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.

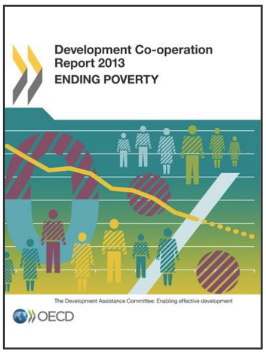
Further reading

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*.



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