment, the market for vaccines or drugs for neglected diseases would be comparable in size and certainty to the market for medicines for rich countries, enabling biotech and pharmaceutical companies to invest in the development of new vaccines to tackle the world's most pressing health problems, such as pneumonia, diarrheal disease, HIV/AIDS, and malaria (source: Wikipedia).
4. CPA, or "core aid", is much closer than ODA to capturing the flows of aid that actually go to partner countries and over which they could have a significant say. It excludes aid that is unpredictable by nature (such as debt forgiveness and emergency aid); entails no cross-border flows (such as research and student exchanges), and does not form part of co-operation agreements between governments (such as food aid or core funding to NGOs).

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PART III

Chapter 15

Sustaining the global momentum to end poverty

by
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This chapter presents key themes discussed at the OECD's recent Global Forum on Development. It argues that the monitoring of progress against global averages masks impressive progress in many – especially African – countries. This could be better captured by using a two-level approach: global goals and national targets. The chapter also highlights the need to consider both income and non-income dimensions of poverty, as well as a broader range of people than those falling below a defined income threshold. The chapter calls for linking poverty and inequality, integrating poverty with environmental objectives, strengthening multidimensional measures, developing statistical capacity and improving development co-operation and finance. Clear messages and measures that better reflect current understanding of poverty will help sustain global momentum as well as national efforts to end poverty in all its forms.

The global economic landscape has changed, and with it our understanding of what development and poverty are all about. The OECD's 2013 Global Forum on Development[1] focused on what the shifting dynamics of poverty mean for the poverty reduction policies to be pursued by governments, international organisations and others after the Millennium Development Goals expire in 2015. Key policy themes raised by forum participants (representing countries, institutions and stakeholders from all the world's major regions) have been taken up by the UN High-Level Panel in its proposal for a new post-2015 global development framework (Chapter 11 and HLP, 2013).

The report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda places the eradication of extreme poverty as the central challenge, but addresses inequalities only tangentially (HLP, 2013). As expected, it advocates a universal agenda and goals, and it endorses the need to embrace national plans, strategies and targets to take account of countries' different contexts. Strong cases were also made for inclusiveness and a "data revolution" (Chapter 16, Global approach 2). This is all very encouraging. But the final post-2015 framework has not yet been agreed and there is still much work to be done to come to terms with how we end poverty once and for all.

This chapter summarises the key themes emerging from the forum, which reflect much of the discussion around the post-2015 framework and what is needed to complete the unfinished business of ending poverty forever.

We need to redress uneven progress

Impressive gains against poverty have been made at the global level, but they have not been evenly distributed (Chapter 1). Estimates of extreme poverty, as measured by the proportion of people in the world living on less than USD 1.25 per day, were 20.6% in 2010, down from 43.1% in 1990 and 52.2% in 1981 (World Bank, 2013). According to this measure, the world has met the MDG 1a target of halving the rate of extreme poverty – five years ahead of the 2015 deadline.[2] Advances have also been achieved in other indicators such as health, education and clean water (Kenny and Sumner, 2011).

> *"The multidimensional nature of poverty forces us to look at the multiple deprivations people experience together, as well as income poverty". Sabina Alkire, Director, Oxford Poverty & Human Development Initiative*

Despite this progress, however, many people who have escaped poverty – as defined by MDG 1 – would still be counted as poor using other relative or national thresholds of income poverty, or when poverty is viewed as consisting of multiple dimensions (Table 15.1 and Chapter 3). Many also remain vulnerable because of a range of factors – such as unemployment, sickness, poor sanitation, social exclusion and old age – which could send them back into poverty.

Table 15.1. **The multiple faces of poverty in low and lower-middle-income countries, 1998 and 2007**

% of poor in each group

Classification	Subgroup	Education poverty		Health poverty		Nutrition poverty	
		1998	2007	1998	2007	1998	2007
All poor households	Total	100	100	100	100	100	100
Type of place of residence	Urban	15	17	18	22	17	18
	Rural	85	83	82	78	83	82
Ethnicity of household head	Ethnic minority group	71	69	72	69	70	72
	Largest ethnic group	29	32	28	31	30	28

Source: A. Sumner (2012), "The New Face of Poverty? Changing Patterns of Education, Health and Nutrition Poverty in Low and Lower Middle-Income Countries by Spatial and Social Characteristics of Households, 1998 vs. 2007", *IDS Working Paper*, Institute of Development Studies, Sussex. Estimates processed from Demographic Health Surveys' datasets.

StatLink http://dx.doi.org/10.1787/888932895824

Furthermore, the focus on progress globally masks uneven progress within countries. Many extremely poor people have been left behind during the MDG period because of the highly uneven distribution of overall income gains. This uneven distribution is also seen in other MDG areas. Some countries may report reaching a global MDG target, for example in child mortality at the national level, yet miss the target among the poorest in rural areas and ethnic minority groups (Save the Children, 2010; and Chapter 12).

"Show me statistics… better data [are] essential to end poverty…
how can we make better decisions without them?"
Olusegun Obasanjo, former President, Nigeria

Gender inequalities exacerbate the challenges faced by households, particularly in the poorest countries and among the most marginalised groups. These imbalances present barriers to progress in a range of areas, including the labour market, political participation and improved maternal health in both rural and urban areas (World Bank, 2012b; UN, 2012a, b).

Uneven progress towards the MDGs across countries, localities, population groups and gender reflects a fundamental weakness in the current framework – the way poverty is measured influences the targets chosen and the policies adopted.

By only measuring progress at the national and global levels, the goals do not provide incentives to reach the poorest and most marginalised groups experiencing the most extreme forms of poverty. Policies to reduce gender inequalities, for instance, are difficult to target or track because existing income measures are calculated at the household level (and therefore assume equal sharing within each household; Chapter 16, Global approach 1). The result: despite more than a decade of impressive progress towards meeting the MDGs globally, the most disadvantaged individuals and groups remain trapped in poverty. More needs to be accomplished.

We need to shift the focus from poverty to well-being

Risks at different stages of life and in various situations can move people in and out of poverty. Efforts to improve well-being should be judged as ineffective when those emerging from poverty fall back into it and when those who have been above the threshold become impoverished (Chapter 4). This is why, in addressing poverty, we need to monitor what is happening to society as a whole. The concept of "well-being" not only encompasses a country's entire population and multiple dimensions; it also accommodates changes throughout a person's life. A well-being approach helps us understand the implications of excessive inequality, and can encourage policies for more inclusive and sustainable economic growth in both developed and developing countries. Clarifying the connection between poverty and well-being has the potential to turn existing technocratic policy approaches on their head. Future policies might be better served by considering how to support the efforts of poor people to achieve well-being and by removing the obstacles that undermine their efforts. This will require closer examination of current concepts and constraints, such as data availability and reliability. It also calls for examining the impact of continued or worsening income and other inequalities on the prospects of future generations.

How do we shape the future?

The forum highlighted the following themes that should be part of a post-2015 framework if it is to speak for all of us.

Tackle poverty and inequality simultaneously

In a world of environmental and economic insecurity, future global development will need to focus on the quality – as well as the quantity – of growth. Future goals should promote inclusive and sustainable economies that enable the poorest to participate in and benefit from growth. A wide range of social policies will be essential to ensure greater resource distribution that can reduce poverty and inequalities (Chapter 6). A first step is to use concepts, measures and data that enable a better understanding of the possible linkages.

Set global goals, but recognise national realities

> *"MDGs are useful, but national targets must be set*
> *by countries according to their own development priorities".*
> *Otaviano Canuto, former Vice-President*
> *and Head of the Poverty Reduction Network, World Bank*

The MDGs were useful drivers of global and national initiatives on poverty reduction, but were not adapted to countries' particular circumstances and did not take account of the fact that different countries started at different levels of development. In order to address this, the forum participants supported a two-level approach involving high-profile global goals alongside national goals with country-specific targets and indicators. All countries will have a role to play in a post-2015 framework. Yet, it will be important that individual countries define how to incorporate global goals into their own national goals and targets.

Find better ways of measuring poverty

We need poverty and well-being measures and statistics that are better at tracking the disparities among the extreme poor, broadening the view of poverty to incorporate the well-being of all people. The data need to capture the social and economic inequalities underpinning uneven progress, and the implications of such progress for current and future generations. It is also clear from a growing body of evidence that those living in poverty value freedom from fear and violence, social inclusion and honest governance just as highly as good incomes, education and health (Pollard et al., 2011; My World Survey, 2013).

A range of poverty measures can help build truer profiles of those in poverty and allow for better-targeted policies. These can be used alongside the MDGs' absolute USD 1.25 per day measure of income poverty, which should continue to be used for continuity and credibility:

- *Multidimensional Poverty Index:* The MPI measures a range of deprivation factors, such as poor health, lack of education, inadequate living standards, lack of income, disempowerment, poor quality of work and threat of violence. It is currently used in more than 100 countries (Alkire and Sumner, 2013; and Chapter 3).
- *Well-being measure:* Calculates well-being across or within countries based on topics identified as essential in terms of material living conditions and quality of life. A variety of similar indices on well-being have emerged worldwide, such as the *OECD's Better Life Index* which prioritises 11 specific indicators of well-being.[3]
- *Social cohesion measure:* A range of measures focused on the political and socio-cultural domains of life (OECD, 2012).
- *Social Institutions and Gender Index (SIGI):* Focuses on factors underlying discrimination against women, including a wide range of social institutions and practices.[4]

Forum participants urged that the range of measures currently under discussion be examined and their relationships to one another clarified to help countries tailor measures of absolute and relative income poverty and other deprivations to their specific contexts.

Generate more, and better, data

Weak capacity in generating and managing data – a major challenge in many countries – needs to be addressed (Chapter 16, Global approach 2). Poor-quality or absent data will undermine the effectiveness of any new development framework. Generating global and national momentum for change becomes harder when the empirical basis is absent. The statistical-capacity challenge becomes more acute as new measures (e.g. well-being) and ways of understanding the situation of specific groups (e.g. women, indigenous peoples) called for in a post-2015 framework demand more and better data. Actions suggested at the forum included:

- *Adopt a specific post-2015 goal, target and indicator for data quality, availability and usability.* This should be linked to strengthening investment in national statistical institutes, as outlined in the Busan Action Plan for Statistics (endorsed by over 130 countries and organisations; PARIS21, 2011), and by supporting the multi-member Partnership in Statistics for Development in the 21st Century (PARIS21).
- *Bring in statisticians to help define targets and indicators.* This will provide a "reality check" on their feasibility and relevance for measuring progress.
- *Make use of new technologies and new sources to support data collection.* For example, involve civil society and the private sector in data collection, monitoring and accountability.

Integrate poverty and environmental objectives

Beyond focusing on the social and economic dimensions of poverty, the forum highlighted the newer challenges raised by climate change and unsustainable consumption and production patterns, which strain the natural resource base on which all depend for survival. The poorest – already the most vulnerable to food, fuel and financial shocks – will become even more vulnerable if there is greater competition for natural resources. It is therefore essential that the future development framework secure sustainable progress on poverty, inclusive growth *and* the environment.

Any future agreement needs to recognise that making progress on poverty and human well-being is inextricably linked to sustainable environmental systems and natural resources. Sustainability needs to become a core priority of all development endeavours. It should encompass both global public goods (such as a stable climate; Chapter 13) and country-specific assets (such as forests).

Improve development co-operation and finance

The MDGs brought the world closer together, yet we need to do better. Development in a post-2015 world needs to take place in a climate of increasing co-operation among all stakeholders. This means governments, parliamentarians, multilateral and regional institutions, civil society, non-governmental organisations (NGOs), foundations, and the private sector all working together as equals. This is the only way to resolve complex issues, for example in the areas of trade, migration and the environment.

The framework must also work out how to finance the achievement of the new goals. As outlined in Chapter 14, with the right tax structures in place, and with innovative approaches by the private sector, development finance can come from within developing countries themselves. Likewise, ways need to be found to improve international development co-operation and finance, including improved tracking of the wide sources and types of funding. The current official development assistance (ODA) concept is the only systematic means in existence today to monitor the efforts and commitments of "traditional" donors, but it is struggling to keep up with growing diversity and complexity. A post-2105 financing framework should:

- *Agree on new measures of development finance that better capture how development is funded today*. We all need to know if the resources allocated are enough to achieve the goals agreed. One measure could aim to provide a better indication of the totality of development-related budgetary efforts. Ideally, this would also include South-South co-operation (Chapter 16, Global approach 3). A second measure could aim to better account for resources (public and private) actually coming into developing countries (sometimes referred to as "recipient benefit").
- *Use ODA to attract other finance*. While ODA no longer accounts for the majority of financial flows towards the developing world, it nevertheless remains the largest single block of resources whose primary motivation is development. Better understanding of the interactions between ODA and other finance – foreign direct investment, remittances from migrants and guarantees (even though not always motivated by development objectives) – can help us use ODA to bring on board additional finance and maximise development impact (Chapter 14).
- *Finance global public goods*. The process of working towards a set of post-2015 goals has already started to generate discussion of how to monitor the financing of global public goods (e.g. preventing contagious diseases, protection of biodiversity, mitigation of and adaption to climate change; Chapter 13) and other development "enablers". Robust statistical methods to monitor the financing of these goods are needed.
- *Promote innovative development finance*. Innovative financing mechanisms have strong potential to complement traditional aid (Chapter 14).

Conclusions

The OECD will continue to support the international community's efforts towards a post-2015 framework for all, especially in its areas of particular expertise where it can add the most value. A new series of *Post-2015 Reflections* (OECD, 2013) is looking at how to incorporate these ideas, those of the authors of this report, and those emerging from the 2013 Global Forum on Development, into the post-2015 development framework.[5]

One of the greatest challenges in defining a post-2015 development framework will be developing clear messages and measures that reflect our better understanding of poverty, and that will sustain the global momentum to end it in all its forms. The challenge is even greater as the complex nature of poverty, and its deep links with factors such as natural resources, become increasingly clear. This is also an opportunity we cannot afford to miss: the MDGs demonstrated that we can come together across the world and make a clear, measurable difference in peoples' lives. We can do so again.

Notes

1. The Global Forum on Development was the first in a series of three forums to be held over the next three years focusing on "Preparing for the Post-2015 World". These events provide a venue for high-level policy makers, academia, civil society and the private sector to exchange perspectives and explore challenges, opportunities and lessons learned about current poverty reduction policies and methods for fostering progress and social cohesion. The forum was highly interactive. The quotes highlighted in the text are points made by speakers that participants then shared more widely. For more see *www.oecd.org/site/oecdgfd*.
2. Relative changes reflect country progress in relation to initial starting positions, while absolute measures show change regardless of the starting point (Chen and Ravallion, 2012).
3. See *www.oecdbetterlifeindex.org*.
4. See *www.oecd.org/dev/gender/sigi*.
5. Next year's Global Forum will address those structural economic impediments to growth that limit further and sustainable reductions in poverty.

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PART III

Chapter 16

Global approaches for building gender equality, empowerment, capacity and peace

This chapter brings together five approaches to issues that will need to be addressed through international co-operation if we are to end poverty by 2030. All have implications for the post-2015 framework. To start with, the agenda for promoting the status of women needs to be much more ambitious than what is envisaged in the current MDG 3 goal. Global Approach 1 proposes a twin-track approach to gender equality: a standalone goal of ***gender equality*** *and women's* ***empowerment****; coupled with the explicit demarcation of gender gaps that need to be closed in all other goals and targets. Whichever poverty goals are ultimately selected in a post-2015 framework, they will need to be measured and monitored so that all can be held accountable. To take this seriously, PARIS21 argues that a global strategy for the development of* **statistics** *should be endorsed in parallel with the post-2015 framework (Global Approach 2). As official development assistance struggles to keep up with the growing needs of the South (Chapter 14), Chile's support to poorer countries in its region offers an inspirational approach for a form of co-operation that remoulds the traditional donor-recipient relationship into a productive and long-lasting partnership among Southern countries (Global Approach 3). With half the world's poor predicted to be living in fragile low and middle-income countries by 2015, getting to grips with poverty in these complicated settings will be essential; the post-2015 global development framework must recognise* ***peace*** *and the reduction of violence as foundations of poverty eradication (Global Approach 4). And last but not least, Global Approach 5 reminds us that getting anywhere near to ending poverty is an inherently political process. This challenges us to see poverty in terms of power and to understand how power shifts can be influenced by development cooperation agencies, political movements or civil society organisations.*

Global approach 1: Making the link between gender equality and poverty eradication

***Caren Grown, American University, Washington, DC*[1]**

Because of data constraints, the absolute numbers of women in extreme poverty remain unknown. Yet it is widely accepted that gender inequalities and poverty are mutually reinforcing and exacerbating. For instance, unequal access to schooling or health care for boys and girls are more acute for the poor than for those with higher incomes. At the same time, whether measured in terms of control over productive resources or in terms of power to influence political and economic processes, poor women tend to have less influence than poor men in their households and communities. The link between gender inequalities and poverty has not yet received the central place that it deserves in discussions about extreme poverty.

The Millennium Development Goals (MDGs) and the Millennium Declaration have been powerful tools for bringing the world together to fight poverty. Yet on the gender equality front, even though there has been progress in some areas – such as girls' access to primary education and women's economic empowerment – the level of achievement has been uneven across regions and within countries. The drive to deliver on such unfinished business of the MDGs should carry over into the post-2015 framework, along with new issues relevant to the current context.

> *The narrow target of MDG 3 – promote gender equality and empower women – needs to be broadened to achieving gender equality and women's rights*

In 2005, the report *Taking Action: Achieving Gender Equality and Empowering Women*[2] set out the policies and actions needed to bring about greater equality between women and men (Task Force on Gender Equality, 2005). It broadened the original narrow target of MDG 3 – promote gender equality and empower women – by recommending several strategic priorities essential to achieving gender equality and women's rights. The report is still highly relevant today, and there is an urgent need to see measurable improvements in each of the following areas:

1. universal completion of quality post-secondary schooling;
2. elimination of preventable maternal deaths and disease, along with universal coverage of quality sexual and reproductive health care;
3. closure of the gender gap in access to, ownership and use of key technology;
4. reduction of the gender gap in ownership of land, housing and financial assets;
5. reduction in the gender wage-gap and a tripling of female entrepreneurs, especially in the small and medium enterprise sector;
6. reduction in and redistribution of unpaid work;

7. ensuring at least 50% of women lead and genuinely participate in all levels of decision making;
8. a 50% reduction (at least) in the prevalence of violence against women.

Women and girls must be empowered as key agents of change in all spheres

No country has yet achieved gender equality in any of these dimensions. Women and girls must be empowered as key agents of change in all spheres: in the home, the community, the workplace, and in local and national governments.

While it is important for the post-2015 framework to have a rights-based approach, it must also be focused on measurable results. Because gender inequality is deeply rooted in entrenched attitudes, social institutions and market forces that vary from community to community, different steps are needed in different countries. Today there is a growing consensus around the idea of a twin-track approach to gender equality in the post-2015 framework: 1) a standalone goal of gender equality and women's empowerment; coupled with 2) the explicit demarcation of the gender gaps that need to be closed in all other goals and targets.

One area requiring increased attention concerns women's role in peace and security. Several UN Security Council Resolutions (1325, 1820, 1888, 1889 and 1960) recognise the need to strengthen the participation and protection of women during conflict and post-conflict. The post-2015 framework thus needs to promote the acceleration, institutionalisation and co-ordination of efforts to increase women's participation in peace negotiations, peace-building, conflict prevention and decision making; to protect women from gender-based violence (such as rape) during conflict; and to ensure equal access to relief and recovery assistance in areas of conflict and insecurity.

Finally, as discussions continue about energy, water, sanitation, sustainable landscapes and climate change, it is important to recognise the leadership of women in the management of the environment. Women's rights to key resources, and their roles in resilience and protection, are therefore key considerations.

Targets and indicators

Targets and indicators are fundamental for tracking progress on development goals. Yet in 2005, because of the absence of baseline data, the UN Millennium Project Task Force urged countries to set their own targets. Today, data are available in many domains and setting global targets is therefore possible for several of the priorities listed above. For instance, over 90 countries collect data on violence against women.

More than 90 countries collect data on violence against women

Countries have made less headway in data collection on women's ownership of and control over land, housing, businesses, and financial assets. It is thus encouraging to see the strong leadership of the UN Statistics Division, UN Women, the World Bank and the OECD on the Evidence and Data on Gender Equality (EDGE) Initiative, which is working to remedy data gaps in asset ownership and entrepreneurship. Further investments are also needed for data collection in the areas of women's political empowerment and on the quality of their participation.

The post-2015 framework will not be successful unless it guards a central place for gender equality and women's empowerment in its own right and in relation to every other goal and target contributing to the overarching objective of ending poverty. The post-2015 framework will also need to be explicitly linked to a finance and investment agenda. It is essential to accelerate the pace of progress for measurable results. Business as usual will not get us there.

Global approach 2: Flying blind? The role of statistics in development policy making

Eric Bensel, PARIS21, OECD, Paris

Few now dispute the critical role that statistics play in development policy making, from highlighting issues and informing policy design to monitoring and evaluation. Demand for data has never been higher; it will play a major role in helping the international community to end poverty.

The OECD 2013 Global Forum on Development underscored this point forcefully: keynote speaker and former Nigerian President Obasanjo said, "Bring me the statistics!" (Chapter 15). The ONE Campaign has also called on UN member states to "invest significantly in developing countries' statistical capacity" (ONE, 2013). The United Nations' High-Level Panel of Eminent Persons on the Post-2015 Development Agenda has heeded this call, identifying data availability and improved accountability as key drivers to achieve the post-2015 vision (HLP, 2013; and Chapter 15).

Despite this high-level recognition of the importance of statistics, many developing countries lack adequate resources to produce the necessary data. Many national statistical systems are caught in a vicious cycle: under-performance of statistical production, leading to under-use of the data, and resulting in under-funding of the statistical system.

The percentage of developing countries that have produced data to analyse MDG progress increased from 2% in 2003 to 83% in 2012

Yet while some economists bemoan "poor numbers" (Jerven, 2013) and others lament the "statistical tragedy" (World Bank, 2011), the picture is not entirely bleak. Indeed, some see the dawning of a "statistical renaissance" (Kiregyera, 2013). The evidence inspires optimism:

- **The availability of data to monitor progress towards the MDGs has increased dramatically.** The percentage of developing countries that have produced data enabling MDG trend analysis increased from 2% in 2003 to 83% in 2012 (UN, 2012). Furthermore, over the past half-decade, more than 2 000 previously undocumented surveys and censuses from developing countries have been archived and disseminated.[3]
- **Statistical capacities have increased since 1999.** The average scores of the 140 countries covered in the World Bank's Statistical Capacity Indicator[4] rose from 55 in 1999 to 65 in 2012 (on a scale of 0-100).
- **Support to statistics has skyrocketed.** Financial commitments to statistics from providers of development co-operation have risen by 125% since 2008; the share of aid to statistics compared to total ODA has increased as well – from 0.19% of ODA between 2007 and 2009 to 0.28% between 2008 and 2010 (PARIS21, 2012).

Data gaps and quality concerns persist, but the progress made to date is encouraging. A number of opportunities have also emerged. For example, advances in mobile connectivity and survey technologies are improving the speed and accuracy, reducing the cost of data collection and enabling policy makers to react more quickly to crises. In addition, "big data" – high-frequency digital information from call logs, mobile-banking transactions, blog posts, Tweets, online searches, etc. – offer developing countries a rich, new data source.

Taking full advantage of these opportunities will require developing countries to adapt their national statistical systems. The OECD-hosted PARIS21 (Partnership in Statistics for Development in the 21st Century) focuses on encouraging and assisting all low-income and lower-middle-income countries to design, implement, and monitor National Strategies for the Development of Statistics (NSDS). PARIS21 also promotes better co-ordination among data users, statisticians, and providers of development co-operation at the national, regional and global levels. As part of ending poverty, not only must NSDSs remain flexible and responsive, but aid must also be more systematically aligned with these strategies, adopting a system-wide, rather than purely sectoral, approach to statistics.

Momentum is building to place statistical capacity development up front in international deliberations. Whichever poverty goals are ultimately selected in a post-2015 framework, they will need to be measured and monitored so that we can all be held accountable. To take this seriously, we must collectively reflect on and agree a Global Strategy for the Development of Statistics to be endorsed in parallel with the post-2015 framework.

Global approach 3: South-South co-operation to eradicate poverty in Latin America and the Caribbean

Jorge Daccarett, Chilean International Cooperation Agency (AGCI), Chile

South-South co-operation describes the exchange of resources, technology, and knowledge between developing countries.

Chile's story illustrates the potential of such co-operation for tackling poverty. Itself a developing country not so long ago, Chile has become an upper-middle-income country, a member of the OECD, and is now conducting an important co-operation programme within Latin America and the Caribbean, as well as exploring new regions.

With its return to democracy in the early 1990s, Chile began to receive an important amount of ODA. But Chile was never a traditional "recipient" but rather a "learner". The country worked in real partnership with those countries providing it with ODA, shifting from aid to co-operation, which means "working together" and exchanging experiences and knowledge. Financial assistance, which was indeed a catalyst, was complemented by programmes with a strong focus on capacity development, so as to found growth in solid institutions and with the support of well-prepared Chilean professionals who could create and implement consistent public policies.

Chile's active participation in its own learning has led it to value more highly what has been learned. Chile was eager to learn in this way so it could move forward on its development path without the need for donors to give constant economic support.

In this approach there are no "donors" or "recipients", but instead committed partner countries co-operating for common goals

As the country started to reach higher income and development levels, and its public policies proved to be effective and successful, Chile began to receive demands from neighbouring countries who wanted to learn from its experience and to replicate and scale up these policies throughout the region. The result was Chile's demand-driven South-South Co-operation Policy for Latin America and the Caribbean (CELAC), which involves sharing knowledge and building capacity so that partner countries in the region can adopt long-term public policies to tackle similar issues as Chile faced a decade ago. In this approach there are no "donors" or "recipients", but instead committed partner countries co-operating for common goals.

South-South co-operation does not only tackle development, but also promotes and deepens regional integration. In order to make co-operation more effective, and because sometimes there is a need for an initial infrastructure investment, Chile's traditional donors have been invited to help scale up to the rest of the region the co-operation programmes they supported in Chile. The result is a three-way (triangular) process of co-operation within the region. For example, we can build hospitals, but someone has to train the nurses and help to create a public health policy. And by doing this, we create jobs and we give better opportunities for the poorest.

In the traditional donor-recipient aid model, a country graduates when it reaches a certain level of per capita income. Countries only graduate from South-South co-operation when there is ownership of capacities, the institutions are solid enough and public policy is written and implemented. Many South-South co-operating countries never graduate, in that they continue to collaborate, sharing experiences and best practices, the same way as traditional donors do.

One of the keys in this success story can be summarised in a single word: commitment. Chile, as a nation, has made a commitment to succeed, to develop and to reduce poverty before the end of this decade. And this commitment has been reflected in a strong will to build and maintain strong and effective institutions; to enhance social cohesion and equality, including gender equality; and to open Chilean markets to the world, promoting trade and creating opportunities.

Global approach 4: Fragile states as the final frontier for poverty eradication

Governance for Development and Peace (G4DP), Development Co-operation Directorate, OECD, Paris

Half the world's poor will live in fragile low and middle-income countries by 2015, and a much higher share by 2030

The geography of poverty is increasingly the geography of conflict and fragility. Estimates suggest that by 2015, about half of the world's extreme poor (based on the income-based poverty line of USD 1.25 per day) will live in fragile low and middle-income countries; and this proportion is expected to rise dramatically by 2030 (Chandy and Gertz, 2011; Kharas and Rogerson, 2012).[5] For many poor people around the world, the most urgent problem they face is personal safety and the ability to live their lives in peace. To eradicate poverty globally, the post-2015 global development framework must propose effective ways to support fragile states and their citizens in addressing these urgent issues.

Many fragile states have made great progress in overcoming conflicts and/or undertaking political transitions that include democratic reform. At the same time, many states face persistent challenges in overcoming pressures that can push them back into conflict and implementing policies that promote poverty reduction and political and social inclusion. There are no quick fixes.

How can international efforts be effective in helping to overcome these challenges? Three issues stand out:

1. Fragility and conflict have many causes and can operate at diverse levels within states, regardless of income level. Reducing fragility entails processes of political and social inclusion. This means strengthening the legitimacy of political governance, the capacity of government to function and the responsiveness of states to their people. These are long-term, generational processes of social change, and their features will be unique to each country. Reducing fragility is a non-linear process (often two steps forward and one step back), but experience shows that sustained support from international actors is a critical factor in helping countries escape cycles of conflict and instability (OECD, 2011a).
2. Fragility and violence are global challenges, in part promoted by external influences that fragile countries cannot tackle alone; these include organised crime, flows of illicit goods, access to natural resources, ideological movements, and international restrictions on trade and migration. Effective international action is required to address these factors and to help countries overcome their negative impact (OECD, 2012a).
3. Development actors do not always operate in ways that are suited to fragile situations. Providing sustained long-term support requires donor countries to engage differently in fragile states than in other environments. Being effective in such countries requires thinking politically and contextually; ensuring sufficient and well-qualified staff; and taking a long-term, flexible, conflict-sensitive, and risk-tolerant view. It is hard for development organisations to shift from their normal ways of working, which are often risk-averse and based on short-term time horizons.

There are a few actions that the development partners can take to make the difference:

- **Ensure that the post-2015 global development framework recognises peace and the reduction of violence as foundations of poverty eradication,** building on the International Dialogue's Peacebuilding and Statebuilding Goals (OECD, 2012b) and their indicators.
- **Align with the efforts of fragile states to build resilience and achieve economic growth.** This should include ensuring development co-operation activities reflect national plans and strategies, and working through and building the capacity of local country systems.
- **Accelerate implementation of the New Deal for Engagement in Fragile States** (International Dialogue on Peacebuilding and Statebuilding, 2011) as an effective way to support more effective transitions from conflict and fragility.
- **Commit to global initiatives that address the global dimensions of fragility.**

Actions such as these can help change the geography of poverty as well as that of fragility, not by shifting their location on the map, but rather by ensuring they are erased from the map, forever.

Global approach 5: Ending poverty is about the politics of power

Duncan Green, Oxfam GB, Oxford, United Kingdom

A necessary starting point in any discussion of ending poverty is "What do we mean by poverty?" The answer to that question has proved surprisingly fluid in recent years, as crude income definitions of poverty have come under intellectual challenge from a number of quarters (a recurring theme in this *Development Co-operation Report*).

As long ago as the 1990s, the World Bank's ground-breaking *Voices of the Poor* study[6] uncovered a narrative of anxiety, fear and shame – being poor is worrying about what happens if the rickshaw-driving breadwinner has an accident, if a child gets sick and the hospital charges exorbitant fees, if a daughter gets married, or if someone dies and requires an expensive funeral (Chronic Poverty Research Centre, 2005).

Over the past five years, multiple shocks – financial, food prices (Oxfam, 2013), climatic and others – have added to this narrative, driving home the importance of volatility as a source of vulnerability in the lives of poor people. More recently, national governments around the world – supported by the OECD and others – have invested seriously in devising new ways to measure well-being and the multiple aspects of poverty beyond income (Chapter 3).[7]

This more sophisticated understanding of the nature of poverty means, alas, that "getting to zero" is a chimera because multidimensional poverty is much broader and more entrenched than mere income poverty (Chapter 3). Nevertheless, it takes the development debate in important and positive directions in terms of policy (witness the increased emphasis on smoothing mechanisms such as social protection to combat volatility and vulnerability – Chapter 6). Perhaps more importantly, it encourages us to engage with the essentially political nature of poverty, i.e. seeing poverty in terms of power.

The Oxfam book *From Poverty to Power* (Green, 2012) explains the underlying process of development as the renegotiation and redistribution of power. Power resembles an invisible force field that both links and influences individuals and social groups. The task of those wishing to promote development is first to make power visible – by understanding how it operates in each situation – and then to understand how power shifts and can be influenced by aid agencies, political movements or civil society organisations.

Oxfam's experience suggests that power is renegotiated through a combination of both steady and occasionally abrupt change. Steady change grows out of the daily grind of governance and politics and the wonderfully intense public conversation between citizens' organisations, faith groups, the private sector, the media, academics and policy makers. It propels evolutionary change: the slow but inexorable transformation of attitudes, such as towards the role of women.[8]

There are also moments of rapid shifts in power driven by wars, economic crises, failures and scandals. Such shocks often provide crucial windows of opportunity in which decision makers are suddenly open to new ideas and answers. For example, it may well take major climate shocks in high greenhouse gas-emitting countries and a consequent political (and perhaps literal) meltdown to open doors and minds to the kinds of drastic solutions needed to avert catastrophic climate change.

Seeing development in terms of a shift from poverty to power induces a welcome sense of optimism. Despite periodic crackdowns by frightened elites, power has indeed been redistributed broadly over the course of the past century: in 1914, only New Zealand, Australia, Finland and Norway allowed women equal voting rights to men;[9] by 1979, a woman's right to vote had become a universal right under the UN Convention on the Elimination of All Forms of Discrimination Against Women.

The assertion of power by people living in poverty is both an end in itself – a crucial kind of freedom – and a means for building social institutions (the state, the market, the community, and the family) that respect people's rights and meet their needs through laws, rules, policies and day-to-day practices. When individuals join together to challenge discrimination against specific groups – for example, against women, indigenous communities or disabled people – they can transform the institutions that oppress them into ones that serve them.

In contrast to portraying poor people as passive "victims" (of disasters, or poverty, or famine) or as "beneficiaries" (of aid, or social services), this development vision places poor people's own actions centre stage. In the words of Bangladeshi academic Naila Kabeer, "From a state of powerlessness that manifests itself in a feeling of 'I cannot', activism contains an element of collective self-confidence that results in a feeling of 'We can'."

The shift from poverty to power is often an extremely local process (even within households, in the case of violence against women), and this raises important challenges for us as outsiders seeking to promote development in poor countries. It means learning to negotiate the fine line between effectiveness and interference. It also means accepting a more humble role in the drama of development: the primary actors are national and the impacts of outside interventions, for good or ill, are probably less extensive than many of us thought.

Getting anywhere near to ending poverty is an inherently political process. The sooner we do-gooders embrace such an understanding, the more likely we are to provide the sort of support that will make a lasting difference.

Notes

1. This contribution was adapted from Ms Grown's speech at the 57th session of the United Nations Commission on the Status of Women panel discussion on "Key gender equality issues to be reflected in the post-2015 development framework", available at: *www.un.org/womenwatch/daw/csw/57sess.htm#panel3*.
2. Caren Grown was one of the lead authors of the Taking Action report.
3. See *http://catalog.ihsn.org/index.php/catalog*.
4. See *http://bbsc.worldbank.org*.
5. Fragile countries or regions can be defined as having a weak capacity to carry out basic governance functions and/or a low ability to develop constructive relations between state and society, as well as between different groups in society (OECD, 2011a).
6. See the Voices of the Poor website: *http://go.worldbank.org/H1N8746X10*.
7. See the OECD's Better Life Index (*www.oecdbetterlifeindex.org*) and the United Nation's Development Programme's work on Multidimensional Poverty Index (*http://hdr.undp.org/en/statistics/mpi*).
8. Memorably captured in the recent World Bank study, *On Norms and Agency: Conversations about Gender Equality with Women and Men in 20 Countries* (World Bank, 2013).
9. See the "World Chronology of the Recognition of Women's Rights to Vote and to Stand for Election" at *www.ipu.org/wmn-e/suffrage.htm*.

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PART IV

Profiles of development co-operation providers

Development Assistance Committee members' ODA performance in 2012

According to preliminary data, in 2012 members of the Development Assistance Committee provided USD 125.9 billion in net official development assistance (ODA), representing 0.29% of their combined gross national income (GNI). This was a drop of 3.9% in real terms compared to 2011. Since 2010, the year it reached its peak, ODA has fallen by 6.0% in real terms. Disregarding 2007, which saw the end of exceptional debt relief operations, the fall in 2012 is the largest since 1997. This is also the first time since 1996-97 that ODA has fallen in two successive years. The financial crisis and euro zone turmoil led many governments to implement austerity measures and reduce their ODA budgets. Despite the current fiscal pressures, however, some countries have maintained or increased their ODA budgets in order to reach their set targets.

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The DAC welcomes the contribution of all providers of development co-operation towards reaching the common goal of reducing poverty and promoting development around the world. The Committee encourages countries not in the DAC to apply for membership, independent of their status as a recipient of ODA. During its High-Level Meeting in London in 2012, DAC members invited other OECD members to consider taking steps towards membership and expressed their desire that all OECD members, EU members, and other donors, current and future, will eventually join the Committee. The DAC was extremely pleased to welcome two new members in 2013: Iceland, which joined the Committee on 14 March 2013, and the Czech Republic, which joined the Committee on 14 May 2013. Both countries have indicated that they were pleasantly surprised at how simple and straightforward the DAC accession process is.

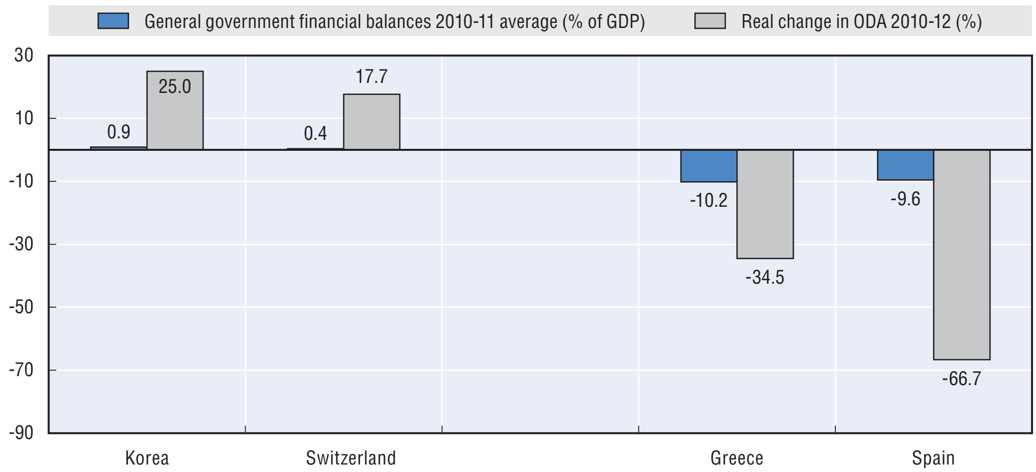
Donor performance

In 2012, the largest donors by volume were the United States, the United Kingdom, Germany, France and Japan. Denmark, Luxembourg, the Netherlands, Norway and Sweden continued to exceed the United Nations' ODA target of 0.7% of GNI. Net ODA rose in real terms in nine countries, with the largest increases recorded in Australia, Austria, Iceland, Korea and Luxembourg. By contrast, net ODA fell in 16 countries, with the largest cuts recorded in Spain, Italy, Greece and Portugal, the countries most affected by the euro zone crisis.

Examining changes over two years irons out short-term fluctuations and shows the crucial role of budget positions in determining ODA levels. Figure IV.1 shows that Korea and Switzerland – two of the four countries that balanced their budgets in 2010 and 2011 – achieved substantial ODA increases between 2010 and 2012. (The two other DAC countries that balanced their budgets, Norway and Sweden, maintained their ODA at a high level). At the other end of the spectrum, Greece and Spain had budget deficits near 10% of GDP in 2010 and 2011, and they were forced to slash their ODA allocations by the largest share among DAC countries.

Among DAC members, G7 countries provided 70% of total net DAC ODA in 2012, a decrease from 75% in 2005. The DAC EU countries' share – 51% – is the lowest it has been since 2001.

Figure IV.1. **Budgetary effects on ODA volumes**



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Further outlook

The annual DAC Survey on Donors' Forward Spending Plans aims to reduce some of the uncertainty around ODA at the global, regional and country levels. The most recent Survey provides estimates of future gross ODA receipts of country programmable aid (CPA; described further below)[1] for all DAC members and major non-DAC and multilateral donors up to 2016.

Global CPA decreased by 0.6% in real terms in 2012; a 2% fall from DAC members was partly outweighed by increases from non-DAC donors. CPA is projected to increase by 9% in real terms in 2013, mainly due to planned increases by Australia, Germany, Italy, Switzerland and the United Kingdom, and in soft loans from multilateral agencies (e.g. the International Development Association [IDA] and the International Fund for Agricultural Development [IFAD]). Total CPA is then expected to remain stable over the years 2014 to 2016.

The Survey suggests a shift in ODA towards middle-income countries, mostly in Asia and Northern Africa. ODA to these countries will most likely be in the form of soft loans. By contrast, ODA is likely to stagnate to countries in sub-Saharan Africa with the largest Millennium Development Goal (MDG) gaps and the highest poverty levels. The international community must sustain funding to countries where concessional resources represent an important share of their overall development finance resources.

As only preliminary data are available for 2012, the analysis and detail presented in the country profiles are based on data up to 2011. These are shown for each DAC member in the following section.

Country programmable aid

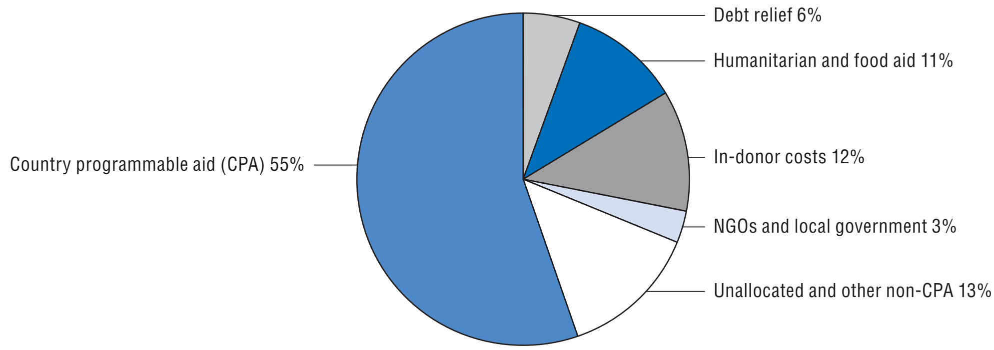
CPA is the subset of total ODA that is generally included in multi-year forward expenditure plans. CPA is also a good proxy for the overall flows appearing in country aid information systems, and thus can be useful to partner countries. CPA is measured in disbursement terms and does not net out loan repayments since these are not usually factored into country ODA 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 (e.g. humanitarian aid and debt relief);

ii) entail no cross-border flows (e.g. 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 (e.g. food aid, development co-operation from local governments, core funding to non-governmental organisations [NGOs], ODA equity investments, development co-operation through secondary agencies, and ODA which is not allocable by country or region).

DAC members' total CPA, including the EU institutions, was USD 67 billion in 2011, a 5% decrease from the 2010 total (USD 71 billion). This volume represents 55% of DAC members' gross bilateral ODA (Figure IV.2). CPA as a share of total bilateral ODA has been fairly 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 IV.2. **Composition of DAC members' bilateral ODA, 2011**



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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 partner countries. All other loans and grants are classified either as tied aid (procurement open only to suppliers in the donor country) or partially untied aid (procurement open to a restricted number of countries which must include substantially all partner countries and can include the donor). These definitions apply whether aid is 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 untying status of 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, promotes free and open trade, and facilitates the implementation of Paris Declaration commitments in areas such as co-ordination and alignment. DAC reporting on tying status does not include multilateral ODA (core contributions to multilateral agencies), as multilateral ODA is treated as untied by convention. 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 the Least Developed Countries*. In 2008, it expanded this Recommendation to include those heavily indebted poor countries (HIPCs) beyond those in the LDC group (OECD, 2001; OECD, 2008).

The country notes in the following section refer to the untied aid share of DAC members' total bilateral ODA (excluding donors' administrative costs and in-donor refugee costs) to all partner countries. The country notes also indicate for each DAC member the share of tied aid and the share of aid whose tying status is not reported. In 2011, 76% of DAC members' bilateral ODA was untied, slightly below the 2010 peak of 77% (Figure IV.3).

Figure IV.3. **Untying status of DAC countries' aid, 2011 (excluding donors' administrative costs and in-donor refugee costs)**

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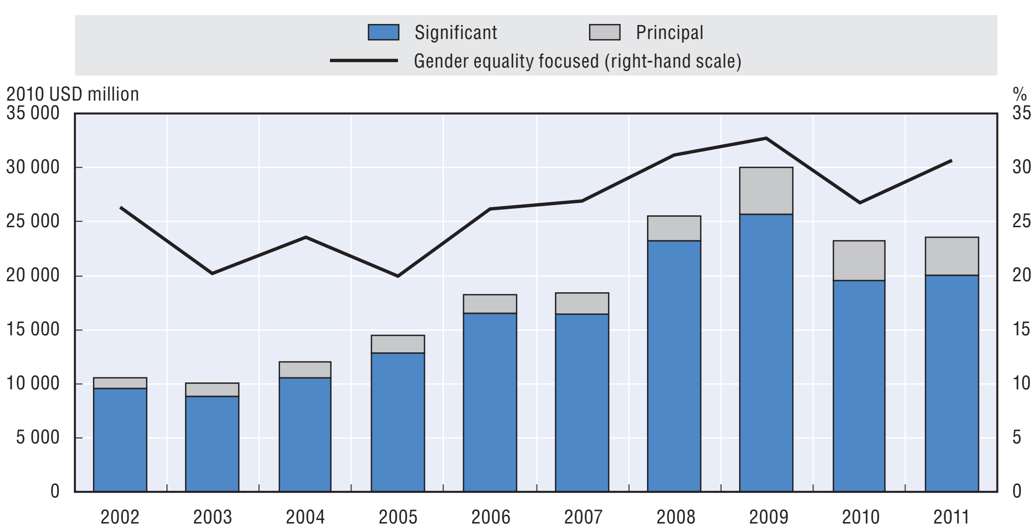
Development co-operation for gender equality and women's empowerment

With regard to the information presented on aid in support of gender equality and women's empowerment, all DAC members, except the United States,[2] 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" is applied when gender equality was an explicit objective of the activity and fundamental in its design. Activities are classified as "significant" when gender equality was an important but secondary objective.

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, 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). In some cases fluctuations in a DAC member's ODA 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 IV.4, in 2011 DAC members committed funds for gender equality and women's empowerment for a total of

Figure IV.4. **Total DAC members' ODA commitments for gender equality and women's empowerment, 2002-11**



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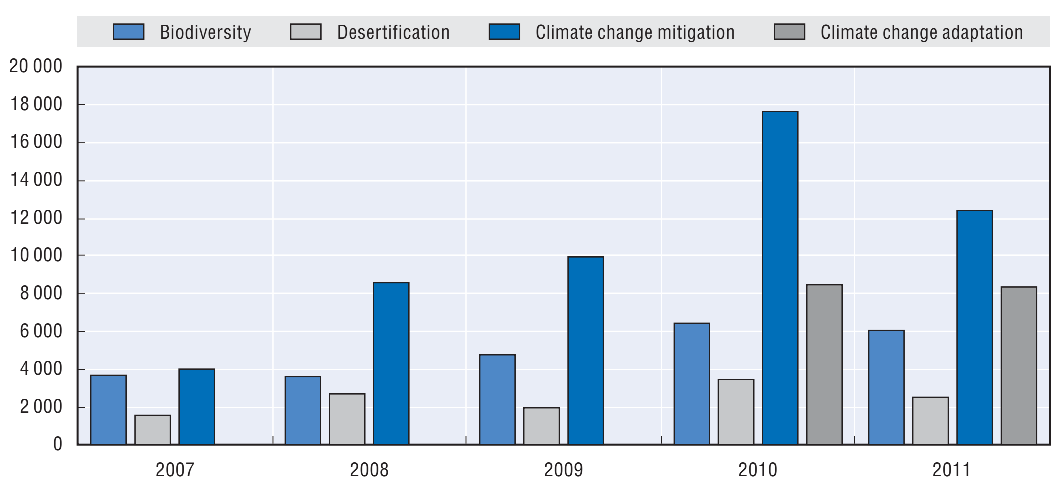
USD 25.6 billion. In real terms, this figure represents a slight increase from 2010 (+1.5%). The sharp decrease in the aggregate ODA volume allocated for gender equality and women's empowerment is due to non-reporting of US commitments in 2010 and 2011.

Development co-operation for the environment, including the Rio Conventions

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, were all negotiated and signed in the run-up to the 1992 United Nations Conference on Environment and Development at Rio de Janeiro. Signatory countries committed to incorporating the principles of sustainable development and global environmental concerns into their national development agendas, while providing partner countries with financial and technical resources for this purpose. The developed countries that signed the three Rio Conventions in 1992 committed themselves to assist partner countries in implementing them. Since 1998, the DAC has monitored ODA commitments targeting the objectives of the Rio Conventions through its CRS using the "Rio markers". Every development co-operation 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. In some cases, however, fluctuations in a DAC member's ODA 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 2012, the total DAC ODA commitments targeted at all the objectives of the Rio Conventions were slightly lower than the top levels recorded in the previous year (Figure IV.5). In 2011, activities to support climate change mitigation received the largest commitments, totalling USD 12.4 billion.

Figure IV.5. **Total DAC ODA commitments targeting Rio Convention objectives, 2007-11**



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External development finance beyond ODA

Most DAC members also provide partner countries with official finance that does not qualify as ODA either because the operations are clearly not development-motivated (e.g. export-related operations) or because they are extended at non-concessional terms (e.g. non-concessional loans from bilateral development finance institutions). In recent years, there has been growing recognition of the importance of non-ODA financing in the development finance picture and, since 2011, the DAC has been paying more attention to these flows and is implementing a special workstream to improve DAC statistics in this area (this includes studying private financing leveraged by public interventions).

DAC statistics show that other official flows (OOF) increased sharply in 2008-09, but dropped by 50% in 2010, recording a level of USD 4.8 billion. In 2011, these flows rose again with a 63% increase over the previous year, totalling USD 7.8 billion. Japan, Germany, and Korea remain the largest providers in 2011, while the United States, one of the largest providers in 2010, had a negative net outflow in 2011.

DAC members' total net private flows to partner countries at market terms recorded a slight decrease in 2011 (–6%), after the steady increases in 2009-10. These followed the sharp decrease of 2008 (from USD 318.6 billion in 2007 to 129.9 billion in 2008) that was probably due to the financial crisis. In 2011, the United States, Japan and Germany were the largest providers of private flows at market terms to partner countries. DAC members' total net private grants have grown since 2007. Between 2010 and 2011, total net private grants increased by 30%, totalling USD 184.1 million. The largest volume of net private funds comes from the United States, which alone accounts for 67% of total net private funds from DAC members to partner countries.

Notes

1. CPA, also known as "core" aid, is the portion of donors' aid programmes for individual countries over which partner countries could have a significant say. CPA is much closer than ODA to capturing the flows of aid that goes to partner countries, and has been proven in several studies to be a good proxy of aid recorded at the country level. Read more on CPA at: *www.oecd.org/dac/aid-architecture/cpa.htm*.
2. In the case of the United States, gender equality-focused aid is not comparable with what is reported by other donors. The United States has improved data collection for the gender equality marker; data for 2011 will be available in the coming months (no data are available for 2010).

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Notes on DAC members

The notes on DAC members presented in alphabetical order in this section focus on key official development assistance (ODA) data for each member, namely:

- *Performance in terms of ODA volume and ODA/gross national income (GNI).*
- *Bilateral and multilateral shares of ODA.*
- *ODA by income group, by regions, by sector and top ten recipients of gross ODA.*
- *Composition of bilateral ODA, with a focus on the country programmable aid (CPA) share.*
- *Bilateral co-operation's focus on priority countries and least developed countries (LDCs).*
- *Untied aid.*
- *ODA commitments in support of gender equality and women's empowerment.*
- *Environment policies and allocations to the Rio Conventions.*
- *External development finance beyond ODA.*

Australia

Australia is among the few DAC members to increase ODA in 2012, having escaped the global economic and financial crises without a recession and being relatively unaffected by the current euro area turmoil. In 2012, Australia's net ODA was USD 5.44 billion, a 10.4% increase in real terms over 2011 due to larger bilateral grants. Australia has kept the annual growth rate of its ODA at 9% since 2006.

Australian ODA also grew as a share of its national income, reaching 0.36% in 2012, up from 0.32% in 2010. In May 2013, Australia reaffirmed its commitment to reach its target of 0.5% of ODA/GNI but postponed the target date by another year to 2017/18.

Figure IV.6. **Official development assistance: Australia**

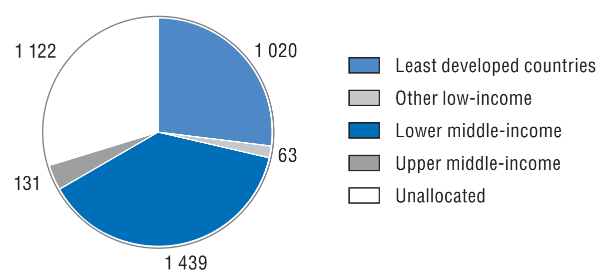
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	3 826	4 924	5 440	10.5
Constant (2011 USD m)	4 479	4 924	5 436	10.4
In Australian dollars (million)	4 171	4 772	5 255	10.1
ODA/GNI (%)	0.32	0.34	0.36	
Bilateral share (%)	85	87	85	

P. Preliminary data.

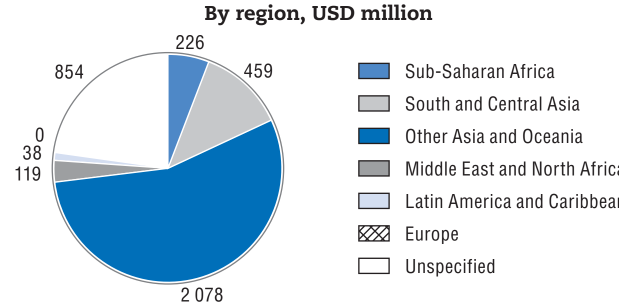
Top ten recipients of gross ODA (USD million)	
1 Papua New Guinea	449
2 Indonesia	402
3 Solomon Islands	253
4 Afghanistan	129
5 Viet Nam	129
6 Timor-Leste	114
7 Philippines	110
8 Pakistan	94
9 Bangladesh	65
10 Cambodia	63
Memo: Share of gross bilateral ODA	
Top 5 recipients	36%
Top 10 recipients	48%
Top 20 recipients	60%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

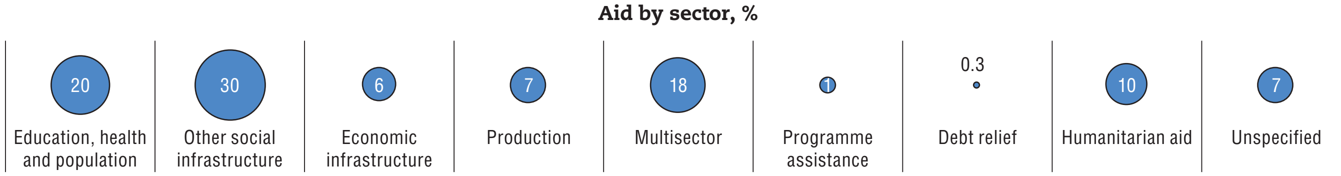
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

Increases in Australian ODA between 2006 and 2012 led to larger allocations to both bilateral and multilateral channels – according to preliminary data for 2012, USD 4.6 billion and USD 796 million respectively. In 2012, bilateral and multilateral shares of Australian ODA were 85% and 15% respectively, more or less in line with its 2007-12 average of 86% to 14%.

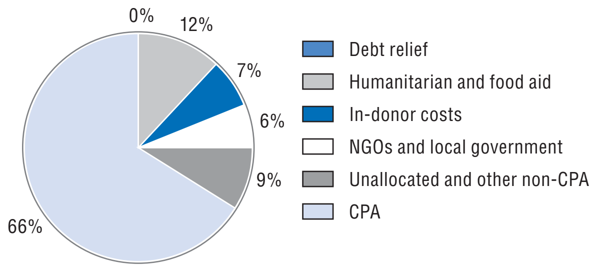
Composition of bilateral ODA

Australia's country programmable aid (CPA) amounted to 66% of its gross bilateral ODA in 2011, well above the DAC average of 55%. Australia did not deliver any of its development assistance as general budget support – which is part of CPA – in 2011. Australia's bilateral humanitarian and food aid accounted for 12% of gross bilateral ODA.

Focus on priority countries and LDCs

The ten top recipients of Australia's total assistance in 2011 received 45% of Australia's gross bilateral ODA, 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 2007 to 57% in 2011.

Composition of bilateral ODA, 2011



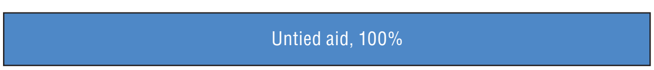
The number of Australia's "significant relations" (countries to which Australia provides more than its global share of CPA and/or for which it is among the top donors that cumulatively provide 90% of CPA) increased from 25 out of 64 partners in 2007 (equivalent to 39%) to 42 out of 99 in 2011 (42%). Australia's CPA has, therefore, become 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 26.6% (or USD 1.14 billion) in 2011.

Untied aid

All of Australia's aid was reported as fully untied in 2011.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

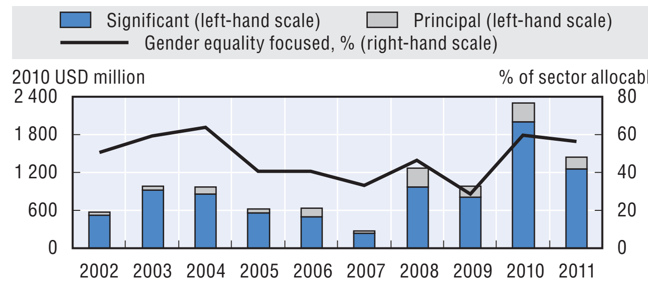
The 2013 peer review of Australia found that gender equality, capacity development and disability were solidly integrated into its projects and programmes, and that the role of gender focal points has been strengthened. The Australian development co-operation programme is, therefore, well-positioned to promote gender equality in the difficult and varying contexts in which it operates, from the Pacific islands and the Philippines to Afghanistan.

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). Support, however, then decreased to USD 1.4 billion (or by 38% in real terms) in 2011.

Environment policies and allocations to the Rio Conventions

Since 2007, Australia has made positive steps to improve the integration of environment and climate change into its development co-operation programme. Between 2008

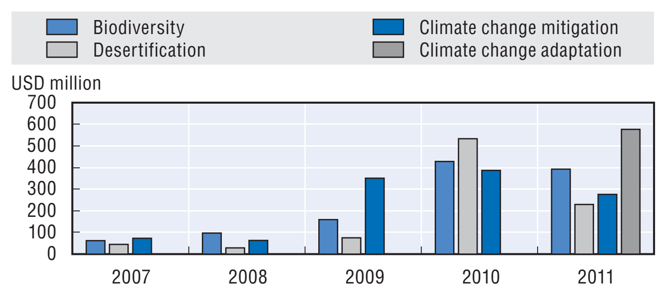
ODA for gender equality and women's empowerment, 2002-11



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.

and 2010, Australia significantly and steadily increased support to activities related to the Rio Conventions. In 2011, there was a decrease compared to 2010 in Australia's commitment to all Rio markers, except for the one for climate change adaptation.

ODA commitments targeting Rio Convention objectives, 2007-11



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.

External development finance beyond ODA

Australian net disbursements recorded as other official flows (which are exclusively composed of non-developmental grants) totalled USD 262 million in 2011, a very small amount compared to Australia's ODA flows. By contrast, ODA represents 34% of net total resource flows, and net private flows at market terms (USD 9.62 billion in 2011) account for 65%. Net private flows at market terms remained relatively stable compared to 2010 (USD 9.5 billion). Grants provided by Australian private charitable organisations to partner countries were USD 928 million in 2010; data for these flows were not available for 2011.

StatLink http://dx.doi.org/10.1787/888932895938

Austria

In 2012, Austria's net ODA amounted to USD 1.11 billion. Compared to 2011, when Austrian ODA dropped in real terms by 14%, the 2012 ODA volume represents a 6.1% increase. This increase is mainly due to debt relief operations within sub-Saharan Africa.

After rising to 0.32% in 2010, the Austrian ODA to GNI ratio contracted to 0.27% in 2011, falling short of the EU intermediate target of 0.51%. 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 due to domestic budget cuts. In 2012, the ODA/GNI was 0.28%, much lower than Austria's expected target (0.47%) due to planned debt cancellation for Sudan over 2012-14.

Figure IV.7. **Official development assistance: Austria**

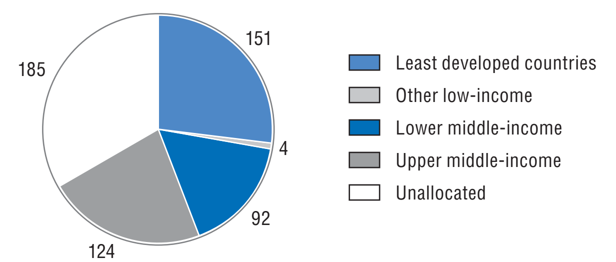
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	1 208	1 111	1 112	0.1
Constant (2011 USD m)	1 295	1 111	1 180	6.1
In euro (million)	912	799	865	8.3
ODA/GNI (%)	0.32	0.27	0.28	
Bilateral share (%)	51	44	48	

P. Preliminary data.

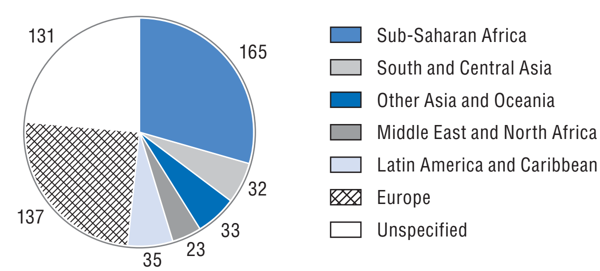
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	65
2 Turkey	30
3 Bosnia and Herzegovina	29
4 China	19
5 Togo	16
6 Kosovo	15
7 Uganda	14
8 Serbia	12
9 Ethiopia	11
10 Ukraine	11
Memo: Share of gross bilateral ODA	
Top 5 recipients	29%
Top 10 recipients	40%
Top 20 recipients	52%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

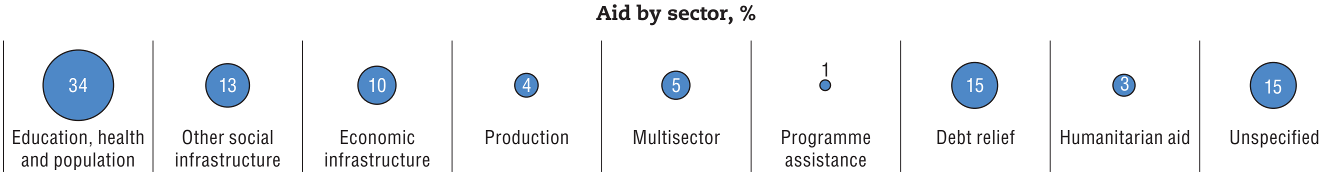
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

While averaging about 73% in 2006-08, the bilateral share of Austrian net ODA fell drastically to 44% in 2009 with the contraction of ODA. When net ODA increased in 2010, the bilateral share also grew, reaching 51%. In 2012, Austrian bilateral ODA totalled USD 538 million, equivalent to 48% of net ODA, while multilateral ODA was USD 574 million.

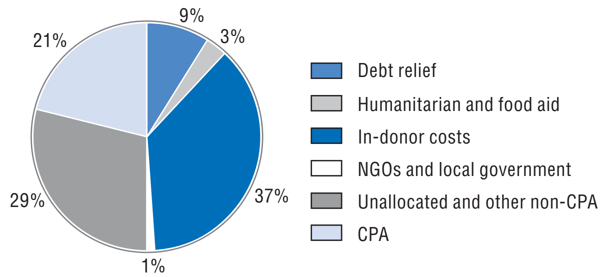
Composition of bilateral ODA

In 2011, only 21% of Austria's gross bilateral ODA was country programmable, well below the DAC members' average of 55% for that year. General budget support – which is part of country programmable aid (CPA) – amounted to USD 4.45 million, equivalent to 0.9% of bilateral ODA. The bilateral humanitarian and food aid provided by Austria accounted for 3% of gross bilateral ODA.

Focus on priority countries and LDCs

In terms of CPA, Austria is a significant partner for all its 14 priority 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 share of Austria's ODA allocated to its top ten recipients, however, fell from 78% in 2007 to 37% in 2011, and the

Composition of bilateral ODA, 2011



share to its top 20 recipients dropped from 83% to 51% over the same period.

The share of gross ODA allocated to LDCs increased considerably between 2007 and 2010, from 6% to 33%, but fell to 19% in 2011. Austria's gross ODA to LDCs amounted to USD 95.64 million in 2011.

Untied aid

Austria is among the DAC members that need to accelerate efforts to untie its aid: in 2011, only 44% of its ODA was reported as untied.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)

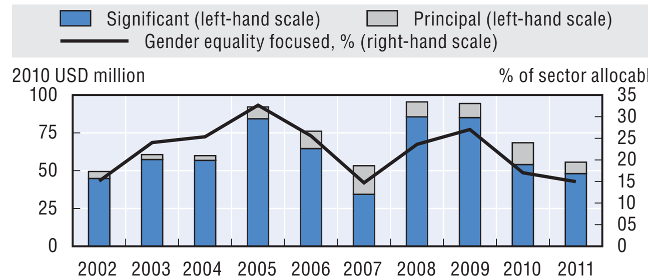
ODA to gender equality and women's empowerment

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. In 2011, commitments were further reduced to USD 56 million, and the share of sector allocable ODA for gender equality and women's empowerment decreased from 17% in 2010 to 15% in 2011.

Environment policies and allocations to the Rio Conventions

Environment and climate change are a concern of Austria's national policy, and efforts have been made in past years to

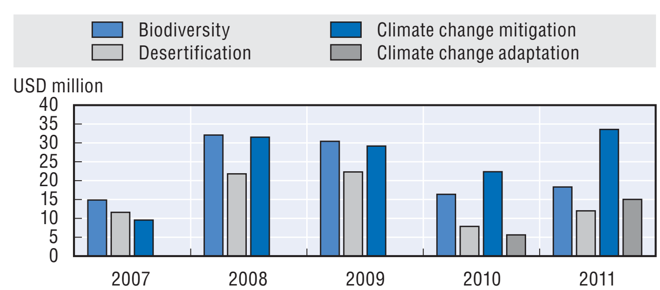
ODA in support of gender equality and women's empowerment, 2002-11



take those issues into account in its development co-operation. 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 2011, Austria's commitments rose again, reaching USD 18 million for biodiversity, USD 34 million for climate change mitigation, USD 15 million for climate change adaptation, and USD 12 million for the fight against desertification.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

The total outflow of resources from Austria to partner countries totalled USD 6.1 billion in 2011 in net terms, of which USD 1.1 billion was ODA. Net disbursements of private flows mainly included foreign direct investment, which totalled USD 5.2 billion, but also included OeEB's (Austria's official development finance institution) private operations (USD 103 million in 2011) and private export credits, which totalled USD –500 million in 2011. Private grants amounted to USD 182 million, up from USD 167 million in 2010.

StatLink http://dx.doi.org/10.1787/888932895957

Belgium

In 2012, Belgium's net ODA amounted to USD 2.30 billion. After sustained increases – of 15% annually on average – between 2008 and 2010, Belgium's net ODA decreased in 2011 and continued to fall – by 13% in real terms – in 2012.

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 0.54% in 2011 and decreased further to 0.47% in 2012. Belgium has enacted legislation that commits it to reach an ODA/GNI ratio of 0.7% by 2015.

Figure IV.8. **Official development assistance: Belgium**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	3 004	2 807	2 303	–18.0
Constant (2011 USD m)	3 217	2 807	2 442	–13.0
In euro (million)	2 268	2 019	1 792	–11.2
ODA/GNI (%)	0.64	0.54	0.47	
Bilateral share (%)	68	62	62	

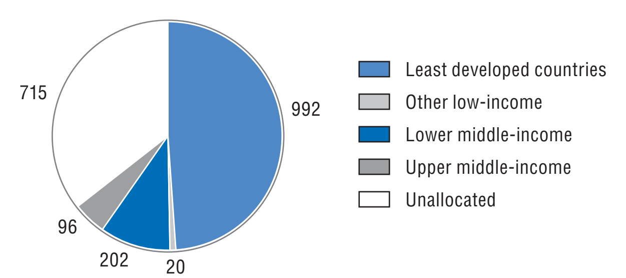
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

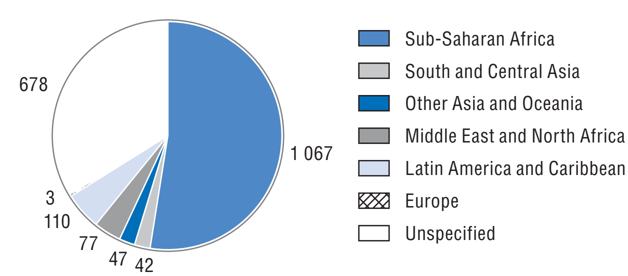
1	Congo, Democratic Republic	495
2	Rwanda	74
3	Burundi	61
4	Togo	47
5	Mozambique	34
6	Congo, Republic	30
7	Niger	29
8	Benin	29
9	West Bank and Gaza Strip	27
10	Morocco	25
	Memo: Share of gross bilateral ODA	
	Top 5 recipients	35%
	Top 10 recipients	42%
	Top 20 recipients	53%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

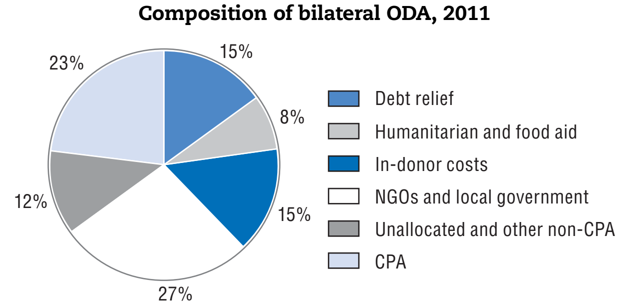
Bilateral and multilateral ODA

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. In 2012, bilateral net ODA totalled USD 1.43 billion, equivalent to 62% of net ODA.

Composition of bilateral ODA

In 2011, only 23% of Belgium's gross bilateral ODA was country programmable aid (CPA), well below the DAC members' average of 55% for the same year. General budget support – which classifies as CPA – amounted to USD 4.23 million, or 0.2% of bilateral ODA. Belgium's bilateral humanitarian and food aid accounted for 8% of gross bilateral ODA.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

Belgium has intended to focus its development assistance on fewer countries and to become a major partner for its priority countries. It has achieved this for its CPA to its priority countries: Belgium has "significant relations" with 15 out of 18 priority partners, meaning that Belgium 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. In addition, Belgium's priority countries are also among its top ten overall ODA recipients.

While the share of ODA allocated to the top ten recipients increased from 37% in 2007 to 49% in 2010, it significantly decreased to 39% in 2011. Similarly, the share going to its top 20 recipients, which rose from 49% to 58% over the same period, fell to 50% in 2011.

The share of Belgium's gross bilateral ODA allocated to LDCs averaged 38% between 2007 and 2009, reached 52% in 2010, but fell to 45.8% – or USD 894 million – in 2011.

Untied aid

Belgium is among the DAC members that untie a large share of their aid. In 2011, 98% of Belgium's aid was reported as untied.

Untied aid status, 2011 (excluding administrative costs and in-donor refugee costs)

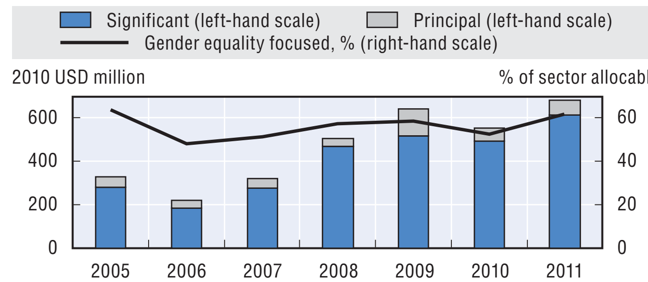
ODA to gender equality and women's empowerment

Gender equality is one of the cross-cutting themes of Belgian development co-operation. Between 2006 and 2009, Belgian support to activities with gender equality as a principal or significant objective increased from USD 194 million to USD 662 million. After a 13% decrease in 2010, commitments to gender equality and women's empowerment increased by 23%, standing at USD 731 million in 2011. The percentage of total sector-allocable ODA with a gender equality focus increased significantly between 2010 and 2011, from 52% to 62%.

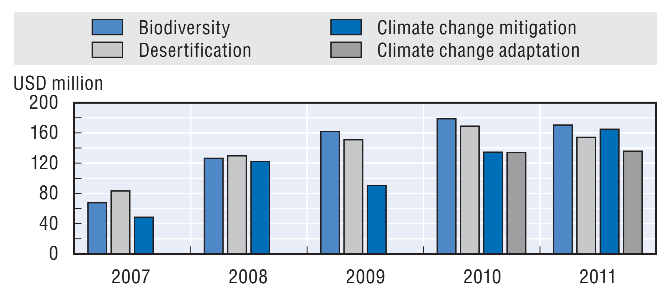
Environment policies and allocations to the Rio Conventions

Environment is another one of the cross-cutting themes of Belgian development co-operation, as illustrated by its high financial commitments to the objectives of the Rio Conventions. While financial commitments to biodiversity slightly decreased between 2010 and 2011, commitments to all the other objectives of the Rio Conventions increased in 2011, reaching USD 165 million for climate change mitigation, USD 136 million for climate change adaptation and USD 154 million for desertification.

ODA to gender equality and women's empowerment, 2005-11



ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Net total resource flows from Belgium to partner countries decreased sevenfold between 2010 and 2011, from USD 7.9 billion to USD 1.2 billion. The main reason is that over USD 2.1 billion in foreign direct investment capital returns were received from partner countries in 2011. Net official flows beyond ODA, such as direct export credits, are negligible, totalling USD –15 million in 2011, while net private grants have increased since 2007, reaching USD 519 million in 2011, a 38% increase from 2010.

StatLink http://dx.doi.org/10.1787/888932895976

Canada

Canada's net ODA was USD 5.68 billion in 2012, making it the 6th largest DAC member in terms of volume. Following a 5% drop in 2011, Canada's ODA increased in real terms by 4.1% in 2012 due to an increase in debt relief and its continued commitment to major regional initiatives.

Canada's ODA/GNI ratio was 0.32% in 2012, well below the long-standing UN target of a 0.7% ODA/GNI ratio, which Canada has not endorsed.

Figure IV.9. **Official development assistance: Canada**

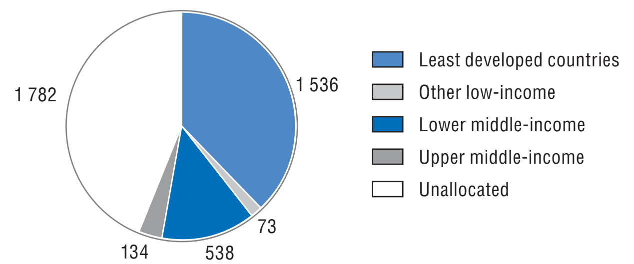
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	5 214	5 459	5 678	4.0
Constant (2011 USD m)	5 606	5 459	5 682	4.1
In Canadian dollars (million)	5 372	5 399	5 673	5.1
ODA/GNI (%)	0.34	0.32	0.32	
Bilateral share (%)	75	75	76	

P. Preliminary data.

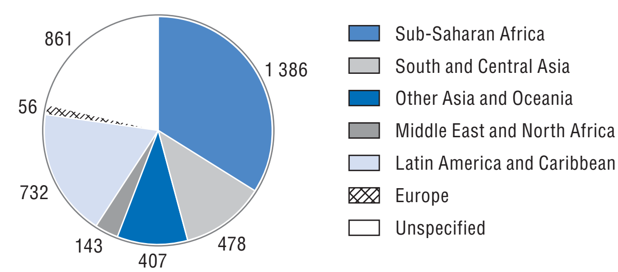
Top ten recipients of gross ODA (USD million)	
1 Haiti	350
2 Afghanistan	246
3 Ethiopia	130
4 Mali	106
5 Mozambique	106
6 Tanzania	103
7 Pakistan	95
8 Ghana	92
9 Sudan	80
10 Bangladesh	74
Memo: Share of gross bilateral ODA	
Top 5 recipients	23%
Top 10 recipients	34%
Top 20 recipients	43%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

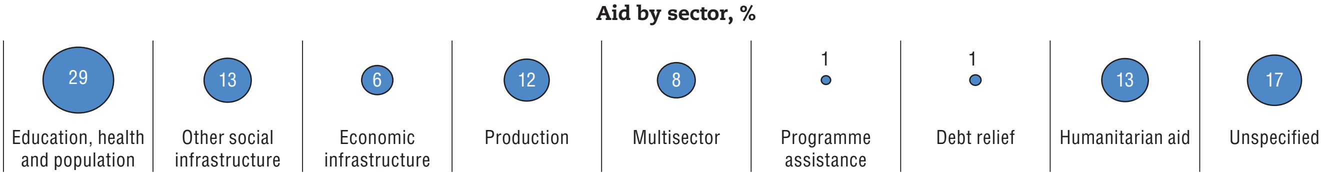
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

Over the last five years, the ratio of Canada's bilateral and multilateral ODA has varied from 69:31 (bilateral:multilateral) in 2006 to 76:24 in 2011. Preliminary 2012 data suggest that Canada's bilateral programme amounted to USD 4.30 billion, maintaining the bilateral share at 76% of Canada's net ODA.

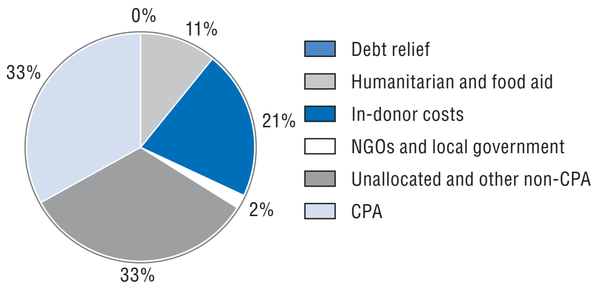
Composition of bilateral ODA

Canada's country programmable aid (CPA) amounted to USD 1.39 billion in 2011, equivalent to 33% of its gross bilateral ODA (compared to a DAC average of 55%). 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 ODA extended by other local and federal agencies. General budget support – a part of CPA – amounted to 1.6% of Canada's gross bilateral ODA, a slight increase over 2010 (1.5%). Canada's bilateral humanitarian and food aid accounted for 11% of its gross bilateral ODA.

Focus on priority countries and LDCs

Canada's 2007 and 2012 peer reviews recommended concentrating bilateral development co-operation and disengaging from countries where it does not have a comparative advantage. Since 2007, Canada has reduced its partner countries from 77 to 43 and selected from these 20 "countries of focus". From 2007 to 2010, Canada's ODA recipient countries declined from 146 to 125, and the share of bilateral ODA to the top 10

Composition of bilateral ODA, 2011



and top 20 partner countries increased from 31% to 39% and from 43% to 48% respectively. In 2011, however, the same figures decreased to 29% and 38% respectively.

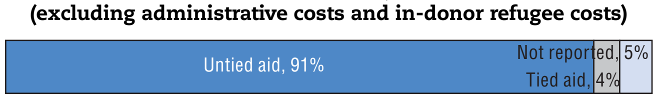
Canada's "significant relations" (countries to which Canada provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA) increased from 40% of all its relations in 2007 to 46% in 2011, indicating a slightly more concentrated bilateral programme.

Canada's share of gross bilateral ODA to LDCs increased significantly between 2009 (37%) and 2010 (44%), but decreased to 32% in 2011. Support to LDCs also decreased in absolute value, totalling USD 1.35 billion – down from USD 1.73 billion in 2010.

Untied aid

Canada untied all its food aid in 2008 and plans to untie all its ODA by the end of the 2012/13 fiscal year. In 2011, the share of Canada's aid reported as untied was 91%.

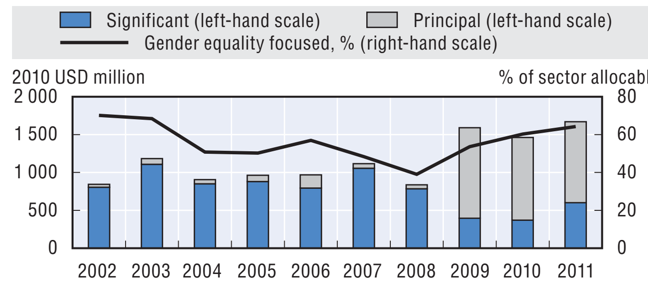
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

Canada's strong support for gender equality and women's empowerment in 2011 reflects its prioritisation of this cross-cutting issue. After considerable fluctuations between 2002 and 2008, Canada's support to activities with gender equality and women's empowerment as their principle objective increased significantly from USD 795 million in 2008 to USD 1.4 billion in 2009. While ODA commitments declined slightly in 2010, they reached USD 1.8 billion in 2011, a 14% increase in real terms compared to the previous year. Overall, 64% of Canada's sector allocable ODA supported gender equality and women's empowerment in 2011, up from 60% in 2010.

ODA for gender equality and women's empowerment, 2002-11

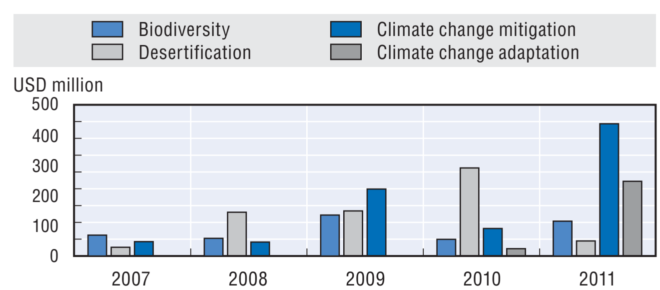


Note: The Canadian International Development Agency's (CIDA) gender equality policy marker is not intended to be linked to disbursements. It denotes the level of integration of planned gender equality results in CIDA's projects or the capacity of an institution to integrate gender equality. It does not 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.

Environment policies and allocations to the Rio Conventions

Canada includes environmental sustainability as a cross-cutting theme in its development policy framework. Canadian ODA commitments to the objectives of the Rio Conventions fluctuated significantly between 2007 and 2010. In 2011, ODA commitments to all objectives but desertification increased compared to the previous year.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

After years of steady growth, net private and other official flows from Canada to ODA-eligible countries declined steeply following the 2008 global financial crisis. While Canadian investors cut 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. These flows, however, decreased to USD 5.7 billion in 2011. In order to stimulate sustainable economic growth, Canada aims to use its ODA to support the development of better investment conditions and the leveraging of private sector investment in partner countries.

StatLink http://dx.doi.org/10.1787/888932895995

Czech Republic

In 2012, the Czech Republic's ODA totalled USD 219 million, representing 0.12% of its GNI. While ODA increased in real terms by 2.7% between 2010 and 2011 – predominantly due to a rise in contributions to multilateral organisations – the Czech Republic's ODA fell by 4.2% in 2012. All assistance was provided in the form of grants. The Czech Republic's Ministry of Foreign Affairs (MFA) stands by its EU commitment to meet the ODA/GNI target of 0.33%, but acknowledges that it will take longer than 2015.

Figure IV.10. **Official development assistance: Czech Republic**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	228	250	219	–12.4
Constant (2011 USD m)	244	250	240	–4.2
In koruny (million)	4 342	4 426	4 285	–3.2
ODA/GNI (%)	0.13	0.12	0.12	
Bilateral share (%)	35	31	29	

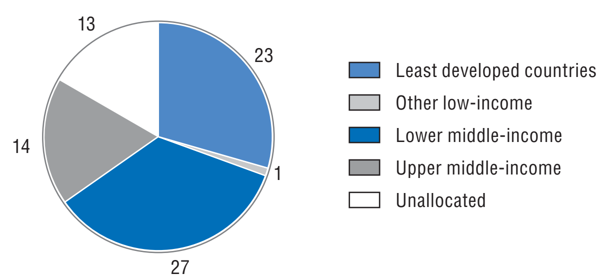
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

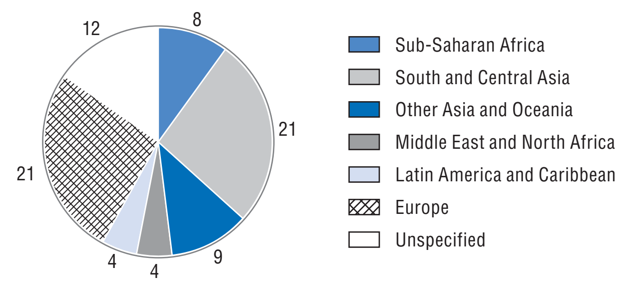
1	Afghanistan	12
2	Mongolia	6
3	Moldova	4
4	Serbia	3
5	Bosnia and Herzegovina	3
6	Ukraine	3
7	Georgia	3
8	Kosovo	2
9	Ethiopia	2
10	Viet Nam	2
Memo: Share of gross bilateral ODA		
	Top 5 recipients	37%
	Top 10 recipients	53%
	Top 20 recipients	68%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

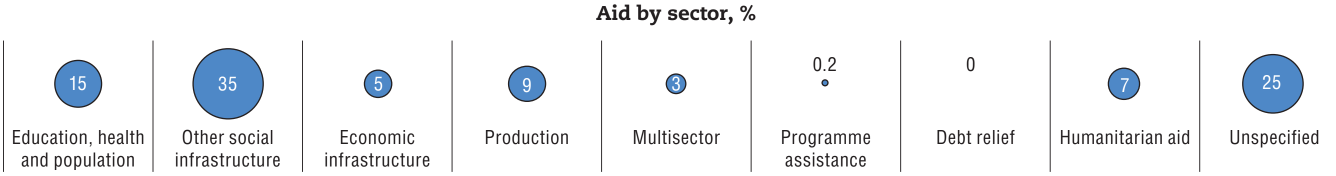
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

While the Czech Republic's total ODA fluctuated considerably between 2006 and 2012, the multilateral share stood at over half of the total between 2006 and 2009 and then increased considerably, reaching 71% in 2012. In 2012, bilateral ODA totalled USD 63.01 million, while multilateral ODA amounted to USD 156.32 million. While most multilateral ODA is channelled through the EU, it is also channelled through the UN and other multilateral organisations. In order to make these contributions more focused and strategic, the Czech government approved the "Multilateral Development Co-operation Strategy for the period 2013-17" in February 2013.

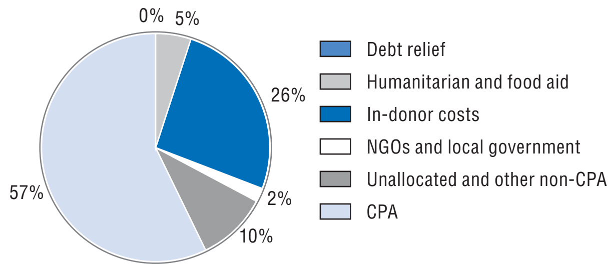
Composition of bilateral ODA

In 2011, 57% of the Czech Republic's gross bilateral ODA was country programmable aid (CPA), higher than the DAC members' average of 55% for the same year. The Czech Republic does not provide general budget support, one of the components of CPA. Bilateral humanitarian and food aid accounted for 5% of gross bilateral ODA.

Focus on priority countries and LDCs

In geographical terms, the Czech Republic's bilateral development co-operation is focused mainly in Asia, Eastern Europe and the Western Balkans, although Africa's share has increased in comparison with previous years. The Czech Republic

Composition of bilateral ODA, 2011



currently provides development co-operation through a programme-based approach to five priority countries (Afghanistan, Bosnia and Herzegovina, Ethiopia, Moldova and Mongolia). Development co-operation is also pursued through projects in countries such as Cambodia, Georgia, Kosovo, the Palestinian Autonomous Territories and Serbia, while four other countries continue receiving assistance with a redefined focus and scope on a planned phase-out schedule (Angola, Viet Nam, Yemen and Zambia).

In 2011, the Czech Republic provided humanitarian assistance to Libya and Yemen in response to the consequences of the Arab Spring. It continued to provide development assistance in Afghanistan through, for example, a provincial reconstruction team in the Logar province. Following up on the Czech ODA Strategy for 2010-17, programme documents defining the sectoral and geographic focus of development co-operation were agreed with four priority countries (Bosnia and Herzegovina, Ethiopia, Moldova and Mongolia).

StatLink http://dx.doi.org/10.1787/888932896014

Box IV.1. **Accession Review of the Czech Republic (April 2013)**

The Czech Republic formally applied to start the DAC accession process on 15 January 2013. In response, a team from the Secretariat visited Prague from 20 to 22 March 2013 in order to review the readiness of its international development co-operation system for DAC membership.

The Secretariat assessed the performance of the Czech Republic's development co-operation system against the criteria for DAC membership and the Czech Republic's capacity to fulfil the obligations of DAC members as set out in the "*Aide-Mémoire* on the Accession of New DAC members and Full Participants" (Annex I to the DAC Global Relations Strategy). The Secretariat's report concluded that the Czech Republic was ready to join the DAC.

In particular, the report highlighted that:

The development co-operation system has been revamped and restructured to make it more effective, and assistance has become more focused geographically and sectorally. The Czech ODA system underwent a significant transformation from 2008 through 2012, which progressively transferred to the Ministry of Foreign Affaires (MFA) bilateral development activities and projects that were previously managed by nine different ministries. This transformation culminated in 2012 with a unified ODA system under a strengthened MFA; a consolidated development co-operation budget within the MFA's budget; the establishment of the Czech Development Agency (CzDA); the creation of the Czech Council for Development Co-operation; and the adoption of the Act on Development Co-operation and Humanitarian Aid and the Development Co-operation Strategy of the Czech Republic 2010-17.

Czech ODA has attained a stable level. The MFA has managed to protect the ODA budget from the sharp cuts that most other budget areas have incurred. The Czech Republic expects to maintain the current level of ODA for the next couple of years, and it will increase the bilateral portion of its ODA budget and resume the path to meeting its EU target when economic growth resumes.

The evaluation system has been integrated into the development co-operation system in a purposeful way, and independent evaluations are produced every year. The Czech Republic restructured and strengthened its evaluation system in line with the OECD DAC's "Principles for Evaluation of Development Assistance (1991)" and formed a joint government-civil society working group for evaluation under the Council for Development Co-operation. This new evaluation system ensures objectivity of evaluation, institutionalises a feedback mechanism and enhances accountability through public disclosure of evaluation findings. In addition, every bilateral project is monitored, usually twice a year.

The Czech Republic is participating in the DAC at all levels and meets other DAC obligations. The Secretariat also assessed that the Czech Republic was ready to implement DAC Recommendations on ODA Terms, Conditions of Aid and Untying Aid; to submit statistical data in accordance with the Committee's requirements; and to engage with the DAC as a member of the Committee.

Denmark

In 2012, Denmark's net ODA amounted to USD 2.72 billion. Compared to 2011, this figure is a real decrease of 1.8% and follows the 3% drop in 2010. The decrease in 2012 was mainly due to unforeseen events that affected disbursements of funds for specific development programmes. As for many DAC members, these are the first decreases after steady ODA increases – in the case of Denmark, by an average real annual rate of 2% between 2007 and 10.

With an ODA/GNI ratio of 0.84% in 2012, Denmark maintained its position as one of the five DAC members that allocate 0.7% or more of GNI as ODA. The current government intends to allocate 1% of GNI as ODA in the near future.

Figure IV.11. **Official development assistance: Denmark**

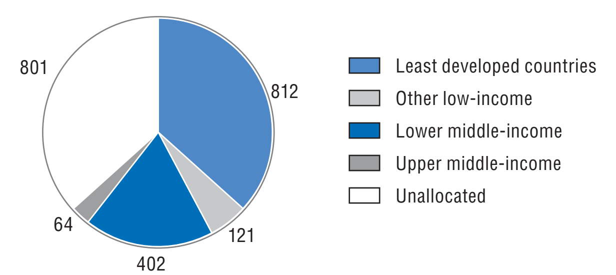
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	2 871	2 931	2 718	– 7.3
Constant (2011 USD m)	3 030	2 931	2 879	– 1.8
In Danish kroner (million)	16 142	15 712	15 739	0.2
ODA/GNI (%)	0.91	0.85	0.84	
Bilateral share (%)	73	73	72	

P. Preliminary data.

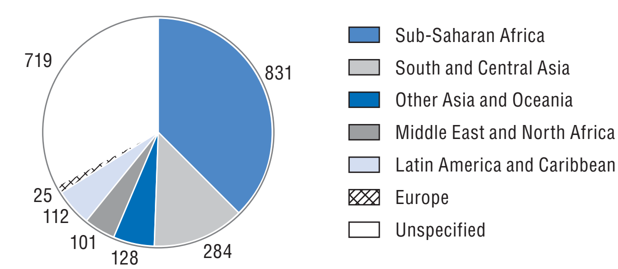
Top ten recipients of gross ODA (USD million)	
1 Tanzania	128
2 Mozambique	101
3 Ghana	87
4 Afghanistan	84
5 Uganda	75
6 Bangladesh	72
7 Kenya	71
8 Viet Nam	69
9 Bolivia	41
10 Nepal	40
Memo: Share of gross bilateral ODA	
Top 5 recipients	22%
Top 10 recipients	35%
Top 20 recipients	49%

Gross bilateral ODA, 2009-10 average, unless otherwise shown

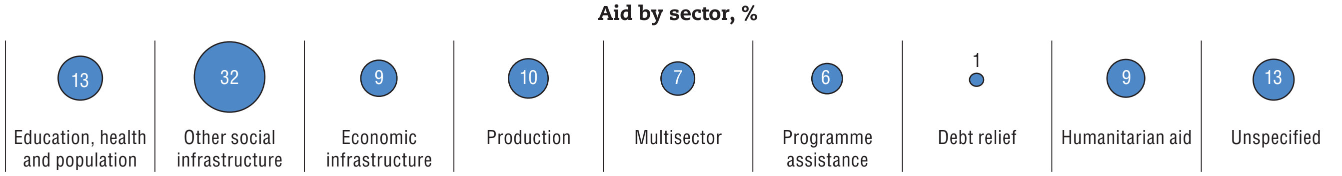
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

From 2005 to 2008, Denmark maintained a stable ratio of about 65% to 35% between its bilateral and multilateral ODA. The bilateral share of Danish ODA increased from 65% in 2008 to 73% in 2011 and fell slightly in 2012 to 72%, or USD 1.96 billion. In 2012, multilateral ODA decreased by about USD 25 million compared to 2011, totalling USD 761 million.

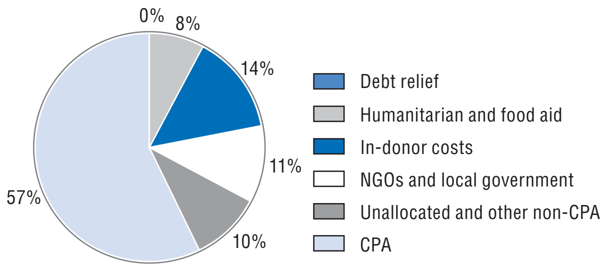
Composition of bilateral ODA

In 2011, Denmark allocated USD 1.25 billion as country programmable aid (CPA), equivalent to 57% of its gross bilateral ODA – slightly higher than the DAC members' average of 55% for the same year. General budget support – which counts as CPA – totalled USD 67.2 million, equivalent to 3% of Denmark's gross bilateral ODA. Denmark's humanitarian and food aid accounted for 8% of gross bilateral ODA in 2011.

Focus on priority countries and LDCs

With the phasing out of a limited number of priority countries, Denmark's bilateral ODA is now focused on 24 priority countries. ODA to Nicaragua and Cambodia was phased out in 2011 and 2012, and Denmark is currently phasing out ODA to another 4 priority countries: Benin, Bhutan, Viet Nam and Zambia. All of the top ten recipients are priority partner countries for Denmark. The share of bilateral ODA allocated to ten top recipients, however, gradually declined from 43%

Composition of bilateral ODA, 2011



in 2007 to 34% in 2011. Over the same period, the share to its top 20 recipients fell from 64% to 50%.

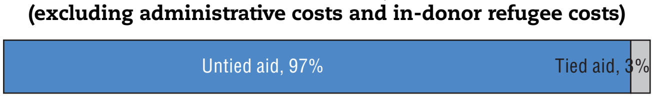
In terms of CPA allocations, the share of Denmark's "significant relations" (countries to which Denmark provides more than its global share of CPA and/or for which is among the top donors that cumulatively provide 90% of CPA) in all its partnerships was 42% in 2011, a 34% increase compared to 2010.

The share of Denmark's ODA provided to LDCs reached a peak of 41% in 2009 and then decreased to 37%, or USD 808 million, in 2011. It remains, however, above the 30% average for DAC members in 2011.

Untied aid

Denmark is among the DAC members with a large proportion of untied aid. In 2011, 97% of Denmark's aid was reported as untied.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



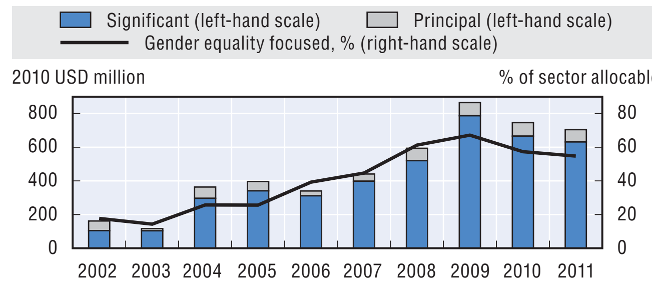
ODA to gender equality and women's empowerment

Gender equality has been a strategic priority in Denmark's development co-operation for a number of years. The amounts committed for activities that have gender equality and women's empowerment as a principal or significant objective increased at an average rate of 45% annually from 2007 to 2009. Commitments, however, then decreased by 13% in 2010 and by another 6% in 2011, totalling USD 749 million.

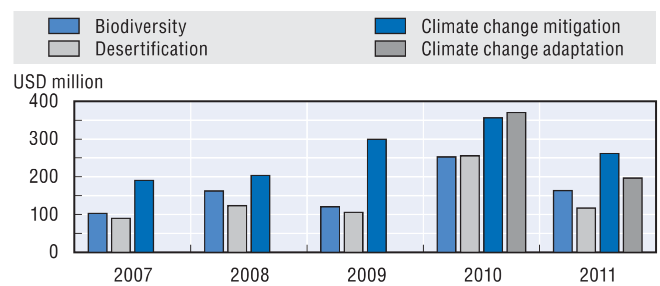
Environment policies and allocations to the Rio Conventions

Denmark gives political priority to the environment. After significant ODA increases to the objectives of the Rio Conventions in 2010, Denmark's commitments fell in 2011 to USD 164 million for biodiversity, USD 262 million for climate change mitigation, USD 197 million for climate change adaptation and USD 117 million for combating desertification.

ODA for gender equality and women's empowerment, 2002-11



ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

In 2011, net resource flows from Denmark to partner countries amounted to USD 2.82 billion. Positive flows included ODA (USD 2.93 billion), grants by private charitable organisations (USD 198 million) and other official flows (USD 45 million), which mainly include IFU's (Denmark's development finance institution) loan operations. Net private flows at market terms were negative (USD –356 million), mainly due to capital returns for foreign direct investment. Other financial flows varied from year to year: while USD 233 million was disbursed in 2009 and USD 45 million in 2011, the amount was negative in 2008 and 2010. Grants by private charitable organisations have increased steadily since 2009 from USD 116 million to USD 198 million in 2011. Private flows at market terms fluctuated from USD 2.3 billion in 2008 to USD –356 million in 2011.

StatLink http://dx.doi.org/10.1787/888932896033

European Union institutions

In 2012, net disbursements by EU Institutions to partner countries and multilateral organisations were USD 17.57 billion, a 8% increase in real terms from the 2011 total of USD 17.39 billion, due essentially to an increase in loans.

Figure IV.12. **Official development assistance: European Union institutions**[1]

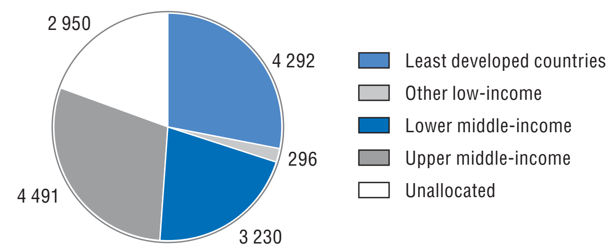
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	12 679	17 391	17 570	1.0
Constant (2011 USD m)	13 470	17 391	18 778	8.0
In euro (million)	9 573	12 507	13 670	9.3
Bilateral share (%)	98	98	98	

P. Preliminary data.

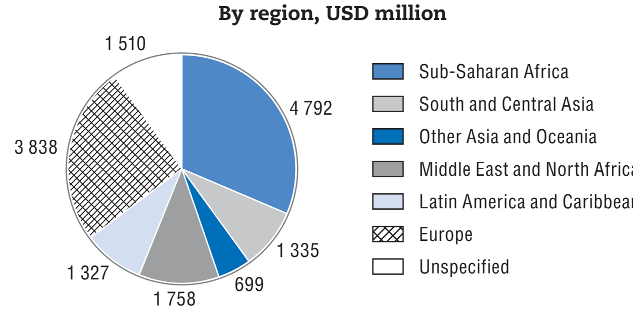
Top ten recipients of gross ODA (USD million)	
1 Turkey	1 582
2 Serbia	677
3 West Bank and Gaza Strip	420
4 Congo, Democratic Republic	342
5 Afghanistan	324
6 Morocco	321
7 Kosovo	292
8 Tunisia	285
9 South Africa	238
10 Haiti	232
Memo: Share of gross bilateral ODA	
Top 5 recipients	22%
Top 10 recipients	31%
Top 20 recipients	43%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

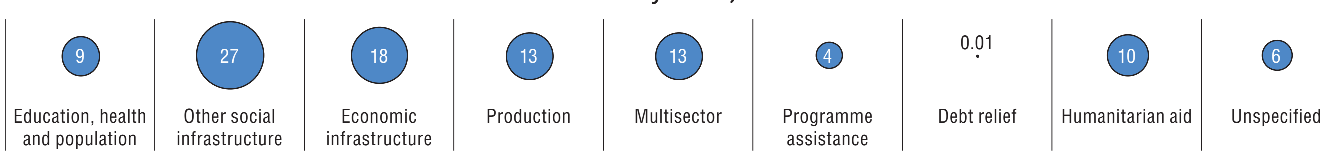
By income group, USD million



By region, USD million



Aid by sector, %



1. See note on concessionality of loans in DAC statistics: *www.oecd.org/dac/stats/concessionality-note.htm*

Bilateral and multilateral ODA

The EU institutions are unique among DAC members because of the dual role they play in development assistance. In contrast to multilateral organisations that exclusively receive transfers from members, the EU institutions are donors in their own right with their own resources and budgetary authority, as laid out in the Treaty on the Functioning of the European Union. The EU institutions' development co-operation architecture includes the European Investment Bank (the EU's financing institution).The EU institutions also manage 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 the EU institutions to multilateral organisations averaged 3% of the EU institutions' total ODA between 2006 and 2011 and stood at 2%.

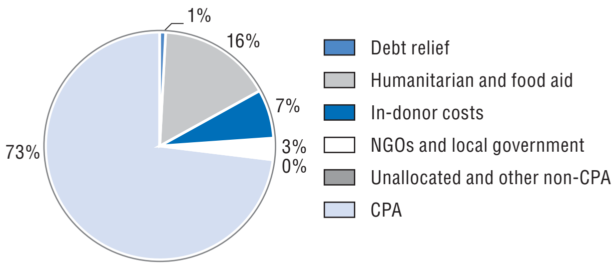
Composition of bilateral ODA

In 2011, 73% of the EU's gross bilateral grant ODA was classified as country programmable aid (CPA), well above the DAC members' average of 55%. EU institutions are an important provider of general budget support – a part of CPA – which totalled USD 1.03 billion in 2011 (or 5.7% of the EU institutions, gross bilateral ODA). Bilateral humanitarian and food aid provided by EU institutions in 2011 accounted for 16% of gross bilateral ODA.

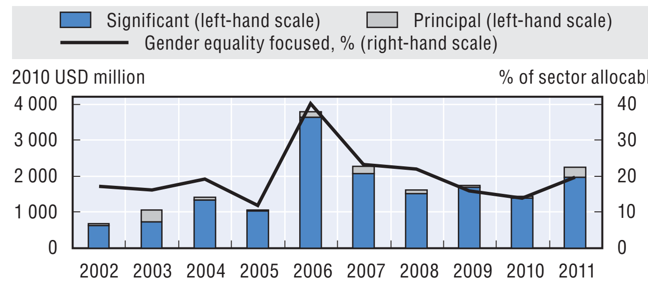
Focus on priority countries and LDCs

EU institutions provide development co-operation to about 146 countries. In 2011, 49% of EU ODA went to its top 20 recipi-

Composition of bilateral ODA, 2011



ODA for gender equality and women's empowerment, 2002-11



ents, well above the 2008-10 average of 35%. Given the size of their programmes, EU institutions are a significant donor in a large number of partner countries. In 2011, they had significant relationships with 122 countries – meaning that they provide those countries with more than their global share of CPA and/or are among the largest donors that cumulatively provide 90% of CPA.

In 2011, the share of bilateral ODA managed by EU institutions allocated to LDCs was 23%, or USD 4.15 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 to untie aid on the basis of reciprocity and proportionality in partner countries.

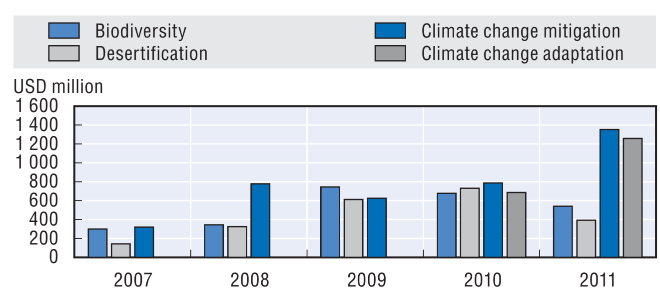
ODA to gender equality and women's empowerment

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. Commitments supporting gender equality peaked in 2006, fluctuated from 2007 to 2010, and regained some momentum in 2011. Commitments for activities that had gender equality as a principal or significant objective totalled USD 1.42 billion in 2010 and increased by 57% in 2011. EU's sector-allocable ODA targeted to gender-focused activities increased from 14% in 2010 to 20% in 2011.

Environment policies and allocations to the Rio Conventions

In 2007, the European Commission set up the Global Climate Change Alliance, a recognised global model for climate change assistance. ODA commitments for climate change mitigation increased more than fourfold between 2007 and 2011, reaching USD 1.35 billion in 2011. Commitments in support of climate change adaptation also increased dramatically, rising from USD 686 million in 2010 to USD 1.26 billion in 2011. Meanwhile commitments to biodiversity and to combat desertification increased progressively between 2007 and 2010, but decreased to USD 540 million and USD 392 million respectively in 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



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Finland

In 2012, Finland's net ODA amounted to USD 1.32 billion. In real terms, this figure represents a slight decrease from 2011 (0.4%), making 2011 the second consecutive year that ODA decreased. Finnish ODA grew quickly between 2008 and 2009 at an average annual rate of 12% in real terms, but it started to slow down in 2010.

With an ODA/GNI ratio of 0.55% in 2010, Finland surpassed the EU intermediate target of 0.51% for that year. Finland's ODA/GNI then stood at 0.53% in both 2011 and 2012.

Figure IV.13. **Official development assistance: Finland**

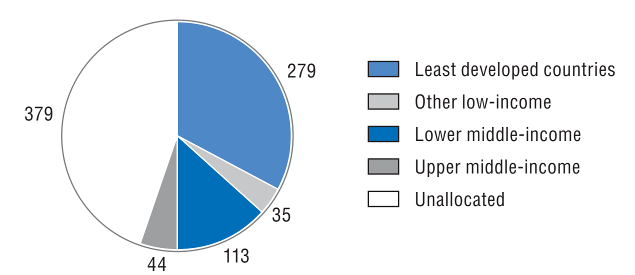
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	1 333	1 406	1 320	–6.1
Constant (2011 USD m)	1 443	1 406	1 400	–0.4
In euro (million)	1 006	1 011	1 027	1.5
ODA/GNI (%)	0.55	0.53	0.53	
Bilateral share (%)	63	60	60	

P. Preliminary data.

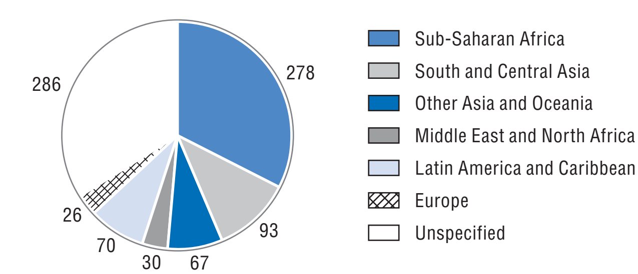
Top ten recipients of gross ODA (USD million)	
1 Tanzania	51
2 Mozambique	42
3 Afghanistan	28
4 Ethiopia	25
5 Nepal	24
6 Viet Nam	24
7 Kenya	24
8 Zambia	20
9 Nicaragua	16
10 Sudan	16
Memo: Share of gross bilateral ODA	
Top 5 recipients	20%
Top 10 recipients	32%
Top 20 recipients	42%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

Bilateral and multilateral ODA

In 2012, bilateral ODA was USD 797.9 million, equivalent to 60% of net ODA. Bilateral ODA almost doubled over the period of ODA increases between 2006 and 2011, in line with the orientations of the government at the time. Although Finland's 2012 development policy emphasised a greater use of the multilateral channel, preliminary 2012 data indicate that the multilateral share of ODA has remained at the 2011 level of 40%.

Composition of bilateral ODA

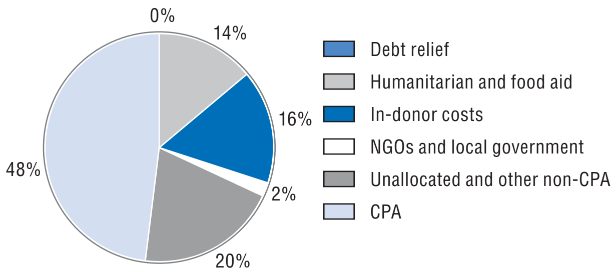
In 2011, 48% of Finland's gross bilateral ODA was country programmable aid (CPA) – below the DAC members' average of 55% for that year. In 2011, Finland's general budget support – which is counted as part of CPA – amounted to USD 38.24 million, equivalent to 4.4% of Finland's gross bilateral ODA. Finland's bilateral humanitarian and food aid accounted for 14% of gross bilateral ODA.

Focus on priority countries and LDCs

Finland has long-lasting development partnerships with eight countries, all of which are among its top ten ODA recipients. 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.

In 2011, Finland provided ODA to 82 countries in total, down from 122 in 2010. The share of total bilateral ODA allocated to the top 20 recipients has, however, steadily fallen from

Composition of bilateral ODA, 2011



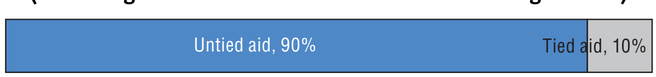
49% in 2007 to 41% in 2011. In terms of CPA, the percentage of Finland's significant relations increased slightly from 30% in 2010 to 36% in 2011, but remains below the peak of 40% recorded in 2008.

The share of Finland's gross bilateral ODA allocated to LDCs remained fairly stable between 2006 and 2010, averaging about 34%, but fell to 32%, or USD 274.34 million, in 2011.

Untied aid

Finland is among the DAC members that untie a large share of their aid. In 2011, 90% of Finland's aid was reported as untied.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



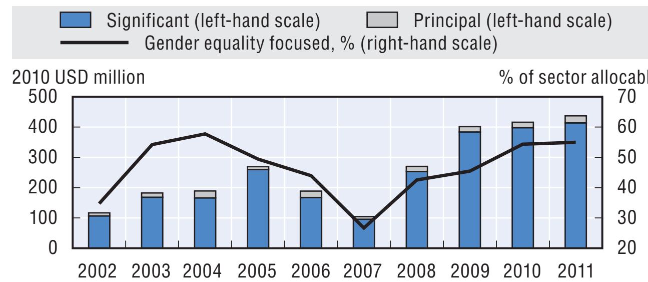
ODA to gender equality and women's empowerment

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 have since been 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 483 million in 2011.

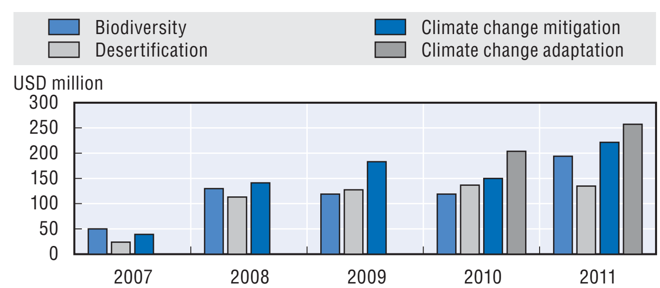
Environment policies and allocations to the Rio Conventions

Finland has emphasised the integration of environmental considerations into all its development co-operation interventions since the mid-1980s. ODA commitments to combat desertification grew significantly from USD 24 million in 2007 to USD 137 million in 2010 and then fell slightly to USD 135 million in 2011. Commitments to all other objectives of the Rio Conventions reached peak values in 2011: USD 194 million for biodiversity, USD 221 million for climate change mitigation, and USD 257 million for climate change adaptation.

ODA for gender equality and women's empowerment, 2002-11



ODA commitments targeting Rio Convention objectives 2007-11



External development finance beyond ODA

Finland's net total resource flows to partner countries amounted to USD 1.02 billion in 2011. These flows included private flows at market terms, for the most part foreign direct investment, which accrued USD 1.5 billion of capital returns to Finland, and therefore figure as negative net flows. Positive net flows to partner countries in 2011 were ODA flows, totalling USD 1.4 billion, and other official flows, such as official export credits, amounting to USD 1.1 billion.

StatLink http://dx.doi.org/10.1787/888932896071

France

In 2012, France's net official development assistance (ODA) amounted to USD 12.1 billion, a 0.8% decrease from 2011. The ratio of ODA to gross national income was unchanged at 0.46% in 2011 and 2012, but below the level reached in 2010 (0.50%). France projects that ODA will rise to EUR 10.9 billion, or 0.48% of GNI, in 2015. The government has announced that the upward trend towards 0.7% of GNI would resume as soon as growth was restored in France.

Figure IV.14. **France's official development assistance**[1]

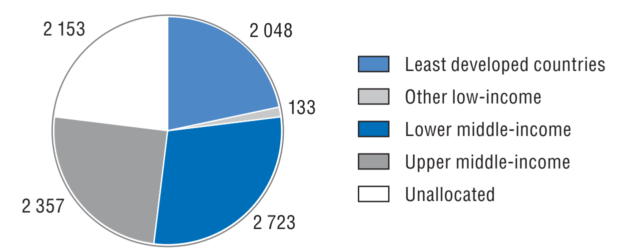
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	12 915	12 997	12 106	–6.9
Constant (2011 USD m)	13 741	12 997	12 898	–0.8
In euro (million)	9 751	9 348	9 419	0.8
ODA/GNI (%)	0.50	0.46	0.46	
Bilateral share (%)	60	65	66	

P. Preliminary data.

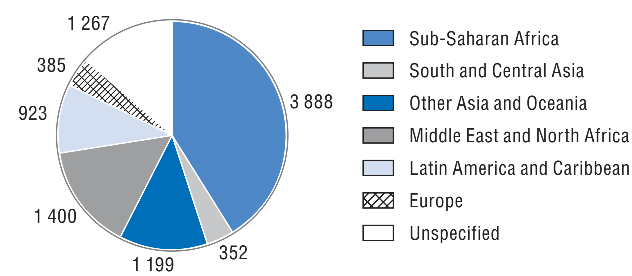
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	594
2 Morocco	510
3 Congo, Republic	504
4 China	366
5 Côte d'Ivoire	358
6 Mexico	357
7 Mayotte	305
8 Tunisia	299
9 Viet Nam	290
10 Turkey	212
Memo: Share of gross bilateral ODA	
Top 5 recipients	25%
Top 10 recipients	40%
Top 20 recipients	57%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

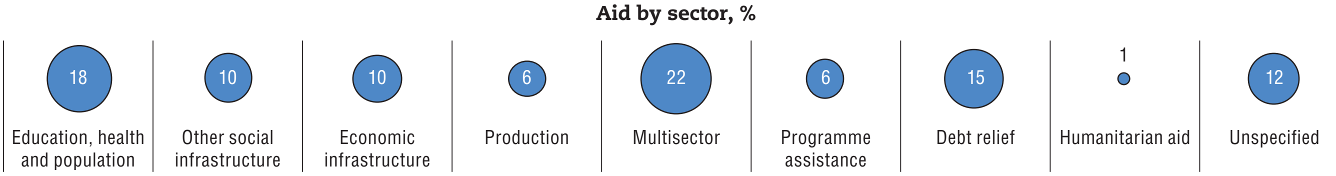
By income group, USD million



By region, USD million



Aid by sector, %



1. See note on concessionality of loans in DAC statistics: *www.oecd.org/dac/stats/concessionality-note.htm*

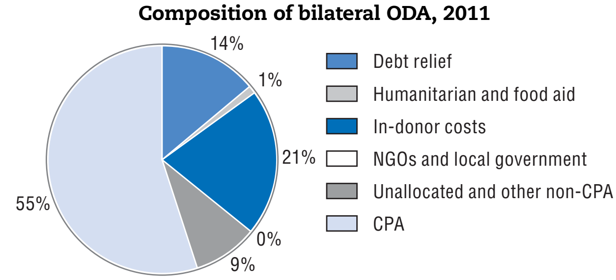
Bilateral and multilateral ODA

The bilateral share of French assistance declined from 75% in 2006 to 57% in 2009, before rebounding and rising to 66% in 2012. Bilateral aid is highly volatile due in particular to debt relief operations. With USD 4.09 billion allocated through multilateral channels in 2012, France is one of the DAC's main contributors of multilateral co-operation.

Composition of bilateral ODA

In 2011, 55% of French bilateral assistance was country programmable aid (CPA), in line with the average for DAC members. Some 6.9% of bilateral aid was allocated as general budget support – a higher proportion than in 2011 (4%). Amongst non-programmable components, there was a large share of debt relief (14%) but scant allocations for humanitarian and food aid (1%) and NGOs (less than 1%).

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

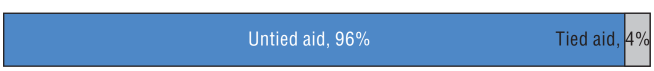
France has identified Africa as a priority region, to which it earmarks a growing share of its financial effort (77% in 2011). It has also identified 17 priority poor sub-Saharan countries that are to receive 50% of state subsidies. Even so, less than 10% of net bilateral ODA (excluding debt reduction) was earmarked for these 17 priority poor countries in 2011 – a percentage that has been declining continuously since 2008. French ODA covers many countries and tends to be spread thinly, insofar as France maintains significant relations with 58 countries and non-significant ones with another 58. Likewise, the share of ODA intended for the top 20 beneficiaries also decreased from 63% in 2007 to 61% in 2011.

In 2011, France allocated USD 2.37 billion to least developed countries (LDCs), or 25% of sector-allocable gross bilateral ODA. Only one low-income country amongst the top ten beneficiaries of French assistance in 2011. The share of bilateral ODA allocated to LDCs was nonetheless on the rise compared to previous years.

Untied aid

Much of French aid is untied. In 2011, 96% of France's aid was reported as untied.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



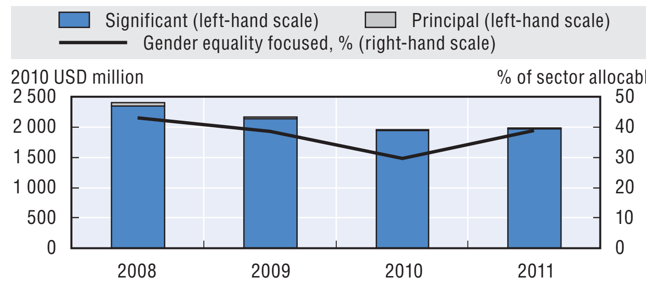
ODA to *gender equality and women's empowerment*

Implementation of the strategic policy paper on gender equality, which was published in 2007 and outlined in the *Action Plan for Women's Empowerment* (2009-11), underwent critical evaluation in 2012. France began using the "gender equality marker" in 2008. After dipping between 2008 and 2010, the percentage of sector-allocable ODA targeting gender equality rose from 30% in 2010 to 39% in 2011. At the same time, outlays for projects in which gender equality was the principal or a significant objective also sharply increased. The government has pledged to incorporate a gender equality approach into all development policies and instruments, in particular through systematic use of impact analyses and more frequent use of gender equality-focused policy analysis tools.

Environment policies and allocations to the Rio Conventions

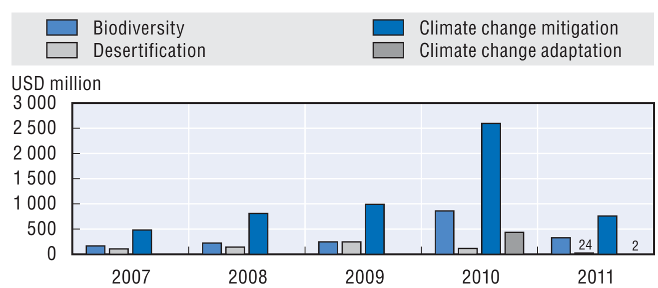
In 2009, natural resources and the environment became the leading sector (by volume) for the Agence Française de Dével-

ODA to gender equality and women's empowerment, 2008-11



oppement (AFD). This represented 2% of AFD's activity in 2005 and 24% in 2009. France has made new commitments to combat climate change in connection with the Copenhagen agreements (EUR 420 million per year in 2010-12). The AFD has in fact earmarked more than EUR 7.5 billion for climate change mitigation activities and 1.6 billion for adaptation activities over the past five years. Despite the decline observed in 2011, France's effort is expected to be sustained in the coming years; AFD has an on-going financial commitment target of 50% of the Agency's funding to partner countries.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Other official flows beyond France's ODA consist primarily of the non-concessional activities of the AFD and Proparco (France's financial development institution). Total net payments of other official flows (OOF), which were low in 2009, became negative in 2010 (USD –573 million) and in 2011 (USD –71 million). Owing to the financial crisis, private flows have declined steadily since 2007, when they stood at USD 34.4 billion, and 2008 (USD 30.0 billion). These flows remain very substantial, however, and are well above ODA levels. At USD 21.3 billion in 2011, these funds accounted for 62% of aggregate flows from France to its partner countries.

StatLink http://dx.doi.org/10.1787/888932896090

Germany

In 2011, Germany's ODA was USD 13.11 billion, making it the third largest DAC member in terms of volume. This 0.7% decrease in real terms from 2010 is due to reduced contributions to multilateral institutions.

Germany's ODA/GNI ratio was 0.38% in 2012, down from 0.39% in 2011 and well below the EU intermediate target of 0.51% set for 2010. Within the DAC, Germany stood 12th in terms of its ODA/GNI ratio in 2011. Germany remains committed to the EU target of giving 0.7% of GNI as ODA by 2015.

Figure IV.15. **Official development assistance: Germany**[1]

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	12 985	14 093	13 108	–7.0
Constant (2011 USD m)	13 743	14 093	13 991	–0.7
In euro (million)	9 804	10 136	10 198	0.6
ODA/GNI (%)	0.39	0.39	0.38	
Bilateral share (%)	62	62	67	

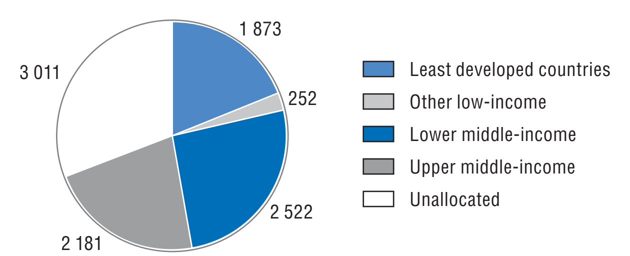
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

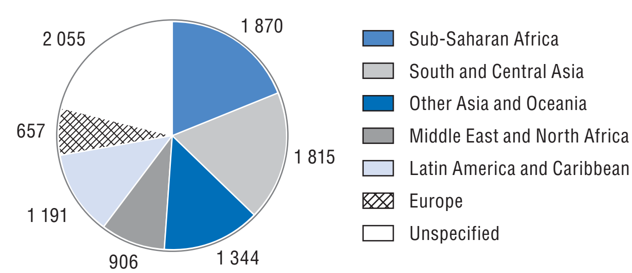
1	India	653
2	China	628
3	Afghanistan	505
4	Brazil	239
5	Indonesia	199
6	Egypt	183
7	Peru	170
8	Pakistan	157
9	Turkey	145
10	Kenya	129
Memo: Share of gross bilateral ODA		
	Top 5 recipients	23%
	Top 10 recipients	31%
	Top 20 recipients	41%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

1. See note on concessionality of loans in DAC statistics: *www.oecd.org/dac/stats/concessionality-note.htm*

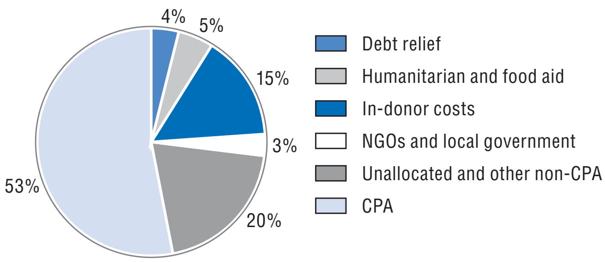
Bilateral and multilateral ODA

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 2012 (67:33) is broadly in line with this policy and close to the DAC average. Preliminary data for 2012 show that Germany's bilateral programme totalled USD 8.72 billion, while USD 4.38 billion – down from USD 5.61 billion in 2010 – were channelled to multilateral organisations. With the reduction in its allocations in 2012, Germany fell from first to third largest contributor of multilateral ODA in the world.

Composition of bilateral ODA

Germany's country programmable aid (CPA) amounted to USD 5.4 billion in 2011, or 53% of its gross bilateral ODA, which is slightly lower than the DAC average of 55%. Germany's lower than average CPA figure is partly caused by the high proportion of its bilateral ODA that is not allocated to countries. General budget support – which counts as CPA – totalled USD 151 million in 2011, or 1.5% of Germany's bilateral ODA, a slight increase over 2010 (1%). Germany's bilateral humanitarian and food aid accounted for 5% of its gross bilateral ODA.

Composition of bilateral ODA, 2011



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. The share of Germany's bilateral ODA allocated to its top ten recipients dropped from 51% in 2007 to 29% in 2009 and 2010, but then rose to 33% in 2011. Similarly, the ODA share to top 20 recipients fell from 57% in 2007 to 36% in 2009, and then increased to 40% in 2011.

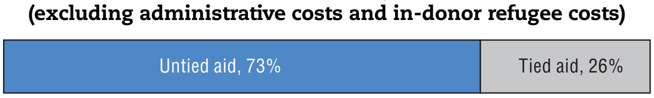
Data on Germany's CPA suggest a slight increase in fragmentation, as the number of its "significant relations" (countries to which Germany provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries) slightly decreased from 86 out of 112, or 77%, in 2010, to 82 out of 109, or 75%, in 2011.

While historically Germany has focused its development co-operation on middle-income countries, it is now allocating more resources to lower-income countries and LDCs to better reflect its overarching poverty reduction objective. While the amount of Germany's gross ODA allocated to LDCs increased from USD 1.78 billion in 2010 to USD 1.97 billion in 2011, the share was maintained at 19% of gross ODA.

Untied aid

The share of Germany's aid reported as untied was 73% in 2011.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



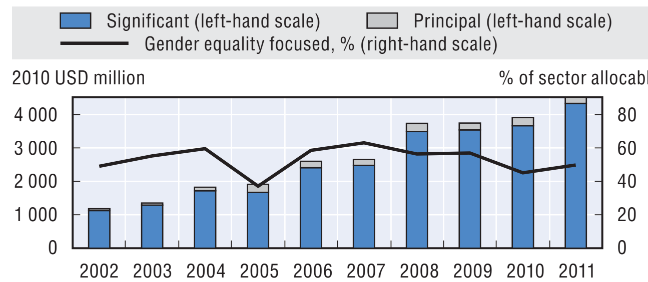
ODA to gender equality and women's empowerment

Germany's commitments to gender equality and women's empowerment reflect its prioritisation of this cross-cutting issue. Germany committed 50% (or USD 4.78 billion) of its sector allocable ODA to gender equality and women's empowerment in 2011, up from 45% in 2010.

Environment policies and allocations to the Rio Conventions

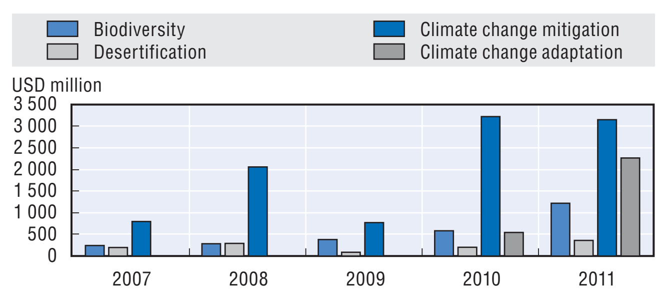
Germany commits considerable ODA volumes to the objectives of the Rio Conventions. Commitments to biodiversity have

ODA for gender equality and women's empowerment, 2002-11



increased progressively since 2007, from USD 584 million in 2010 to USD 1.22 billion in 2011. Commitments to climate change mitigation have been more volatile; after having more than doubled from 2007 to 2008, commitments dropped in 2009 before peaking at USD 3.2 billion in 2010. Commitments then dropped slightly to USD 3.15 billion in 2011. Germany's commitments to combat desertification increased in 2008, dipped in 2009, more than doubled in 2010 – reaching USD 202 million, and continued to increase to USD 362 million in 2011. In 2010, DAC members – including Germany – started to report on commitments to climate change adaptation. Germany's allocations jumped significantly from USD 546 million in 2010 to USD 2.26 billion in 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

The level of Germany's reported other official flows include Euler-Hermes official direct export credits and DEG (Germany's official development finance institution) and KfW's non-concessional loans. Other official flows (OOFs) saw strong fluctuations between 2007 and 2010 because of fluctuations in official direct export credits and non-concessional debt rescheduling: they were negative in 2007 and 2008 (USD –2.53 billion and USD –462 million, respectively); became positive in 2009, reaching USD 187 million, dropped to USD –408 million in 2010 and stayed negative at USD –410 million in 2011. German net private flows at market terms increased from USD 27.5 billion in 2010 to USD 40.9 billion in 2011.

StatLink http://dx.doi.org/10.1787/888932896109

Greece

In 2012, Greece's net ODA amounted to USD 324 million, down from USD 425 million in 2011. This 17% decrease in real terms 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 0.13% in 2012, down from 0.15% in 2011. Prospects for a future increase of ODA levels look bleak in light of Greece's financial situation.

Figure IV.16. **Official development assistance: Greece**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	508	425	324	–23.7
Constant (2011 USD m)	539	425	353	–17.0
In euro (million)	383	305	252	–17.5
ODA/GNI (%)	0.17	0.15	0.13	
Bilateral share (%)	42	36	27	

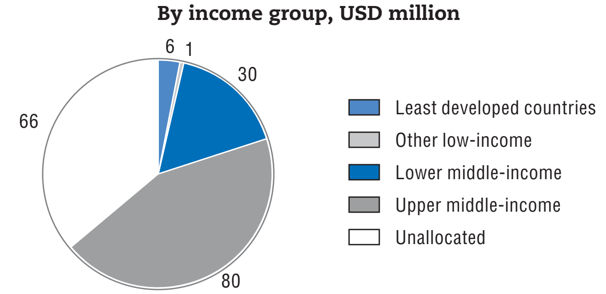
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

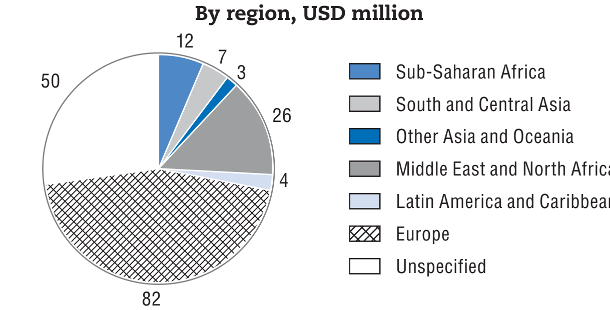
1	Albania	52
2	Serbia	13
3	Egypt	9
4	West Bank and Gaza Strip	6
5	Turkey	5
6	Ukraine	3
7	Syria	3
8	Jordan	2
9	Armenia	2
10	Georgia	2
Memo: Share of gross bilateral ODA		
	Top 5 recipients	46%
	Top 10 recipients	53%
	Top 20 recipients	59%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

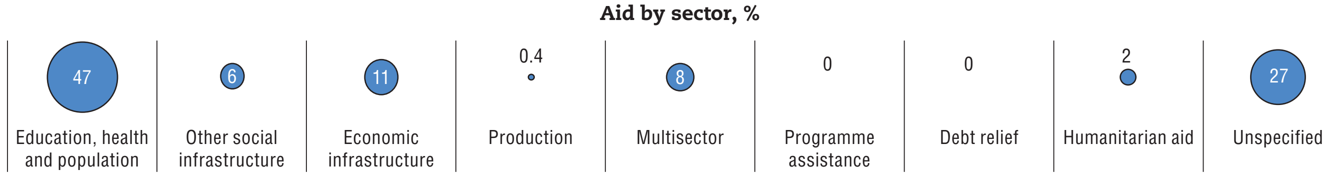
By income group, USD million



By region, USD million



Aid by sector, %



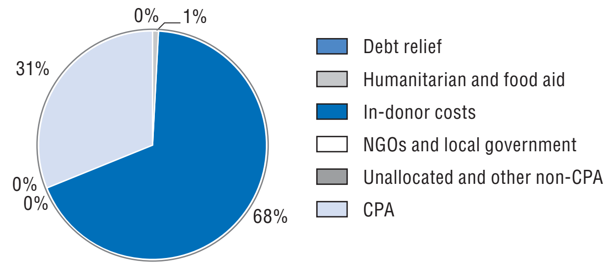
Bilateral and multilateral ODA

Although Greece's bilateral to multilateral ODA ratios fluctuated between 2006 and 2010, multilateral ODA 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. The bilateral share of its aid, therefore, contracted from a peak of 49% in 2009 to 27% in 2012. Preliminary data for 2012 show that Greece allocated USD 88.5 million to its bilateral programme and USD 235.4 million to multilateral organisations.

Composition of bilateral ODA

In 2011, 31% of Greece's gross bilateral ODA was country programmable aid (CPA), below the DAC average of 55%. Against a shrinking bilateral programme, the share of in-donor costs continued to increase from 56% of gross bilateral ODA in 2010 to 68% in 2011. The low CPA share is also explained by the high share of tertiary scholarships as well as student and refugee costs within Greece's ODA allocation. Greece does not provide general budget support, which is part of CPA. Greece's bilateral humanitarian and food aid accounted for 1% of gross bilateral ODA.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

Greece has 18 priority countries and plans to reduce this number under its 2012 development co-operation programme. The share of bilateral ODA allocated to Greece's top ten recipients dropped from 52% in 2007 to a low of 42% in 2010, but then increased considerably to 61% in 2011. The share of bilateral ODA to top 20 recipients followed the same pattern; after dropping to a low of 50% in 2010, it increased to 68% in 2011. As in 2010, Albania and Serbia continue to be the two largest recipients of Greek bilateral ODA.

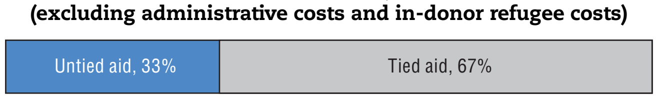
In terms of CPA allocations, Greece had "significant relations" with 15 out of 20 countries (75%), meaning that Greece provided to those countries more than its global share of CPA and/or was among the top donors that cumulatively provided 90% of CPA to those countries. This figure averaged 71% between 2007 and 2010.

The share of Greece's gross bilateral ODA to LDCs hovered around 10% in 2007-09, but fell to 3% in 2010 and 2011, totalling USD 5.13 million in 2011.

Untied aid

In 2011, the share of Greek aid reported as untied was 33%. This is due to the high share of tied technical co-operation in its aid portfolio (i.e. scholarships, imputed student costs). Greece fully meets its reporting obligations on untying aid stemming from paragraph [18e] of the Busan Partnership for Effective Development Co-operation.

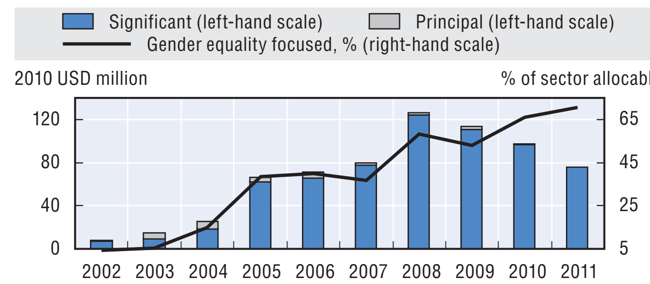
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

Greece has made gender equality a priority sector over the past decade. 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. These allocations, however, have decreased since 2009, falling to USD 97 million in 2010 and USD 81 million in 2011. The percentage of sector allocable ODA with a gender equality focus increased from 53% in 2009 to 71% in 2011.

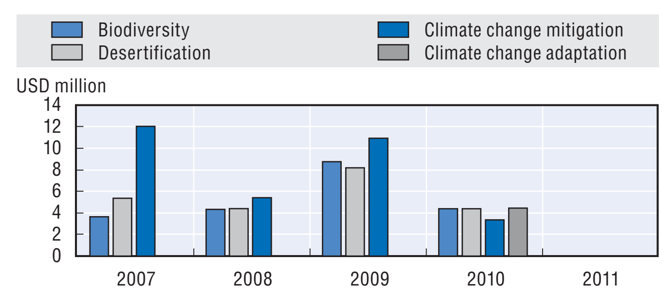
ODA for gender equality and women's empowerment, 2002-11



Environment policies and allocations to the Rio Conventions

Greece has strengthened its focus on environment and climate change since 2007 and intends to give even more attention to these cross-cutting issues in the future. There were no reported funds committed to the objectives of the Rio Conventions in 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

In 2011, ODA accounted for 88% of the reported total resource flows from Greece to partner countries, with private flows at market terms (USD 60 million) accounting for the rest. Net private grants by private charitable organisations to partner countries increased from USD 2 million in 2008 and 2009 to USD 10 million in 2010. Greece did not report data for these grants in 2011. The volume of net private flows at market terms decreased significantly over the course of the 2008 financial crisis. Foreign direct private investment flows decreased from USD 2.88 billion in 2007 to USD 460 million in 2008, USD 243 million in 2010 and USD 60 million in 2011.

StatLink http://dx.doi.org/10.1787/888932896128

Iceland

In 2012, Iceland's net ODA was USD 26 million, representing 0.22% of its GNI or a 5.7% increase in real terms from 2011. This was the first increase after three consecutive years of decreasing net ODA.

Figure IV.17. **Official development assistance: Iceland**

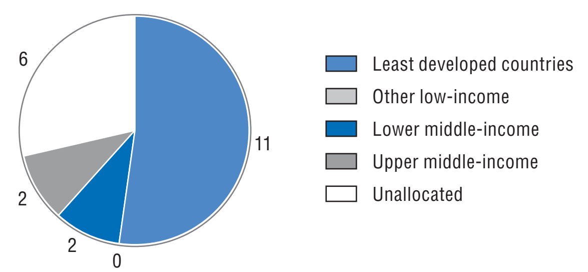
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	29	26	26	1.6
Constant (2011 USD m)	31	26	27	9.6
In króna (million)	3 514	2 968	3 252	
ODA/GNI (%)	0.29	0.21	0.22	
Bilateral share (%)	72	78	83	

P. Preliminary data.

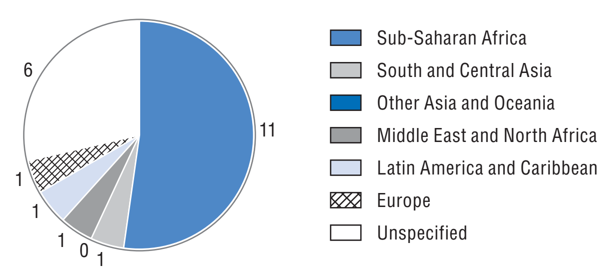
Top ten recipients of gross ODA (USD million)	
1 Uganda	3
2 Malawi	2
3 Mozambique	2
4 Afghanistan	1
5 Namibia	1
6 West Bank and Gaza Strip	1
7 Nicaragua	1
8 Haiti	0
9 Guinea-Bissau	0
10 Bosnia and Herzegovina	0
Memo: Share of gross bilateral ODA	
Top 5 recipients	51%
Top 10 recipients	63%
Top 20 recipients	68%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

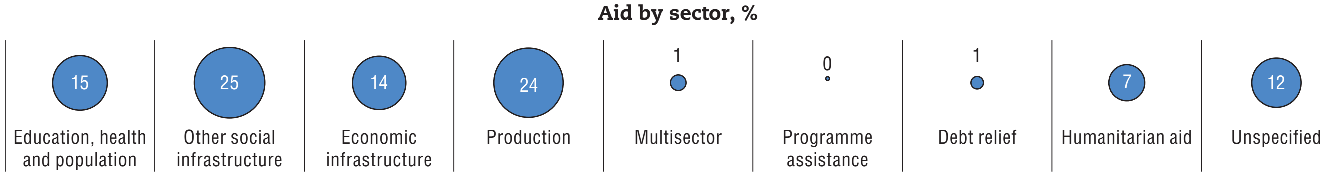
By income group, USD million



By region, USD million



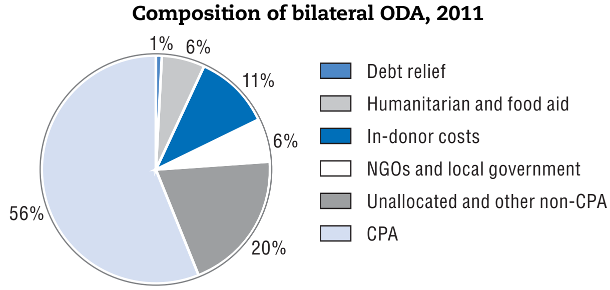
Aid by sector, %



Bilateral and multilateral ODA

Bilateral assistance amounted to USD 22 million in 2012, accounting for 83% of ODA flows. Bilateral assistance has remained above 70% since 2007. Iceland provides contributions to multilateral organisations such as the United Nations agencies and the World Bank.

Composition of bilateral ODA, 2011



Composition of bilateral ODA

Iceland's country programmable aid (CPA) amounted to USD 11.60 million in 2011, or 56% of its gross bilateral ODA, slightly above the DAC average of 55% for that year. Iceland does not provide general budget support, which is part of CPA. Bilateral humanitarian aid totalled USD 1.34 million, equivalent to 7% of Iceland's gross bilateral ODA.

Focus on priority countries and LDCs

The largest recipients of Iceland's bilateral ODA in 2010-11 were Uganda, Malawi, and Mozambique. In terms of CPA, Iceland had seven relations in 2011, all of which were significant. In 2011, Iceland allocated 49% of its gross bilateral ODA to LDCs, equivalent to USD 9.89 million, and up from 40% in 2007.

StatLink http://dx.doi.org/10.1787/888932896147

Box IV.2. **Special review of Iceland's development co-operation**

The DAC conducted a special review of Iceland from November 2012 to January 2013 and concluded that Iceland has established a legal foundation for its development co-operation, a comprehensive strategy and a clear commitment to increase its development co-operation budget despite a challenging economic context.

Iceland is a small donor, but compares favourably to several strong DAC performers in many areas. In keeping with good practice, Iceland's development co-operation is anchored within its foreign policy and focuses explicitly on the Millennium Development Goals (MDGs) and poor people in poor countries. Iceland's development co-operation is also concentrated on a limited number of partner countries and multilateral organisations and Iceland uses its position well as a member of key multilateral and regional organisations to achieve greater influence relative to its size.

The special review found that as Iceland moves forward, it will need to further clarify its comparative advantage and the direction in which it wants to move as a donor in order to ensure that it is using its small-volume development co-operation programme for maximum development results. In addition, Iceland could strengthen its performance monitoring and evaluation culture to build a better evidence base to inform future policy choices and allocation decisions. Finally, Iceland could improve its reporting on development results.

Ireland

Ireland's ODA in 2012 was USD 809 million, a 5.8% decrease in real terms from 2011. Although Ireland increased its ODA in 2007 and 2008 (by 6% and 8% respectively), it had to cut ODA by 18% in 2009 due to the onset of the economic crisis in 2008; ODA has continued to decrease since then.

Ireland's ODA/GNI ratio stood at 0.48% in 2012, continuing the downward trend that started after the 0.59% peak in 2008. Ireland remains committed to achieving the target of 0.7% of its gross national income (GNI) as ODA. Recognising the present economic difficulties, Ireland will endeavour to maintain ODA expenditure at current levels, while moving towards the 0.7% target when the economy improves.

Figure IV.18. **Official development assistance: Ireland**

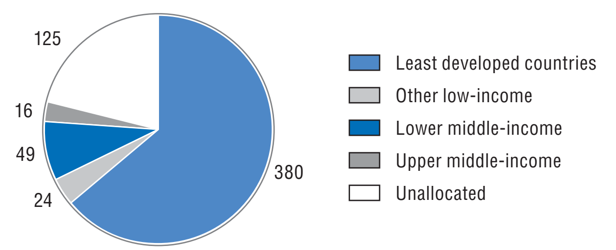
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	895	914	809	–11.4
Constant (2011 USD m)	941	914	860	–5.8
In euro (million)	676	657	629	–4.2
ODA/GNI (%)	0.52	0.51	0.48	
Bilateral share (%)	65	66	66	

P. Preliminary data.

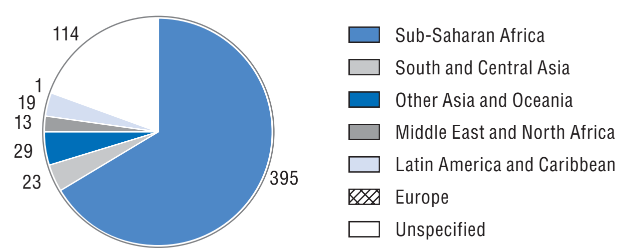
Top ten recipients of gross ODA (USD million)	
1 Uganda	59
2 Mozambique	58
3 Tanzania	49
4 Ethiopia	49
5 Zambia	31
6 Malawi	23
7 Viet Nam	17
8 Lesotho	16
9 Kenya	12
10 Sierra Leone	12
Memo: Share of gross bilateral ODA	
Top 5 recipients	41%
Top 10 recipients	55%
Top 20 recipients	69%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

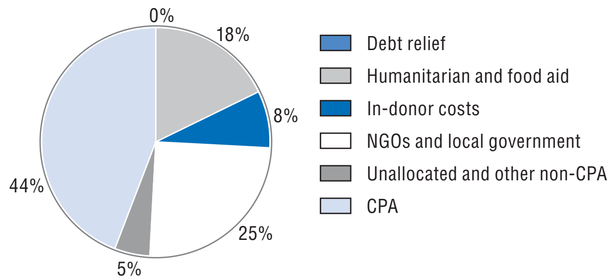
Bilateral and multilateral ODA

Ireland's ODA increased considerably from 2006 to 2008 and a significant proportion of the increase was channelled through multilateral organisations. The division of Ireland's ODA between bilateral and multilateral channels has varied slightly over the last five years from a ratio of 62:38 (bilateral:multilateral) in 2006, to 70:30 in 2008 and to 66:34 in 2012. Ireland's bilateral ODA amounted to USD 356 million in 2012, and multilateral ODA totalled USD 273 million.

Composition of bilateral ODA

Ireland's country programmable aid (CPA) amounted to USD 265 million in 2011, equivalent to 44% of its gross bilateral ODA, which is lower than the DAC average of 55% in the same year. The relatively high proportion of bilateral ODA that Ireland allocates to NGOs (25% in 2011) and as bilateral humanitarian aid (18% in 2011) explains the lower CPA level. General budget support – which is part of CPA – totalled USD 29 million, equivalent to 4.8% of Ireland's gross bilateral ODA in 2011.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

While Ireland's ODA volume has decreased since 2009 in real terms, the pattern of its allocations has not altered significantly. In 2012, the bilateral share of its net ODA was focused mainly on African countries. The share of bilateral ODA allocated to Ireland's top 20 recipients increased from 61% in 2007 to 69% in 2011. Over the same period, the share to the top ten recipients increased from 38% to 45%. Eight of the top ten recipient countries are long-term partner countries with Ireland.

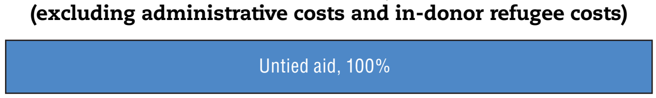
The number of Ireland's "significant relations" (countries to which Ireland provides more than its global share of CPA and/or for which is among the top donors that cumulatively provide 90% of CPA) stayed stable in 2007-11, averaging 15. Ireland increased, however, the share of its "significant relations" (from 47% in 2007 to 70% in 2011) by considerably reducing the number of overall relations from 32 in 2007 to 23 in 2011.

The share of total Irish bilateral ODA allocated to LDCs progressively increased from 2007 to 2010, reaching 65% in 2010 before declining slightly to 63%, or USD 379 million, in 2011.

Untied aid

100% of Ireland's ODA was reported as untied in 2011.

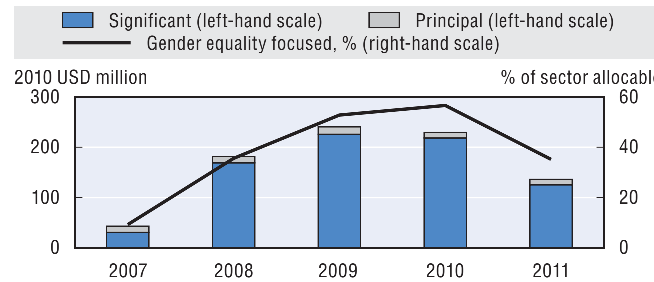
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

Ireland has continued to invest in gender equality and women's empowerment, including strengthening approaches to gender mainstreaming. While ODA allocations for activities with a "principal" focus on gender equality have remained constant between 2010 and 2011 (at USD 11 million), those for activities classified as having a "significant" focus on gender equality declined by 40% (amounting to USD 131 million in 2011) in part due to strengthened internal rigour in the application of the marker.

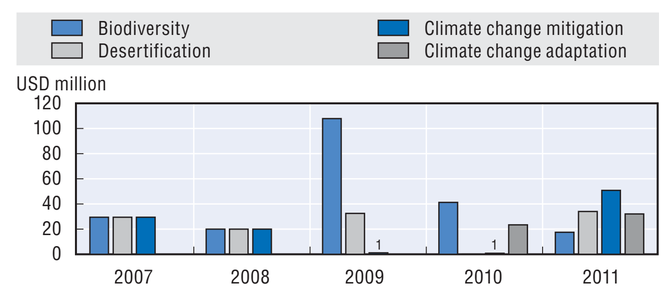
ODA for gender equality and women's empowerment, 2007-11



Environment policies and allocations to the Rio Conventions

Support to the objectives of the Rio Conventions fluctuated considerably from 2007 to 2011. After a slight decrease in 2008, ODA commitments for biodiversity peaked at USD 108 million in 2009 before dropping to USD 18 million in 2011. Ireland's ODA commitments to climate change mitigation, climate change adaptation, and the fight against desertification saw a marked increase in 2011 compared to previous years. In 2011, the largest amount – USD 51 million – was committed for climate change mitigation.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Ireland does not provide other official flows to partner 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 partner countries in 2011 were USD 1 billion, compared to USD 4.5 billion in 2008. Estimated grants by private charitable organisations increased by USD 230 million between 2010 and 2011, reaching USD 530 million.

StatLink http://dx.doi.org/10.1787/888932896166

Italy

In 2012, Italy's net ODA amounted to USD 2.64 billion. This 34.7% decrease in real terms from 2011 is mostly due to lower levels of ODA to refugees arriving from North Africa and reduced debt relief grants, which temporarily increased Italian ODA by 36% between 2010 and 2011. Overall, Italian ODA has fluctuated between 2006 and 2012.

Italy's ODA represented 0.13% of its GNI in 2012, down from 0.20% in 2011. Italy, along with Greece, now has the lowest ODA to GNI ratio of all DAC members. The Italian government, however, has made a firm commitment to increase ODA allocations in order to reach 0.15-0.16% of GNI in 2013. Italy is likely to fall short of the 0.7% ODA/GNI target for 2015.

Figure IV.19. **Official development assistance: Italy**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	2 996	4 326	2 639	–39.0
Constant (2011 USD m)	3 185	4 326	2 823	–34.7
In euro (million)	2 262	3 111	2 053	–34.0
ODA/GNI (%)	0.15	0.20	0.13	
Bilateral share (%)	25	39	19	

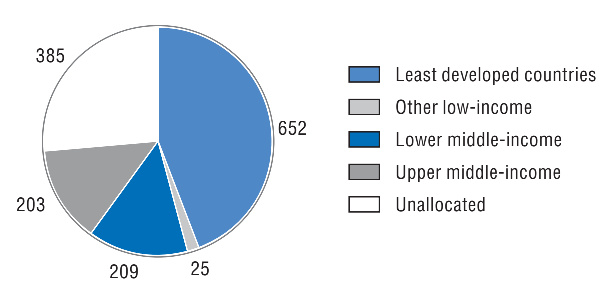
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

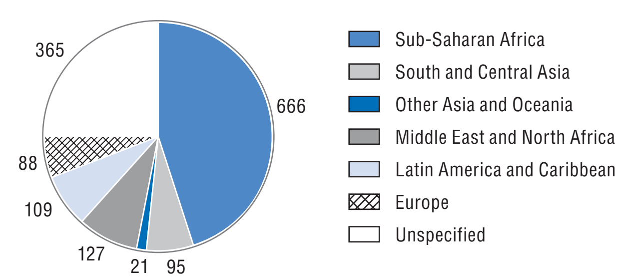
1	Congo, Democratic Republic	374
2	Congo, Republic	59
3	Albania	55
4	Afghanistan	55
5	Haiti	33
6	Mozambique	29
7	Equatorial Guinea	27
8	Ethiopia	27
9	Lebanon	23
10	Kenya	23
Memo: Share of gross bilateral ODA		
	Top 5 recipients	39%
	Top 10 recipients	48%
	Top 20 recipients	59%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

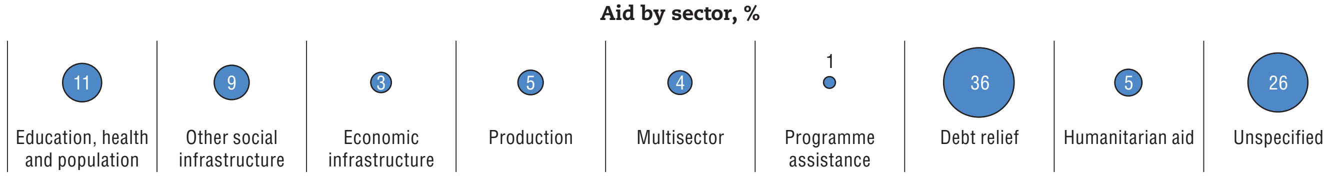
By income group, USD million



By region, USD million



Aid by sector, %



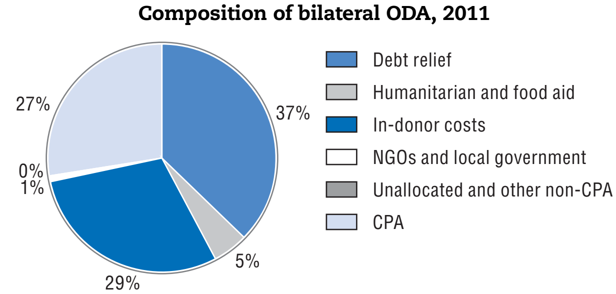
Bilateral and multilateral ODA

A high share of Italy's ODA is channelled to the multilateral system, amounting to 81% or USD 2.14 billion in 2012. This is an increase from a 61% share in 2011. Between 2006 and 2012, Italy's share of ODA channelled to multilateral system fluctuated between 62% and 81%. The share of bilateral assistance in 2012 was 19%, or USD 529.58 billion.

Composition of bilateral ODA

A little over one quarter of Italy's gross bilateral ODA in 2011 (27%) was country programmable aid (CPA). This is far below the DAC members' average of 55% for the same year. General budget support – which is part of CPA – amounted to USD 6.6 million in 2011, equivalent to 0.3% of Italy's gross bilateral ODA. Italy's humanitarian and food aid accounted for 5% of gross bilateral ODA.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

Italy has reduced its number of priority countries from 35 to 24 since 2010. In 2011, Italy's priority countries only accounted for 12 out of Italy's top 20 development co-operation recipient countries, mainly due to large one-off operations – such as debt cancellation – with non-priority countries.

Italy's top ten recipients received 51% of its gross bilateral ODA in 2011, a share above most DAC members. This share has decreased over time, however, falling from 67% in 2007. The share allocated to its top 20 recipient countries has also decreased from 78% of its gross bilateral ODA in 2007 to 59% in 2011. This is slightly higher than the 2011 DAC average of 52%.

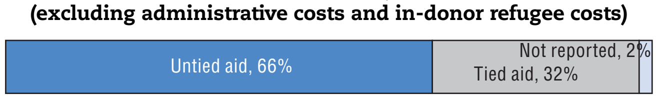
Italy was a significant donor in 17 out of its 24 priority countries in 2011, meaning that for these countries it provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. The share of Italy's significant aid relations has increased over time from 35% in 2007 to 41% in 2011. While the overall trend is positive, there has been a small decline in the number of significant relations since 2010, when they reached 50%.

Nearly half of Italy's bilateral ODA – or USD 957 million – went to LDCs in 2011, well above the DAC average of 30%. Between 2007 and 2011, the share of Italian bilateral ODA to LDCs increased considerably from 23% in 2007 to 48% in 2011.

Untied aid

In 2011, 66% of Italy's ODA was reported as untied.

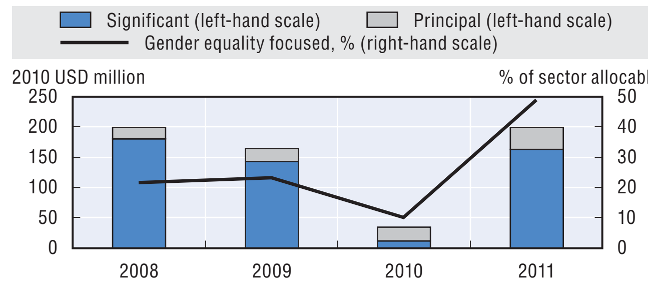
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

In 2010, Italy produced Guidelines on Gender Equality and Women's Empowerment and mainstreamed gender into its 2011-13 Triennial Strategic Guidelines. Applying the gender markers was also a fundamental part of its Aid Effectiveness Plan in 2011. The high priority given to mainstreaming gender equality and women's empowerment objectives into Italy's bilateral programme, combined with an improved screening of its sector-allocable ODA against the gender markers, resulted in a significant increase in Italy's gender equality-focused aid from 10% of Italy's gender-screened sector-allocable ODA in 2010 to 49% – or USD 213 million – in 2011.

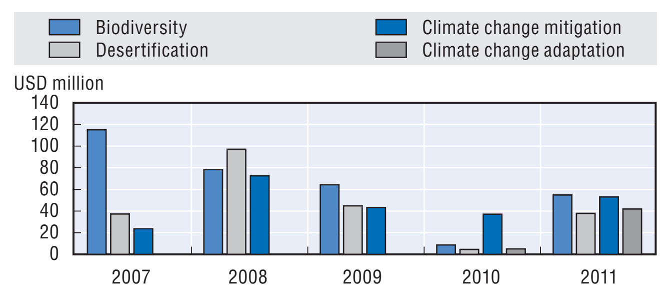
ODA for gender equality and women's empowerment, 2008-11



Environment policies and allocations to the Rio Conventions

Italy developed sectoral guidelines for the environment in 2011. Between 2008 and 2010, allocations for biodiversity, climate change mitigation and desertification decreased, in part due to data reporting issues. In 2011, however, allocations across all the markers increased significantly.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

The volume of net disbursements from Italy to partner countries deriving from official export credits and other official flows (mostly operations by Italy's development finance institution, SIMEST) was small and negative between 2007 and 2011 (with the exception of 2008). This means that inflows to Italy (derived from equity sales, capital returns, etc.) exceeded outflows from Italy to partner countries. Grants by private charitable organisations have increased over time in nominal terms from USD 63 million in 2007 to USD 111 million in 2011. Net private flows at market terms have significantly increased in nominal terms from USD 207 million in 2008 to USD 7.7 billion in 2011.

StatLink http://dx.doi.org/10.1787/888932896185

Japan

In 2012, Japan's net ODA amounted to USD 10.49 billion, a 2.1% decrease in real terms from 2011, largely due to a fall in bilateral grants and reduced contributions to international organisations. This reduction was, however, kept at a low level thanks to a 7% increase in bilateral ODA.

While maintaining its position as the fifth largest DAC donor, Japan's ODA/GNI ratio fell from 0.18% in 2011 to 0.17% in 2012, which is well below the DAC average of 0.29% and still a long way from the 0.7% UN target. The current fiscal and economic difficulties, together with reconstruction spending following the disasters in 2011, have made it increasingly difficult to secure a sustainable increase in the government's ODA budget. Japan has committed, however, to keep the ODA level stable in dollar terms.

Figure IV.20. **Official development assistance: Japan**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	11 021	10 831	10 494	–3.1
Constant (2011 USD m)	11 882	10 831	10 601	–2.1
In yen (billion)	967	863	838	–3.0
ODA/GNI (%)	0.20	0.18	0.17	
Bilateral share (%)	67	64	66	

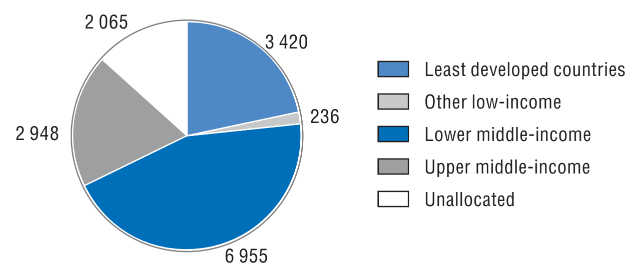
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

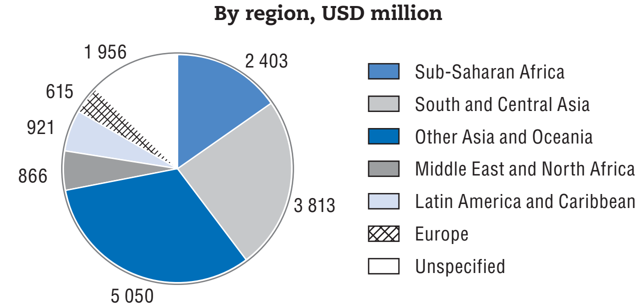
1 India	1 664
2 Indonesia	1 304
3 Viet Nam	1 234
4 China	927
5 Afghanistan	748
6 Congo, Dem. Rep.	648
7 Philippines	548
8 Turkey	483
9 Pakistan	410
10 Sri Lanka	388
Memo: Share of gross bilateral ODA	
Top 5 recipients	38%
Top 10 recipients	53%
Top 20 recipients	65%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

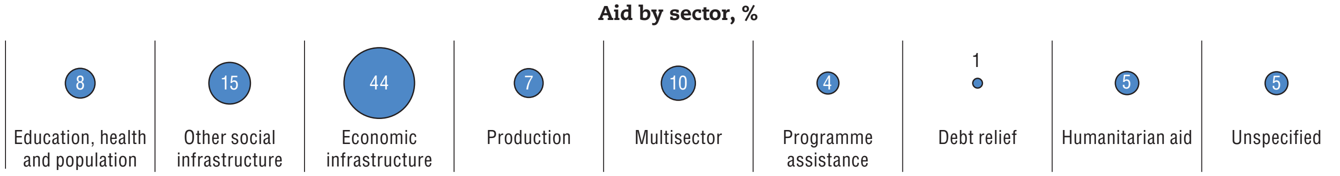
By income group, USD million



By region, USD million



Aid by sector, %



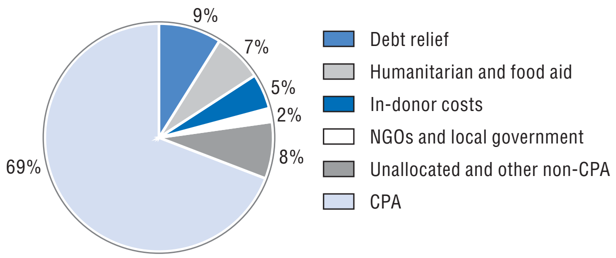
Bilateral and multilateral ODA

Bilateral ODA continues to dominate Japan's development assistance programme. With the exception of 2011, the multilateral share of Japan's net ODA has generally stayed in the range of 30% to 35%. In 2012, Japan reduced its contributions to multilateral organisations by 16% while increasing its bilateral ODA by 7%. The significant size of its contribution – USD 3.65 billion in 2012 – means that Japan continues to be a major player at the multilateral level.

Composition of bilateral ODA

Japan's bilateral programme is characterised by a relatively high proportion of country programmable aid (CPA), partly because around half of Japan's bilateral ODA is made up of loans. Japan's CPA amounted to 69% of its gross bilateral ODA, or USD 11.2 billion, in 2011, which is higher than the DAC average of 55%. Japan provided 0.6% of its CPA (or 0.4% of gross bilateral ODA) in the form of general budget support.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

Japan provides development co-operation to over 140 countries in any given year and has no intention of reducing the number of countries it supports or specifying priority countries. 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% in 2007 to 60% in 2011.

Because much of Japan's development co-operation is directed towards East Asian countries, it has typically focused largely on middle-income countries. Japan has taken steps, however, to increase its assistance to low-income countries, especially those in sub-Saharan Africa. The share of gross bilateral ODA that Japan allocates to LDCs progressively increased from 19.8% in 2007 to 25.7%, or over USD 4 billion, in 2011, although this figure is still below the DAC average of 30%.

Japan's ODA is becoming more fragmented geographically. Japan reduced the number of its "significant relations" from 86% in 2007 to 75% in 2011, while its "non-significant relations" increased.

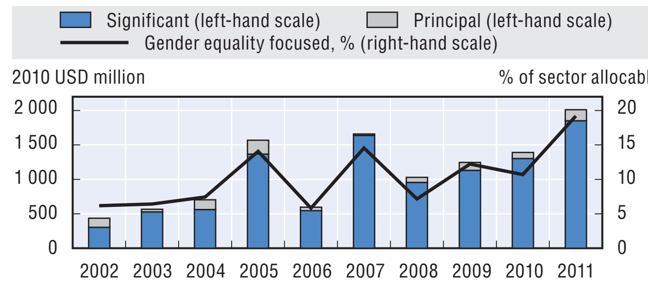
Untied aid

The untied share of Japanese ODA excluding technical co-operation was 94% in 2011. (Japan's ODA includes a large technical co-operation programme, but Japan does not report its tying status. The share of total Japanese bilateral aid reported as untied was 76% in 2011.)

ODA to gender equality and women's empowerment

Japan has gradually increased the proportion of its ODA to gender equality and women's empowerment over the last decade. In 2011, 19% of Japan's sector-allocable ODA was devoted to gender-equality focused activities. While the proportion remains relatively small compared to most other DAC members, this represents an 8% increase from 2010.

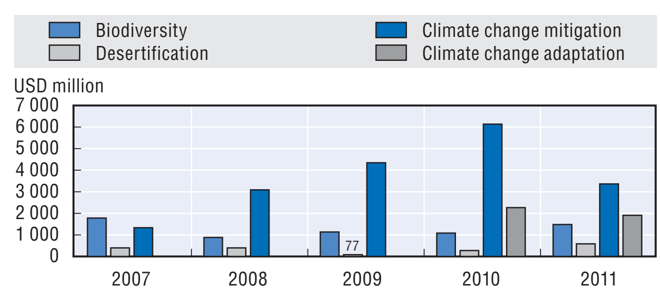
ODA for gender equality and women's empowerment, 2002-11



Environment policies and allocations to the Rio Conventions

Japan sees tackling global environmental issues as one of its top priorities. Between 2010 and 2011, Japan's bilateral ODA devoted to biodiversity rose by 36% to USD 1.48 billion in nominal terms. Aid for combating desertification also grew by 114% in nominal terms, reaching USD 585 million. Japan's ODA volume for climate change mitigation and adaptation, however, declined in 2011 by 45% and 16% respectively.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Japan's net ODA accounted for 79% of its total official flows in 2011. The size of net private flows at market terms (USD 47.6 billion in 2011) is over four times that of ODA and is on the rise. Although Japan's net private grants for partner countries have grown over the years, their volumes remain negligible compared to other sources of development finance. Between 2010 and 2011, Japan's net private grants fell by nearly 30% to USD 497 million.

StatLink http://dx.doi.org/10.1787/888932896204

Korea

In 2012, Korea's net ODA amounted to USD 1.55 billion, a 17.6% increase in real terms from 2011. This is due to the overall scaling up of its development co-operation to achieve an ODA/GNI ratio of 0.25% by 2015.

in 2012, Korea's ODA/GNI ratio reached 0.14%, slightly missing its 2012 interim target of 0.15% ODA/GNI. Although Korea had the third lowest ODA/GNI ratio within the DAC, its ODA volume was the 16th largest in 2012, up one place from 2011.

Figure IV.21. **Official development assistance: Korea**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	1 174	1 325	1 551	17.1
Constant (2011 USD m)	1 246	1 325	1 557	17.6
In won (billion)	1 356	1 467	1 746	19.1
ODA/GNI (%)	0.12	0.12	0.14	
Bilateral share (%)	77	75	75	

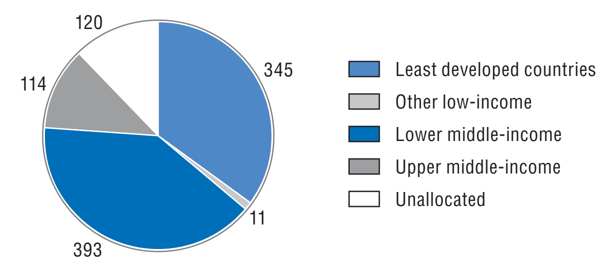
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

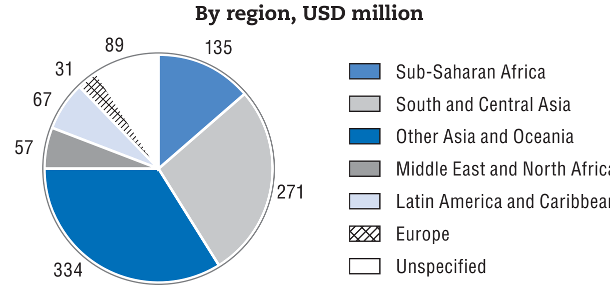
1 Viet Nam	124
2 Bangladesh	69
3 Afghanistan	61
4 Cambodia	50
5 Sri Lanka	48
6 Mongolia	36
7 Philippines	34
8 Laos	31
9 Indonesia	30
10 Uzbekistan	30
Memo: Share of gross bilateral ODA	
Top 5 recipients	36%
Top 10 recipients	52%
Top 20 recipients	68%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

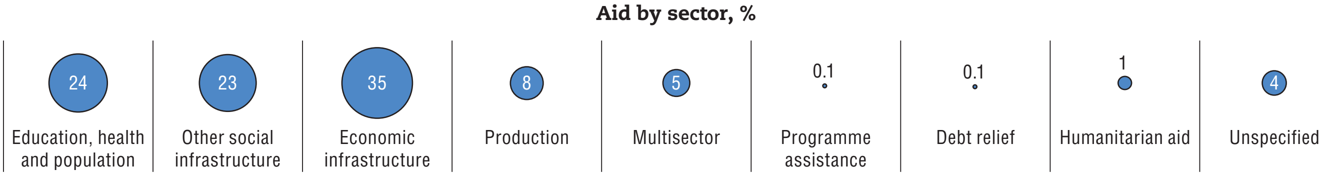
By income group, USD million



By region, USD million



Aid by sector, %



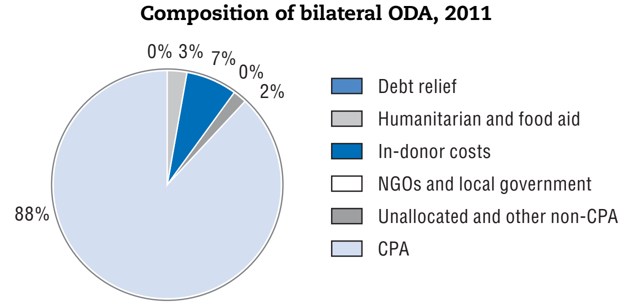
Bilateral and multilateral ODA

Although it did not meet its target ratio of bilateral to multilateral funding of 70:30 for 2012, the multilateral share of Korea's net ODA has progressively increased over the last six years from 17% in 2006 to 25% in 2012.

Composition of bilateral ODA

Korea's bilateral programme is characterised by a high proportion of country programmable aid (CPA). Korea's CPA amounted to USD 910 million, or 88% of gross bilateral ODA, in 2011, the second highest share in the DAC. Korea's high CPA figure is due mainly to the low levels of other bilateral costs such as in-donor costs, humanitarian assistance and debt relief.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

In 2011, Korea's top 10 recipients accounted for 51% of its bilateral ODA and its top 20 recipients received 67%. Only 13 of Korea's top 20 recipients, however, are among its 26 priority partner countries, which indicates that Korea has more to do to achieve its aim of focusing 70% of its bilateral resources on its priority partner countries.

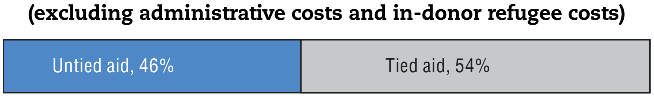
Korea has typically focused its bilateral ODA on Asia. It has, however, taken steps to increase its assistance to low-income countries, especially those in sub-Saharan Africa. Likewise, the share of gross bilateral ODA that Korea allocates to LDCs progressively increased from 23.5% in 2007 to 34.1%, or over USD 353 million, in 2011, which is above the DAC average of 30%.

The geographical fragmentation of Korean development co-operation appears to be rising. Korea reduced the number of its "significant relations" from 37 in 2007 to 30 in 2011, while the number of "non-significant relations" increased from 40 to 54 over the same period.

Untied aid

Leading up to its accession to the DAC, Korea established a road map for untying its bilateral ODA by up to 75% by 2015 and is making progress towards this goal. In 2011, Korea's share of aid reported as untied was 46%.

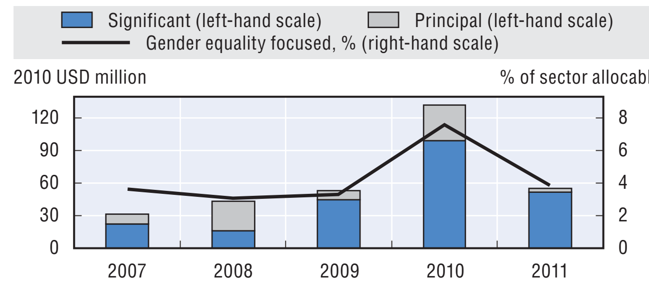
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

In 2011, the Korean International Cooperation Agency (KOICA) published its Gender Mainstreaming Guidelines, which are being used to inform Korea's work with partner countries and its sector strategies. It is expected that 10% of the budget for each project supported by KOICA will be allocated to activities for gender equality. Gender equality is also placed centrally in Korea's Mid-term ODA Policy for 2011-15 as a critical element of its development co-operation programme. After recording a significant rise in 2010, however, the proportion of Korean ODA to gender equality and women's empowerment declined by half in 2011 to USD 55 million, or 4% of Korea's sector allocable ODA. This was among the lowest levels in the DAC.

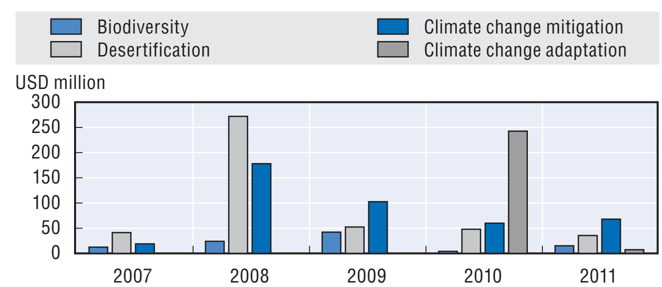
ODA for gender equality and women's empowerment, 2007-11



Environment policies and allocations to the Rio Conventions

Korea aims to increase its "green ODA" to 30% by 2020, and its contribution to environment and climate change-related activities has progressively increased over the years. Although Korea devoted only USD 4 million of ODA to biodiversity in 2010, this total increased nearly fourfold to USD 15 million in 2011. Its ODA in support of climate change mitigation also increased by 13% compared to the previous year, amounting to USD 68 million. Korean ODA for climate change adaptation, however, dropped significantly from USD 243 million in 2010 to just over USD 7 million in 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Since 2008, Korea has provided an average of USD 1.6 billion per year in other official flows to partner countries, reflecting the high level of loans used as part of the country's development co-operation. Its net ODA accounts for around 40% of its total official flows. Private investors in Korea also provided substantial flows during this period (on average USD 7.5 billion). Korea's net private flows at market terms to partner countries in 2011 were USD 8.3 billion, a 4% drop in nominal terms from 2010 flows (USD 8.7 billion). In addition, Korea's net private grants for partner countries amounted to USD 175 million in 2011, a threefold increase from 2010.

StatLink http://dx.doi.org/10.1787/888932896223

Luxembourg

In 2012, Luxembourg's net ODA amounted to USD 432 million at current prices, a 9.8% increase in real terms from USD 409 million in 2011. This was due to an increase in bilateral grants, and follows two years of decrease in real terms. Luxembourg's ODA volume is now nearly back at 2009 levels.

Luxembourg's ODA/GNI ratio increased from 0.97% in 2011 to 1% in 2012, well above the EU target. Luxembourg has, therefore, adhered to the commendable plan outlined in its 2009-14 government programme to maintain its ODA volume at 1% of its GNI.

Figure IV.22. **Official development assistance: Luxembourg**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	403	409	432	5.6
Constant (2011 USD m)	444	409	449	9.8
In euro (million)	304	294	336	14.2
ODA/GNI (%)	1.05	0.97	1.00	
Bilateral share (%)	65	68	71	

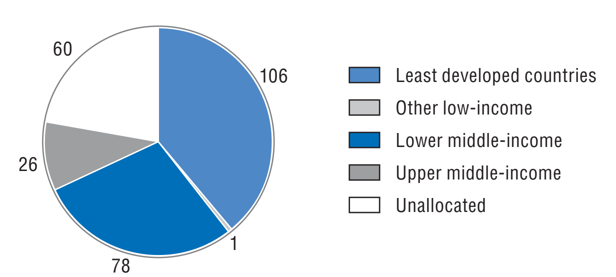
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

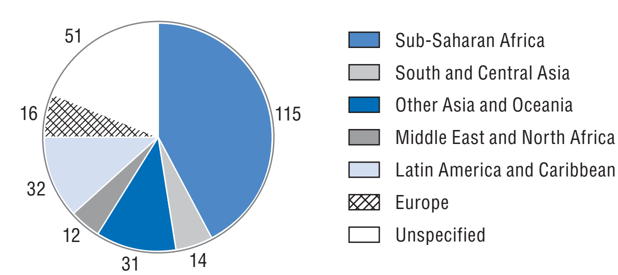
1	Mali	19
2	Burkina Faso	17
3	Senegal	16
4	Cape Verde	16
5	Laos	14
6	Nicaragua	11
7	Viet Nam	10
8	Namibia	10
9	West Bank and Gaza Strip	10
10	Kosovo	8
	Memo: Share of gross bilateral ODA	
	Top 5 recipients	31%
	Top 10 recipients	49%
	Top 20 recipients	65%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

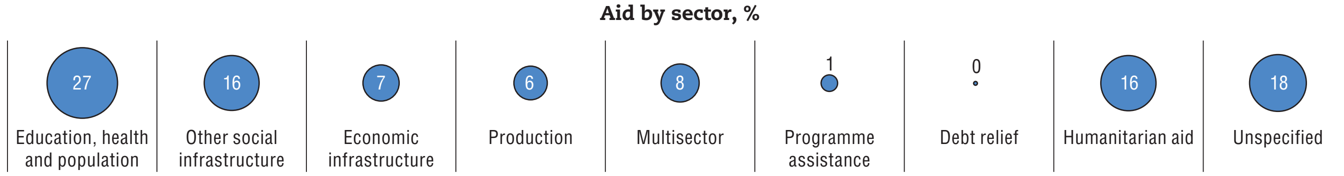
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

The increases in Luxembourg's ODA between 2006 and 2012 translated into larger allocations to both its bilateral programme and multilateral agencies. In 2012, bilateral development co-operation totalled USD 305 million, accounting for 71% of Luxembourg's total ODA, compared to a minimum share of 64% in 2009. Multilateral ODA amounted to USD 127 million in 2011.

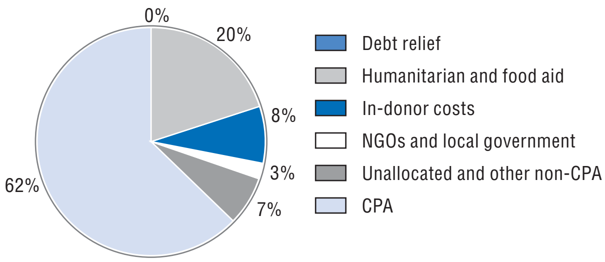
Composition of bilateral ODA

In 2011, 62% of Luxembourg's gross bilateral ODA was country programmable aid (CPA), which is above the DAC average of 55% for that year but represents a decrease from its 2010 share (67%). This decrease is mainly due to the humanitarian and food aid that Luxembourg provides bilaterally, which represented 20% of its gross bilateral ODA in 2011 (compared to 16% in 2010). Luxembourg's provision of general budget support, which is a part of CPA, is nearly nil at USD 0.7 million, or 2% of its gross bilateral aid.

Focus on priority countries and LDCs

Luxembourg is focusing its development co-operation programme on a small number of priority countries (nine in 2011). The share allocated to its top 20 recipients in 2011 was 61%, down from 69% in 2010 and from the 72% peak in 2008.

Composition of bilateral ODA, 2011



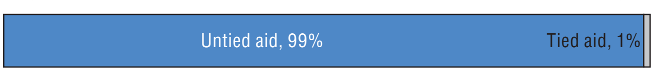
Luxembourg has "significant relations" with its nine priority countries, meaning that it provides to those countries more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. The share of "significant relations" declined, however, from 65% in 2007 to 48% in 2011.

An important share of Luxembourg's bilateral ODA is allocated to LDCs – 39%, or USD 110 million, in 2011 – a slight decrease from 42% in 2007-09.

Untied aid

Luxembourg is one of the DAC members with a large share of untied aid. In 2011, 99% of its aid programme was reported as untied.

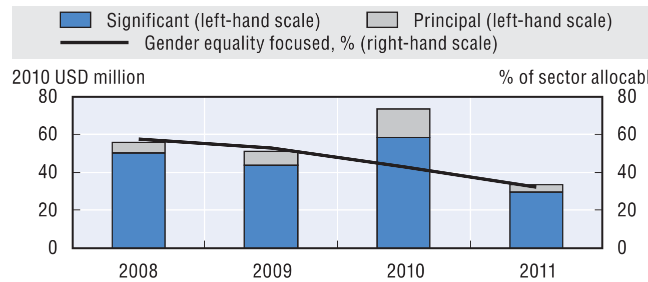
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



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 fluctuated from one year to the other, having dropped in 2009, increased by 49% in real terms to USD 73 million in 2010, and then decreased to a low USD 36 million in 2011. The percentage of total sector-allocable ODA with a gender equality focus decreased from 53% in 2009 to 32% in 2011.

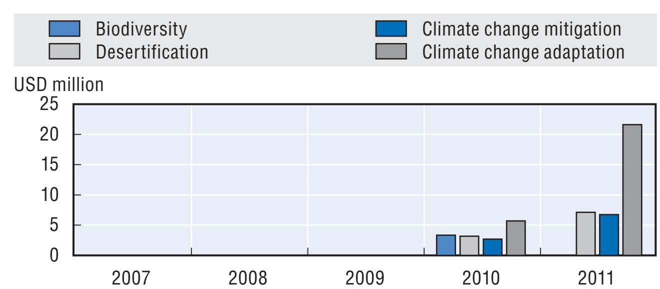
ODA for gender equality and women's empowerment, 2008-11



Environment policies and allocations to the Rio Conventions

Luxembourg is working to mainstream environment and climate change within its development co-operation programme. Luxembourg started to report on the Rio markers in 2010, and in 2011 it increased its support to activities for both climate change mitigation (from USD 3 million to USD 7 million) and climate adaptation (from USD 6 million to USD 22 million). Luxembourg also increased its support for fighting desertification (USD 7.1 million in 2011) but did not support biodiversity programmes in 2011.

ODA commitments targeting Rio Convention objectives, 2011



External development finance beyond ODA

Net private grants from Luxembourg to partner countries increased progressively from 2007 to 2009, reaching USD 13 million in 2009 before dropping in both 2010 (USD 9 million) and 2011 (USD 7 million). No data are available on other official flows or private flows at market levels from Luxembourg.

StatLink http://dx.doi.org/10.1787/888932896242

Netherlands

In 2012, the Netherlands's net ODA stood at USD 5.5 billion, a 6.6% decrease in real terms from 2011 due to overall budget cuts. This is the second successive year of cuts to the Netherlands' ODA budget; ODA also decreased by 6.4% between 2010 and 2011.

The Netherlands is one of only five DAC members to have exceeded the UN target of spending 0.7% of national income on development co-operation and has exceeded this target every year since 1975. The Netherlands' ODA/GNI in 2012 was 0.71%, a slight decrease from 0.75% in 2011.

Figure IV.23. **Official development assistance: Netherlands**

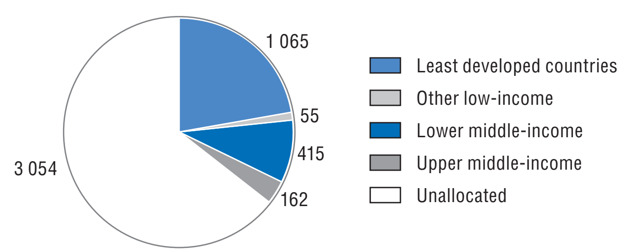
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	6 357	6 344	5 524	–12.9
Constant (2011 USD m)	6 757	6 344	5 928	–6.6
In euro (million)	4 800	4 563	4 298	–5.8
ODA/GNI (%)	0.81	0.75	0.71	
Bilateral share (%)	76	68	71	

P. Preliminary data.

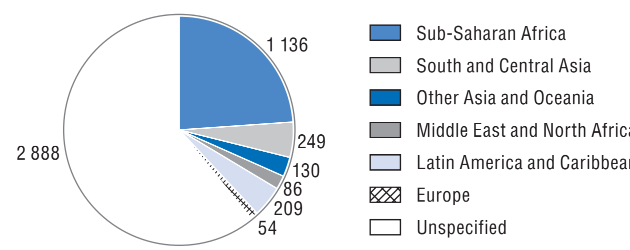
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	220
2 Afghanistan	112
3 Indonesia	80
4 Bangladesh	78
5 Mozambique	77
6 Ghana	68
7 Sudan	66
8 Tanzania	63
9 Suriname	62
10 Ethiopia	61
Memo: Share of gross bilateral ODA	
Top 5 recipients	12%
Top 10 recipients	19%
Top 20 recipients	27%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

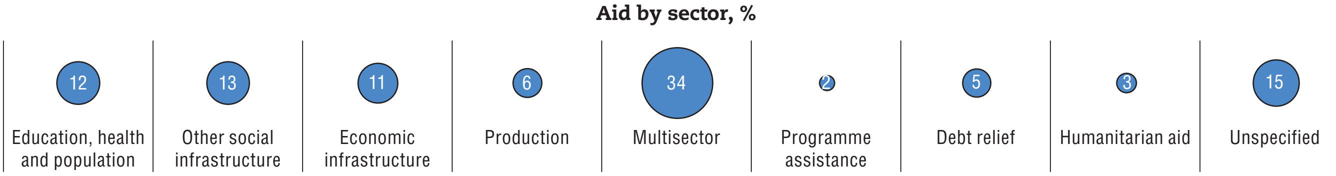
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

Between 2008 and 2012, the multilateral share of the Netherlands' net ODA averaged 28%, compared to the DAC average of 27%. In terms of volume, the Netherlands was the eighth largest DAC contributor of multilateral ODA for this period. In a context of shrinking ODA in 2012, preliminary data indicate that the multilateral share of net ODA decreased from 32%, or USD 2 billion, in 2011 to 29%, or USD 1.6 billion, in 2012.

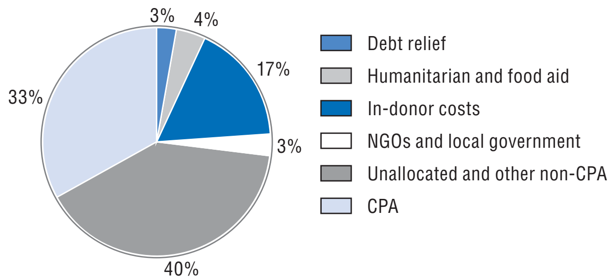
Composition of bilateral ODA

Country programmable aid (CPA) in 2011 was USD 1.5 billion (or 33% of the Netherlands' gross bilateral ODA), which is up from USD 1.38 billion (or 29% of gross bilateral ODA) in 2010 but still much lower than the DAC average of 55%. This low CPA figure is mainly due to the high amount of unallocated bilateral ODA provided through central programmes – especially through the civil society channel. General budget support – a part of CPA – totalled USD 91 million, or 2% of gross bilateral ODA, in 2011, down from USD 140.33 million, or 3% of gross bilateral ODA, in 2010.

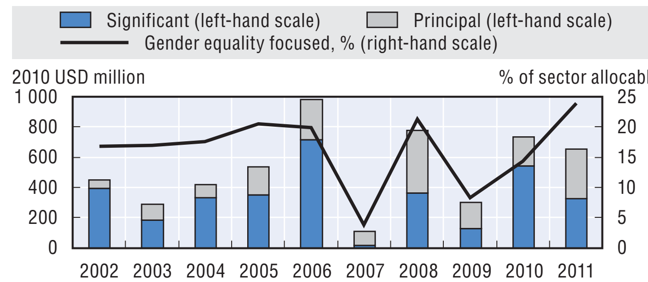
Focus on priority countries and LDCs

The Netherlands has taken steps to concentrate its bilateral ODA on fewer countries and to disengage from countries where it perceives that it does not have a comparative advantage. The share of the Netherlands' bilateral ODA allocated to its top 20

Composition of bilateral ODA, 2011



ODA for gender equality and women's empowerment, 2002-11



recipients was, however, 24% in 2011, down from 32% in 2010; the top 10 recipients received just 15%.

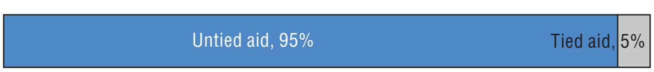
Data on the Netherlands' CPA suggests some concentration of its development co-operation in 2011. The share of its "significant relations" (countries to which the Netherlands provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries) increased to 47% in 2011, up from 43% in 2010. This share is, however, still below the 57% share that the Netherlands recorded in 2007.

In 2011, LDCs received USD 796 million, or 18% of Dutch gross bilateral ODA, down from its 25% average for 2007-10.

Untied aid

The Netherlands is among the DAC members that have largely untied their aid. The share of the Netherlands' aid reported as untied was 95% in 2011.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



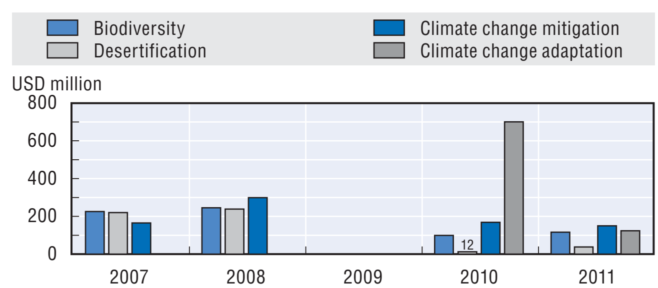
ODA to gender equality and women's empowerment

Gender equality is a high priority issue for the Netherlands, and in 2011 it committed a large volume of its ODA – USD 693 million – to gender equality and women's empowerment. The reported amounts have, however, fluctuated recently, falling steeply in 2009, more than doubling in 2010 to reach USD 737 million, and then falling again in 2011.

Environment policies and allocations to the Rio Conventions

The Netherlands is committed to the objectives of the Rio Conventions. Commitments to biodiversity have increased progressively since 2007, from USD 99 million in 2010 to USD 116 million in 2011. Commitments to climate change mitigation have been more volatile, increasing to USD 168 million in 2010 and then dropping to USD 150 million in 2011. In 2010, DAC members – including the Netherlands – started to report on commitments to climate change adaptation. In 2011, the Netherlands allocated USD 124 million for this, a significant drop from USD 701 million in 2010. Dutch commitments to combat desertification increased from USD 12 million in 2010 to USD 38 million in 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

The Netherlands does not report its other official flows to partner countries. In 2011, ODA represented 29% of total resources flows to partner countries, while net private flows at market terms accounted for 70% of total resources flows to partner countries. The level of the Netherlands' net private flows at market terms to partner countries reached a low in 2008 (USD –21.3 billion) and then steadily increased over the last few years, amounting to USD 6 billion in 2010 and USD 15 billion in 2011.

StatLink http://dx.doi.org/10.1787/888932896261

New Zealand

After the ODA decreases of 2009-10, in 2012 New Zealand continued the ODA growth trend initiated in 2011, reaching a net ODA volume of USD 455 million, up from USD 424 million in the previous year. In real terms, New Zealand's ODA increased by 3% between 2011 and 2012, reflecting the commitment to reach the ODA target of USD 600 million.

The ODA/GNI ratio remained stable at 0.28% compared to 2011, a slight increase from the 0.26% reached in 2010.

Figure IV.24. **Official development assistance: New Zealand**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	342	424	455	7.4
Constant (2011 USD m)	387	424	437	3.0
In NZL dollars (million)	475	537	562	4.7
ODA/GNI (%)	0.26	0.28	0.28	
Bilateral share (%)	79	78	81	

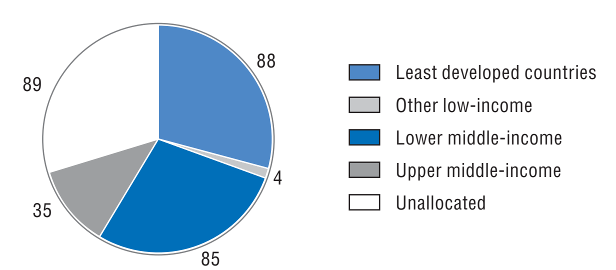
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

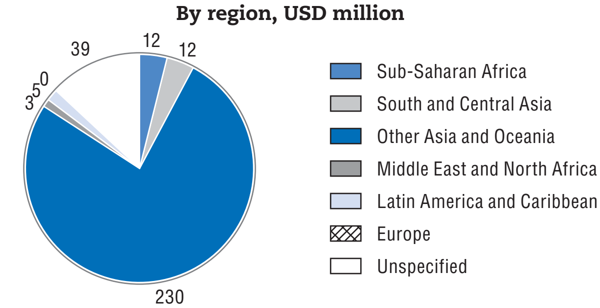
1	Papua New Guinea	25
2	Solomon Islands	23
3	Tokelau	15
4	Samoa	15
5	Niue	14
6	Vanuatu	13
7	Tonga	13
8	Cook Islands	12
9	Indonesia	11
10	Kiribati	8
Memo: Share of gross bilateral ODA		
	Top 5 recipients	31%
	Top 10 recipients	50%
	Top 20 recipients	63%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

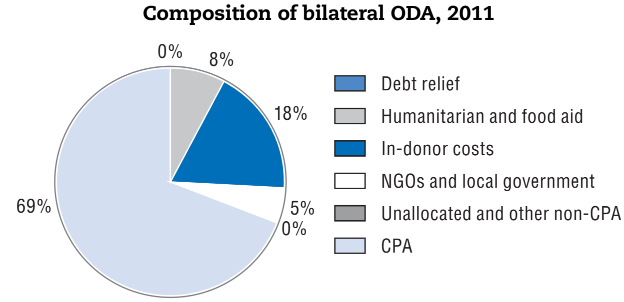
Bilateral and multilateral ODA

The bilateral share of New Zealand's ODA increased from 76% in 2011 to 81%, or USD 371 million, in 2012. The proportion between bilateral and multilateral ODA has only slightly fluctuated between 2006 and 2011, averaging at 78% for bilateral and 32% for multilateral. The United Nations is New Zealand's largest multilateral beneficiary.

Composition of bilateral ODA

New Zealand's total country programmable aid (CPA) increased from USD 184 million in 2010 to USD 229 million in 2011, or 69% of gross bilateral ODA – well above the DAC average of 55%. General budget support – which is part of CPA – amounted to USD 16.11 million, or 4.9% of gross bilateral ODA.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

New Zealand's bilateral development co-operation has a strong geographic focus on Asia and the Pacific. New Zealand has 15 priority countries, all of which are among its top ODA recipients. In terms of CPA, New Zealand had relations with 38 countries in 2011, 20 of which were "significant", meaning that New Zealand provided those countries with more than its global share of CPA and/or is among the top donors that cumulatively provide them with 90% of their CPA.

Untied aid

New Zealand is among the DAC members that have a large share of untied aid. This share was reported at 83% in 2011.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)

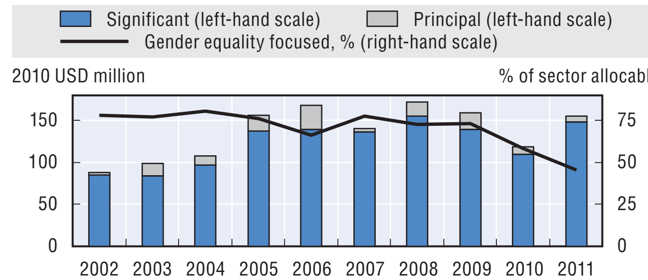
ODA to gender equality and women's empowerment

New Zealand has defined gender equality as a cross-cutting issue and aims to integrate this dimension into its aid programme and international policy dialogue. Commitments for activities with gender equality as a principal or significant objective increased between 2002 and 2006, before reacting two lows in 2007 and 2010. The ODA volume committed in 2011 (USD 175 million) represents a 31% increase in real terms over 2010, bringing New Zealand close to its 2009 level.

Environment policies and allocations to the Rio Conventions

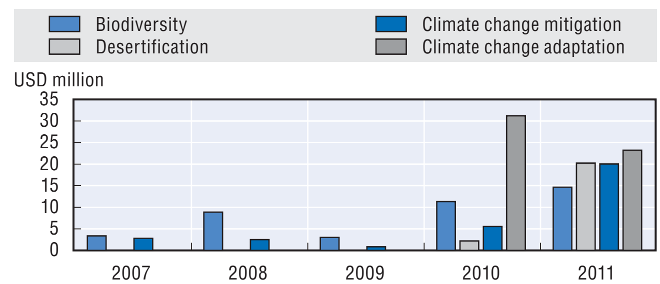
New Zealand has defined environment as a cross-cutting issue and plans to mainstream disaster risk reduction and prevention further into its programme in light of the huge range of potential natural risks in many Pacific islands. Following the small and volatile allocations recorded in 2007-10, commitments to all the objectives of the Rio Conventions except climate change adaptation increased nominally in 2011. New Zealand's 2011 commitments totalled USD 15 million in

ODA for gender equality and women's empowerment, 2002-11



support of biodiversity, USD 20 million to combat desertification, USD 23 million for climate change mitigation and USD 20 million for climate change adaptation.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

In 2011, New Zealand's ODA (USD 424 million) amounted to 81% of all reported financial flows to ODA-eligible countries. This share has averaged 80% since the 2000s. Among other financial flows to ODA-eligible countries, other official grants increased to USD 10 million after averaging USD 8 million since 2008. Grants by private charitable organisations, which averaged USD 48 million in 2008-10, increased nominally by 49% in 2011, reaching USD 74 million. Private flows at market terms amounted to USD 28 million in 2011 in net terms, which is a very close to the peak of USD 29 million reached in 2008.

StatLink http://dx.doi.org/10.1787/888932896280

Norway

In 2012, Norway's net ODA amounted to USD 4.75 billion, placing it as the tenth largest DAC donor. After two years of declining net ODA, Norway's ODA saw a 0.4% growth in real terms between 2011 and 2012.

Nevertheless, Norway is one of the most generous providers of ODA; its ODA/GNI ratio has consistently exceeded the 0.7% target since 1976. After reaching a peak of 1% in 2009, its ODA/GNI ratio fell to 0.96% in 2011 and 0.93% in 2012, which is still far above the DAC average of 0.29%.

Figure IV.25. **Official development assistance: Norway**

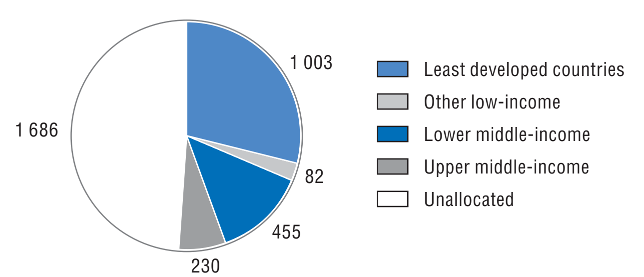
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	4 372	4 756	4 754	0.0
Constant (2011 USD m)	5 011	4 756	4 773	0.4
In Norwegian kroner (million)	26 424	26 653	27 645	3.7
ODA/GNI (%)	1.05	0.96	0.93	
Bilateral share (%)	77	75	75	

P. Preliminary data.

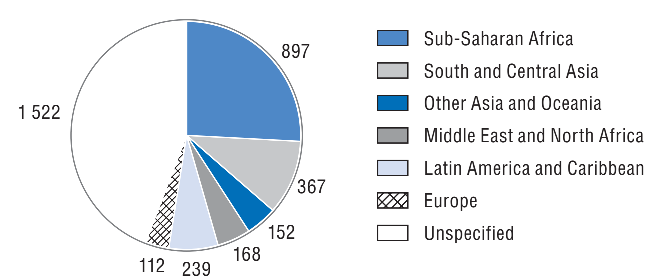
Top ten recipients of gross ODA (USD million)	
1 Afghanistan	129
2 Tanzania	119
3 West Bank and Gaza Strip	111
4 Sudan	82
5 Mozambique	79
6 Uganda	76
7 Zambia	67
8 Malawi	66
9 Pakistan	58
10 Somalia	58
Memo: Share of gross bilateral ODA	
Top 5 recipients	15%
Top 10 recipients	24%
Top 20 recipients	35%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

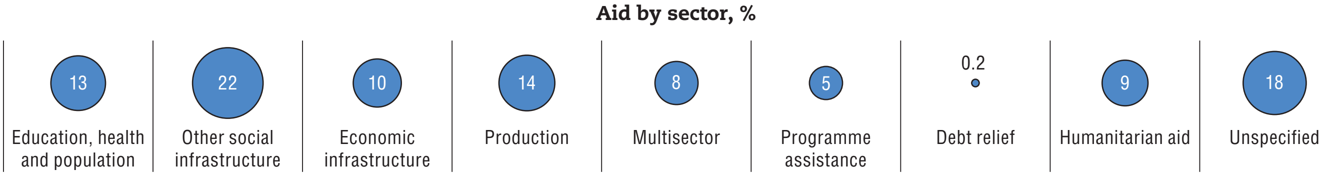
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

The general division of Norway's ODA between bilateral and multilateral channels remained constant between 2007 and 2012, with ODA to bilateral channels accounting for around 75% of total net disbursements. The size of ODA allocated to bilateral and multilateral channels remained at the same level between 2011 and 2012, with preliminary 2012 data indicating that Norway's bilateral ODA totalled USD 3.6 billion and multilateral ODA totalled USD 1.2 billion.

Composition of bilateral ODA

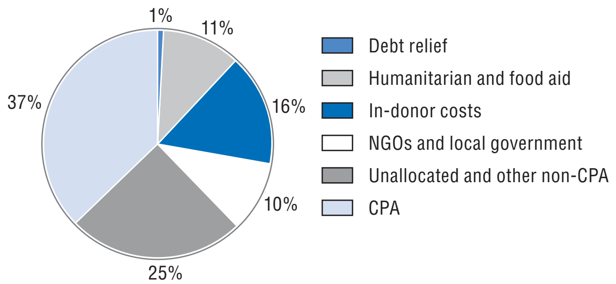
Norway's country programmable aid (CPA) amounted to USD 1.3 billion, or 37% of gross bilateral ODA, in 2011. Norway's low CPA figure is caused by the high proportion of bilateral ODA that is not allocated to countries or contains other non-CPA items such as equity investment (25%). It also had a high level of in-donor costs (16%) and channelled a large share of its ODA through NGOs and local governments (10%). Norway provided 11.8% of its CPA (or 4.4% of its gross bilateral ODA) in the form of general budget support.

Focus on priority countries and LDCs

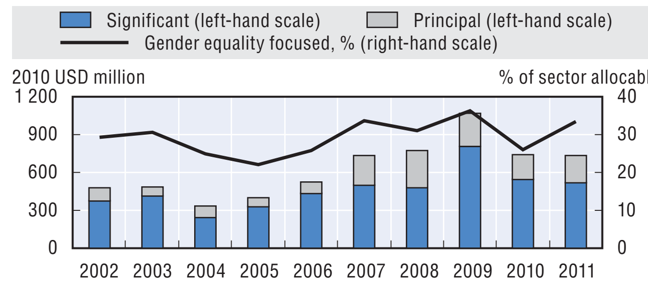
Norway no longer has a system of priority countries. Between 2007 and 2011, the share of Norway's bilateral ODA allocated to the top ten recipients decreased from 27% to 21%. Bilateral ODA allocated to the top 20 recipients decreased from 37% in 2007 to 29% in 2011.

Geographical fragmentation does not appear to be an issue for Norway. Norway decreased its number of recipient coun-

Composition of bilateral ODA, 2011



ODA for gender equality and women's empowerment, 2002-11



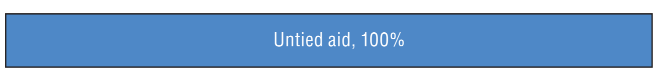
tries from 92 in 2007 to 85 in 2011. In particular, it brought down the number of "non-significant relations" from 55 to 48 over the same period, while keeping the number of "significant relations" stable at 37.

The share of Norway's gross bilateral ODA allocated to LDCs declined from 33% in 2007 to 28% – or just over USD 1 billion – in 2011, falling below the DAC average of 30%.

Untied aid

In 2011, 100% of Norway's aid was reported as untied.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

Norway has fully institutionalised and allocated sufficient resources to supporting work on gender mainstreaming. Norway has been implementing a plan for women's rights and gender equality in development co-operation since 2007. As part of this, it has established a firmer management structure that includes goals and reporting against the plan through 2013.

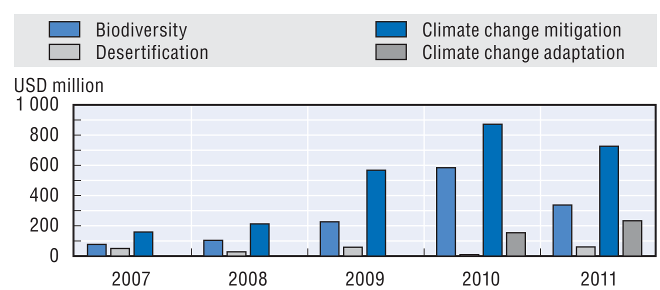
The proportion of Norway's ODA to gender equality and women's empowerment rose considerably between 2005 and 2009 before dropping by almost a third in 2010. Some 33% of Norway's sector allocable ODA (or USD 867 million) was devoted to gender-equality focused activities in 2011, a 7% increase from 2010.

Environment policies and allocations to the Rio Conventions

In 2010, Norway updated its Practical Guide on Assessment of Sustainability Elements/Key Risk Factors to also cover climate change risk management (i.e. climate proofing) as part of its programme risk analysis for environmental and social sustainability. Through strong collaborative work between the Ministry of Foreign Affairs and the Ministry of Environment, Norway supports the International Climate and Forest Initiative and the UN-REDD+ (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries), under which Norway has established partnerships with Brazil, Guyana and Indonesia to reduce greenhouse gas emissions from deforestation.

Norway's contribution to environment and climate change-related activities has significantly increased since 2007. Its bilateral ODA devoted to climate change adaptation rose nominally by 51% from 2010 to 2011. After a huge fall in 2010, Norway's ODA in support of desertification also increased significantly to USD 60 million in 2011, which is slightly above the 2009 level. Norwegian ODA for biodiversity and climate change mitigation, however, declined by 42% and 17% respectively between 2010 and 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Norway's other official flows (OOFs) to partner countries totalled USD 0.7 million in 2010. Norway did not report OOFs in 2011. After a steep fall in 2008 due to the global financial crisis, Norway's net private flows at market terms to partner countries substantially increased to USD 895 million in 2009 and to USD 1.5 billion in 2010, which is still below the pre-crisis level of USD 2.6 billion in 2007 (data for Norway's net private flows at market terms and net private grants in 2011 will be published later in 2013).

StatLink http://dx.doi.org/10.1787/888932896299

Portugal

In 2012, Portugal's net ODA totalled USD 567 million, a 13.1% decrease compared to 2011 and a deepening of the 3% decline recorded in 2011. Between 2008 and 2010, net ODA fluctuated from +23% in 2008 to –15% in 2009 to +32% in 2010 (all of which are year-on-year variations).

The ODA/GNI ratio decreased from 0.31% in 2011 to 0.27% in 2012, which remains far from the EU intermediate target of 0.51% and below the 2011 target of 0.40% set by the Portuguese government.

Figure IV.26. **Official development assistance: Portugal**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	649	708	567	–19.9
Constant (2011 USD m)	686	708	615	–13.1
In euro (million)	490	509	441	–13.3
ODA/GNI (%)	0.29	0.31	0.27	
Bilateral share (%)	61	67	68	

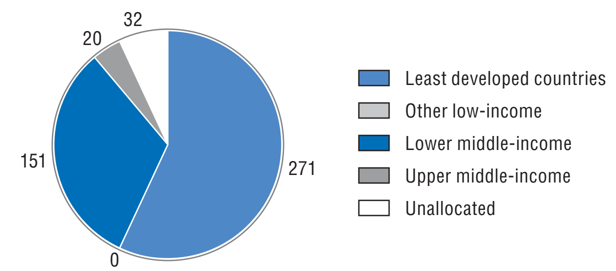
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

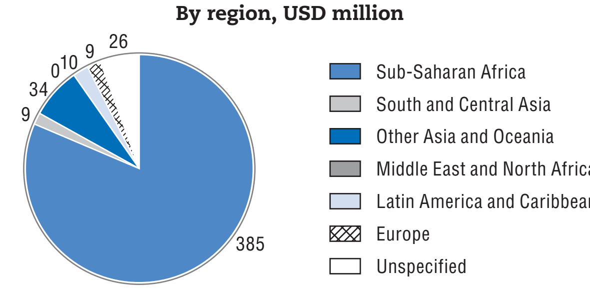
1 Mozambique	170
2 Cape Verde	149
3 Timor-Leste	31
4 Sao Tome and Principe	27
5 Angola	18
6 Guinea-Bissau	15
7 Brazil	8
8 Afghanistan	8
9 Serbia	6
10 China	3
Memo: Share of gross bilateral ODA	
Top 5 recipients	83%
Top 10 recipients	92%
Top 20 recipients	93%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

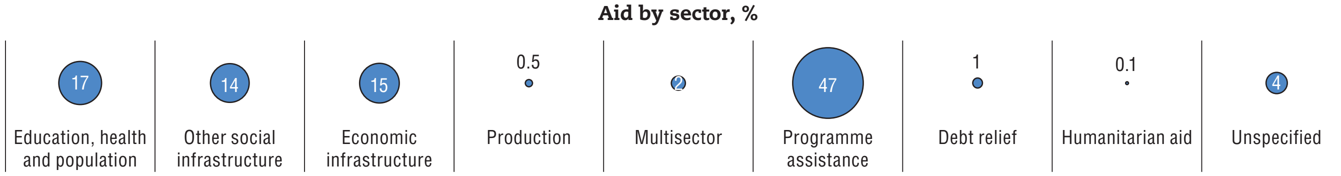
By income group, USD million



By region, USD million



Aid by sector, %



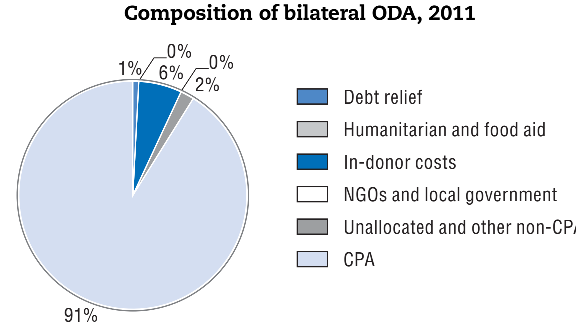
Bilateral and multilateral ODA

After a low of 54% in 2009, the bilateral share of Portuguese ODA gradually increased between 2010 and 12, reaching USD 385.49 million, or around 68%, in 2012. Multilateral ODA was USD 181.69 million in 2012, or 32% of net ODA.

Composition of bilateral ODA

Portugal's country programmable aid (CPA) reached 91% of gross bilateral ODA in 2011, up from 85% in 2010 and significantly above the DAC members' average of 55% for 2011. General budget support – which counts as CPA – amounted to USD 4.87 million, equivalent to 0.9% of gross bilateral ODA or only 1% of CPA.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

Portugal has a highly focused bilateral programme. It has six priority partner countries, all of them Portuguese-speaking: Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao Tome and Principe, and Timor Leste. Since 2005, these six countries have consistently featured among Portugal's top ten recipients, and they received 91% of Portugal's bilateral ODA in 2011.

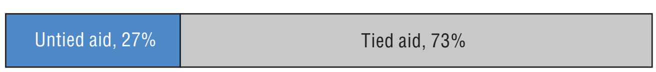
Portugal has "significant relations" with all of its priority countries, meaning that it provides them with more than its global share of CPA and/or is among the top donors that cumulatively provide them with 90% of their CPA. While Portugal had "significant relations" with 9 out of 15 countries in 2010, this number decreased to 7 in 2011.

Following fluctuations around the average of 47% between 2007 and 2010, the share of bilateral ODA allocated to LDCs rose to 62%, or USD 319 million, in 2011.

Untied aid

Only 27% of Portugal's aid was reported as untied in 2011.

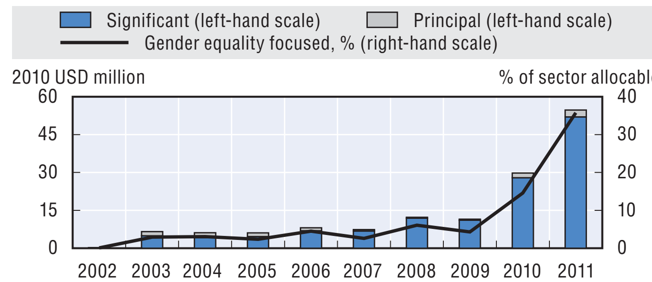
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

After a strong increase in 2010, Portugal's ODA commitments for gender equality and women's empowerment continued to increase in 2011, reaching USD 58 million. The share of gender equality-focused ODA more than doubled between 2010 and 2011 from 15% to 36% of sector allocable aid.

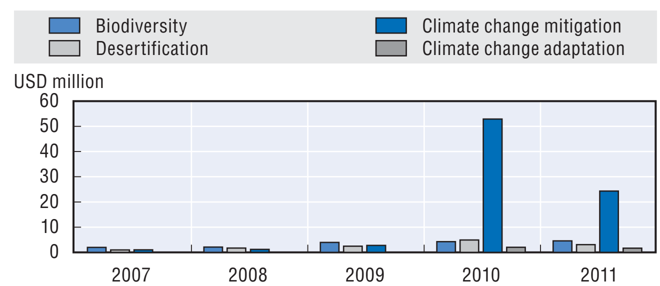
ODA for gender equality and women's empowerment, 2002-11



Environment policies and allocations to the Rio Conventions

Portugal recorded an unprecedented surge in commitments to climate change mitigation, increasing from USD 3 million in 2009 to USD 53 million in 2010. In 2011, activities to climate change mitigation continued to receive the strongest support among the objectives of the Rio Conventions, amounting to USD 24 million. ODA commitments targeted at biodiversity, desertification and climate change adaptation, however, remained low.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

In 2011, Portugal recorded a negative net outflow of resources towards ODA-eligible countries. Portugal provided a positive flow of USD 708 million as ODA in 2011, but received over USD 2 billion as capital returns on foreign direct investment in net terms.

StatLink http://dx.doi.org/10.1787/888932896318

Spain

In 2012, Spain's net ODA amounted to USD 1.95 billion, a 50% decrease in real terms from 2011 and the largest percentage decrease in ODA of any DAC member for that year. The global economic crisis and its aftermath have caused severe cuts in Spain's ODA budget. Spain's ODA has been in decline since 2009, averaging at an annual rate of –23% between 2009 and 2012. Spain had significantly scaled up its ODA between 2006 and 2008, with average annual increases of nearly 22% in real terms.

Spain's ODA/GNI ratio in 2012 was 0.15%, down from 0.29% in 2011 and 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%. It is also unlikely that Spain will reach the goal of 0.7% ODA/GNI in 2015.

Figure IV.27. **Official development assistance: Spain**

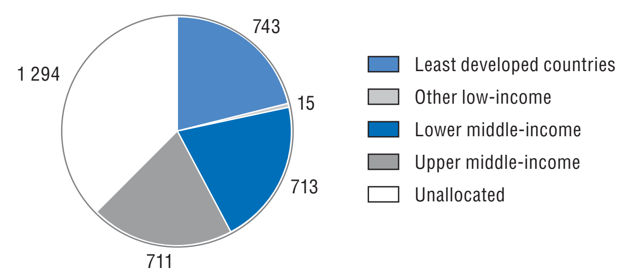
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	5 949	4 173	1 948	–53.3
Constant (2011 USD m)	6 305	4 173	2 101	–49.7
In euro (million)	4 492	3 001	1 516	–49.5
ODA/GNI (%)	0.43	0.29	0.15	
Bilateral share (%)	67	55	43	

P. Preliminary data.

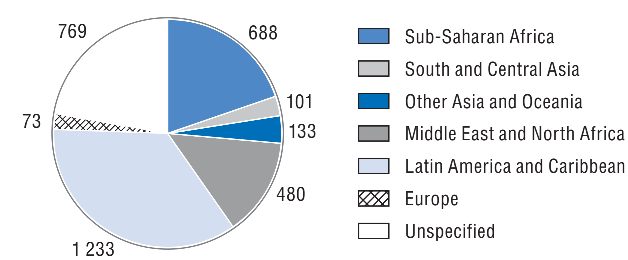
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	168
2 Tunisia	126
3 Haiti	124
4 Bolivia	101
5 Peru	93
6 Morocco	91
7 Nicaragua	86
8 West Bank and Gaza Strip	80
9 Guatemala	69
10 El Salvador	67
Memo: Share of gross bilateral ODA	
Top 5 recipients	18%
Top 10 recipients	29%
Top 20 recipients	43%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

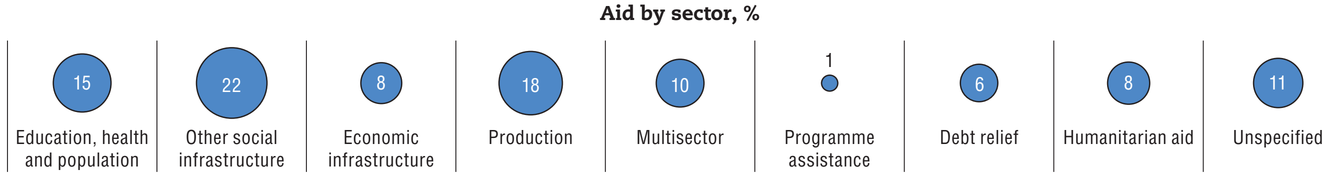
By income group, USD million



By region, USD million



Aid by sector, %



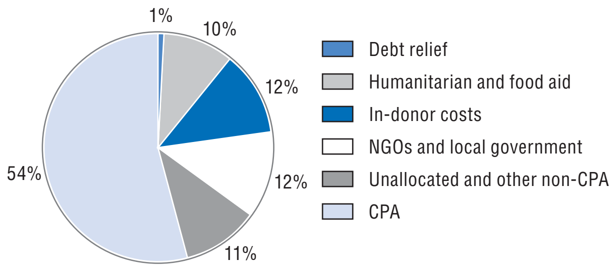
Bilateral and multilateral ODA

Cuts in Spain's ODA budget have predominately affected its bilateral ODA, with the share of ODA channelled through Spain's bilateral programme falling by 81% in real teams between 2008 (70% of ODA or USD 4.8 billion) and 2012 (43% of ODA or USD 844 million). Spain's multilateral ODA fell by 41% in real terms over the same period, standing at USD 1.1 billion in 2012.

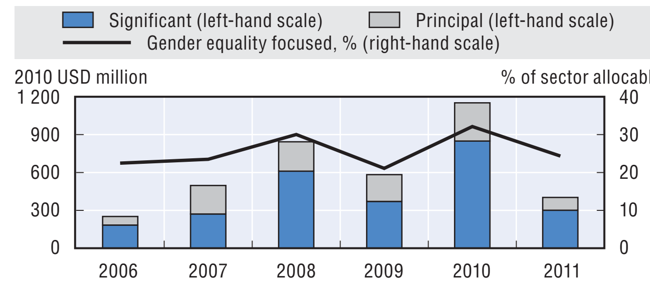
Composition of bilateral ODA

In 2011, 54% of Spain's gross bilateral ODA was country programmable aid (CPA), slightly up from 2010 and close to the DAC average of 55%. General budget support – a part of CPA – totalled USD 24.56 million, equivalent to 1% of Spain's gross bilateral ODA. Spain channelled 12% of its ODA to and through NGOs and local government in 2011. This reflects Spain's decentralised political structure; most of Spain's local governments conduct their own development programmes.

Composition of bilateral ODA, 2011



ODA for gender equality and women's empowerment, 2006-11



Focus on priority countries and LDCs

Spain reduced the number of its partner countries from 50 in 2010 to 23 in 2011. Spain allocated 37% of its gross bilateral ODA to its top 20 recipients of development co-operation in 2011, below the DAC average of 52% and down from 43% in 2007.

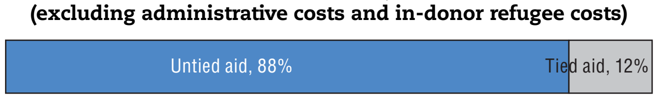
Spain had "significant relations" with 29 of its 36 partner countries in 2011, meaning that it provided to these countries more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. Between 2007 and 2010, the share of Spain's "significant relations" increased from 51% in 2007 to 63% in 2011, mainly due to a reduction in the overall number of relations from 92 in 2007 to 70 in 2011.

The share of Spain's bilateral ODA allocated to LDCs increased steadily from 13% in 2007 to 22% in 2011. Spain appears on track to meet its commitment to spend 25% of its ODA on LDCs by 2015. Spain's total ODA to LDCs reached USD 571 million in 2011.

Untied aid

Spain has untied a large share of its ODA. In 2011, 88% of Spain's aid was reported as untied.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



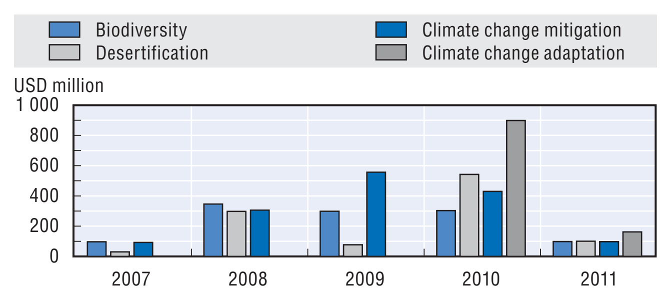
ODA to gender equality and women's empowerment

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. In 2011, gender equality-focused aid represented 24% of Spain's gender-screened sector-allocable aid, a decrease from 32% in 2010. Spain's commitments to activities with gender equality as a principal or significant objective amounted to USD 428 million in 2011.

Environment policies and allocations to the Rio Conventions

Environment and climate change are also part of Spain's "areas of special focus". Spain aims to tackle environment and climate change issues through targeted programmes and by mainstreaming them throughout its activities. Between 2010 and 2011, there was a significant decrease in the amount of ODA Spain committed to the Rio markers. After reaching their peak in 2008, Spain's commitments to biodiversity fell to USD 98 million in 2011. Climate change mitigation and desertification commitments have also fallen from their peaks in 2009 to USD 98 million and USD 100 million in 2011 respectively. Spain made a substantial commitment to climate change adaptation in 2010, but its commitments were reduced to USD 162 million in 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Spain only includes official grants other than ODA in its reported other official flows (OOFs). Between 2008 and 2011, Spain's ODA constituted either 99% or 100% of total official financial flows reported to the DAC. No net private grants from Spain to partner countries have been reported over the last four years. The volume of net private flows at market terms, which had considerably decreased since the financial crisis hit Spain in 2008, increased to USD 15.96 million in 2011, but is not yet back to pre-crisis levels.

StatLink http://dx.doi.org/10.1787/888932896337

Sweden

In 2012, Sweden's net ODA amounted to USD 5.24 billion, a 3.4% decrease in real terms since 2011. This was due to reduced capital subscriptions to international organisations, although cash disbursements to these organisations increased. The budget for Swedish ODA is linked to the country's gross national income (GNI) – in line with its commitment to provide 1% of its GNI to ODA – and has fluctuated in recent years as a result of this linkage.

Sweden has allocated more than 0.9% of GNI to ODA every year since 2006. The ODA/GNI ratio was 0.99% in 2010, and Sweden's current Budget Bill establishes a 1% ratio for 2013 and projects that same ratio for 2014-16.

Figure IV.28. **Official development assistance: Sweden**

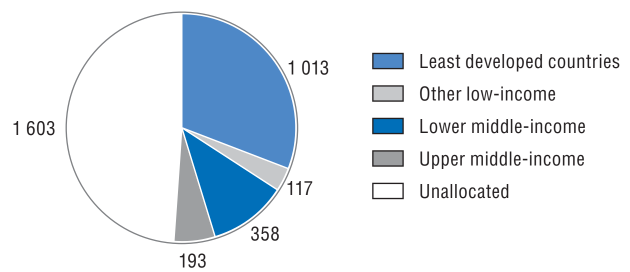
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	4 533	5 603	5 242	–6.4
Constant (2011 USD m)	5 080	5 603	5 411	–3.4
In Swedish kronor (million)	32 651	36 360	35 483	–2.4
ODA/GNI (%)	0.97	1.02	0.99	
Bilateral share (%)	64	65	69	

P. Preliminary data.

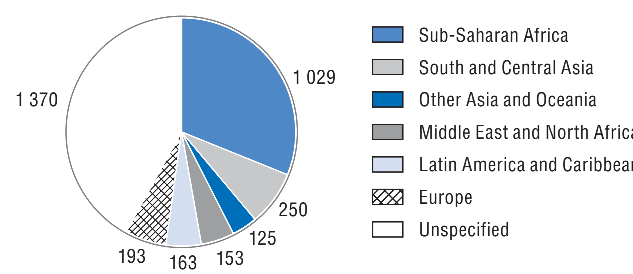
Top ten recipients of gross ODA (USD million)	
1 Congo, Democratic Republic	156
2 Tanzania	110
3 Afghanistan	103
4 Mozambique	97
5 Sudan	74
6 Kenya	62
7 West Bank and Gaza Strip	62
8 Somalia	45
9 Uganda	42
10 Ethiopia	40
Memo: Share of gross bilateral ODA	
Top 5 recipients	16%
Top 10 recipients	24%
Top 20 recipients	34%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

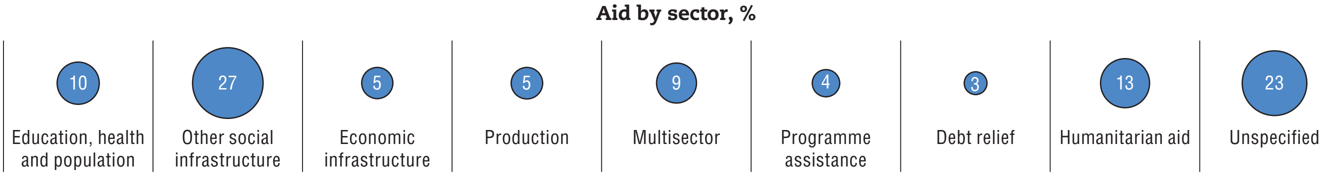
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

In 2012, bilateral development co-operation accounted for 69% of Sweden's net ODA, and ODA channelled through multilateral organisations accounted for 31%. Sweden's bilateral ODA has accounted for 64% to 72% of total ODA since 2006.

Composition of bilateral ODA

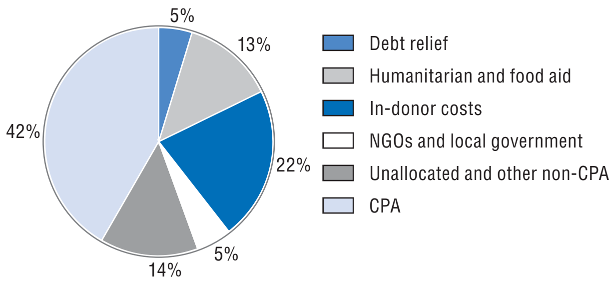
In 2011, 42% of Sweden's gross bilateral ODA was country programmable aid (CPA), below the DAC members' average of 55% for the same year. General budget support – which counts as CPA – totalled USD 119.82 million, or 4% of gross bilateral ODA.

Sweden's low share of CPA is mainly due to its high level of in-donor refugee and administrative costs, its sizeable humanitarian assistance and the large proportion of its bilateral ODA that is not allocated by country. The share of in-donor refugee costs in particular has increased considerably since the last peer review in 2009.

Focus on priority countries and LDCs

Sweden has identified 32 priority countries for its aid programme, and in 2011, all of Sweden's top 20 ODA recipient countries were priority countries. Sweden's top 20 ODA recipi-

Composition of bilateral ODA, 2011



ent countries, however, received only 35% of its bilateral ODA in 2011, compared to 31% in 2007. This is far lower than the DAC average of 52% in 2011.

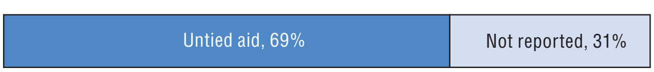
In 2011, Sweden was a significant donor in 29 out of 32 priority countries, meaning that for these countries it provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries.

The share of Sweden's gross bilateral ODA allocated to LDCs increased from 26% in 2007 to 33% – or USD 1.19 billion – in 2011, which is above the DAC average of 30% for 2011.

Untied aid

In 2011, the share of Swedish aid reported as untied was 69%. Sweden is seeking clarity from the DAC on how to report some areas that it sees as "untieable" by nature (in other words, they represent no opportunities for international procurement).

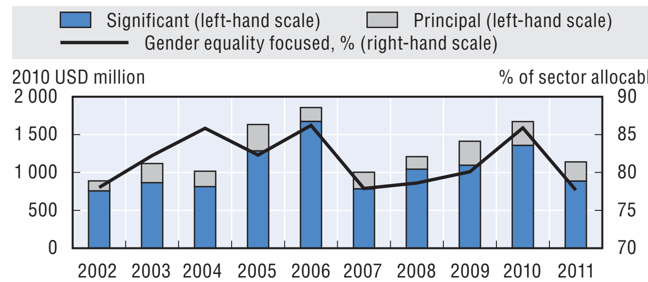
Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



ODA to gender equality and women's empowerment

Gender equality and the role of women was identified by the Swedish government as one of the three thematic priorities for its development co-operation. In 2011, gender equality-focused ODA represented 78% of Sweden's gender-screened sector-allocable aid, down from 86% in 2010. Commitments for activities with gender equality as a principal or significant objective amounted to USD 1.14 billion in 2011.

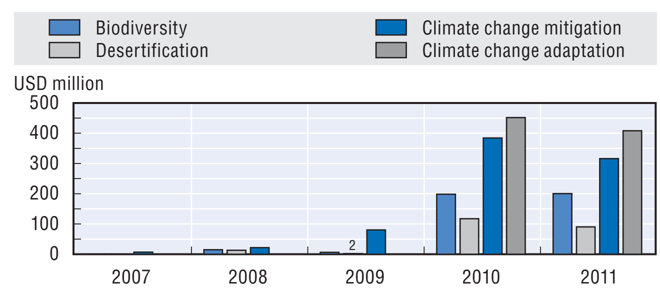
ODA for gender equality and women's empowerment, 2002-11



Environment policies and allocations to the Rio Conventions

The environment and climate change is one of three thematic priorities for Sweden's development co-operation. Sweden's ODA commitments to the objectives of the Rio Conventions increased between 2007 and 2010, but then fell in 2011 in every area except biodiversity, which observed a nominal increase in 2011 and reached USD 201 million. Sweden committed USD 316 million to climate change mitigation, USD 408 million to climate change adaption and USD 90 million to combating desertification in 2011.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

The volume of other official flows (OOFs) from Sweden to partner countries was small and negative in 2011. Swedish ODA accounted for 99% of its reported total official financial flows in 2008 and 2009 and accounted for 100% in 2010. Swedish net private grants peaked at USD 221 million in 2010 and then fell to USD 31 million in 2011. Net private flows at market terms are considerable but highly variable over time. After decreasing from USD 2.5 billion in 2009 to USD 372 million in 2010, they increased to USD 1.09 billion in 2011.

StatLink http://dx.doi.org/10.1787/888932896356

Switzerland

In 2012, Switzerland's net ODA amounted to USD 3.02 billion, a 4.5% increase in real terms compared to 2011. Switzerland is one of the few DAC members that have not recorded a contraction of ODA in both 2011 and 2012. These increases reflect Switzerland's efforts to scale up its development co-operation in order to reach the target of 0.5% of GNI by 2015.

As a share of GNI, Switzerland's ODA remained at the 2011 level of 0.45% in 2012.

Figure IV.29. **Official development assistance: Switzerland**

Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	2 300	3 051	3 022	-0.9
Constant (2011 USD m)	2 710	3 051	3 188	4.5
In Swiss francs (million)	2 398	2 707	2 833	4.7
ODA/GNI (%)	0.39	0.45	0.45	
Bilateral share (%)	74	78	81	

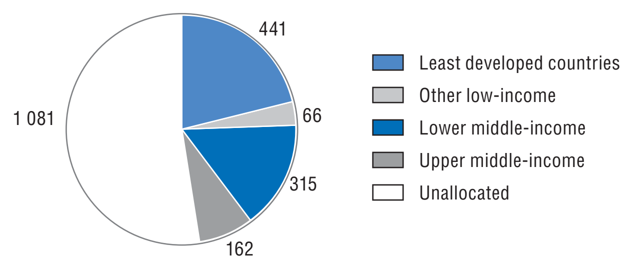
P. Preliminary data.

Top ten recipients of gross ODA (USD million)

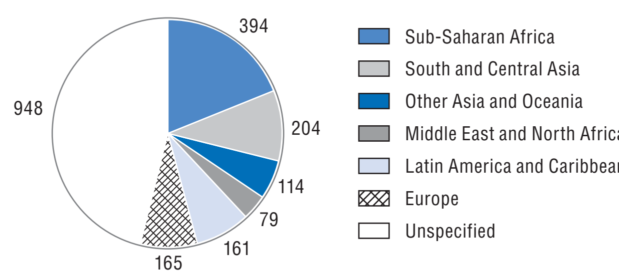
1	Kosovo	56
2	Togo	39
3	Nepal	34
4	Mozambique	30
5	Burkina Faso	29
6	Bangladesh	27
7	Bolivia	26
8	Tanzania	24
9	West Bank and Gaza Strip	24
10	Viet Nam	24
Memo: Share of gross bilateral ODA		
	Top 5 recipients	9%
	Top 10 recipients	15%
	Top 20 recipients	25%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

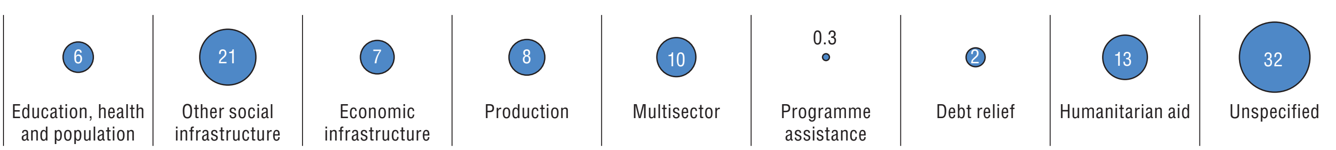
By income group, USD million



By region, USD million



Aid by sector, %



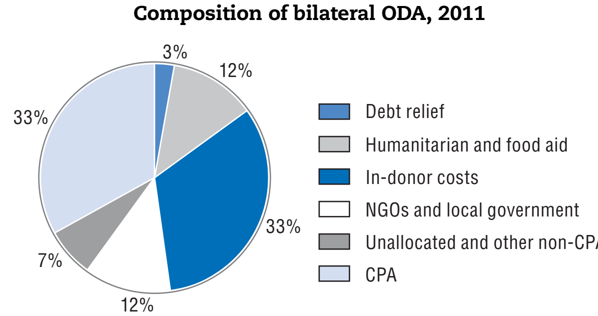
Bilateral and multilateral ODA

While Switzerland's ODA levels fluctuated in 2006-10, its bilateral assistance remained at an average of 76% of net ODA each year, with the remainder going to multilateral organisations. In 2011, bilateral ODA constituted 81% of net ODA, or USD 2.44 billion. Switzerland contributes most of its multilateral funding as core contributions and multi-year grants.

Composition of bilateral ODA

In 2011, 33% of Switzerland's gross bilateral ODA was country programmable aid (CPA), much less than the DAC average of 55%. General budget support – which is part of CPA – amounted to USD 27.39 million, equivalent to only 1.1% of gross bilateral ODA. CPA's low share of bilateral ODA is partly explained by the high share of refugee costs included in Switzerland's in-donor costs. Switzerland's in-donor costs represented 33% of its gross bilateral ODA in 2011, the highest share of all DAC countries.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

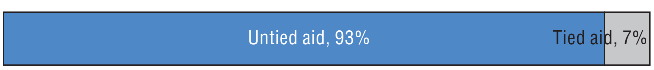
In light of their respective comparative advantages, the Swiss Agency for Development Cooperation (SDC) and the Secretariat for Economic Affairs (SECO) conduct activities in different country types: SDC concentrates on LDCs in 20 priority countries/regions, while SECO concentrates on 8 priority middle-income countries. In the past, both agencies co-ordinated transition assistance in the same nine priority countries. Despite these efforts to concentrate on priority countries, Swiss bilateral ODA remains spread across a much larger number of recipients. The share of bilateral ODA allocated to Switzerland's top 10 and top 20 recipients declined between 2007 and 2011, going from 20% and 32% to 15% and 25% respectively.

In 2011, Switzerland allocated USD 517 million to LDCs, or 22% of gross bilateral ODA. This is a slight increase over the 21% recorded in 2011, but is comparable to the average share of 22% allocated to LDCs in 2007-10. These figures were influenced by exceptional debt relief measures in 2007 (Sierra Leone), 2009 and 2011 (Togo).

Untied aid

In 2011, Switzerland reported 93% of its ODA as untied aid.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



Note: In 2010, Switzerland reported ODA to refugees in the donor country as tied aid. If this item were excluded from bilateral aid, Switzerland's tied and untied aid would have been 3% and 97% respectively.

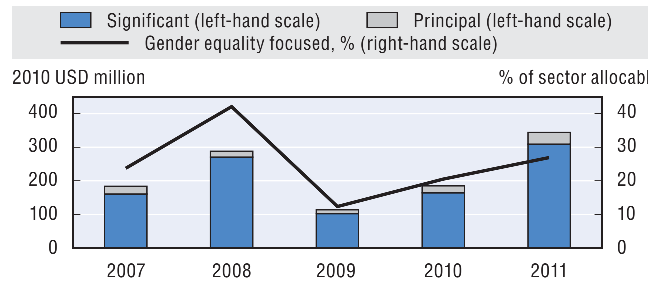
ODA to gender equality and women's empowerment

Switzerland prioritises gender equality as a cross-cutting issue, and SDC has striven to further integrate gender equality into its programmes since 2008. 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 before recovering to USD 408 million in 2011, a 86% increase in real terms from 2010.

Environment policies and allocations to the Rio Conventions

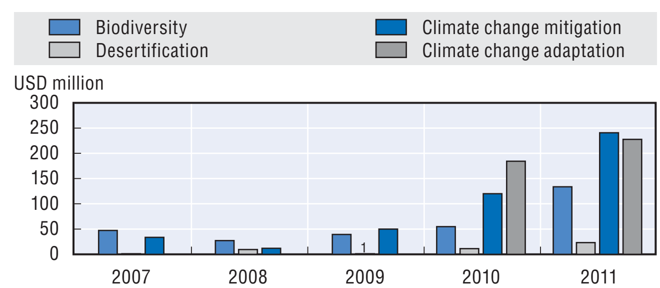
Climate change and related environmental concerns have been a focus of Swiss development co-operation for a long time,

ODA for gender equality and women's empowerment, 2007-11



and Switzerland plans to further expand its engagement in climate change mitigation and adaptation in future years. After a dip in 2008, Switzerland's reported ODA commitments for biodiversity and climate change mitigation increased significantly in 2009-11, reaching USD 134 million and USD 241 million respectively. These increases are partially due to improved data reporting. In 2011, Switzerland also reported ODA commitments totalling USD 228 million for climate change adaptation and USD 23 million for combating desertification.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Although Switzerland does not report other official flows, it does report net private flows at market terms to partner countries and grants from private charitable organisations. Of the reported total resources flows, ODA represented 25% in 2011, while net private flows at market terms to partner countries represented 71% (or USD 8.4 billion). Private grants made for the remaining share and amounted to USD 466 million.

StatLink http://dx.doi.org/10.1787/888932896375

United Kingdom

In 2012, the United Kingdom's net ODA amounted to USD 13.66 billion, a 2.2% drop in real terms from the 2011 level. This followed the 1% decrease recorded in 2011. Firm budget allocations were put into place, however, to ensure that the ODA to GNI ratio reached 0.56% in 2012 and 0.7% from 2013 onwards.

The 0.56% ODA to GNI ratio reached in 2012 represented a very slight decrease from the 0.57% ratio reached in 2010. Unlike in many other donor countries, the economic recession has not affected the United Kingdom's plan to reach 0.7% by 2013, and it is on track to achieve this target.

Figure IV.30. **Official development assistance: United Kingdom**

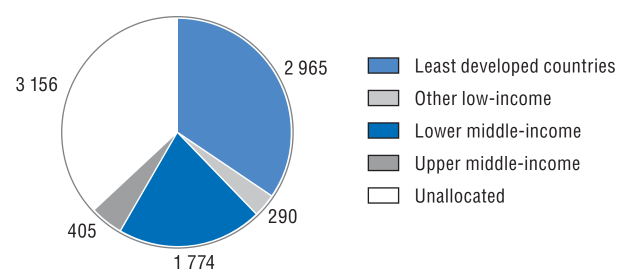
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	13 053	13 832	13 659	–1.3
Constant (2011 USD m)	13 913	13 832	13 532	–2.2
In pounds sterling (million)	8 452	8 629	8 620	–0.1
ODA/GNI (%)	0.57	0.56	0.56	
Bilateral share (%)	61	61	65	

P. Preliminary data.

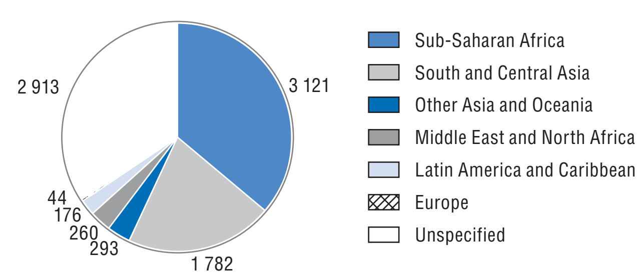
Top ten recipients of gross ODA (USD million)	
1 India	632
2 Ethiopia	480
3 Afghanistan	331
4 Congo, Democratic Republic	317
5 Pakistan	316
6 Nigeria	299
7 Bangladesh	299
8 Tanzania	219
9 Uganda	163
10 Ghana	149
Memo: Share of gross bilateral ODA	
Top 5 recipients	24%
Top 10 recipients	37%
Top 20 recipients	51%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

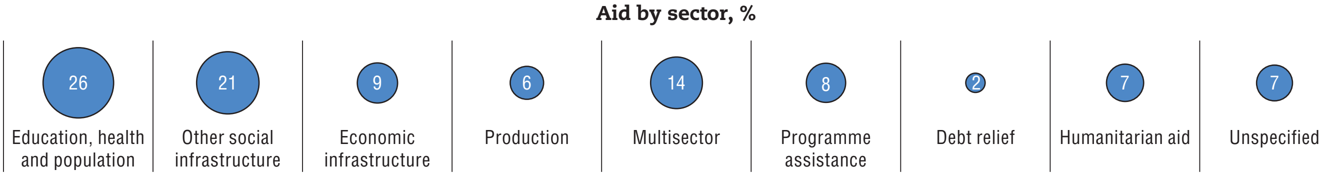
By income group, USD million



By region, USD million



Aid by sector, %



Bilateral and multilateral ODA

The increase in the United Kingdom's total ODA between 2006 and 2012 translated mainly into larger allocations to multilateral agencies. This greater reliance on multilateral channels for delivering assistance reflects the United Kingdom's clear support for the multilateral development agenda. Preliminary data for 2012, however, show that bilateral ODA increased in real terms by 4% while multilateral ODA decreased by 12%, bringing the proportion between bilateral and multilateral ODA to 65:35 (compared to 61:39 in 2011). Multilateral ODA totalled USD 4.8 billion in 2012.

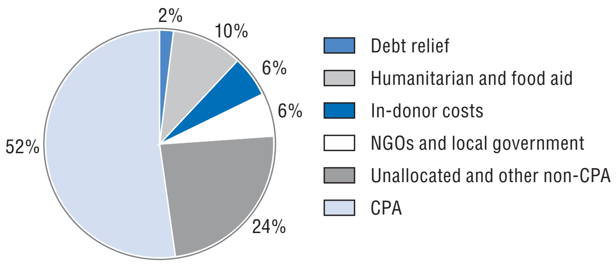
Composition of bilateral ODA

In 2011, the United Kingdom provided 52% of its gross bilateral ODA as country programmable aid (CPA), up from 49% in 2010, but below the DAC average of 55%. General budget support – which is part of CPA – decreased from USD 650 million in 2010 to USD 447 million (or 5.1% of gross bilateral ODA) in 2011. The United Kingdom's bilateral humanitarian and food aid accounted for 10% of gross bilateral ODA.

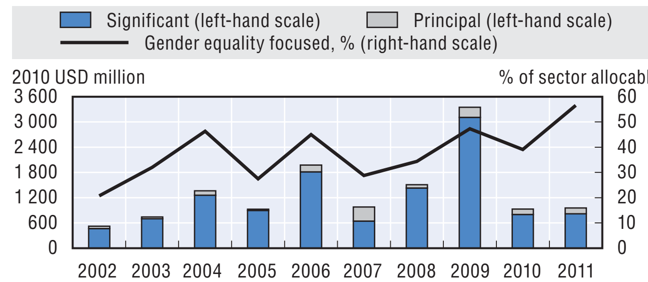
Focus on priority countries and LDCs

In recent years the United Kingdom has tried to focus its development co-operation on fewer countries and now concentrates its bilateral programme on 27 priority countries; 49%

Composition of bilateral ODA, 2011



ODA for gender equality and women's empowerment, 2002-11



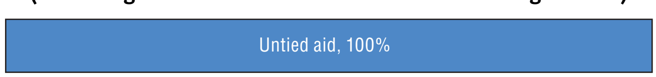
of its ODA goes to its top 20 recipients. The United Kingdom has "significant relations" with 26 of these priority countries as well as with 9 other countries, meaning that it provides to 35 countries more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of CPA to those countries. The United Kingdom remains a "non-significant" partner in 52 other countries.

Following a slight decline in recent years, the share of UK ODA allocated to LDCs rose to USD 3.31 billion, or 38% of total bilateral aid, in 2011.

Untied aid

The United Kingdom reports all of its aid as untied.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)



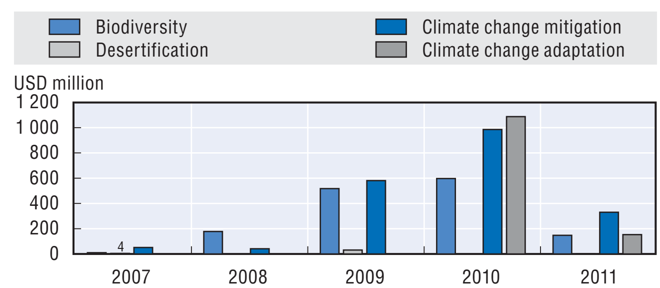
ODA to gender equality and women's empowerment

The United Kingdom has taken a lead role in integrating gender equality perspectives into international commitments for more effective aid, and has made progress in integrating gender equality into its own development co-operation programme. ODA commitments for activities with gender equality as a principal or significant objective peaked in 2009, dropped dramatically in 2010, and then increased by 3% in 2011, reaching USD 1.01 billion in 2011. Gender equality focused ODA accounted for 57% of sector-allocable ODA in 2011, up from 39% in 2010.

Environment policies and allocations to the Rio Conventions

In line with the strategic priority the United Kingdom gives to climate change, ODA commitments for biodiversity and climate change mitigation increased considerably to USD 598 million and USD 986 million in 2010. The United Kingdom also reported its commitments for climate change adaptation in 2010, which totalled USD 1.09 billion. This momentum, however, needs to be sustained; allocations reported for environment and climate change activities sharply decreased in 2011, totalling USD 148 million for biodiversity, USD 330 million for climate change mitigation and USD 153 million for climate change adaptation.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

Between 2007 and 2011, ODA accounted for more than 98% of the United Kingdom's reported total official financial resource flows to partner countries. Remaining flows (net official flows from export credit subsidies and investment-related transactions) were very low and became negative in 2010 and 2011. The evolution of total official flows, therefore, follows the positive trend of net ODA closely. Following annual nominal decreases of 30% between 2007 and 2009, net private grants increased slightly to USD 352 million in 2010, and then jumped to USD 631 million in 2011. The volume of net private flows at market terms increased significantly from USD 12.25 billion in 2010 to USD 32.43 billion in 2011, above the USD 29.34 billion recorded just before the 2008 financial crisis. While this increase is mostly due to foreign direct investment culminating at USD 33.0 billion in 2011, it results in a volume of net private flows representing more than twice the level of UK ODA.

StatLink http://dx.doi.org/10.1787/888932896394

United States

In 2012, the United States' net ODA amounted to USD 30.46 billion at current prices, a 2.8% drop in real terms that followed the 1% decrease recorded in 2011. The 2012 fall is mainly due to a reduction in bilateral net debt relief compared to 2011. As a result, ODA as a share of GNI also fell from 0.20% in 2011 to 0.19% in 2012.

Figure IV.31. **Official development assistance: United States**

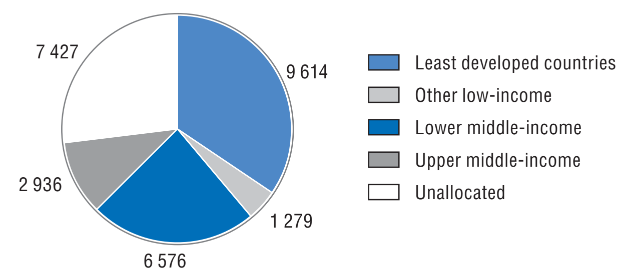
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	30 353	30 783	30 460	–1.0
Constant (2011 USD m)	31 000	30 783	29 907	–2.8
ODA/GNI (%)	0.21	0.20	0.19	
Bilateral share (%)	88	88	84	

P. Preliminary data.

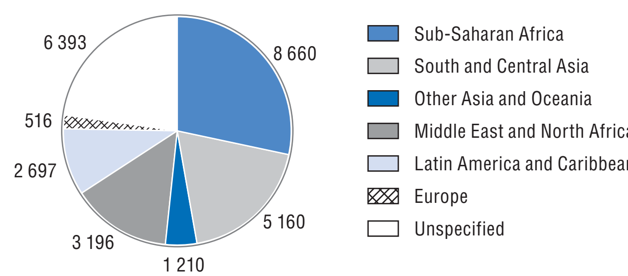
Top ten recipients of gross ODA (USD million)		
1	Afghanistan	2 951
2	Iraq	1 443
3	Pakistan	1 237
4	Congo, Democratic Republic	1 053
5	Haiti	864
6	Ethiopia	791
7	West Bank and Gaza Strip	673
8	Kenya	642
9	South Africa	547
10	Tanzania	496
Memo: Share of gross bilateral ODA		
	Top 5 recipients	27%
	Top 10 recipients	38%
	Top 20 recipients	51%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

By income group, USD million



By region, USD million



Aid by sector, %

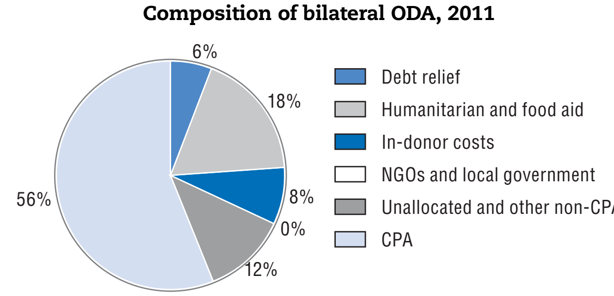
Bilateral and multilateral ODA

The United States' bilateral share of ODA was fairly stable in 2007-12, averaging at 87%. In 2012, this share declined slightly to 84% due to the reduction in bilateral net debt relief and to the historic high of USD 4.9 billion in contributions to international organisations (+30% in real terms compared to 2011). Multilateral ODA currently represents 16% of ODA, a high level in the history of the United States' development co-operation.

Composition of bilateral ODA

In 2011, 56% of gross bilateral ODA was country programmable aid (CPA). The United States provided USD 2.61 million as general budget support and USD 600 million as sector budget support in 2011. The United States' bilateral humanitarian and food aid accounted for 18% of gross bilateral ODA in 2011.

Composition of bilateral ODA, 2011



Focus on priority countries and LDCs

The United States has development co-operation programmes with 126 partner countries, a slightly sharpened geographic focus compared to the total of 140 countries in 2010.

The administration continues to focus its development co-operation on fewer partners, with 51% of ODA going to the United States' top 20 recipients.

Given the size of its programme, the United States has "significant relations" with 101 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 25 countries.

The share of ODA allocated to LDCs increased from 30% in 2008 to 35% in 2011, which reflects the United States' commitment to spend a higher share of its development co-operation on the poorest and most fragile countries. This commitment has led the United States to double its assistance to sub-Saharan Africa since 2005. The United States' bilateral ODA to sub-Saharan Africa fell, however, to USD 8.8 billion in 2012, a 4.5% decrease in real terms compared to 2011. If debt relief is excluded, the total actually increased by 7.2%.

Untied aid

The United States is among the DAC members that need to accelerate their efforts to untie their development co-operation programmes and reverse the current trend. Its share of untied aid was reported as 66% in 2011.

Untied aid status, 2011
(excluding administrative costs and in-donor refugee costs)

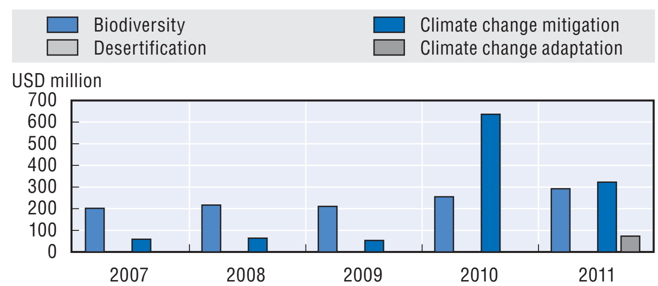
ODA to gender equality and women's empowerment

Backed by strong political support, the United States is renewing its efforts to integrate gender equality into its development co-operation programme. Progress is becoming apparent, with this dimension mainstreamed in the recent presidential initiatives on food security and health. Until 2009, the United States' gender marker was assigned based on a text search through project descriptions (using terms such as "girl" or "woman"); resulting data on gender equality-focused ODA is not comparable with those reported by other donors. The United States has implemented an improved data collection for the gender equality marker, and data for 2011 will be available in the coming months (no data available for 2010).

Environment policies and allocations to the Rio Conventions

The Global Climate Change Initiative has made climate change considerations a prominent part of development co-operation. Reported ODA allocations for biodiversity increased dramatically from 2010 to 2011, reaching USD 292 million. Allocations for climate change mitigation, however, decreased from USD 636 million in 2010 to USD 323 million in 2011. The United States started reporting allocations for climate change adaptation in 2011; these amounted to USD 73 million.

ODA commitments targeting Rio Convention objectives, 2007-11



External development finance beyond ODA

The vast majority of the United States' official flows is made up of ODA. Remaining official flows, which were negative in net terms until 2009 and almost nil (USD 5 million) in 2010, rose sharply in 2011 to reach USD 2.57 billion. This total included export credits (USD 1.09 billion) and loans from the Overseas Private Investment Corporation (OPIC – the United States' development finance institution) in partner countries (USD 1.87 billion). The strong increase of net private grants noted in 2010 is consolidated in 2011 with a peak of USD 23.28 billion, while the volume of net private flows at market terms shows a more volatile evolution because of the global financial crisis. Net private flows fell from USD 98 billion in 2007 to USD –29 billion in 2008, before increasing to USD 69 billion in 2009 and culminating at USD 161 billion in 2010 as a result of huge increases in private foreign direct and portfolio investment. They then decreased to USD 108.45 billion in 2011.

StatLink http://dx.doi.org/10.1787/888932896413

OECD DAC peer reviews

OECD DAC peer review of Finland (25 September 2012)

Examiners: Austria and Switzerland

In 2012, Finland adopted a new development policy that built on Finnish expertise and emphasised a human rights-based approach to development. The strengths of Finland's development co-operation include longstanding priorities, openness to dialogue with a broad range of stakeholders, and good co-operation and division of labour with other donors. Finland is also a strong international advocate of human rights, the environment, policy coherence for development and aid effectiveness. It is seen as a constructive partner within the development co-operation and humanitarian communities, and in its partner countries.

Finland has increased its ODA substantially since the last peer review in 2008 – both in volume and as a percentage of gross national income (GNI). In 2010, Finland exceeded its EU intermediate target of allocating 0.51% of its GNI to ODA by reaching 0.55% ODA/GNI. In 2011, Finland's ODA budget increased only nominally, standing at 0.52% of its GNI. According to Finland's budget projections, ODA growth will stall in 2013 and 2014 and fall in 2015. The government plans to look for innovative sources of financing to help Finland meet its ODA targets for 2015.

Since the last peer review, Finland has made efforts to improve the implementation of its policies by designing policy guidance for several areas, mainstreaming aid effectiveness principles across its development co-operation and starting to incorporate a results-based approach throughout its development programme. The new development policy emphasises the need to focus Finnish development co-operation and to prioritise development actions. The Finnish way of working – which is flexible and pragmatic – has proven useful so far, but it may be reaching its limits for managing Finland's sizeable development programme effectively. Finland now needs clear and harmonised guidance on priorities, processes and implementation to ensure its assistance is more focused and effective. To ensure a consistent approach to coherence issues across the administration, Finland also needs to set strategic objectives and strengthen its capacity for analysis to make its policies coherent with development goals. In addition, the Ministry for Foreign Affairs needs to address challenges in managing development staff.

Recommendations to improve the effectiveness of the development co-operation of Finland:

- Operationalise its development policy through guidance on bilateral, multilateral and civil society co-operation, making full use of related operational tools to identify clear objectives with expected results and verifiable indicators for its co-operation with partners.

- Identify strategic objectives for promoting synergies and avoiding conflicts between existing and new relevant policies and development goals, and ensure that these are systematically considered and addressed by all relevant ministries.
- Develop a credible and strategic path for increasing ODA levels and meeting its international commitment of allocating 0.7% of its GNI as ODA by 2015, and prioritise development co-operation in national budgetary decisions.
- Continue to concentrate ODA on long-term partner countries and on those LDCs and priority areas where Finland can have an impact, while avoiding engaging in too many sub-sectors and stand-alone projects with an unclear development impact.
- Decentralise authority to embassies based on clear criteria and objectives and on an analysis of how delegation of authority – including financial authority – can empower embassies to best implement the new development policy and increase Finland's impact in the field.

OECD DAC peer review of Luxembourg (21 November 2012)

Examiners: Greece and Spain

Luxembourg allocated 0.97% of its GNI, or USD 413 million, to ODA in 2011. The world's third most generous donor as a portion of its economy – after Sweden and Norway – Luxembourg is committed to keeping its ODA at 1% of GNI until 2014. Its co-operation policy enjoys strong political support, a solid legal foundation and a stable institutional framework. Its geographic and sectoral concentration allows it to make up for the modest size of its programme and to have a real impact in some of its nine partner countries and in certain sectors of concentration.

Partner countries appreciate the predictability and flexibility of Luxembourg's support. In many respects it takes an exemplary stance *vis-à-vis* multilateral players, and it also has a solid track record in humanitarian partnership. In response to the recommendations from the 2008 peer review, Luxembourg has reinforced its strategic framework and has introduced tools for improving the management and implementation of development co-operation. It is increasingly making use of programme-based approaches and taking greater advantage of partner country systems. Luxembourg has planned to end its development co-operation programme to El Salvador and Viet Nam, and the Review acknowledges that this exit will be predictable and transparent and will allow the countries to find other sources of financing.

The Review makes a number of recommendations to increase the positive impact of Luxembourg's development co-operation programme:

- With about a third of its ODA channelled through multilateral organisations and another 20% allocated through NGOs, Luxembourg should ensure that these efforts are complementary.
- To further boost development – and in addition to the government's procurement of fair-trade goods – Luxembourg should more actively promote policy coherence for development to ensure that its domestic policies better support partner countries' efforts in terms of, for example, the environment, climate change and finance. This will require a better understanding of the impact of Luxembourg's domestic policies on the development efforts of its partner countries.
- Luxembourg's Development Co-operation Directorate, which decides policy, and LuxDex, which implements two-thirds of the budget allocated to its bilateral programme, should

further reinforce their collaboration in order to maximise resources and competencies. This includes setting and monitoring the country's development objectives as well as training and appraising staff.

- The centralisation of Luxembourg's development co-operation programme and the absence of co-operation offices in some partner countries make it difficult to ensure the quality of projects and to pursue dialogue with partners. Luxembourg should consider how to remedy these weaknesses. It could also strengthen its approach to results-based management.
- Fifteen percent of Luxembourg's ODA is devoted to humanitarian assistance and the country is an example of good humanitarian practices. Luxembourg now needs to strike an appropriate balance between the scope of its programme, the administrative burden it presents and available staff resources to ensure the long-term quality and effectiveness of its humanitarian efforts.

OECD DAC peer review of Korea (11 December 2012)

Examiners: Australia and Germany

A recipient of development co-operation less than two decades ago, Korea is now a donor and sharing its experience of how to use development co-operation as a catalyst to promote long-term sustainable growth in other countries.

Over the past five years, Korea has trebled its ODA to USD 1 325 million per year, or 0.12% of its gross national income, and is committed to further doubling ODA by 2015. The OECD's first ever peer review of Korea said that the government must manage this steep increase carefully to make its development co-operation effective.

The Review commended Korea for the steps it has taken to improve its development co-operation since it became a member of the DAC in 2010. Building on this progress, the Review recommended that Korea's development co-operation legislation and forward planning be more transparent, setting out aims, priorities and objectives as well as publishing spending figures on its 26 partner countries as well as the sectors it supports.

Compared to other donors, Korea allocates a high proportion of its ODA as loans rather than grants – about 40% of its total support to most countries and 18% to highly-indebted poor countries. Based on its own experience, Korea believes that loans encourage fiscal discipline in the recipient countries. The Review recommended, however, that when extending loans to the poorest countries and fragile states, Korea should carefully consider the economic context and financial governance of these countries to ensure debt sustainability.

As staffing will become a major issue for Korea as it expands its development co-operation programme, the government says it will increase the number of employees working on development. The Review recommended that Korea assesses the skills, training and resources needed to run its programme; streamlines procedures; works more with civil society organisations (CSOs); and supports fewer – but larger – projects.

The Review also recommended strengthening the committees and mechanisms that ensure coherence amongst the ministries overseeing Korean development co-operation, ensuring better co-ordination both at headquarters and with partner countries.

To further increase the effectiveness of its development efforts, Korea should better evaluate the impact of its development co-operation. It should also follow the example of other DAC members, which on average have untied 88% of their ODA allocated to LDCs, compared to Korea's 27%.

Recommendations to improve the effectiveness of Korea's development co-operation:

The DAC welcomed Korea's efforts to increase its ODA and make it more effective. It recommended that Korea should:

- Build on its solid legal and policy foundations by completing the strategic framework to guide its growing development co-operation.
- Sustain its recent increases in ODA volumes to achieve its target of giving 0.25% of its GNI as ODA by 2015.
- Translate its commitment to untie 75% of its total bilateral ODA by 2015 into a year-on-year roadmap that drives progress towards its goal.

Mid-term reviews

Since October 2012, the DAC has conducted mid-term reviews of Austria, Belgium, Germany, New Zealand, Portugal, Switzerland and the United Kingdom. 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 development co-operation programme. Below we present a summary of findings for the seven mid-term reviews conducted since the release of the *Development Co-operation Report 2012*.

Austria's mid-term review

Austria's mid-term review took place on 23 February 2012, a little less than three years after its peer review. The mid-review found that Austria has made some progress towards the recommendations from its peer review, but challenges remain. Austria is making good strides to build public and political support for development co-operation. For example, it has established a State Secretary charged with development co-operation in the Ministry of Foreign Affairs, which gives political weight to the development co-operation agenda. The State Secretary involves ministries, civil society and the private sector in public debates on the role of Austria's development co-operation. Austria has strengthened collaboration across government ministries on overall strategic priorities as well as on specific themes such as the environment and security and fragility. A shared vision of development co-operation across ministries and other stakeholders was developed in the 2012 Austrian development policy strategy, which covers up to 80% of ODA. Progress has also been made in meeting the recommendation to reduce the transaction costs associated with NGO financing and provide more predictability and flexibility to partners. 75% of the Austrian Development Agency's (ADA) annual budget for CSOs is now allocated through multi-annual partnerships agreements with major partner NGOs. In addition, Austria has implemented the recommendation to un-earmark all of its humanitarian core funding and has not decreased core funding to UN agencies with a humanitarian mandate. It has achieved this despite general budget cuts.

Austria faces a major challenge, however, with its ODA volume and the composition of its bilateral ODA. ODA has decreased since the last peer review, and budgetary projections show that Austria will not reach the 2015 target of allocating 0.7% of its GNI as ODA. In the context of cross-government efforts to reduce the central budget deficit, development co-operation seems to have been cut disproportionately to other areas within the Ministry of Foreign Affairs, affecting both the bilateral and multilateral programme. In addition, Austria plans to increase its ODA/GNI ratio through a debt cancellation to Sudan between 2012 and 2014. This is despite the fact that the DAC recommends donors not to rely on debt relief for meeting ODA commitments. It also goes against the recommendation to implement debt relief without delay so that recipients receive the relief promptly and that the donor ODA figures are fully comparable with those of other donors for that year.

Belgium's mid-term review

This mid-term review took place on 11 September 2012. The review found that Belgium is committed to implementing the peer review recommendations. It noted that the pace for implementing the recommendations had picked up since the government was formed in December 2011. Belgium is acting on the DAC recommendation to have an explicit policy statement on development co-operation, increase awareness and identify the institutional framework and tools for making national policies coherent with development. To modernise the legal framework for development co-operation, a draft new law on development co-operation was being readied for submission to parliament. The Review also recommended that Belgium simplifies its institutional system for development co-operation and clarifies mandates and roles. Belgium has sought to implement this recommendation through the new law on development co-operation, planned updates to the legislative frameworks for the main actors delivering development co-operation and a medium-term strategy for governmental co-operation. Belgium's ODA was USD 2.8 billion in 2011, or 0.53% of GNI. The ODA budget has been hit by the economic crisis and fiscal consolidation, and while the government remains committed to the target ODA/GNI ratio of 0.7%, it has not set a new date for reaching it. The ODA budget managed by the Directorate General for Development Co-operation in the Ministry of Foreign Affairs was frozen at EUR 1 478 million in 2012 and 2013, and Belgium's ODA/GNI ratio is set to settle at 0.50% in the coming years. In a positive effort to concentrate on its 18 priority countries, Belgium has nearly doubled allocations to these countries since 2008. The administrative reform and re-organisation of the Directorate General for Development Co-operation also responds to several of the DAC recommendations. Very good progress has also been made in building an evaluation culture. Belgium is a "thinking" humanitarian donor and has made substantial progress in making funding more flexible, appropriate and results-focused. Belgium's focus and dedication to increasing the quality of its development co-operation through better policies, results-oriented strategies and more efficient management systems are remarkable.

Germany's mid-term review

Germany's mid-term review took place on 6 November 2012, two years after its peer review. The mid-term review found that Germany had made progress towards the recommendations of its peer review, but some challenges remain. Germany has acted on the peer review's recommendation to put in place an overarching policy document – Minds for Change – which it launched in August 2011. This document focuses on Africa, fragile states and the private sector and should result in a higher proportion of German ODA being allocated to low-income countries and LDCs in the future. In addition to developing its overarching development policy, the Federal Ministry for Economic Co-operation and Development (BMZ) has also acted on the peer review's recommendations to draft a paper to guide its multilateral ODA and to prepare strategies for how it will work with civil society and the private sector. Given that Germany is the largest contributor of multilateral ODA in the DAC, its new strategy for this channel will have considerable significance for the entities that it supports. Germany remains committed to the ODA volume target of 0.7% of GNI by 2015, but appreciates that meeting this will be a challenge – its ODA/GNI ratio in 2012 was 0.38%. Germany has made progress with the recommendations to implement institutional reforms within its development co-operation system. The merger of its three technical co-operation agencies (Germany Organisation for Technical Co-operation [GTZ]; Capacity Building International, Germany [InWEnt]; and the German Development Service [DED]) to form the Germany Agency for International Co-operation (GIZ) has been completed successfully. The new organisation has over 17 000 staff members and is the biggest development agency in the world by far. BMZ has been strengthened with the addition of 196 new posts, an unprecedented 30% increase in the ministry's staffing levels. With this considerable institutional capacity in place, Germany is in a position to engage on and to influence international development issues to a much greater extent than it has previously and to share its development knowledge on a much larger scale.

New Zealand's mid-term review

This review, which took place on 7 November 2012, found that New Zealand was advancing with most of the peer review recommendations. Despite the financial cost of the 2011 Christchurch earthquakes, New Zealand's ODA budget was not cut between 2012 and 2015 and is expected to increase by NZD 50 million in 2015. There is now greater clarity in strategic orientations for development co-operation thanks to the 2011 policy and strategic vision. With its clearer policy framework and following its reintegration, the International Development Group (IDG) within the Ministry of Foreign Affairs and Trade now seems to be better placed to foster stronger connections between development, foreign and trade policy. New Zealand has also reinforced its strategic approach, guidelines and tools to mainstream cross-cutting issues in its development programme. Public engagement and communication continue, however, to be under-resourced. Relations across government to promote development appear better and more effective; for example, the activities of other departments' are now included in country programmes. To decrease geographic dispersion, New Zealand plans to allocate 57% of its ODA budget to Pacific partners and to reduce the number of non-Pacific bilateral programmes. New Zealand provides sector and budget support to several Pacific countries and more ODA (approximately 22% of bilateral aid) was allocated through country systems in 2011-12. The IDG's management structure reflects the programme's priorities and marks a dramatic change over two years. The restructuring process seems to have positioned the group and its divisions well within the ministry. New Zealand is also putting in place a new results management system, as recommended by the DAC. Like others, New Zealand faces the challenge of establishing a results-based management system that meets its accountability, learning and management needs. It has also issued a three-year operational policy and strategic framework entitled Policies and Strategies for Humanitarian Assistance and Disaster Risk Reduction. While the policy remains broad in scope, it does focus New Zealand's efforts on the Pacific.

Portugal's mid-term review

Portugal's mid-term review took place on 17 December 2012, two years after its peer review. The mid-term review found that Portugal has made progress towards the recommendations from its peer review, but some more work remains to be done. Portugal has acted on the peer review's recommendations to reduce the fragmentation of its co-operation programme and system. Since 2010, it has dramatically reduced the number of stand-alone small projects and it now invests in larger projects. Portugal also continues to concentrate its development co-operation on a few partner countries and it aims to limit the number of sectors in which it is engaged. Finally, Portugal is using the new Indicative Co-operation Programmes to support greater co-ordination of its co-operation activities in each partner country. The adoption of a new strategy for development co-operation – guided by the principles of coherence, concentration and co-financing – should help Portugal to further reduce fragmentation. Despite these positive developments, institutional changes have delayed the implementation of many recommendations. In 2012, Portugal created a new institution called Camões – Institute for Co-operation and Language – that was tasked with co-ordinating both development co-operation and language instruction. The process of establishing a new institution delayed the implementation of the national law on policy coherence for development, the development of a communications strategy, the revision of Portugal's approach to engaging with NGOs and the private sector, as well as progress in increasing the alignment, predictability and transparency of Portugal's aid. Now that Camões is established, Portugal should accelerate progress towards the recommendations that have not yet been reached. The economic crisis also affected Portugal's ability to act on the recommendation to increase ODA volumes. In 2011, Portugal's ODA levels were stable, but given the current budgetary pressure, the ODA budget will most likely be cut in the next years or at best maintained at the 2011 level. This means that Portugal will not reach the 0.7% target in the near future, but as conditions improve, Portugal could prepare a spending plan for reaching its ODA target.

The United Kingdom's mid-term review

The mid-term review of the United Kingdom, which took place on 7 December 2012, shows that significant progress has been made on all of the recommendations of the 2010 peer review. Its development co-operation programme continues to be focused on reducing poverty – with a stronger emphasis on fragile and conflict-affected states – and harnessing the power of the private sector. ODA remains totally untied.

Since the United Kingdom decided that no new financial ODA grants should be made to India beyond 2012, DFID will need to take stock of its programme there and look at how to accompany countries as they become richer.

The United Kingdom is commended for keeping its commitment to provide 0.7% of GNI as ODA by the end of 2013. The strategic, forward-looking reform and adjustments within DFID should enable it to spend increased resources effectively. The United Kingdom has maintained its powerful institutional system and taken measures to protect, and even increase, staff on the front-line. DFID also plans to increase its efficiency and generate administrative savings.

As illustrated by the establishment of the United Kingdom Aid Transparency Guarantee and the launch of an independent evaluation commission (ICAI), the government focuses on delivering results, transparency and value for money – an approach that needs to be tailored to specific contexts. While DFID has strengthened teams in country offices with specialised skills to report on results, it is still looking at how it could streamline its reporting requirements further through simplifying business planning processes.

The United Kingdom continues to play a key role in shaping the development agenda at the global level. It is well placed to make a meaningful contribution to the post-2015 development framework due to the Prime Minister's nomination as a co-chair on the UN High-Level Panel on Post-2015 Development Agenda; the nomination of the Secretary of State as a Co-Chair of the Global Partnership for Effective Development Co-operation; and the 2013 UK's presidency of the G8.

Further reading

The full peer reviews are available as follows:

OECD (2013), *OECD Development Assistance Peer Reviews: Finland 2012*, OECD Publishing. doi: *10.1787/9789264200777-en*.

OECD (2013), *OECD Development Assistance Peer Reviews: Korea 2012*, OECD Publishing.doi: *10.1787/9789264196056-en*.

OECD (2013), *Examens OCDE sur la cooperation pour le développement : Luxembourg 2012*, OECD Publishing. doi: *10.1787/9789264200791-fr*.

Notes on other OECD providers of development co-operation

The OECD currently has 34 member countries, 25 of which are members of the DAC, as is the European Union. This section highlights the ODA flows from the nine OECD countries that are not DAC members: Chile, Estonia, Hungary, Israel, Mexico, Poland, the Slovak Republic, Slovenia and Turkey.

The OECD currently has 34 member countries, 25 of which are members of the DAC, as is the European Union. This section highlights the ODA flows from the nine OECD countries that are not DAC members.

Chile

Through the Chilean International Co-operation Agency (AGCI), the Chilean administration works to decrease poverty and support national development processes in partner countries, particularly in Latin America and the Caribbean, through its South-South and triangular co-operation as well as through its tertiary scholarship scheme. AGCI is responsible for co-ordinating the work of the national ministries and agencies involved in international co-operation and has developed a supply-and-demand record of Chile's capacities in technical assistance, training and policy dialogue. Areas of co-operation include social protection, democratic governance and productive development and competitiveness.

Chile does not report data on its development co-operation flows to the OECD.

Estonia

Estonia's net ODA increased from USD 19 million in 2010 to USD 24 million in 2011, a 19.5% increase in real terms. Its ratio of ODA to gross national income (GNI) also rose from 0.10% to 0.11%. Bilateral ODA accounted for 30% of Estonia's ODA, while multilateral assistance constituted 70% of ODA disbursements and was mainly channelled through the EU.

According to preliminary ODA estimates for 2012, Estonian ODA dropped slightly by 2.7% in real terms to USD 23 million. The ODA/GNI ratio remained stable at 0.11%.

In 2011, Estonia began to implement its second Development Co-operation Strategy, which was set for the period of 2011-15. Afghanistan, Georgia, Moldova, and Ukraine remained priority partners in 2011. All bilateral assistance was extended in the form of grants and was primarily technical assistance. In 2011, Estonia made its first contribution to the tenth European Development Fund (EDF).

Estonian development co-operation focuses on the following priority sectors: peace and security, human rights, democracy and the rule of law, sustainable economic development, and human development. Partner countries have shown increasing interest in areas where Estonia has a comparative advantage such as transition experience and e-governance. Both of these areas will remain a focus of Estonian development co-operation.

Hungary

In 2011, Hungarian ODA stood at USD 140 million, a 14.6% increase in real terms. The ODA/GNI ratio also rose from 0.09% to 0.11%. This increase was mainly due to Hungary's substantial contribution to the tenth EDF. Bilateral assistance accounted for 24% of ODA, while multilateral assistance constituted 76% of ODA.

Preliminary ODA estimates for 2012 indicate a 7.5% drop in real terms, with Hungarian ODA standing at USD 119 million. The ODA/GNI ratio also fell from 0.11% to 0.10%, partly due to a decrease in funds channelled through the EU.

In 2011, Hungary became more actively engaged in the work of organisations involved in climate protection and financing. As part of developed countries' collective commitment to jointly mobilise resources for fast-start climate financing for the period 2010-12, Hungary contributed USD 1.3 million to the Least-Developed Countries Fund (LDCF) managed by the Global Environmental Facility.

Afghanistan, Bosnia and Herzegovina, Montenegro, Serbia and Ukraine were the principal recipients of Hungarian bilateral assistance in 2011. Projects were implemented in areas where Hungary has a comparative advantage such as institutional capacity building, transition experience, education, public health, water management and sanitation, and environmental protection.

Despite the current economic situation, international development co-operation remained an important element of Hungary's foreign policy. In accordance with the MDGs, Hungary's main goals are to contribute to global efforts to eradicate poverty and help partner countries establish democratic institutions based on human rights.

Israel

In 2011, Israel's net ODA amounted to USD 206 million, a 33.2% increase in real terms over 2010. The ODA/GNI ratio also increased from 0.07% to 0.09%. Bilateral ODA stood at USD 188 million, or 91% of the Israeli development co-operation effort. USD 49 million of this was allocated for first-year sustenance expenses for people arriving in Israel from partner countries – many of whom were experiencing civil war or severe unrest – or for those who had left their home countries for humanitarian or political reasons.

In 2012, preliminary estimates of Israeli ODA volume show a 10.1% decrease in real terms to USD 177 million. There was also a drop in the ODA/GNI ratio from 0.09% to 0.08%.

In 2011, the largest recipients of Israeli ODA disbursements were Jordan and the West Bank and Gaza Strip. Together, they accounted for 31% of Israel's bilateral ODA. Priority sectors for Israeli assistance include poverty alleviation, provision of food security, women's empowerment, basic health and education services, and humanitarian and emergency aid.

Over half of Israel's multilateral ODA was disbursed to UN agencies, and the International Development Association (IDA) was by far the largest recipient of the remainder of multilateral assistance.

Guided by the MDG framework, Israel places an emphasis on capacity building and technical assistance. Israel has also increased its efforts to engage in development policy discussions with the OECD and other international organisations.

Mexico

As part of its efforts to strengthen its role as a provider of South-South co-operation, Mexico has enhanced its institutional and legal framework for development co-operation. In April 2011, Mexico approved the Law on International Co-operation for Development, which resulted in the creation of 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. The priority areas for Mexican technical co-operation include public administration, education, science and technology, agriculture, environmental protection and health. According to the Mexican authorities, Mexico has been scaling up its development co-operation, particularly in Latin America and the Caribbean.

Mexico does not report data on its development co-operation flows to the OECD. Nevertheless, Mexico has worked in the past few years to build the necessary institutional capacity to start doing so in an accurate and sustainable way.

Poland

In 2011, Polish net ODA amounted to USD 417 million, a 5.3% increase in real terms over the USD 378 million delivered in 2010. The ODA/GNI ratio remained at the 2010 level of 0.08%.

2012 preliminary ODA estimates show a 12.4% increase in real terms, with ODA reaching USD 438 million. The ODA/GNI ratio also rose from 0.08% to 0.09%.

Poland channels the bulk of its ODA through the European Union (e.g. through the EU development budget and – since 2011 – the European Development Fund). In 2011, this accounted for 95% of its multilateral aid.

In 2011, bilateral ODA stood at USD 90 million, representing 22% of Polish ODA. Priority recipient countries for Polish bilateral ODA were Bosnia and Herzegovina, Belarus, Ukraine, Afghanistan and Georgia. In 2011, the Polish development co-operation programme prioritised several themes, including good governance, rural development and agriculture, and small and medium enterprises. In addition, Polish bilateral ODA included scholarship programmes and social and health-care costs for refugees during their first 12 months in Poland. Its loan programme included loans to Bosnia and Herzegovina and Viet Nam as well as loan repayments from Angola, China, Montenegro, Serbia and Uzbekistan. In response to the "Arab Spring", Poland undertook projects to share its political and economic transition experiences with Egypt, Libya, and Tunisia. In 2011, Poland supported humanitarian operations in Libya, South Sudan, and sub-Saharan Africa.

The Polish development co-operation programme encourages close collaboration within the community of development assistance providers, in particular the EU and the OECD.

Slovak Republic

The Slovak Republic's net ODA disbursements increased from USD 74 million in 2010 to USD 86 million in 2011, a 9.4% increase in real terms. The ODA/GNI ratio remained stable at 0.09%. Slovak ODA was mainly delivered through multilateral agencies, with these contributions amounting to 75% of Slovak ODA. The Slovak Republic contributed to the EDF for the first time in 2011 with USD 7 million.

Preliminary ODA estimates for 2012 show a 3.5% fall in real terms to USD 78 million. The ODA/GNI ratio remained stable at 0.09%.

In 2011, the Slovak Ministry of Foreign Affairs decided to increase the transparency and enhance the effectiveness of its ODA by concentrating on themes and sectors where the Slovak Republic has a comparative advantage. Bilateral development assistance has been split into two streams: *standard bilateral development co-operation*, which is focused on three priority countries – Afghanistan, Kenya and South Sudan – and *technical assistance*, which is focused on sharing Slovak Republic's economic transformation and integration experience. This technical assistance is focused on the Western Balkans, EU Eastern Partnership countries and Southern Neighbourhood Countries.

Together with the Netherlands, the Slovak Republic chairs an international Task Force for Tunisia that was established within the Community of Democracies. Its objective is to help Tunisia in the transitional process towards democracy. This Task Force works with Tunisia to co-ordinate assistance from the international community of development assistance providers in such areas as security system reform, rule of law and public administration.

Slovenia

In 2011, Slovenian net ODA disbursements totalled USD 63 million, a 1.0% increase compared to 2010. The ODA/GNI ratio remained stable at 0.13%.

ODA in 2012 dropped to USD 58 million – a 2.4% decrease in real terms – while the ODA/GNI ratio remained stable at 0.13%.

In 2011, 30% of Slovenian development co-operation was extended bilaterally. Multilateral assistance accounted for the bulk of ODA, with 80% (or USD 36 million) being channelled to the EU. Slovenia began to contribute to the EDF in 2011.

Slovenia's ODA volume level in 2011 was significantly influenced by the removal of the Republic of Croatia from the DAC List of ODA Recipients; Croatia accounted for 15% of its bilateral assistance in 2010. The Western Balkans remained the focus of Slovenia's bilateral ODA, and in 2011, the states of former Yugoslavia (Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia) accounted for nearly 50% of Slovenia's bilateral assistance.

Turkey

In 2011, Turkish net ODA reached USD 1.3 billion, an annual increase of 34.8% in real terms. The ODA/GNI ratio also rose from 0.13% to 0.16%. Bilateral assistance totalled USD 1.2 billion and accounted for 96% of the Turkish ODA effort.

In 2012, preliminary ODA estimates show a marked increase in Turkish aid, with ODA rising to USD 2.5 billion. The ODA/GNI ratio also rose from 0.16% to 0.33%. The rise reflects assistance to a large number of Syrian refugees in Turkey as well as support to North African countries following the "Arab Spring".

Geographically, over 46% of Turkish bilateral ODA was directed to Central and South Asia. In 2011, Pakistan was the largest recipient of bilateral ODA, receiving USD 205 million – mostly consisting of humanitarian assistance and support for economic and social infrastructure. Syria received USD 162 million, making it the second largest recipient of Turkish ODA (compared to USD 10 million in 2010). The large increase from 2010 to 2011 is partly due to a sharp increase in refugees coming from Syria. Afghanistan remained an important partner for Turkey, and Turkey increased its peace building efforts in this country. Turkey's ODA to LDCs rose from USD 159 million in 2010 to USD 280 million in 2011.

The bulk of Turkey's bilateral assistance was delivered as project and programme development co-operation and technical assistance. Priority sectors included social infrastructure and services, which received 34% of bilateral ODA. Humanitarian assistance accounted for 22% of bilateral ODA.

Figure IV.32. **ODA key statistics, 2011: Turkey**

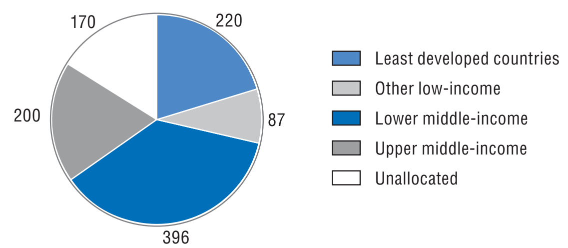
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	967	1 273	2 532	98.9
Constant (2011 USD m)	944	1 273	2 530	98.7
In liras (million)	1 450	2 128	4 536	113.1
ODA/GNI (%)	0.13	0.16	0.33	
Bilateral share (%)	95	96	97	

P. Preliminary data.

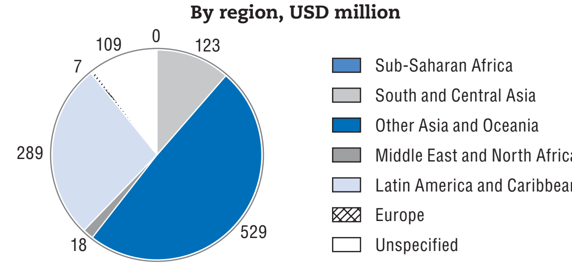
Top ten recipients of gross ODA (USD million)	
1 Pakistan	170
2 Afghanistan	119
3 Syria	86
4 Kyrgyz Republic	79
5 Kazakhstan	54
6 Somalia	50
7 Iraq	34
8 Libya	27
9 West Bank and Gaza Strip	27
10 Azerbaijan	25
Memo: Share of gross bilateral ODA	
Top 5 recipients	47%
Top 10 recipients	62%
Top 20 recipients	77%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

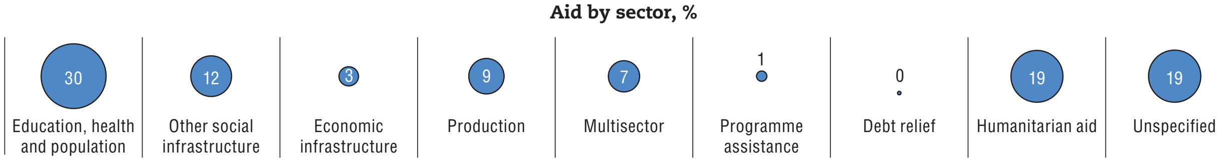
By income group, USD million



By region, USD million



Aid by sector, %



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Notes on non-OECD providers of development co-operation

This section provides information on the volumes and key features of the development co-operation of 18 countries that are not members of the OECD; 13 of these report their ODA flows to the OECD. Brazil, People's Republic of China, India, Indonesia and South Africa – the OECD's Key Partners – have been making important contributions to international development co-operation for many years. The figures in this section are based on official government reports, complemented by web-based research in the case of Brazil and Indonesia. The Bill and Melinda Gates Foundation is the only private funding entity reporting to the OECD.

The increasingly important role of development co-operation providers that are not members of the DAC was strongly recognised at the Fourth High-Level Forum on Aid Effectiveness (HLF-4), held in Busan, Korea in 2011. South-South partners and other actors are increasingly involved in debates on the role, instruments and potential results of development co-operation. As this chapter shows, this trend is accompanied by a growing contribution from these countries to development finance flows.

The OECD engages with many of these actors to share experiences on development co-operation policies and practices, including in the areas of development co-operation management and statistics. This interaction is not limited to mutual learning and includes the DAC inviting countries that fulfil its accession criteria to join the Committee, as Iceland and the Czech Republic did in March and May 2013 respectively.[1]

As stated in the DAC Global Relations Strategy,[2] "monitoring the concessional and non-concessional development finance flows from public and private actors" is one of the DAC's objectives. This section presents information on the main features of the development co-operation programmes of 13 non-OECD countries and their development finance flows in 2011. The 13 countries that reported their development finance flows to the OECD in 2011 are Bulgaria, Cyprus,[3] Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Romania, the Russian Federation, Saudi Arabia, Chinese Taipei, Thailand and the United Arab Emirates (UAE). In total, these countries provided USD 7.2 billion of ODA in 2011, compared to USD 5.3 billion in 2010. In other words, the ODA of these 13 countries represented 5% of all ODA reported to the OECD in 2011. Some countries' ODA exceed those of many DAC members, which is especially the case for Saudi Arabia.

The OECD's Key Partners – Brazil, People's Republic of China, India, Indonesia and South Africa – do not report their development finance flows to the OECD, although they are welcome to do so. These countries have been making important contributions to international development co-operation for many years. As the sub-section on these countries shows, available information indicates that their development co-operation programmes are generally on an upward trend.

The DAC aims to provide a comprehensive picture of global ODA flows that includes information on major providers of development co-operation. The DAC consequently hopes that all countries with significant development co-operation programmes as well as large private entities will begin providing information on their financial flows in the near future.[4] This will not only allow them to receive recognition for their important efforts, but will also help to foster more informed decision making among partner countries and providers of development co-operation.

ODA flows for countries that report to the OECD

From the Gulf region, Kuwait, Saudi Arabia and the UAE report their ODA data to the OECD. In general terms, Saudi Arabia – the largest non-DAC donor – and the UAE significantly increased their development co-operation in 2011. In the case of **Saudi Arabia,** net ODA increased from USD 3.5 billion in 2010 to over USD 5 billion in 2011. After four years of decreases, the **UAE**'s net ODA rose from USD 412 million in 2010 to USD 737 million in 2011. The UAE is the first non-OECD country to report its provisional ODA-figures to the OECD.[5] According to these estimates, the UAE's ODA is expected to continue to increase in 2012, reaching almost USD 950 million in 2012, or 0.27% of its GNI. **Kuwait**'s net ODA, disbursed by the Kuwait Fund for Arab Economic Development, decreased from USD 211 million in 2010 to USD 145 million in 2011. Kuwait received significant amounts of repayments on loans, and as a result, its gross ODA is much higher than its net ODA. In 2011, Kuwait's gross ODA amounted to almost USD 500 million.

Most of the aid provided by donors from the Gulf region is distributed bilaterally and is directed towards the Middle East and Africa. Saudi Arabia's development co-operation programme is almost exclusively focused on surrounding Arab countries, while the Kuwait Fund has a stronger focus on Africa. Egypt received around two-thirds – or almost USD 95 million – of Kuwaiti net funds in 2011, compared to almost USD 55 million in 2010. Jordan was the main recipient of the UAE's concessional development finance, mainly through USD 200 million of budget support. Economic infrastructure and services were the most important sectors in the Kuwaiti development programme, while the UAE significantly increased its general programme assistance and its humanitarian assistance.

Figure IV.33. **Key ODA statistics: UAE**

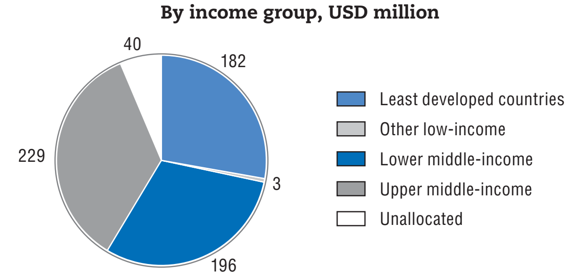
Net ODA	2010	2011	2012p	Change 2011/12 (%)
Current (USD m)	412	737	942	27.8
Constant (2011 USD m)	439	737	963	30.6
In UAE dirham (million)	1 513	2 708	3 461	27.8
ODA/GNI (%)	0.16	0.22	0.27	
Bilateral share (%)	92	93	93	

P. Preliminary data.

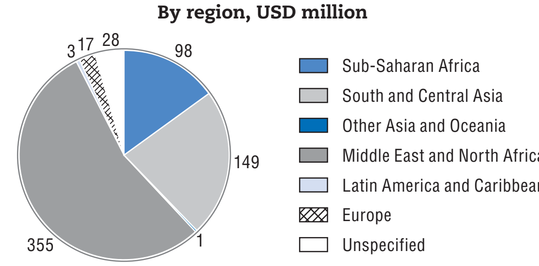
Top ten recipients of gross ODA (USD million)	
1 Jordan	102
2 Yemen	68
3 Pakistan	68
4 West Bank and Gaza Strip	54
5 Kazakhstan	45
6 Sudan	43
7 Afghanistan	30
8 Libya	29
9 Morocco	24
10 Syria	22
Memo: Share of gross bilateral ODA	
Top 5 recipients	52%
Top 10 recipients	75%
Top 20 recipients	91%

Gross bilateral ODA, 2010-11 average, unless otherwise shown

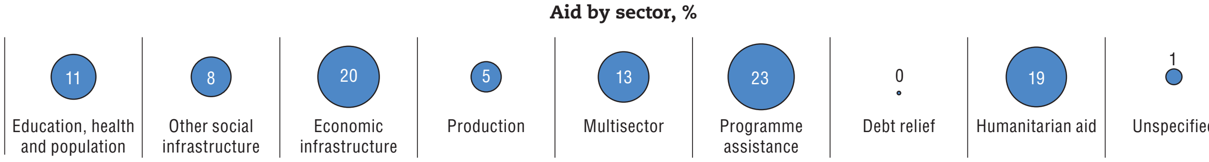
By income group, USD million



By region, USD million



Aid by sector, %



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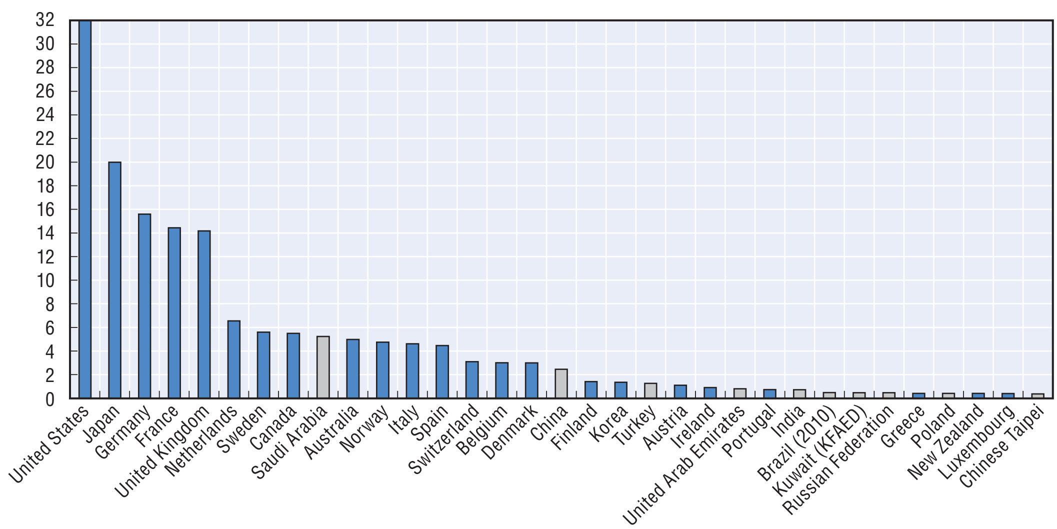
The Russian Federation is the only one of the so-called BRIICS countries – Brazil, the Russian Federation, India, Indonesia, China and South Africa – to report its ODA to the OECD. Compared to 2010, its net level of ODA stabilised at around USD 480 million in 2011. The Russian Federation's core contributions to multilateral organisations increased from 36% of Russian ODA in 2010 to 50% in 2011. The International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD), both part of the World Bank Group, were the main multilateral recipients, followed by the Global Fund to Fight AIDS, Tuberculosis and Malaria. Nicaragua was the principal recipient of the Russian Federation's bilateral co-operation – receiving 37% of its geographically specified development finance – followed by Korea, Serbia and the Kyrgyz Republic.

The non-OECD countries that joined the EU in or after 2004 channel most of their ODA through international institutions, primarily the EU (through the EU general budget and now the European Development Fund). The share of multilateral assistance in total ODA flows varies from 33% in the case of **Malta** to 94% in the case of **Latvia**. These countries' bilateral development co-operation is mainly focused on Eastern Europe and Afghanistan.

Figure IV.34. **Concessional financing for development ("ODA-like" flows), 2011**

Gross disbursements, current USD billions



Notes: 1) Blue: DAC countries; Grey: non-DAC countries. Includes all countries with a development co-operation programme of at least USD 300 million in 2011. 2) The figures in this graph are presented on a gross disbursement basis to make them more comparable with the estimates of the development co-operation efforts of Brazil, China, India, Indonesia and South Africa, for which data on loan repayments are not available.

Source: OECD/DAC Statistics plus Secretariat estimates for Brazil, China, India, Indonesia and South Africa from national annual reports and web-based research.

StatLink http://dx.doi.org/10.1787/888932896470

In 2012, **Bulgaria** reported its development finance flows for 2010 and 2011 to the OECD for the first time. Its net ODA amounted to USD 40 million in 2010 and USD 48 million in 2011. Apart from a contribution to Zambia of USD 6.3 million, most of Bulgaria's contributions were channelled multilaterally. Other EU member countries that are not members of the OECD also reported increased ODA flows in 2011 compared to 2010, with the exception of **Cyprus**, whose ODA decreased from USD 51.2 million to USD 37.6 million. Total net ODA went from USD 114.3 million to USD 163.9 million for **Romania**, from USD 36.7 million to USD 51.7 million for **Lithuania**, from USD 13.8 million to USD 20.0 million for **Malta** and from USD 15.6 million to USD 19.2 million for **Latvia**.

Three other reporting countries and economies – Liechtenstein, Chinese Tapei and Thailand – showed growing ODA budgets in 2011. **Chinese Taipei**'s net ODA slightly increased to USD 381 million in 2011. **Liechtenstein**'s net ODA increased from USD 26.6 million in 2010 to USD 31.1 million in 2011, reaching its highest level since it began reporting to the OECD in 2007. The increase in **Thailand**'s net ODA (from USD 9.6 million in 2010 to USD 31.5 million in 2011) was mainly due to a lower amount of loan repayments in 2011. Although Chinese Taipei and Thailand increased their ODA in 2011 compared to 2010, they have not yet returned to their highest levels of ODA (2007 and 2008 respectively).

Estimated development co-operation flows from OECD Key Partners

The OECD's Key Partners – i.e. Brazil, China, India, Indonesia and South Africa – do not report their development finance flows to the OECD. The figures presented in this sub-section on "ODA-like" flows are consequently based on official government reports, complemented by web-based research in the case of Brazil and Indonesia (Table IV.1). This year, a closer look has also been taken at these countries' contributions to multilateral organisations (Box IV.3), using mainly information available on the websites of multilateral organisations.

Table IV.1. **Estimate of gross concessional flows for development co-operation ("ODA-like" flows) from OECD Key Partners**

Current USD millions

	2007	2008	2009	2010	2011	Source
	Estimates on ODA-like flows as published in national publications					
Brazil	291.9	336.8	362.2	499.7	n.a.	Until 2010: Ipea and ABC, 2010.
China	1 466.2	1 807.0	1 946.5	2 011.2	2 470.0	Fiscal Yearbook, Ministry of Finance, China.
India[1]	392.6	609.5	488.0	639.1	730.7	Annual Reports, Ministry of Foreign Affairs, India.
South Africa[1]	108.0	108.5	99.6	106.0	146.6	Estimates of Public Expenditures 2010-12, National Treasury, South Africa.
	Estimates on ODA-like flows from web-based research[2]					
Indonesia	n.a.	n.a.	n.a.	9.9	n.a.	Web-based research.

Notes: i) Contrary to the figures of reporting countries, these estimates are on a gross basis because information on repayments is not available. *ii)* Data presented in this table are from different sources, including information on different kinds of concessional flows (technical co-operation, loans, multilateral contributions, etc.). The estimates are, therefore, not necessarily complete or comparable.

1. Figures for India and South Africa are based on their fiscal years. 2011 data correspond to fiscal year 2011-12.
2. Not all information is accessible through the web, so parts of the development co-operation programmes might not be reflected in these figures.

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Brazil has not yet published data on its development co-operation flows for 2011. The figures published by Brazil up to 2010 show that Brazil's development co-operation has been steadily increasing in recent years, with its 2010 flows representing a 33% increase compared to 2009.[6] A large part of Brazil's development co-operation is channelled through multilateral organisations (see Table IV.2 for estimates of contributions from OECD Key Partners to multilateral organisations).

Brazil's technical co-operation programme, co-ordinated by the *Agência Brasileira de Cooperação*, is mainly focused on agriculture, food security and social policies.[7] Geographically, the priority regions for Brazilian South-South co-operation are (in order of priority): South America, Central America, the Caribbean and Africa.

Among the so-called BRIICS, **China** is the main provider of "ODA-like" flows. Its South-South co-operation significantly increased from around USD 2 billion in 2010 to almost

Box IV.3. **Contributions to multilateral organisations by OECD Key Partners (2010)**

The increasingly important role of the OECD's Key Partners – Brazil, China, India, Indonesia and South Africa – in international development co-operation is also reflected by their increasing financial contributions to multilateral organisations. Estimates of these contributions in 2010 are shown in Table IV.2. Around 43% of these contributions were channelled through the UN system, 17% through the World Bank Group, 13% through regional development banks and 26% through other multilateral organisations. Several United Nations agencies receive contributions from all five countries. Interestingly, the three main UN-recipients of contributions by these countries – the World Food Programme (WFP), the Food and Agriculture Organization (FAO) and the International Fund for Agricultural Development (IFAD) – all work on agriculture and food security.

Among the OECD key partners, Brazil is the largest supporter of the multilateral system, with regional funds and organisations like FOCEM (Fund for Structural Convergence of Mercosur) as main channels of delivery. Organisations outside of Latin America, however, also receive contributions from Brazil. Already a contributor to the African Development Bank (AfDB) in 2010, an organisation in Brazil's third priority region (behind South and Central America), Brazil signed an agreement with AfDB to create a South-South Co-operation Trust Fund in 2011.*

China channelled over USD 150 million of development-related flows through the multilateral system in 2010, including a large contribution to AfDB that accounted for 28% of its total multilateral aid. FAO and IDA were also major recipients, receiving USD 17 million and USD 10 million respectively.

India channelled USD 63 million through multilateral organisations, of which USD 46 million were channelled through the UN system. Its main multilateral partners were the WFP, IFAD and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).

In absolute terms, **Indonesia** does not contribute as much through multilateral organisations as the other Key Partners, but its multilateral contributions are a large component of its overall development programme. All of Indonesia's contributions are channelled through the UN system; IFAD and the World Health Organization (WHO) are the main recipients, receiving USD 1.5 million and USD 1.2 million respectively. These figures do not include a USD 7 million contribution from Indonesia to the GFATM in 2011. This contribution was part of a debt cancellation agreement that also involved Australia and Germany. As the balance-of-payments effort is carried out by these two countries, including it as a contribution from Indonesia would result in double counting.

For **South Africa**, the UN system is not the main multilateral channel of delivery. Regional African organisations – such as the African Union, the AfDB and the Southern African Development Community (SADC) – were major multilateral channels for South Africa in 2010. Of the organisations working at the global level, FAO and IDA were the main recipients of South Africa's multilateral contributions.

* Agreement between the Brazilian Government, the African Development Bank and the African Development Fund (South-South Co-operation Trust Fund): *www.afdb.org/fileadmin/uploads/afdb/Documents/Legal-Documents/Agreement%20between%20Brazil-ADB-ADF.pdf*.

USD 2.5 billion in 2011. China's provisional figures for 2012 show that a similar increase in development finance is to be expected in 2012.

The fifth Ministerial meeting of the Forum on China-Africa Co-operation (FOCAC) took place in Beijing in July 2012, and further co-operation on a wide range of issues was agreed

Table IV.2. **Estimated development-orientated contributions to multilateral organisations by OECD Key Partners, 2010**

Current USD million

Multilateral organisation	Brazil	China	India	Indonesia	South Africa
UN					
World Food Programme	0.0	4.1	14.8	0.0	0.2
Food and Agriculture Organization (core contributions, 51% ODA)	2.6	16.7	1.1	0.4	6.3
International Fund for Agricultural Development	0.0	8.1	8.0	1.5	0.0
World Health Organization (core contributions, 76% ODA)	3.1	8.6	2.0	1.2	1.5
United Nations regular budget (core contributions, 12% ODA)	7.0	9.0	1.5	0.7	1.1
United Nations Development Programme	0.0	7.0	5.6	0.0	1.2
UNESCO (core contributions, 60% ODA)	4.7	6.9	1.8	0.5	0.8
United Nations Industrial Development Organization	7.5	4.8	3.1	0.2	1.5
International Labour Organization (core contributions, 60%ODA)	0.0	5.8	1.0	0.4	0.6
Other UN-insitutions	10.1	15.2	7.2	1.2	2.3
Total UN	**35.0**	**86.2**	**46.2**	**6.1**	**15.5**
Regional development banks					
African Development Bank	2.5	42.9	4.8	0.0	7.5
Asian Development Bank	0.0	7.0	0.4	0.0	0.0
Other regional banks/funds	0.0	0.0	0.0	0.0	0.0
Total regional development banks	**2.5**	**49.9**	**5.3**	**0.0**	**7.5**
World Bank Group					
International Development Association	95.6	10.0	0.0	0.0	9.2
Other World Bank Group	0.0	3.6	4.2	0.0	4.6
Total World Bank Group	**95.6**	**13.6**	**4.2**	**0.0**	**13.8**
Other multilateral organisations					
FOCEM (Fund for Structural Convergence of Mercosur)	76.1	0.0	0.0	0.0	0.0
African Union	0.0	0.0	0.0	0.0	16.0
The Global Fund to Fight AIDS, Tuberculosis and Malaria	0.0	4.0	7.0	0.0	0.0
Other multilateral organisations	22.7	0.0	0.7	0.0	11.3
Total multilateral organisations	**98.8**	**4.0**	**7.7**	**0.0**	**27.3**
Total ODA channelled through multilaterals	**231.9**	**153.8**	**63.3**	**6.1**	**64.1**

Notes: 1) Data includes only development-related contributions. DAC coefficients are applied to core contributions to organisations that do not exclusively work in partner countries. Lastly, local resources, financing from a country through multilateral organisations destined to programs within that same country, are excluded. 2) The information in this table is mainly based on data from UN Department of Economic and Social Affairs (DESA), *www.aidflows.org*, websites of other multilateral organisations and national publications of the Key Partners. Not all data on contributions to multilateral organisations are made publically available, so the presented information is not complete.

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in the Beijing Action Plan 2013-15.[8] Specific development co-operation agreements were made on further technical co-operation, scientific co-operation, poverty reduction, public health care, and environment and climate change.

China is increasingly ready to share experiences with other providers of development co-operation. The China-DAC Study Group is one forum for discussion with DAC members, but China also seeks further co-ordination with other middle-income countries. For this purpose, a workshop was organised in Beijing in January 2013 to exchange experiences among several of these countries. A pre-conference report for this meeting includes information on the development co-operation programmes of the different countries that participated in the workshop (UNDP China and CAITEC, 2013).

The Ministry of Foreign Affairs of **India** set up the Development Partnership Administration (DPA) in January 2012 to ensure "[…] speedy and efficient implementation of

Government of India's external economic assistance programmes" (GoI, 2013). This institutional reform can be related to the expansion of Indian development co-operation activities in recent years. India's focus remains on neighbouring countries, where projects are implemented in a wide variety of sectors, including infrastructure, agriculture, hydroelectricity, education and health (GoI, 2013). African countries are increasingly important partners for India's South-South co-operation. The website India Africa Connect was launched to highlight this collaboration and to promote closer relations between India and African countries.[9]

Development co-operation instruments used by India include grants, technical co-operation, capacity building and humanitarian assistance. Concessional lines of credit managed by the Export Import (EXIM) Bank are another important instrument of development co-operation. These are provided to other countries to import goods and services from India. Over the last ten years, 57.6% of these credits were granted to Africa. India's technical co-operation programme has been increasing since 2009, and it reached USD 730 million in the 2011/12 fiscal year.

Indonesia plays an active role in the current global debate on development co-operation. Indonesia's President co-chairs the UN High-Level Panel on the Post-2015 Millennium Development Agenda and its Minister of State for National Development and Planning is co-chairing the Steering Committee of the Global Partnership for Effective Development Co-operation.

Indonesia's ambitions for its own South-South co-operation are described in the "Prospective of Indonesia South-South Cooperation 2011-14" (Government of Indonesia, 2011). The short-term objective for 2011-14 is greater co-ordination within a "revitalised institutional framework". After this period, the focus will shift towards becoming an "emerging partner in innovative South-South development co-operation".

Few figures are publically available on Indonesia's South-South development co-operation. Nevertheless, it is estimated that Indonesia provided approximately USD 42 million in South-South co-operation, mainly through technical co-operation projects between 2000 and 2010. The planned budget for 2011-14 is USD 7.8 million. In addition, Indonesia makes financial contributions to multilateral organisations. This amounts to a total of around USD 10 million per year. This may not, however, cover all of Indonesia's development activities.

South Africa's development co-operation flows have been increasing steadily since 2009, and according to the medium-term expenditure estimates of the South African government, they are expected to continue to increase until 2015 (Government of South Africa, 2012). In the 2011/12 fiscal year, USD 147 million was dedicated to development co-operation, of which 42% was channelled bilaterally through the African Renaissance and International Co-operation Fund. This fund promotes co-operation with other African countries, and its vision is "to promote an African continent that is democratic, non-racial, non-sexist, conflict free and development orientated". The main project supported by the fund in 2011/12 was the Pan-African Women's Organisation, which received more than 35% of total expenditures. This will remain its main project in the near future, reflecting the strong gender focus of South Africa's bilateral development programme.

In recent years, South Africa has been working to create the South Africa Development Partnership Agency (SADPA). Although still not formally established, its functions are expected to include developing policy guidelines, ensuring policy coherence, maintaining "oversight for all SA's official outgoing development cooperation and assistance" and monitoring and evaluating South Africa's development co-operation programme.[10]

Private development flows

Some private organisations also deliver significant amounts of concessional financing for development. At present, the **Bill and Melinda Gates Foundation** is the only private entity reporting to the OECD. Close to USD 2.66 billion was disbursed by the Bill and Melinda Gates Foundation in 2011, a 34% increase compared to 2010. Almost two-thirds of its geographically allocated flows are directed to Africa, and its five main bilateral recipients are India, Nigeria, Pakistan, Kenya and Ethiopia. Almost USD 2 billion in grants were extended in 2011 for health purposes (including reproductive health). The Gates Foundation continues to be the third largest international donor for health after the United States and the GFATM. A significant part of the Gates Foundation's expenditures is channelled through NGOs from both partner and donor countries, international NGOs, universities and other teaching or research institutes, and multilateral agencies. The GAVI Alliance, UNICEF and WHO are the main institutions with which the Foundation collaborates.

Notes

1. Further information on DAC accession is available at: *www.oecd.org/dac/joiningthedevelopmentassistance committeedac.htm*.
2. The DAC Global Relations Strategy is available at: *http://oecd.org/dac/dac-global-relations/promoting dialoguebeyondthedacdacglobalrelationsstrategy.htm*.
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 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 Union:* 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. Information on the progress made on reporting by non-DAC countries, as well as multilateral organisations and private foundations is available at: *www.oecd.org/dac/stats/non-daccountries reportingtheirdevelopmentassistancetothedac.htm*.
5. DAC statistics are reported through various questionnaires. Provisional figures for last year's development finance flows are collected through the Advance Questionnaire and published in the first week of April.
6. "Cooperação Brasileira para o Desenvolvimento international: 2005-09", Government of Brazil, 2010.
7. For more information, see the ABC website: *www.abc.gov.br/training/informacoes/palavrasDiretor ABC_en.aspx*.
8. The Fifth Ministerial Conference on the Forum on China-Africa Cooperation, Beijing Action Plan (2013-15).
9. For more information, see *www.indiaafricaconnect.in/index.php*.
10. Information provided by the Minister of International Relations and Co-operation answering a question from a member of the National Council of Provinces on the establishment of the SADPA: *www.dfa.gov.za/docs/2013pq/pq16ncop.html*.

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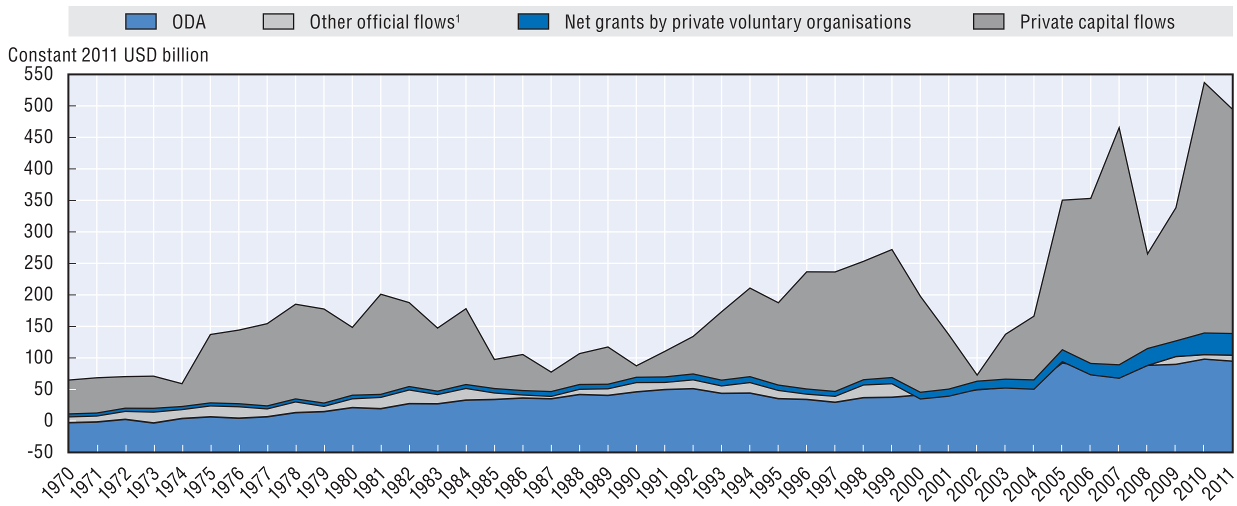
ANNEX A

Statistical annex

Figure A.1. **DAC member's total net resource flows to developing countries, 1970-2011**



1. Net OOF flows were negative in 2000-01, 2003-04 and 2006-08.

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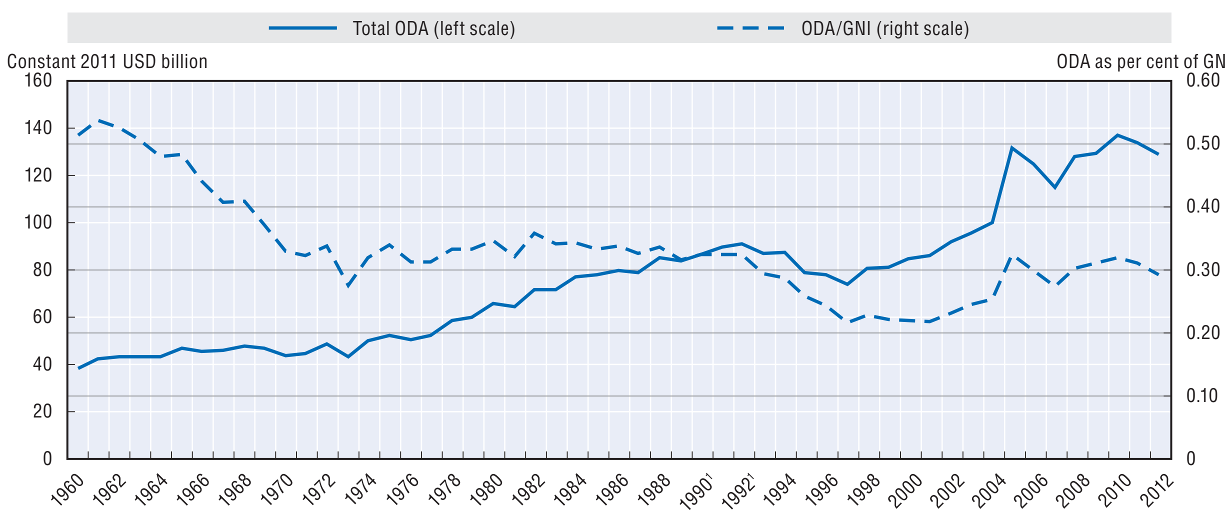
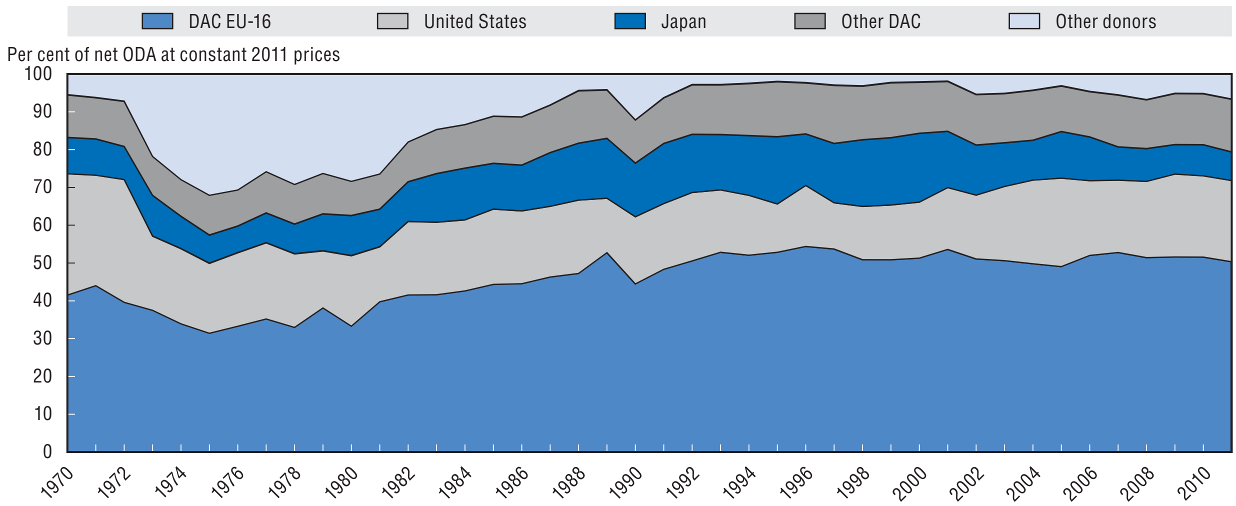
Figure A.2. **Net official development assistance, 1960-2012**



1. Total DAC excludes debt forgiveness of non-ODA claims in 1990, 1991 and 1992.

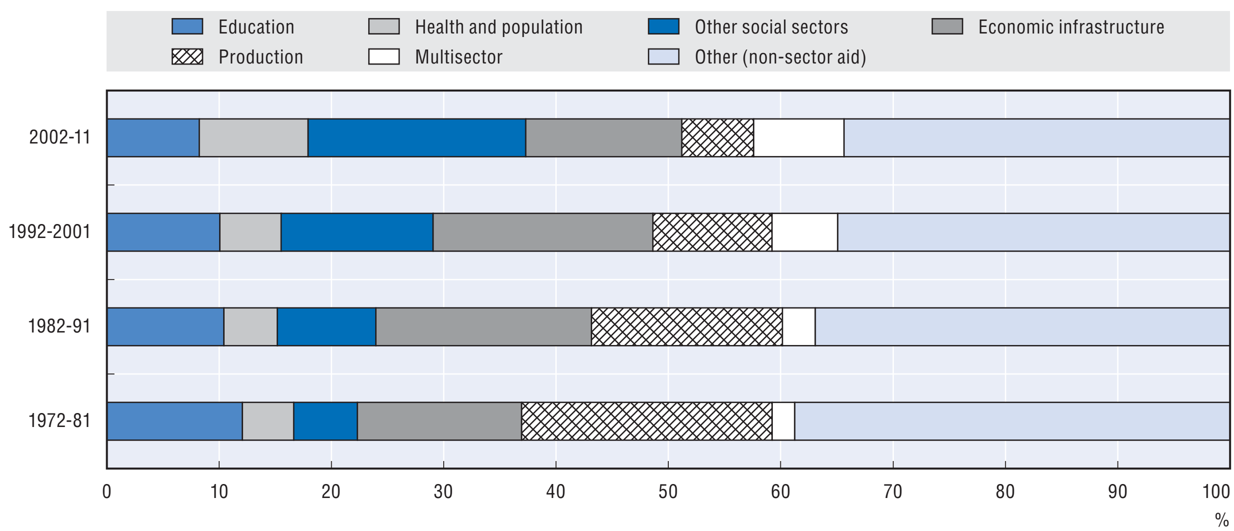
StatLink http://dx.doi.org/10.1787/888932896546

Figure A.3. **Donor shares of net official development assistance, 1970-2011**



StatLink http://dx.doi.org/10.1787/888932896565

Figure A.4. **Trends in sector-specific aid, 1972-2011**



StatLink http://dx.doi.org/10.1787/888932896584

Table A.1. **DAC members' net official development assistance in 2012**

Preliminary data for 2012

	2012		2011		Per cent change
	ODA USD million current	ODA/GNI %	ODA USD million current	ODA/GNI %	2011 to 2012 in real terms[1]
Australia	5 440	0.36	4 924	0.34	10.4
Austria	1 112	0.28	1 111	0.27	6.1
Belgium	2 303	0.47	2 807	0.54	-13.0
Canada	5 678	0.32	5 459	0.32	4.1
Czech Republic	219	0.12	250	0.12	-4.2
Denmark	2 718	0.84	2 931	0.85	-1.8
Finland	1 320	0.53	1 406	0.53	-0.4
France	12 106	0.46	12 997	0.46	-0.8
Germany	13 108	0.38	14 093	0.39	-0.7
Greece	324	0.13	425	0.15	-17.0
Iceland	26	0.22	26	0.21	5.7
Ireland	809	0.48	914	0.51	-5.8
Italy	2 639	0.13	4 326	0.20	-34.7
Japan	10 494	0.17	10 831	0.18	-2.1
Korea	1 551	0.14	1 325	0.12	17.6
Luxembourg	432	1.00	409	0.97	9.8
Netherlands	5 524	0.71	6 344	0.75	-6.6
New Zealand	455	0.28	424	0.28	3.0
Norway	4 754	0.93	4 756	0.96	0.4
Portugal	567	0.27	708	0.31	-13.1
Spain	1 948	0.15	4 173	0.29	-49.7
Sweden	5 242	0.99	5 603	1.02	-3.4
Switzerland	3 022	0.45	3 051	0.45	4.5
United Kingdom	13 659	0.56	13 832	0.56	-2.2
United States	30 460	0.19	30 783	0.20	-2.8
TOTAL DAC	**125 912**	**0.29**	**133 908**	**0.31**	**-3.9**
Average country effort		0.42		0.44	
Memo items:					
EU institutions	17 570	–	17 391	–	8.0
DAC-EU countries	64 032	0.41	72 331	0.44	-7.2
G7 countries	88 145	0.26	92 321	0.27	-3.1
Non-G7 countries	37 768	0.42	41 587	0.45	-5.6

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

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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						
	1995-96 average	2000-01 average	2007	2008	2009	2010	2011	1995-96 average	2000-01 average	2007	2008	2009	2010	2011
I. Official development assistance	57 323	53 355	104 433	122 252	120 036	128 520	133 908	32	44	24	44	36	25	27
1. Bilateral ODA	39 882	35 754	73 497	86 958	83 801	90 850	94 154	22	29	17	32	25	18	19
Of which:														
General budget support	..	..	2 575	2 915	2 723	1 396	1 391	..	..	1	1	1	0	0
Core support to national NGOs	1 032	1 195	2 184	2 517	2 131	1 569	1 349	1	1	1	1	1	0	0
Investment projects	3 980	5 706	4 302	8 337	10 582	10 984	13 737	2	5	1	3	3	2	3
Debt relief grants	2 668	1 909	8 994	8 835	1 712	3 666	4 138	1	2	2	3	1	1	1
Administrative costs	2 887	3 045	4 654	5 407	5 299	5 981	6 164	2	2	1	2	2	1	1
Other in-donor expenditures[1]	807	1 456	2 206	2 843	3 513	3 940	4 865	0	1	1	1	1	1	1
2. Contributions to multilateral institutions	17 441	17 601	30 936	35 294	36 235	37 670	39 754	10	14	7	13	11	7	8
Of which:														
UN	4 392	5 308	5 885	5 888	6 220	6 473	6 610	2	4	1	2	2	1	1
EU	5 033	4 942	11 797	13 153	13 883	13 264	13 263	3	4	3	5	4	3	3
IDA	4 705	3 657	5 700	8 158	7 183	8 067	9 443	3	3	1	3	2	2	2
Regional development banks	1 430	1 850	2 411	3 212	3 106	3 156	4 073	1	2	1	1	1	1	1
II. Other official flows	8 162	-3 480	-5 491	-55	10 148	5 878	8 603	4	-3	-1	-0	3	1	2
1. Bilateral	8 032	-2 996	-5 957	-643	8 050	5 393	8 931	4	-2	-1	-0	2	1	2
2. Multilateral	130	-484	466	588	2 097	485	-328	0	-0	0	0	1	0	-0
III. Private flows at market terms	110 105	64 817	318 626	130 026	181 608	344 386	325 192	61	53	73	47	54	68	65
1. Direct investment	57 177	69 766	185 059	187 013	116 189	179 317	218 169	32	57	42	68	35	35	44
2. Bilateral portfolio investment	50 364	-6 265	130 122	-53 573	44 199	144 158	105 735	28	-5	30	-19	13	28	21
3. Multilateral portfolio investment	-869	-3 728	-9 737	-9 986	18 767	-6 157	-9 291	-0	-3	-2	-4	6	-1	-2
4. Export credits	3 433	5 044	13 182	6 571	2 452	27 069	10 579	2	4	3	2	1	5	2
IV. Net grants by NGOs	5 879	7 143	18 352	23 787	22 048	30 775	31 969	3	6	4	9	7	6	6
TOTAL NET FLOWS	**181 470**	**121 834**	**435 920**	**276 010**	**333 839**	**509 559**	**499 672**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Total net flows at 2011 prices and exchange rates[2]	**247 999**	**193 699**	**479 599**	**288 460**	**359 479**	**542 838**	**499 672**							

1. Includes development awareness and refugees in donor countries.
2. Deflated by the total DAC deflator.

Source: 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						
	1995-96 average	2000-01 average	2007	2008	2009	2010	2011	1995-96 average	2000-01 average	2007	2008	2009	2010	2011
Australia	908	1 549	10 249	3 828	3 133	14 531	18 463	0.24	0.43	1.24	0.41	0.33	1.23	1.27
Austria	1 448	986	20 405	10 831	3 273	6 372	6 101	0.63	0.53	5.62	2.71	0.87	1.70	1.47
Belgium	2 690	1 292	3 818	4 425	3 224	7 896	1 185	1.00	0.56	0.83	0.89	0.68	1.68	0.23
Canada	6 203	4 011	17 161	24 069	7 340	22 642	13 548	1.11	0.58	1.22	1.63	0.56	1.46	0.79
Czech Republic	..	21	179	249	215	228	250	..	0.04	0.11	0.12	0.12	0.13	0.12
Denmark	1 874	2 410	4 807	5 150	3 757	4 794	2 818	1.11	1.53	1.51	1.50	1.18	1.52	0.82
Finland	875	1 211	2 149	-222	3 185	4 312	1 016	0.70	1.01	0.86	-0.08	1.34	1.78	0.38
France	14 981	10 942	43 126	40 641	38 420	35 198	34 216	0.97	0.81	1.66	1.44	1.43	1.35	1.21
Germany	21 106	9 338	36 739	35 727	29 130	41 637	56 202	0.88	0.50	1.10	0.98	0.86	1.24	1.54
Greece	92	215	3 391	1 166	850	761	485	0.15	0.19	1.10	0.35	0.26	0.26	0.17
Iceland	..	9	48	48	34	29	25	..	0.12	0.27	0.47	0.35	0.29	0.20
Ireland	309	737	5 840	6 101	4 188	2 695	2 444	0.55	0.89	2.70	2.71	2.27	1.57	1.37
Italy	3 756	5 329	4 422	5 581	5 569	9 608	11 912	0.33	0.49	0.21	0.25	0.27	0.47	0.55
Japan	40 191	12 569	30 333	31 805	45 482	48 213	61 828	0.80	0.28	0.67	0.63	0.88	0.86	1.02
Korea	1 942	3	11 582	10 700	6 442	11 834	12 080	0.36	0.00	1.19	1.14	0.77	1.17	1.08
Luxembourg	81	136	384	426	428	411	417	0.44	0.77	0.94	0.99	1.08	1.07	0.99
Netherlands	8 155	1 758	18 142	-14 022	6 045	13 013	22 046	2.05	0.46	2.35	-1.61	0.77	1.67	2.62
New Zealand	157	140	404	433	387	426	536	0.28	0.32	0.34	0.38	0.35	0.32	0.35
Norway	1 669	1 461	6 377	3 759	4 977	5 876	4 755	1.11	0.87	1.63	0.83	1.29	1.41	0.96
Portugal	670	3 198	2 215	1 528	-1 060	162	-1 299	0.64	3.04	1.03	0.67	-0.48	0.07	-0.57
Spain	3 142	17 497	21 662	30 087	12 812	10 340	20 145	0.56	3.11	1.55	1.96	0.89	0.74	1.38
Sweden	2 114	3 514	6 911	5 896	7 164	5 127	6 598	0.92	1.59	1.49	1.22	1.77	1.10	1.20
Switzerland	-176	1 650	5 825	12 246	8 853	23 444	11 965	-0.05	0.60	1.28	2.53	1.69	4.02	1.76
United Kingdom	17 926	9 922	49 887	41 878	24 713	25 632	46 851	1.57	0.70	1.80	1.57	1.11	1.12	1.91
United States	51 358	31 935	129 862	13 678	115 276	214 378	165 085	0.69	0.32	0.93	0.09	0.82	1.46	1.09
TOTAL DAC	**181 470**	**121 834**	**435 920**	**276 010**	**333 839**	**509 559**	**499 672**	**0.79**	**0.50**	**1.13**	**0.68**	**0.86**	**1.26**	**1.15**
Of which: DAC-EU countries	79 218	68 508	224 077	175 442	141 914	168 185	211 388	0.94	0.86	1.42	1.04	0.92	1.11	1.28

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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						
	1996-97 average	2001-02 average	2008	2009	2010	2011	2012 preliminary	1996-1997 average	2001-02 average	2008	2009	2010	2011	2012 preliminary
Australia	1 068	931	2 954	2 762	3 826	4 924	5 440	0.27	0.25	0.32	0.29	0.32	0.34	0.36
Austria	511	577	1 714	1 142	1 208	1 111	1 112	0.24	0.30	0.43	0.30	0.32	0.27	0.28
Belgium	839	969	2 386	2 610	3 004	2 807	2 303	0.33	0.40	0.48	0.55	0.64	0.54	0.47
Canada	1 920	1 768	4 795	4 000	5 214	5 459	5 678	0.33	0.25	0.33	0.30	0.34	0.32	0.32
Czech Republic	..	36	249	215	228	250	219	..	0.06	0.12	0.12	0.13	0.12	0.12
Denmark	1 705	1 639	2 803	2 810	2 871	2 931	2 718	1.01	1.00	0.82	0.88	0.91	0.85	0.84
Finland	394	426	1 166	1 290	1 333	1 406	1 320	0.32	0.34	0.44	0.54	0.55	0.53	0.53
France	6 879	4 842	10 908	12 602	12 915	12 997	12 106	0.46	0.34	0.39	0.47	0.50	0.46	0.46
Germany	6 729	5 157	13 981	12 079	12 985	14 093	13 108	0.30	0.27	0.38	0.35	0.39	0.39	0.38
Greece	178	239	703	607	508	425	324	0.15	0.19	0.21	0.19	0.17	0.15	0.13
Iceland	..	11	48	34	29	26	26	..	0.14	0.47	0.35	0.29	0.21	0.22
Ireland	183	342	1 328	1 006	895	914	809	0.31	0.37	0.59	0.54	0.52	0.51	0.48
Italy	1 841	1 980	4 861	3 297	2 996	4 326	2 639	0.15	0.17	0.22	0.16	0.15	0.20	0.13
Japan	9 399	9 565	9 601	9 467	11 021	10 831	10 494	0.21	0.23	0.19	0.18	0.20	0.18	0.17
Korea	172	272	802	816	1 174	1 325	1 551	0.03	0.05	0.09	0.10	0.12	0.12	0.14
Luxembourg	88	143	415	415	403	409	432	0.49	0.78	0.97	1.04	1.05	0.97	1.00
Netherlands	3 097	3 255	6 993	6 426	6 357	6 344	5 524	0.81	0.82	0.80	0.82	0.81	0.75	0.71
New Zealand	138	117	348	309	342	424	455	0.24	0.24	0.30	0.28	0.26	0.28	0.28
Norway	1 309	1 521	4 006	4 081	4 372	4 756	4 754	0.84	0.84	0.89	1.06	1.05	0.96	0.93
Portugal	234	296	620	513	649	708	567	0.23	0.26	0.27	0.23	0.29	0.31	0.27
Spain	1 243	1 725	6 867	6 584	5 949	4 173	1 948	0.23	0.28	0.45	0.46	0.43	0.29	0.15
Sweden	1 865	1 839	4 732	4 548	4 533	5 603	5 242	0.81	0.80	0.98	1.12	0.97	1.02	0.99
Switzerland	968	924	2 038	2 310	2 300	3 051	3 022	0.32	0.32	0.42	0.44	0.39	0.45	0.45
United Kingdom	3 316	4 748	11 500	11 283	13 053	13 832	13 659	0.27	0.31	0.43	0.51	0.57	0.56	0.56
United States	8 128	12 360	26 437	28 831	30 353	30 783	30 460	0.10	0.12	0.18	0.21	0.21	0.20	0.19
TOTAL DAC	**52 200**	**55 678**	**122 252**	**120 036**	**128 520**	**133 908**	**125 912**	**0.23**	**0.22**	**0.30**	**0.31**	**0.32**	**0.31**	**0.29**
Of which: DAC-EU countries	29 099	28 210	71 224	67 426	69 889	72 331	64 032	0.35	0.34	0.42	0.44	0.46	0.44	0.41
Memorandum item: Average country effort								0.37	0.37	0.45	0.46	0.46	0.44	0.42

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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						
	1995-96 average	2000-01 average	2007	2008	2009	2010	2011	1995-96 average	2000-01 average	2007	2008	2009	2010	2011
Australia	-405	201	6 948	314	..	9 511	11 904	-0.11	0.06	0.84	0.03	..	0.80	0.82
Austria	472	420	19 099	8 878	2 035	5 150	4 778	0.20	0.23	5.26	2.22	0.54	1.37	1.15
Belgium	1 497	341	1 686	1 816	147	4 530	-2 126	0.56	0.15	0.37	0.36	0.03	0.96	-0.41
Canada	3 581	2 305	11 731	16 184	3 140	14 124	5 714	0.64	0.33	0.83	1.10	0.24	0.91	0.33
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Denmark	91	740	2 242	2 303	599	1 779	-356	0.05	0.47	0.71	0.67	0.19	0.56	-0.10
Finland	251	821	1 051	-1 422	1 741	2 922	-1 498	0.20	0.69	0.42	-0.53	0.73	1.21	-0.57
France	7 014	6 803	34 422	29 962	25 524	22 856	21 289	0.45	0.50	1.32	1.06	0.95	0.88	0.75
Germany	11 829	4 060	25 702	20 583	15 495	27 595	40 921	0.49	0.22	0.77	0.56	0.46	0.82	1.12
Greece	..	..	2 880	460	241	243	60	..	..	0.93	0.14	0.08	0.08	0.02
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	86	382	4 329	4 500	3 000	1 500	1 000	0.15	0.46	2.00	2.00	1.62	0.88	0.56
Italy	204	3 817	649	207	2 181	6 612	7 689	0.02	0.35	0.03	0.01	0.10	0.33	0.35
Japan	24 758	4 053	21 979	23 738	27 217	32 837	47 594	0.49	0.09	0.49	0.47	0.53	0.59	0.79
Korea	1 495	180	9 827	7 863	5 018	8 716	8 343	0.28	0.04	1.01	0.84	0.60	0.86	0.75
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands	4 491	-1 709	11 575	-21 345	-923	5 999	15 472	1.13	-0.45	1.50	-2.46	-0.12	0.77	1.84
New Zealand	17	17	26	29	24	26	28	0.03	0.04	0.02	0.03	0.02	0.02	0.02
Norway	306	-38	2 638	-247	895	1 504	-0	0.20	-0.02	0.67	-0.05	0.23	0.36	-0.00
Portugal	359	2 888	1 980	906	-1 577	-492	-2 013	0.34	2.74	0.92	0.39	-0.72	-0.22	-0.88
Spain	1 914	15 956	16 516	23 220	6 225	4 391	15 968	0.34	2.83	1.18	1.51	0.43	0.32	1.10
Sweden	231	1 761	2 541	1 108	2 473	372	1 097	0.10	0.80	0.55	0.23	0.61	0.08	0.20
Switzerland	-1 415	574	3 847	9 810	6 186	20 731	8 448	-0.43	0.21	0.85	2.03	1.18	3.55	1.25
United Kingdom	14 145	4 982	39 414	29 938	12 798	12 246	32 428	1.24	0.35	1.42	1.12	0.58	0.54	1.32
United States	39 184	16 265	97 545	-28 781	69 168	161 234	108 451	0.53	0.16	0.70	-0.20	0.49	1.10	0.71
TOTAL DAC	**110 105**	**64 817**	**318 626**	**130 026**	**181 608**	**344 386**	**325 192**	**0.48**	**0.26**	**0.83**	**0.32**	**0.47**	**0.85**	**0.75**
Of which: DAC-EU countries	42 584	41 262	164 086	101 115	69 959	95 704	134 709	0.50	0.52	1.04	0.60	0.46	0.63	0.82

1. Excluding grants by NGOs.

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Table A.6. **Official development finance to developing countries**

Constant 2011 USD billion

	1981	1986	1991	1996	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OFFICIAL DEVELOPMENT FINANCE (ODF)	**106.9**	**109.7**	**115.2**	**90.1**	**98.8**	**103.0**	**95.6**	**97.1**	**145.2**	**129.4**	**135.8**	**155.4**	**181.1**	**173.1**	**165.3**
1. Official development assistance (ODA)	87.1	83.7	97.8	78.3	86.0	97.2	98.0	100.2	131.8	127.3	119.5	133.4	136.3	138.7	141.2
Of which:															
Bilateral donors[1]	66.7	64.6	73.4	55.7	58.3	68.5	73.0	72.4	104.1	97.0	87.5	99.8	96.4	102.3	102.1
Multilateral organisations	20.4	19.1	24.4	22.6	27.7	28.7	25.0	27.8	27.7	30.3	32.0	33.6	39.9	36.3	39.1
2. Other ODF	19.8	26.1	17.4	11.8	12.8	5.8	-2.4	-3.1	13.4	2.1	16.3	22.0	44.8	34.4	24.1
Of which:															
Bilateral donors[1]	5.2	8.2	6.6	7.2	-0.5	8.9	5.9	1.5	12.8	3.6	1.5	1.9	11.2	5.8	9.5
Multilateral organisations	14.6	17.8	10.8	4.6	13.3	-3.1	-8.3	-4.6	0.6	-1.4	14.8	20.0	33.5	28.6	14.6
For cross reference															
Total DAC net ODA[2]	64.0	79.7	92.1	77.6	85.8	91.8	95.1	99.9	131.2	124.8	114.9	127.8	129.2	136.9	133.9
Of which: Bilateral grants	33.4	44.8	58.0	51.3	54.8	62.1	69.6	71.8	101.4	94.5	83.8	92.8	87.8	92.9	92.3

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.

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Table A.7. **ODA by individual DAC countries at 2011 prices and exchange rates**

Net disbursements, USD million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (p)
Australia	2 696	2 745	2 921	3 554	3 867	4 070	4 012	4 479	4 924	5 436
Austria	718	862	1 963	1 818	1 972	1 742	1 185	1 295	1 111	1 180
Belgium	2 689	1 890	2 476	2 412	2 132	2 423	2 713	3 217	2 807	2 442
Canada	3 514	4 049	5 276	4 720	4 796	5 427	4 912	5 606	5 459	5 682
Czech Republic	158	166	194	217	210	245	226	244	250	240
Denmark	2 593	2 688	2 709	2 788	2 860	2 850	2 937	3 030	2 931	2 879
Finland	779	859	1 133	1 030	1 078	1 181	1 334	1 443	1 406	1 400
France	10 253	10 712	12 433	12 742	10 619	10 846	12 887	13 741	12 997	12 898
Germany	8 980	8 973	11 928	12 187	12 951	13 874	12 272	13 743	14 093	13 991
Greece	542	424	498	531	557	709	620	539	425	353
Iceland	19	20	23	35	36	45	41	31	26	27
Ireland	612	657	758	1 031	1 096	1 196	984	941	914	860
Italy	3 458	3 108	6 310	4 394	4 291	4 863	3 347	3 185	4 326	2 823
Japan	11 594	11 015	16 712	15 160	10 704	11 881	10 625	11 882	10 831	10 601
Korea	467	504	796	448	656	877	990	1 246	1 325	1 557
Luxembourg	322	349	363	382	436	455	468	444	409	449
Netherlands	5 467	5 223	6 201	6 432	6 611	6 903	6 565	6 757	6 344	5 928
New Zealand	286	310	367	366	383	426	419	387	424	437
Norway	3 914	3 785	4 220	4 078	4 583	4 316	5 168	5 011	4 756	4 773
Portugal	455	1 304	465	471	498	614	521	686	708	615
Spain	2 927	3 179	3 772	4 531	5 423	6 716	6 664	6 305	4 173	2 101
Sweden	3 412	3 491	4 347	4 962	4 861	5 072	5 462	5 080	5 603	5 411
Switzerland	2 152	2 345	2 688	2 458	2 350	2 527	2 844	2 710	3 051	3 188
United Kingdom	7 482	8 204	11 006	12 221	8 691	10 894	12 220	13 913	13 832	13 532
United States	19 652	23 079	31 666	25 841	23 250	27 600	29 839	31 000	30 783	29 907
TOTAL DAC	**95 141**	**99 941**	**131 227**	**124 808**	**114 910**	**127 751**	**129 250**	**136 915**	**133 908**	**128 709**
Of which: DAC-EU countries	50 848	52 089	66 557	68 148	64 285	70 581	70 401	74 563	72 331	67 101
Memorandum item: **Total DAC at current prices and exchange rates**	**69 541**	**79 984**	**108 000**	**105 017**	**104 433**	**122 252**	**120 036**	**128 520**	**133 908**	**125 912**

(p) preliminary data.

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Table A.8. **ODA from DAC countries to multilateral organisations[1] in 2011**

Net disbursements, USD million

	Total	World Bank Group	*Of which:*	Regional development banks	*Of which:*		United Nations Agencies	*Of which:*					EU	*Of which:*	Other Multilateral	*Of which:*		
			IDA		African Dev. Bank	Asian Dev. Bank		IFAD	UNDP	WFP	UNICEF	UNHCR		EDF		IMF[2]	GAVI	Global fund
Australia	646	177	177	101	–	101	223	–	35	–	35	35	–	–	145	–	46	–
Austria	621	165	160	72	55	12	33	–	6	0	2	1	315	113	36	–	–	–
Belgium	1 068	188	188	91	87	2	169	10	29	0	26	10	525	156	96	–	–	29
Canada	1 347	440	440	282	137	120	280	13	51	25	18	14	–	–	345	–	20	182
Czech Republic	174	16	6	6	–	–	8	–	0	0	-	–	143	17	1	–	–	–
Denmark	787	103	100	51	46	5	278	5	68	35	33	24	273	90	83	–	5	33
Finland	567	84	79	48	32	10	167	6	28	8	23	10	214	68	54	10	–	6
France	4 503	757	641	278	218	50	261	16	22	–	32	19	2 422	954	785	-7	28	417
Germany	5 357	1 429	1 391	311	232	70	369	22	38	32	7	9	2 705	975	542	–	8	278
Greece	271	–	–	–	–	–	12	–	–	–	–	0	256	65	2	–	–	–
Iceland	6	2	2	–	–	–	3	0	0	–	1	0	–	–	1	–	–	–
Ireland	310	26	25	14	–	14	89	3	12	12	11	8	153	39	28	–	5	13
Italy	2 623	236	179	206	153	54	150	76	3	16	9	2	1 924	721	107	–	–	–
Japan	3 888	1 744	1 399	1 057	249	759	594	–	84	5	18	20	–	–	494	12	9	114
Korea	335	123	83	104	29	65	82	2	5	0	3	3	–	–	26	4	0	2
Luxembourg	130	28	18	5	–	3	53	1	10	1	7	2	36	12	7	1	1	–
Netherlands	2 008	469	469	96	8	–	565	28	92	56	47	58	686	227	192	–	28	96
New Zealand	95	16	16	16	–	16	45	–	6	5	5	5	–	–	17	–	–	–
Norway	1 194	182	153	115	95	13	642	14	137	26	80	52	–	–	255	–	76	80
Portugal	231	21	21	14	2	7	10	–	1	–	–	0	181	48	5	–	–	1
Spain	1 891	287	274	175	63	28	233	–	25	24	31	7	1 156	330	40	–	–	–
Sweden	1 961	363	363	237	213	18	685	–	115	86	74	94	377	126	299	2	96	92
Switzerland	678	316	316	65	66	19	197	8	61	3	23	15	–	–	98	5	–	9
United Kingdom	5 359	1 741	1 709	416	329	58	588	–	88	48	68	63	1 899	686	716	–	80	285
United States	3 707	1 233	1 233	290	40	211	871	29	85	–	132	–	–	–	1 314	–	90	950
TOTAL DAC	**39 755**	**10 146**	**9 443**	**4 049**	**2 052**	**1 633**	**6 608**	**234**	**1 001**	**381**	**685**	**450**	**13 263**	**4 627**	**5 689**	**25**	**494**	**2 588**
Of which: DAC-EU countries	27 859	5 913	5 623	2 018	1 437	329	3 671	167	537	317	370	308	13 263	4 627	2 994	5	251	1 251

1. Unearmarked contributions. Includes recoveries on grants and capital subscriptions.
2. IMF PRGT and PRG-HIPC Trust.

StatLink http://dx.doi.org/10.1787/888932896736

Table A.9. **Aid by major purposes in 2011**

Commitments

	Per cent of total bilateral ODA																											Per cent of total	
																												Multilateral finance (ODF)	
	Australia	Austria	Belgium	Canada	Czech Rep.	Denmark	Finland	France	Germany	Greece	Iceland	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	49.5	55.9	37.7	44.3	49.7	44.9	34.7	28.1	39.8	55.0	40.3	53.3	13.7	24.0	42.9	41.5	35.2	40.4	34.1	25.0	40.8	35.8	30.7	50.1	52.6	**40.3**	32.9	43.0	24.3
Education[1]	10.2	27.1	13.4	6.1	10.0	7.6	7.5	15.4	15.3	49.1	6.6	10.2	4.1	5.8	12.3	11.1	12.3	16.9	7.9	11.8	9.6	4.0	3.4	11.9	2.2	**8.1**	4.7	5.4	3.9
Of which: Basic education	3.0	0.1	0.8	2.0	1.0	3.3	1.1	1.4	1.5	..	5.9	4.4	0.8	0.4	1.2	1.5	5.1	5.8	6.5	0.2	1.1	3.0	1.3	4.8	1.6	**2.0**	1.2	1.7	2.3
Health	6.9	13.5	10.2	22.6	3.6	4.8	0.8	1.1	1.8	1.8	6.1	11.9	4.0	2.1	9.8	13.0	1.6	5.4	3.7	3.2	6.8	2.9	2.1	10.1	5.8	**5.2**	1.1	6.0	0.7
Of which: Basic health	2.6	0.8	4.1	19.4	1.2	0.6	0.4	0.3	1.1	0.0	6.1	5.7	1.9	1.2	2.5	7.7	0.7	3.7	1.3	0.5	2.0	1.8	1.4	7.5	4.9	**3.5**	0.4	2.2	0.0
Population[2]	4.2	0.2	0.7	5.0	0.5	1.8	0.9	0.8	1.6	..	2.4	3.9	0.5	0.4	0.2	1.6	2.2	2.8	1.2	0.2	0.7	2.1	0.4	7.1	22.2	**7.4**	0.8	1.0	–
Water supply and sanitation	5.4	4.9	3.6	1.0	10.5	4.2	10.3	3.4	8.3	..	1.9	1.8	0.7	10.7	10.6	7.7	3.2	1.8	0.5	0.1	5.8	1.8	12.2	1.9	1.6	**4.6**	3.0	11.4	10.0
Government and civil society	20.7	8.8	8.0	9.0	20.7	25.0	12.8	2.3	11.2	0.4	13.2	16.7	2.8	3.9	8.8	4.2	15.0	12.1	18.1	4.5	12.3	23.1	11.4	14.8	18.7	**12.7**	18.3	12.6	6.2
Other social infrastructure/service	2.2	1.4	1.8	0.7	4.4	1.5	2.3	5.1	1.6	3.6	10.1	8.7	1.5	1.2	1.2	4.1	0.8	1.4	2.7	5.2	5.6	1.8	1.3	4.3	2.2	**2.4**	4.9	6.6	3.4
Economic infrastructure	6.7	10.0	12.8	8.2	7.3	6.2	7.3	11.4	24.3	13.5	14.4	1.2	1.4	40.6	36.8	8.0	21.3	11.6	12.9	10.5	1.3	5.6	7.4	9.0	6.3	**15.0**	24.0	37.9	54.1
Transport and communications	5.6	1.7	2.4	0.2	1.6	1.7	1.0	6.8	0.9	13.5	–	0.0	1.2	23.3	23.9	0.1	1.1	6.0	0.1	6.2	0.2	1.0	0.2	2.8	2.8	**5.7**	9.0	18.0	30.0
Energy	0.3	3.6	1.2	6.8	4.9	3.5	4.4	3.1	12.4	..	13.7	0.1	0.1	17.0	12.7	1.6	2.1	3.6	8.5	4.1	0.3	1.7	1.4	2.9	2.0	**5.9**	9.9	13.7	14.7
Other	0.8	4.7	9.3	1.2	0.8	1.0	1.9	1.5	11.0	0.1	0.7	1.0	0.2	0.2	0.2	6.3	18.1	2.0	4.4	0.2	0.8	2.9	5.8	3.3	1.5	**3.4**	5.1	6.2	9.4
Production	7.0	3.2	12.1	9.0	8.5	8.1	20.6	3.8	5.5	0.2	24.3	9.9	2.2	9.0	9.8	6.5	8.1	12.5	16.2	0.4	23.2	5.2	8.7	5.3	5.9	**7.4**	14.2	11.5	6.4
Agriculture	6.1	2.5	10.2	6.5	7.5	3.8	17.0	3.3	4.2	0.2	24.3	9.6	1.9	4.1	7.9	5.1	2.7	6.3	13.3	0.4	5.4	2.8	4.9	2.6	5.2	**4.9**	6.4	8.7	5.3
Industry, mining and construction	0.4	0.3	1.3	1.7	0.9	2.7	1.1	0.2	1.1	..	..	0.1	0.1	4.3	1.4	0.2	0.3	1.1	2.2	0.0	17.6	1.1	1.6	1.8	0.3	**1.7**	5.4	2.0	0.5
Trade and tourism	0.5	0.3	0.5	0.8	0.1	1.6	2.4	0.3	0.2	–	–	0.2	0.2	0.6	0.5	1.3	5.1	5.2	0.7	0.0	0.2	1.3	2.2	0.9	0.5	**0.8**	2.5	0.7	0.6
Multisector	17.6	5.0	5.5	8.2	3.3	5.5	11.7	20.1	17.8	5.5	1.2	3.0	2.0	11.8	3.6	7.4	7.6	4.5	6.1	1.6	7.6	8.8	8.8	11.2	7.6	**10.8**	12.9	6.5	8.8
Programme assistance	1.3	0.9	0.9	0.8	..	5.7	0.1	8.0	1.1	..	..	8.5	1.0	3.2	0.1	1.4	0.6	5.0	4.5	58.2	1.2	3.9	..	6.8	2.6	**3.3**	1.5	0.3	2.5
Action relating to debt[3]	0.3	5.8	7.1	0.1	..	0.1	..	14.2	2.2	..	0.8	..	40.4	0.6	..	..	3.4	..	0.0	1.0	1.1	5.1	2.9	2.1	3.5	**3.9**	..	0.0	0.4
Humanitarian aid	9.8	2.9	8.4	12.0	5.2	9.5	12.2	0.9	3.3	0.9	6.6	14.5	4.3	5.6	1.3	18.8	4.2	7.9	9.5	0.1	9.6	13.4	11.7	8.0	13.8	**8.4**	8.8	0.9	1.5
Administrative expenses	7.0	7.0	5.2	6.7	8.3	8.2	7.7	4.9	4.7	8.3	9.3	6.5	2.7	4.9	3.3	7.1	7.2	13.7	7.0	2.8	6.5	7.0	8.1	5.2	5.3	**5.6**	4.7	–	2.1
Other and unspecified	0.7	9.4	10.4	10.7	17.6	12.0	5.7	8.6	1.2	16.5	3.0	3.1	32.3	0.2	2.2	9.2	12.4	4.3	9.7	0.4	8.6	15.1	21.6	2.3	2.6	**5.4**	1.0	–	0.0
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**	**100.0**	**100.0**
Memorandum item: Food aid, total	3.1	0.5	4.5	4.3	0.7	0.2	1.7	1.0	1.9	–	1.0	4.7	1.3	2.9	0.2	2.3	1.0	2.1	0.9	0.0	2.8	0.5	2.2	5.9	6.6	**4.8**	3.2	–	–

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	
	2000-01	2010-11	2000-01	2010-11	2000-01	2010-11	2000-01	2010-11
Australia	32.4	40.3	2.3	2.6	55.5	51.9	9.7	5.1
Austria	27.2	45.2	1.8	2.4	45.4	30.4	25.6	21.9
Belgium	47.3	65.0	3.3	2.2	27.4	22.5	22.0	10.3
Canada	44.3	64.1	3.5	2.9	32.4	26.9	19.9	6.1
Czech Republic	28.6	40.5	2.1	2.7	43.3	35.5	26.1	21.3
Denmark	51.7	57.0	4.2	6.4	31.0	29.4	13.1	7.2
Finland	44.6	54.6	4.0	5.7	24.7	27.9	26.7	11.8
France	39.1	37.7	1.8	2.8	34.9	34.9	24.1	24.6
Germany	33.3	39.5	3.3	3.9	29.9	33.9	33.5	22.6
Greece	17.4	29.8	1.7	2.2	16.3	29.0	64.6	39.1
Iceland	60.7	68.8	2.0	0.7	16.3	18.7	21.0	11.8
Ireland	66.4	70.3	3.9	4.4	13.1	17.6	16.6	7.7
Italy	47.2	52.4	2.7	3.0	24.4	28.7	25.7	15.9
Japan	24.7	50.5	2.5	3.4	49.0	47.7	23.8	-1.7
Korea	25.5	43.3	1.6	2.0	52.2	43.9	20.6	10.8
Luxembourg	38.3	50.3	0.7	1.7	35.2	36.0	25.7	12.1
Netherlands	42.0	57.7	2.8	3.2	33.8	27.1	21.4	11.9
New Zealand	41.4	43.1	2.4	2.3	41.2	39.4	14.9	15.3
Norway	49.6	57.2	3.2	3.5	26.3	27.4	21.0	11.9
Portugal	67.3	54.9	1.1	1.0	18.1	34.9	13.4	9.2
Spain	19.0	42.4	1.7	2.0	48.4	32.1	30.8	23.5
Sweden	44.6	55.4	4.1	5.6	30.9	26.6	20.4	12.4
Switzerland	44.9	47.3	4.0	5.4	29.4	34.2	21.6	13.0
United Kingdom	46.8	53.5	3.9	4.2	28.2	33.0	21.1	9.2
United States	30.9	49.8	3.2	4.7	46.6	31.9	19.3	13.7
TOTAL DAC	**35.0**	**49.0**	**2.9**	**3.8**	**39.0**	**33.8**	**23.1**	**13.4**
Of which: DAC-EU countries	40.4	47.6	3.0	3.6	31.6	31.6	25.0	17.2

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		
	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11
Australia	10.1	11.0	13.2	15.1	11.4	18.0	70.3	64.5	62.6	2.3	11.5	4.2	1.0	0.4	0.3	1.2	1.2	1.7
Austria	39.7	35.0	45.3	9.2	5.3	12.9	8.0	2.7	7.5	11.2	41.9	6.7	19.2	11.5	20.2	12.8	3.6	7.3
Belgium	53.5	60.0	67.3	7.5	6.5	8.2	11.1	5.1	4.4	8.3	15.3	7.1	9.1	4.9	4.6	10.5	8.2	8.4
Canada	36.9	44.8	51.0	18.1	16.6	18.5	15.8	9.7	6.4	5.9	11.4	4.2	6.9	3.8	2.1	16.5	13.6	17.8
Czech Republic	24.4	25.5	32.3	25.2	12.9	19.8	17.5	9.5	8.6	7.1	19.8	9.8	17.7	21.3	21.2	8.2	11.0	8.3
Denmark	50.1	54.4	54.7	15.9	14.9	18.2	11.3	11.1	8.0	7.3	7.7	7.8	6.1	3.8	3.9	9.2	8.2	7.5
Finland	41.3	42.4	50.1	14.5	14.1	16.9	13.9	10.0	9.0	8.7	19.3	7.0	12.5	6.2	6.8	9.1	8.1	10.3
France	47.1	57.5	50.7	6.5	4.8	8.2	9.5	6.6	11.2	22.3	20.0	12.3	8.0	5.8	7.2	6.5	5.4	10.3
Germany	34.9	45.6	37.2	12.4	8.6	21.7	13.2	8.8	9.7	13.6	22.7	10.3	14.0	7.3	9.4	12.0	7.0	11.7
Greece	18.5	28.2	30.2	7.7	13.4	9.5	4.0	3.3	3.6	10.8	15.9	15.4	53.3	33.3	33.7	5.7	5.8	7.5
Iceland	73.7	56.6	66.2	11.3	27.9	12.0	6.0	3.3	2.1	2.2	4.8	8.0	3.5	2.1	4.2	3.4	5.3	7.4
Ireland	64.4	69.4	68.9	7.2	9.4	9.4	4.8	6.6	6.9	5.8	5.2	5.3	11.7	3.7	4.1	6.1	5.7	5.4
Italy	46.6	47.6	51.6	10.9	8.3	13.8	5.4	2.9	3.3	10.5	26.7	10.5	19.7	7.9	12.3	6.9	6.5	8.5
Japan	19.3	33.6	37.3	22.6	13.1	42.2	40.1	24.2	9.5	6.0	21.3	4.1	2.0	1.6	5.5	10.0	6.1	1.5
Korea	19.1	15.7	22.1	28.3	24.0	30.4	35.3	20.0	31.4	5.3	24.3	5.5	4.2	3.7	3.4	7.9	12.3	7.3
Luxembourg	42.7	50.5	50.9	8.7	10.3	10.9	12.0	12.8	12.3	8.9	6.6	5.9	11.4	6.9	7.6	16.3	13.0	12.3
Netherlands	41.8	53.3	56.4	13.4	14.2	15.6	13.3	10.7	5.8	7.0	7.8	6.5	11.1	5.4	5.9	13.4	8.5	9.8
New Zealand	11.3	12.5	10.7	9.8	11.5	8.1	74.0	69.5	76.2	1.0	2.5	1.9	0.7	0.5	0.7	3.2	3.4	2.4
Norway	43.5	50.0	49.6	16.5	19.6	19.1	8.3	7.8	7.6	9.0	8.6	8.4	13.4	7.0	5.2	9.2	7.0	10.1
Portugal	57.0	56.0	71.5	3.2	8.0	6.4	24.5	15.0	7.7	4.4	7.4	3.6	7.7	9.6	6.4	3.2	4.1	4.4
Spain	20.4	34.8	37.3	5.6	6.9	9.4	10.4	5.5	4.5	9.5	19.4	15.8	12.2	7.7	7.0	42.0	25.8	26.0
Sweden	42.4	47.8	52.9	14.6	13.6	14.9	11.7	9.1	6.9	7.6	11.9	8.8	9.8	8.2	8.7	13.9	9.4	7.8
Switzerland	39.1	40.0	42.5	20.9	17.7	19.9	8.9	6.6	9.5	5.7	12.2	6.4	14.8	12.7	10.7	10.7	10.8	11.0
United Kingdom	47.6	61.2	54.2	18.6	15.5	25.4	8.6	4.4	5.7	6.6	11.8	5.9	9.6	4.0	4.3	9.0	3.2	4.6
United States	30.0	27.6	42.7	19.9	13.7	24.1	10.2	4.6	5.9	15.0	42.1	12.8	7.5	3.4	2.6	17.4	8.6	11.9
TOTAL DAC	**33.7**	**42.4**	**44.9**	**16.5**	**11.9**	**20.7**	**19.0**	**9.7**	**9.8**	**10.3**	**23.5**	**9.2**	**8.3**	**5.0**	**5.6**	**12.2**	**7.6**	**9.7**
Of which: DAC-EU countries	42.4	52.0	49.2	12.0	10.0	16.0	10.7	6.7	7.7	11.4	17.7	9.5	11.6	6.4	7.6	11.9	7.2	10.0

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

	2007	2008	2009	2010	2011	Memo: 2011 Share of bilateral aid	Memo: 2011 ODA/GNI
	(USD million)					(%)	(%)
OECD non-DAC							
Estonia	16	22	18	19	24	30	0.11
Hungary	103	107	117	114	140	24	0.11
Israel[1, 2]	111	138	124	145	206	91	0.09
Poland	363	372	375	378	417	22	0.08
Slovak Republic	67	92	75	74	86	25	0.09
Slovenia	54	68	71	59	63	30	0.13
Turkey	602	780	707	967	1 273	96	0.16
Other donors							
Bulgaria	..	..	..	40	48	14	0.09
Chinese Taipei	514	435	411	381	381	87	0.09
Cyprus[3, 4]	35	37	46	51	38	48	0.16
Kuwait (KFAED)	110	283	221	211	144	100	..
Latvia	16	22	21	16	19	6	0.07
Liechtenstein	18	24	26	27	31	82	..
Lithuania	48	48	36	37	52	40	0.13
Malta	..	..	14	14	20	67	0.25
Romania	..	123	153	114	164	17	0.09
Russia	..	..	..	472	479	50	0.03
Saudi Arabia	1 551	4 979	3 134	3 480	5 095	94	..
Thailand	67	178	40	10	31	45	0.01
United Arab Emirates	2 426	1 266	834	412	737	93	0.22
TOTAL	**6 101**	**8 974**	**6 423**	**7 019**	**9 449**	**83**	**..**

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 42.9 million in 2007, USD 43.6 million in 2008, USD 35.4 million in 2009, USD 40.2 million in 2010 and USD 49.2 million in 2011 for first year sustenance expenses for persons arriving from developing countries (many of which 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						
	1995-96 average	2000-01 average	2007	2008	2009	2010	2011	1995-96 average	2000-01 average	2007	2008	2009	2010	2011
CONCESSIONAL FLOWS														
International financial institutions														
AfDB	623	478	1 822	1 932	3 175	2 503	2 355	580	395	1 424	1 802	2 750	1 918	2 272
AsDB	1 259	1 083	1 768	2 331	2 790	1 930	1 940	1 130	869	1 182	1 654	1 943	1 023	863
CarDB	22	43	59	83	85	75	72	-12	26	41	64	68	55	39
EBRD	17	11	8	7	–	–	–	17	11	8	7	–	–	–
IDA	5 893	5 687	10 829	9 291	12 793	12 123	11 703	5 325	4 428	7 463	6 689	9 006	7 779	6 995
IDB Sp.Fund	618	493	4 452	552	1 025	1 994	1 710	320	214	257	310	380	1 287	1 504
IMF[2]	1 600	1 089	521	1 038	2 605	2 973	1 455	967	201	-72	307	1 825	1 230	772
Nordic Dev. Fund	60	36	74	104	76	65	70	60	35	68	91	64	50	52
Total IFIs	**10 092**	**8 920**	**19 534**	**15 339**	**22 549**	**21 663**	**19 304**	**8 388**	**6 178**	**10 371**	**10 924**	**16 035**	**13 342**	**12 497**
United Nations[3]														
IFAD	217	252	461	491	399	520	627	119	155	322	347	230	284	388
UNAIDS	–	–	193	209	243	246	265	–	–	193	209	243	246	265
UNDP	530	336	439	495	631	613	494	530	336	439	495	631	602	490
UNFPA	223	222	218	275	348	316	315	223	222	216	273	346	314	314
UNHCR	580	519	257	278	301	393	441	580	519	257	278	301	393	441
UNICEF	737	588	982	987	1 104	1 050	1 104	737	588	981	984	1 086	1 046	1 089
UNRWA	293	330	388	473	473	545	608	293	330	388	473	473	545	608
UNTA	401	432	462	645	–	–	–	401	432	462	645	–	–	–
WFP	732	368	233	317	293	244	345	732	368	233	316	290	243	337
WHO	–	–	–	–	437	366	452	–	–	–	–	437	366	452
Other UN[4]	–	–	82	120	121	151	145	–	–	82	120	120	151	145
Total UN	**3 712**	**3 048**	**3 715**	**4 291**	**4 348**	**4 443**	**4 798**	**3 614**	**2 951**	**3 574**	**4 141**	**4 157**	**4 189**	**4 530**
EU Institutions	5 220	5 336	11 435	12 868	13 024	12 570	17 947	4 992	4 966	11 327	12 868	13 021	12 428	17 045
GAVI	–	–	936	719	469	772	819	–	–	936	719	469	772	819
GEF[5]	–	230	1 062	814	711	530	734	–	230	1 062	814	711	530	734
Global Fund	–	–	1 627	2 172	2 337	3 031	2 647	–	–	1 627	2 168	2 333	3 003	2 612
Montreal Protocol	–	64	94	76	29	21	10	–	64	94	76	29	21	8
OSCE	–	–	–	–	–	150	151	–	–	–	–	–	150	151
Arab Funds[6]	103	298	751	1 790	1 827	1 864	1 599	-29	90	453	1 058	965	993	730
Total concessional	**19 127**	**17 895**	**39 155**	**38 068**	**45 295**	**45 043**	**48 009**	**16 965**	**14 478**	**29 444**	**32 767**	**37 722**	**35 427**	**39 126**

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						
	1995-96 average	2000-01 average	2007	2008	2009	2010	2011	1995-96 average	2000-01 average	2007	2008	2009	2010	2011
NON-CONCESSIONAL FLOWS														
AfDB	1 033	560	1 398	1 121	3 626	2 042	3 051	381	-190	109	405	2 475	1 214	2 050
AsDB	2 502	2 865	5 234	6 472	7 898	5 272	5 626	682	1 386	3 798	4 574	6 035	3 230	3 155
CarDB	29	58	102	101	114	247	83	22	40	46	29	54	132	36
EBRD	333	494	2 227	2 759	3 606	3 629	4 034	323	229	1 408	1 988	2 300	2 033	2 357
EU Institutions	449	635	5 997	4 284	833	942	982	227	379	4 716	2 888	-625	-1 099	-794
IBRD	11 009	11 271	9 990	13 393	21 408	26 511	15 971	-390	2 230	86	3 786	11 519	18 215	1 810
IDB	3 975	6 339	6 715	7 158	11 415	10 205	7 187	1 398	4 232	1 455	2 411	6 852	4 547	2 654
IFAD	11	33	40	53	38	44	49	–0	5	7	22	6	11	11
IFC	1 598	1 169	4 322	5 022	4 471	4 184	4 733	779	125	1 990	3 210	2 245	1 693	1 426
Arab Funds[6]	–	–	–	–	362	1 983	2 297	–	–	–	–	259	1 448	1 899
Total non-concessional	**20 940**	**23 423**	**36 025**	**40 364**	**53 771**	**55 059**	**44 013**	**3 422**	**8 438**	**13 615**	**19 313**	**31 120**	**31 424**	**14 604**

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] (2011 = 100)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	46.44	44.65	37.84	39.37	36.96	34.09	36.94	45.20	53.19	57.52	59.74	69.01	72.58	68.84	85.42	100.00	100.07
Austria	76.16	66.29	65.47	62.90	54.99	54.29	57.95	70.31	78.60	80.13	82.43	91.69	98.39	96.32	93.28	100.00	94.30
Belgium	71.20	62.21	62.43	60.04	52.96	52.52	56.38	68.93	77.42	79.29	81.95	91.50	98.47	96.20	93.36	100.00	94.34
Canada	52.27	52.05	48.46	49.22	51.34	50.01	49.91	57.79	64.19	71.20	78.04	85.06	88.35	81.44	93.02	100.00	99.93
Czech Republic	44.46	41.09	44.25	42.33	38.42	40.85	48.71	57.19	65.13	69.62	74.24	85.38	101.78	95.10	93.34	100.00	91.37
Denmark	66.39	59.44	59.32	57.87	51.44	51.25	55.33	67.42	75.78	77.85	80.21	89.58	98.34	95.68	94.77	100.00	94.42
Finland	72.57	65.52	65.76	63.57	56.42	56.48	60.19	71.67	79.19	79.58	81.04	91.03	98.73	96.74	92.40	100.00	94.27
France	72.76	64.35	64.33	61.76	54.27	53.80	57.86	70.74	79.09	80.64	83.19	93.08	100.57	97.79	93.99	100.00	93.86
Germany	83.51	72.66	72.03	69.17	59.42	58.40	62.33	75.55	83.97	84.52	85.63	94.90	100.77	98.43	94.49	100.00	93.69
Greece	63.20	59.50	57.86	57.58	49.80	49.32	53.67	66.86	75.69	77.16	79.81	89.93	99.23	98.00	94.27	100.00	91.87
Iceland	80.27	77.62	81.38	82.57	78.61	68.94	77.66	93.31	104.50	119.98	117.42	135.33	106.72	84.99	91.66	100.00	96.11
Ireland	66.20	64.99	64.80	63.96	58.27	59.81	66.27	82.31	92.48	94.82	99.05	108.78	111.01	102.24	95.10	100.00	94.06
Italy	65.31	60.69	61.11	59.44	52.41	52.40	56.91	70.35	79.21	80.68	82.87	92.53	99.96	98.52	94.06	100.00	93.49
Japan	87.06	78.75	72.75	82.55	86.13	75.50	72.14	76.59	81.01	78.54	73.45	71.91	80.81	89.10	92.76	100.00	98.98
Korea	95.95	84.33	60.07	70.15	74.36	67.67	72.05	78.40	83.98	94.52	101.57	106.17	91.48	82.45	94.19	100.00	99.60
Luxembourg	61.14	51.95	51.01	51.50	45.44	44.17	47.46	60.21	67.42	70.68	76.19	86.23	91.28	88.57	90.64	100.00	96.21
Netherlands	68.01	60.33	60.46	59.04	53.17	54.28	59.31	72.65	80.49	82.48	84.76	94.15	101.29	97.89	94.09	100.00	93.18
New Zealand	61.05	59.07	48.25	47.84	42.05	40.66	45.28	57.77	68.44	74.56	70.62	83.41	81.66	73.87	88.51	100.00	104.28
Norway	44.26	41.54	38.64	39.87	40.87	40.67	44.98	52.22	58.08	66.20	72.23	81.49	92.80	78.98	87.24	100.00	99.60
Portugal	63.42	58.03	58.56	57.91	51.72	52.06	56.83	70.18	79.08	81.11	84.19	94.42	101.06	98.46	94.63	100.00	92.23
Spain	61.74	54.70	54.94	53.93	48.26	48.86	53.66	67.01	76.66	80.02	84.16	94.79	102.24	98.81	94.35	100.00	92.72
Sweden	76.91	68.46	66.18	64.38	58.82	53.27	57.52	70.34	77.98	77.34	79.71	89.27	93.28	83.28	89.24	100.00	96.88
Switzerland	62.88	53.83	53.62	51.85	46.85	47.47	51.75	60.39	65.91	65.91	66.97	71.70	80.63	81.21	84.88	100.00	94.80
United Kingdom	70.18	75.17	77.59	77.33	72.84	70.44	75.06	83.69	96.35	97.87	101.95	113.32	105.56	92.33	93.82	100.00	100.94
United States	73.30	74.59	75.43	76.61	78.27	80.04	81.33	83.04	85.38	88.22	91.07	93.71	95.79	96.62	97.91	100.00	101.85
TOTAL DAC	**71.86**	**66.28**	**65.21**	**66.31**	**64.11**	**61.47**	**63.90**	**73.12**	**80.06**	**82.32**	**84.16**	**90.89**	**95.68**	**92.87**	**93.87**	**100.00**	**97.84**
EC	70.93	64.23	64.42	62.00	54.40	54.15	58.43	71.60	80.22	81.75	84.05	93.78	100.70	98.15	94.13	100.00	93.57

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 =		2008	2009	2010	2011	2012
Australia	Dollar	1.2129	1.2800	1.0902	0.9692	0.9660
Austria	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Belgium	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Canada	Dollar	1.0753	1.1410	1.0302	0.9891	0.9992
Czech Republic	Koruna	17.3470	18.9895	19.0795	17.6722	19.5383
Denmark	Kroner	5.1675	5.3465	5.6218	5.3604	5.7899
Finland	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
France	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Germany	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Greece	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Iceland	Krona	90.9436	123.3520	122.2420	116.0580	125.1180
Ireland	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Italy	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Japan	Yen	103.5	93.4	87.8	79.7	79.8
Korea	Won	1 110.1	1 273.9	1 155.4	1 107.3	1 125.9
Luxembourg	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Netherlands	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
New Zealand	Dollar	1.4455	1.5988	1.3876	1.2664	1.2349
Norway	Kroner	5.7073	6.2784	6.0445	5.6046	5.8149
Portugal	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Spain	Euro	0.6933	0.7181	0.7550	0.7192	0.7780
Sweden	Kroner	6.6797	7.6322	7.2022	6.4892	6.7689
Switzerland	Franc	1.0966	1.0839	1.0427	0.8872	0.9375
United Kingdom	Pound sterling	0.5527	0.6402	0.6475	0.6238	0.6311
EU12	*Euro*	*0.6933*	*0.7181*	*0.7550*	*0.7192*	*0.7780*

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Table A.16. **Gross national income and population of DAC member countries**

	Gross national income (USD billion)				Population (thousands)			
	2000-01 average	2009	2010	2011	2000-01 average	2009	2010	2011
Australia	358	941	1 186	1 450	19 360	21 880	22 340	23 200
Austria	186	378	375	416	8 120	8 360	8 390	8 440
Belgium	232	474	470	523	10 265	10 810	10 840	10 950
Canada	695	1 320	1 550	1 707	30 925	34 020	34 110	34 610
Czech Republic	52	180	180	201	..	10 500	10 530	10 510
Denmark	158	319	316	344	5 350	5 530	5 560	5 580
Finland	120	238	242	265	5 190	5 330	5 380	5 400
France	1 352	2 678	2 607	2 828	59 040	64 490	64 670	65 350
Germany	1 852	3 403	3 358	3 644	82 260	81 840	81 770	81 840
Greece	115	322	296	290	10 940	11 260	11 280	11 320
Iceland	8	10	10	12	..	320	320	320
Ireland	83	185	171	178	3 815	4 460	4 580	4 590
Italy	1 079	2 081	2 024	2 183	57 270	60 260	60 620	60 850
Japan	4 526	5 180	5 603	6 057	127 070	127 490	127 390	127 770
Korea	495	837	1 015	1 118	47 305	48 750	48 870	49 780
Luxembourg	18	40	38	42	440	490	510	510
Netherlands	380	783	780	842	15 960	16 580	16 500	16 670
New Zealand	44	111	134	154	3 840	4 350	4 370	4 420
Norway	167	386	416	493	4 500	4 860	4 920	4 990
Portugal	105	219	221	229	10 300	10 340	10 560	10 560
Spain	563	1 434	1 389	1 457	40 100	46 750	47 020	47 190
Sweden	221	406	468	550	8 885	9 350	9 000	9 520
Switzerland	274	523	583	678	7 205	7 780	7 540	7 950
United Kingdom	1 425	2 223	2 280	2 459	58 725	60 970	62 260	62 260
United States	10 044	14 011	14 636	15 211	280 195	307 010	309 050	311 590
TOTAL DAC	**24 553**	**38 681**	**40 345**	**43 332**	**897 060**	**963 780**	**968 380**	**976 170**
Of which: DAC-EU countries	7 940	15 362	15 214	16 451	376 660	407 320	409 470	411 540

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ANNEX B

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 15 years earlier (Scott, 1989).1

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%,

1 S. Scott (1989), Some Aspects of the 1988-89 Aid Budget, in *Quarterly Aid Round-Up*, No. 6, AIDAB, Canberra, pp. 11-18.

while some other countries showed little change. The average fall has been about 3%. All DAC members are now using the new SNA.

Recipient country coverage

Since 1990, the following entities 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, the 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

Portugal, one of the founding members of the DAC in 1961, withdrew from the DAC in 1974 and re-joined in 1991. Spain joined the DAC in 1991, Luxembourg joined in 1992, Greece joined in 1999, Korea joined in 2010, and the Czech Republic and Iceland joined in 2013. 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.2. 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 2012 and 2013 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 1 006-3 975 in 2010)	Upper-middle income countries and territories (per capita GNI USD 3 976-12 275 in 2010)
Afghanistan	Kenya	Armenia	Albania
Angola	Korea, Dem. Republic	Belize	Algeria
Bangladesh	Kyrgyz Republic	Bolivia	* Anguilla
Benin	Tajikistan	Cameroon	Antigua and Barbuda
Bhutan	Zimbabwe	Cape Verde	Argentina
Burkina Faso		Congo, Republic	Azerbaijan
Burundi		Côte d'Ivoire	Belarus
Cambodia		Egypt	Bosnia and Herzegovina
Central African Republic		El Salvador	Botswana
Chad		Fiji	Brazil
Comoros		Georgia	Chile
Congo, Dem. Republic		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		Viet Nam	Panama
South Sudan		West Bank and Gaza Strip	Peru
Sudan			Serbia
Tanzania			Seychelles
Timor-Leste			South Africa
Togo			* St. Helena
Tuvalu			St. Kitts-Nevis
Uganda			St. Lucia
Vanuatu			St. Vincent and Grenadines
Yemen			Suriname
Zambia			Thailand
			Tunisia
			Turkey
			Uruguay
			Venezuela
			* Wallis and Futuna

* 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 are excluded from DAC total ODA in all tables showing performance by donor.

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Glossary of development terms

(Cross-references are given in CAPITALS)

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

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.

CASH TRANSFER PROGRAMMES: The government transfers welfare money to people on condition that they meet certain criteria, which may include enrolling children into public schools, getting regular medical check-ups, receiving vaccinations, or the like. The aim is to help the current generation tackle poverty, while also breaking the cycle of poverty for the next generation through the development of human capital.

CHRONIC POVERTY: Where people are trapped in extreme poverty which persists for many years and even across generations.

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 is much closer than ODA to capturing the flows of aid that goes to the partner country, and has been proven in several studies to be a good proxy of aid recorded at country level. 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 bilateral 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 non-governmental organisations, aid through secondary agencies, and aid which is not allocable by country);
- is not country programmable by the donor (core funding of non-governmental organisations).

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 (see Table B.1). 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 Technical notes.

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.

EXTREME POVERTY: (also referred to as absolute poverty), is defined by the United Nations as "[…] severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services" (UN declaration at World Summit on Social Development in Copenhagen in 1995). Since the Millennium Development Goals were agreed upon in 2001, it has been measured as an income of USD 1.25/day (equivalent to USD 1.00/day in 1996 USD prices).

FRAGILE STATES: Fragile countries or regions can be defined as having a weak capacity to carry out basic governance functions and/or a low ability to develop constructive relations between state and society, as well as between different groups in society.

GINI COEFFICIENT: Also known as the Gini index or Gini ratio; is commonly used as a measure of inequality of *income* or *wealth*, where a coefficient of one means maximum inequality, and zero means total equality.

GLOBAL PUBLIC GOODS: Goods or services that are available to everybody. A public good becomes a global public good if it is quasi-universal in terms of countries (covering more than one group of countries), people (accruing to several, preferably all, population groups), and generations (extending to both current and future generations, or at least meeting the needs of the current generations without foreclosing development options for future generations). Natural GPGs include oceans/rivers, sunlight/moonlight and the atmosphere; the sustainable management of natural GPGs (e.g. climate stability) is also a GPG. Food security, peace, economic stability, protection from communicable diseases, inclusive healthcare, international communication and transport networks, access to information and knowledge are other GPGs. Most GPGs call for cross-border cooperation among different actors and as a consequence, their provision suffers from obstacles to collective action.

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 GROWTH: 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 – and that of future generations – relies. It focuses on the synergies and tradeoffs between the environmental and economic pillars of sustainable development.

HUMAN CAPITAL: The stock of competencies, knowledge, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value. It is an aggregate economic view of the human being acting within economies, which is an attempt to capture the social, biological, cultural and psychological complexity as they interact in explicit and/or economic transactions. Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training.

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.

INCLUSIVE ECONOMIC DEVELOPMENT AND GROWTH: Development that benefits all members of society, including the poor.

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.

MULTIDIMENSIONAL POVERTY: The recognition that poverty has many dimensions. It is not just a question of money, but also of a complex range of deprivations in areas such as work, health, nutrition, education, services, housing and assets, among others.

MULTIDIMENSIONAL POVERTY INDEX OR MPI: An internationally comparable measure of multidimensional poverty in developing countries based on ten indicators of education, health and standards of living. A person is considered "multidimensionally poor" if they are deprived in one-third of the weighted indicators. The index is a number between 0 and 1 that reflects the level of acute poverty. A bigger number shows higher poverty (see Chapter 3).

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 Technical notes.

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%.

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: Countries who partner in development co-operation (and beyond). In a more narrow sense, the term partner countries refers to countries that receive development assistance provided by other countries to support their own development.

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 countries.

POST-2015: The Millennium Development Goals (MDGs) will expire in 2015. The MDGs aimed to halve income poverty and hunger and to reduce other forms of poverty and deprivation and improve human capabilities, including as regards health, education and access to food and water. The global community is currently discussing the successor framework for the MDGs, including additional objectives, targets and indicators that build on the MDG framework.

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.

PURCHASING POWER PARITY OR PPP: A technique used to determine the relative *value* of *currencies*. It asks how much money would be needed to purchase the same goods and services in two countries, and uses that to calculate an implicit foreign exchange rate. Using that PPP rate, an amount of money thus has the same purchasing power in different countries.

RIGHTS-BASED APPROACHES: An approach promoted by many development agencies and non-governmental organisations (NGOs) to achieve a positive transformation of power relations among the various development actors.

SHORT-TERM: Describes LOANS with a MATURITY of one year or less (see LONG-TERM).

SOCIAL PROTECTION: Policies and programmes that aim to reduce poverty and make people less vulnerable to unemployment, social exclusion, sickness, disability and old age by helping them to manage these deficits and address relevant risks and shocks. Policies include cash transfers and health insurance.

SOCIAL TRANSFER: A transfer of income or services from one group in a society to another (e.g. from the active to the old, the healthy to the sick, or the affluent to the poor).

SOUTH-SOUTH CO-OPERATION: A term historically used by policy makers and academics to describe the exchange of resources, technology, and knowledge between developing countries, also known as countries of the global South.

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 are 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 annex A which allows any DAC figure in current USD to be converted to dollars of the reference year ("constant prices").

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