

# DAC Peer Review

# IRELAND

Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- To achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy.
- To contribute to sound economic expansion in member as well as non-member countries in the process of economic development.
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*In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose Members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, Members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.*

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### **The Peer Review Process**

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and efforts of each member are critically examined approximately once every four years. Five or six programmes are examined annually. The OECD's Development Co-operation Directorate (DCD) provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. A recent innovation is to organise "joint assessments", in which the activities of several members are reviewed in a single field mission.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions posed by DAC members led by the examiners. These questions are formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Belgium and Switzerland for the Peer Review on 17 November 2003.

## ACRONYMS

APSO	Agency for Personal Service Overseas
CAP	Common Agricultural Policy
DAC	Development Assistance Committee (of the OECD)
DCI	Development Co-operation Ireland
DEAC	Development Education Advisory Committee
EBA	Everything but Arms
ECHO	European Commission's Humanitarian Aid Office
EDF	European Development Fund
GNI	Gross national income
HAPS	HIV/AIDS Partnership Scheme
HIPCs	Heavily-indebted poor countries
IAVI	International AIDS Vaccine Initiative
IDA	International Development Association
IMF	International Monetary Fund
MAPS	Multi-Annual Programme Scheme
MDGs	Millennium Development Goals
NCDE	National Committee for Development Education
NEPAD	New Partnership for Africa's Development
NGOs	Non-governmental organisations
ODA	Official development assistance
PAEG	Programme Appraisal and Evaluation Group
PEAP	Poverty Eradication Action Plan
PRBS	Poverty Reduction Budget Support
PRSP	Poverty Reduction Strategy Paper
SWAps	Sector-wide approaches
TRIPS	Trade-related intellectual property rights
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund

WFP	World Food Programme
WTO	World Trade Organisation

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**Signs used:**

EUR	Euro
USD	United States dollar
()	Secretariat estimate in whole or part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately but included in total
n.a.	Not applicable

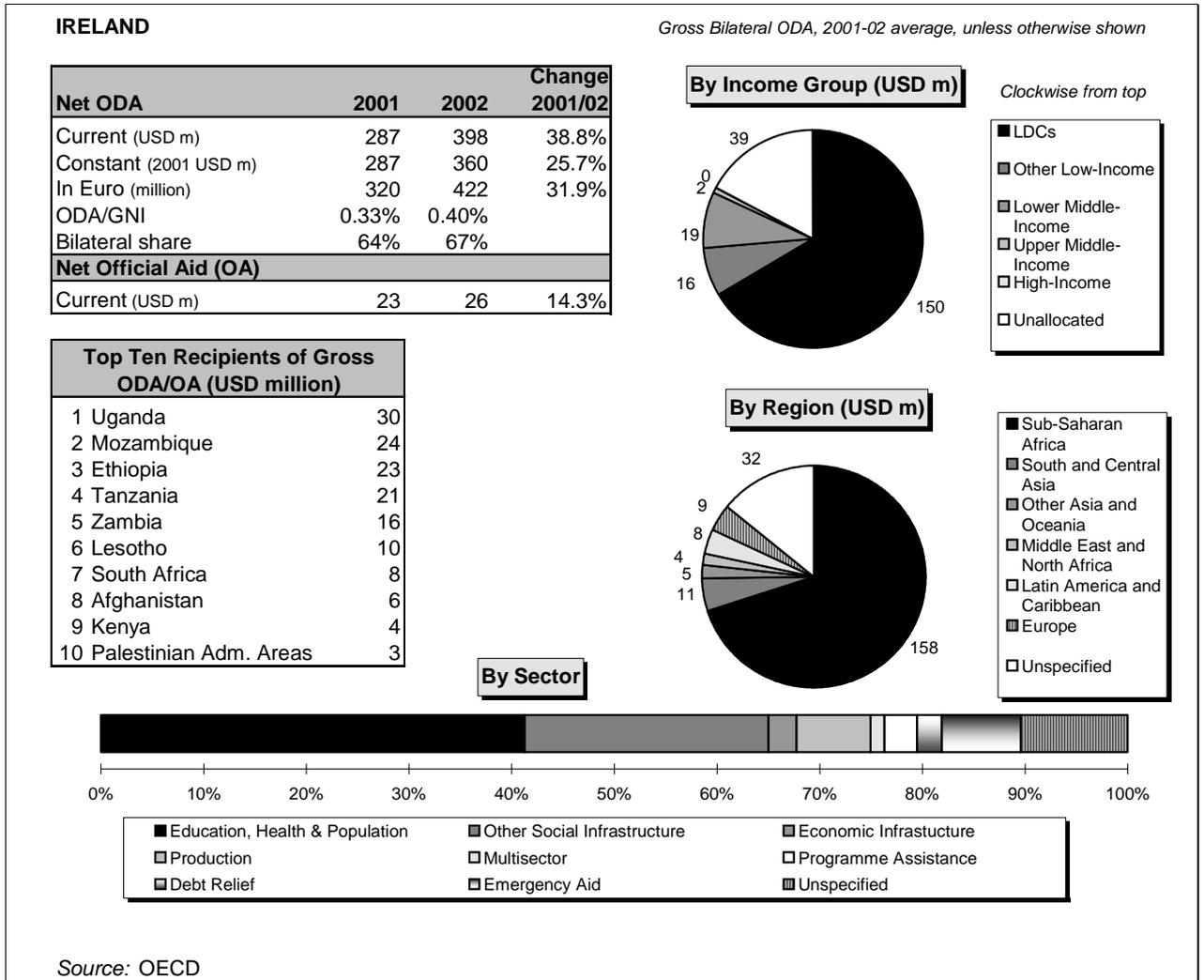
Slight discrepancies in totals are due to rounding

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**Exchange rate (Euro per USD)**

<b>2000</b>	<b>2001</b>	<b>2002</b>
1.0851	1.1166	1.0611

Ireland's aid at a glance



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## DAC'S MAIN FINDINGS AND RECOMMENDATIONS

### **The context for Ireland's development co-operation**

#### *Ireland's tradition of solidarity with the poor*

Ireland's own experience of colonisation, poverty, famine and mass emigration has provided a basis for a long tradition in Ireland of solidarity with the poor and dispossessed. A manifestation of this has been the active engagement by many Irish people in development activities in poor countries, through missionary work, volunteer service or involvement with non-governmental organisations (NGOs). The Irish have also displayed a strong interest in specific development issues including the abolition of apartheid, debt relief and support for East Timor, concerns shared by many Parliamentarians and civil society institutions.

Another manifestation of this tradition is Development Co-operation Ireland (DCI), the official development co-operation programme managed by the Department of Foreign Affairs formerly known as Ireland Aid. The programme distinguishes itself by its sharp focus on poverty reduction and its commitment to partnership principles. In 2001, half of Ireland's official development assistance (ODA) was channelled to least-developed countries, the largest share in the OECD's Development Assistance Committee (DAC). DCI's activities take account of their likely contribution to reducing poverty and achieving the Millennium Development Goals (MDGs). These goals in turn provide the context in which DCI's priority sectors are decided. DCI's long-standing focus on education and health is now complemented by a strong commitment to addressing the HIV/AIDS pandemic. Providing support to "forgotten emergencies" is a priority for DCI's humanitarian assistance. A field visit to Tanzania to prepare for this Peer Review found that Ireland was appreciated as a collaborative partner.

Sustained domestic economic growth up until 2002 enabled successive Irish governments to increase ODA dramatically, including when public expenditure was under tight control and spending on domestic social services was being reduced. Ireland's net ODA disbursements expanded from USD 70 million in 1992 [0.16% of gross national income (GNI)] to USD 187 million in 1997 (0.31% of GNI) and USD 398 million in 2002 (0.40% of GNI).

#### *Heading towards the United Nations 0.7% target*

In 2000, the government committed itself to a timeframe for reaching the United Nation's ODA target of 0.7% of national income – the end of 2007 – with an interim target of 0.45% by the end of 2002. Achieving the 0.7% target implies almost doubling Ireland's present ODA volume to an annual level of nearly USD 1 billion.

In the wake of this decision, the government established a committee in 2001 to conduct a comprehensive review of Ireland's aid programme. Through its deliberations, the Ireland Aid Review Committee addressed the two main issues the DAC identified as confronting the Irish aid programme

at the time of its last Peer Review in 1999, *i.e.* how best to grow and how best to manage that growth. The Review Committee reconfirmed that the reduction of poverty in its various manifestations should remain DCI's overarching objective. It recommended that the principles of effectiveness, value for money, transparency and accountability underpin the programme. Ireland's ODA should remain completely untied. The Review Committee's findings and recommendations were accepted in whole by the government in March 2002.

The Irish economy slowed down sharply in 2002 and this has affected the ODA programme. DCI's final budget outcome for 2002 was USD 30 million less than initially announced. The budget for 2003 essentially returned to the level originally announced for 2002. The allocation for 2004 provides a modest cash increase (EUR 25 million) but is not expected to affect the ODA/GNI ratio. Achieving the 0.7% objective by 2007 nonetheless remains Irish government policy. Reaching this objective will now require doubling the ODA volume in three years.

### ***Strengthening public awareness and ownership***

Nine out of ten respondents in a public opinion survey conducted in 2002 were "on the whole for" or "very much for" helping developing countries. Despite this favourable environment for providing aid, DCI's objectives, approaches and achievements are not well known or understood by the public: 62% of respondents had "never heard" of the DCI programme and 48% had "absolutely no idea" how much ODA the Irish government provided.

Building up public awareness and ownership of the official aid programme are among the most important issues for Ireland to address at this time, if it is to achieve and sustain the 0.7% objective. There are complexities associated with this due to DCI's focus on strengthening public sectors in developing countries. Support for Ireland's ODA must consequently rest more on its contribution to achieving main partner countries' development goals, rather than being closely associated with specific and identifiable activities. In the past, DCI may have relied too heavily on the NGOs it co-finances as its principal means of promoting public awareness and support of the official aid programme. DCI recently adopted a more strategic approach to the issue.

### ***Recommendations***

- A sizeable increase in ODA in 2005 will be crucial for putting Ireland back on a path towards reaching its 0.7% objective by 2007. To maintain quality as it repositions itself as a medium-sized donor, Ireland should plan now how it will manage and implement a USD 1 billion ODA programme.
- To generate greater understanding and sustain public support for reaching the 0.7% target, DCI should inform the Irish public of the achievements Ireland can rightly claim through its ODA programme. The 30<sup>th</sup> anniversary, in 2004, of Ireland's official development co-operation programme presents an appropriate opportunity for taking stock.
- DCI could consider promoting broader debate in Ireland on development issues and intervening pro-actively to ensure that the public receives balanced information on the strengths, weaknesses and risks associated with the different but complementary forms of development co-operation provided by the Irish people through both governmental and non-governmental channels. As part of this process, DCI could outline its reasons for having moved to fund sector-wide approaches (SWAs) and to provide budget support.

## Aid allocations, channels and selected key issues

### *ODA allocations*

Managing the rapid expansion in ODA was facilitated by the predictability provided through a multi-year agreement on increases to DCI's budget for 1999, 2000 and 2001. This agreement has now lapsed. The resulting uncertainty regarding annual allocations renders planning more difficult for DCI which now needs to plan each year to implement an aid programme whose volume may be significantly larger, essentially unchanged or subsequently reduced, with the initial allocation being decided only a few months before the new budget period starts. As part of its planning processes, DCI could consider protecting existing commitments fully in core areas – such as programmes in programme countries, HIV/AIDS and public awareness activities – before taking decisions on funding levels for other programme components.

International good practice stresses the importance of donors who channel funds through partner government systems providing predictable funding commitments. DCI has been expanding its range of long-term partnerships containing multi-annual funding engagements. DCI already agreed triennial country strategies with its programme country partners that spell out how Ireland's support complements the partner's own vision statement for development. But DCI has now also entered into agreements with key United Nations development agencies, some of the major international actors in the provision of emergency assistance, five of the main Irish development NGOs and Dóchas (the NGO umbrella organisation). The slowdown in ODA growth, coupled with uncertainty about DCI's budget allocation, places DCI in an awkward situation even though the funding commitments given were indicative and ultimately non-binding. To demonstrate its commitment to partnership principles, it would appear preferable that DCI fulfil the funding commitments made, if necessary by redirecting funds from other programme components.

### *Bilateral assistance*

Ireland has a great asset in that its main bilateral partnerships are concentrated on a limited number of programme countries: Ethiopia, Lesotho, Mozambique, Tanzania, Uganda and Zambia – all least-developed countries in sub-Saharan Africa – and, since March 2003, East Timor. In 2001-02, the then six programme countries received two-thirds of Ireland's bilateral ODA. There are nevertheless signs of dispersion in the DCI programme as more than 85 other countries received ODA in 2001-02. Comparative experience in the DAC shows how difficult it can be to refocus once dispersion occurs. Ireland should consequently remain vigilant to ensure that high priority continues to be given to deepening its engagement in DCI's existing programme countries which have been severely affected by the HIV/AIDS pandemic. Having put staff in the field to support implementation of an expanded and more strategic engagement, Ireland can reap an efficiency gain by scaling up funding through pooled-funding arrangements where this is feasible. Ireland can also consider engaging more with local civil society organisations and supporting local private sector development and assessing the regional impact of its interventions in countries involved in conflict.

An expanding ODA volume has brought with it the issue of whether DCI should further increase the number of programme countries. DCI has been approaching the issue cautiously, developing a clear and rigorous set of criteria to guide decision making. These considerations have had to be put on hold, however, due to uncertainties about DCI's future funding levels. The Ireland Aid Review Committee recognised that a tight concentration on a small number of programme countries has been one of Ireland's strengths and there are some risks in departing from this approach. An issue for Ireland in this context is the extent to which there should be an expectation, by the country itself and

the Irish public, that countries receiving substantial emergency and then recovery assistance will automatically graduate to full programme country status, as East Timor has.

### ***Multilateral assistance***

Slightly more than one third of Ireland's ODA is disbursed multilaterally, broadly in line with the DAC average. Ireland has been increasing its voluntary contributions to multilateral agencies demonstrating a commitment to reform and has actively supported reform processes in both the European Union and United Nations. Ireland aims to give development issues a high profile during its presidency of the European Union in the first half of 2004, and intends to pay particular attention to enhancing the ten accession states' institutional capacities as donors, promoting better donor harmonisation and aid effectiveness and developing greater awareness of the impact of the HIV/AIDS pandemic on developing countries. Ireland is strengthening the linkages between the Departments of Finance and of Foreign Affairs in relation to its participation in the Bretton Woods institutions, including by possibly placing a DCI staff member in Ireland's office at the World Bank.

Ireland has adopted a more selective approach with United Nations agencies, increasing funding to agencies that reinforce its policy objectives. These include the United Nations Development Programme (UNDP), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Children Fund (UNICEF). DCI has stepped up its capacity to engage with and monitor the performance of these agencies, which have become more important channels for Ireland's ODA. In parallel, Ireland has withdrawn from several agencies to which it was only making symbolic contributions or which had a poor fit with DCI's objectives. These measures will improve the effectiveness of Ireland's multilateral ODA, but this approach is demanding in staff terms and highlights the importance of continuing the process of consolidation in the number of multilateral agencies funded.

### ***The HIV/AIDS challenge***

Ireland is committed to addressing the challenge that HIV/AIDS represents for achieving the MDGs. DCI continues to develop its strategic framework and aims to mainstream, not just integrate, HIV/AIDS throughout the programme - *i.e.* all decisions are informed by and take account of HIV/AIDS issues, and HIV/AIDS concerns are reflected at the policy, planning and project levels. A prime ministerial commitment in 2001 of at least USD 30 million annually for HIV/AIDS is enabling Ireland to support activities at the multilateral/global, regional, national and community levels. The initial emphasis was on global-level responses, including substantial support for the Global Fund to Fight AIDS, Tuberculosis and Malaria. As DCI and its partners enhance their capacity for HIV/AIDS programming at country level, bilateral allocations are likely to increase in the future, especially for the provision of treatment.

There is an opportunity for DCI to enhance its efforts to make a profound and distinctive contribution to addressing the HIV/AIDS crisis. But this will require further strengthening DCI's capacity for HIV/AIDS mainstreaming. DCI needs to recruit additional specialists in Dublin and in partner countries and develop a significant HIV/AIDS training programme for all staff. The requirement to mainstream HIV/AIDS in NGO co-financing schemes could be reinforced. When up-dating its strategic framework in 2004, DCI could highlight the mainstreaming approach it has adopted and develop guidance for staff on how to address gender, human rights and equity concerns in access-to-treatment programmes.

### **Recommendations**

- To provide the basis for a predictable growth path for the expected further rapid expansion in ODA and to help DCI fulfil the multi-annual funding commitments it has made, Ireland should re-introduce a multi-annual agreement on budget allocations for ODA.
- Ireland should continue deepening its engagement in existing programme countries where needs remain great. Ireland should examine the scope for regional engagement and assess the regional impact of its current activities. It should continue its cautious approach to designating new programme countries.
- Ireland should pursue implementation of a more strategic and programmatic engagement with a selected number of key multilateral agencies. In doing so, Ireland should remain aware of the advantages of increased co-ordination and harmonisation with other donors.
- DCI should continue strengthening its capacity to mainstream HIV/AIDS and scale up support for its most successful mainstreaming approaches. As part of the preparations for the next generation of HIV/AIDS activities, it would be appropriate for DCI to initiate a comprehensive evaluation of the impact of Ireland's HIV/AIDS activities to date.

### **Policy coherence for development**

The OECD and its members recognise that sustainably reducing poverty in developing countries and attaining the MDGs will require mutually supportive and coherent policies across a wide range of economic, social and environmental issues. This can create challenges for Ireland because specific issues commonly involve domestic interest groups and government departments with primary interests and responsibilities other than that of reducing global poverty. In addition, Ireland may need to act at both the national and European Union levels. As an example of the challenges encountered, reforming agricultural policies can create difficulties for Ireland because agriculture is an important sector in its economy and an influential domestic constituency. Ireland nonetheless strives to increase coherence between development and agricultural trade policies in negotiations at the World Trade Organisation (WTO) and within European Union contexts.

The complexities associated with promoting greater coherence in policies across government and within the European Union highlight the importance of DAC members being well organised to address relevant issues. The range of subjects that impinge on developing countries is wide and evolving, as recognised by the Department of Foreign Affairs which has set itself the ambitious objective of ensuring that developing countries' concerns are taken into account in the formulation of government policies. This suggests a need for DCI to strengthen links with other departments and to bolster actions currently taking place in specific areas or on an *ad hoc* basis. This could be done by: communicating political commitment, expanding parliamentary involvement, establishing dedicated consultation mechanisms, enhancing analytical capacity within DCI and conducting assessments of the impact of policies adopted in Ireland and by the European Union on developing countries.

### ***Recommendations***

- Ireland should consider a range of actions to enhance its institutional capacity to address the effects of government policies on developing countries; the creation of a dedicated unit responsible for assessing policy coherence for development in DCI is an important step in this regard.

### **Aid management and implementation**

#### ***Organisational arrangements and human resources management***

After reflecting on the appropriate institutional framework for delivering Ireland's ODA, the Ireland Aid Review Committee concluded that DCI should remain a division of the Department of Foreign Affairs. It considered this structure to be most attuned to DCI's needs at the time but recognised there were shortcomings, mainly in relation to staffing levels and managerial flexibility. It would consequently appear prudent that Ireland keep its institutional framework under review to ensure it has, in a medium-term perspective, the operational flexibility needed to manage its ODA and the capacity to adapt to rapid change, especially if budget growth projections to 2007 are realised. This could be valuable if DCI pursues options for co-operation with the private sector, in Ireland and in programme countries.

The 1999 DAC Peer Review highlighted some critical human resource issues facing DCI. Since then, staffing levels have increased (from 84 in 1998 to 143 in 2003), employment conditions for contract staff have improved and movement of staff between headquarters and the field has been occurring more frequently. DCI's human resources capacity nevertheless remains barely adequate, especially in some technical fields and for policy elaboration, and rotation occurs regularly of its diplomatic staff who make up most of DCI's senior management and constitute the bulk of staff in some sections. The benefits of recent improvements can be eroded if Ireland's ODA continues to grow without further increases in staff.

The Ireland Aid Review Committee also recommended establishing a new high-level oversight and ministerial advisory body, the Advisory Board for DCI, which was created in 2002. Its remit includes: i) enhancing the independence of DCI's evaluation and audit arrangements; ii) commissioning research; iii) keeping overall staffing needs under review; and iv) organising Development Forums to facilitate regular strategic dialogue between DCI and Irish NGOs. This wide range of responsibilities creates a challenge in terms of ensuring that the board maintains a clear strategic view while performing both executive and advisory functions.

#### ***NGO co-financing schemes***

Ireland devotes around one sixth of its ODA to co-financing activities by NGOs, a large share by comparative DAC standards. Some three-quarters of this funding is provided to NGOs based in Ireland. DCI, and its main NGO partners, have gone through a considerable change process since the last Peer Review to put their relationship on a more strategic basis. Three new co-financing schemes have been developed. The Multi-Annual Programme Scheme (MAPS) will provide EUR 117 million in funding between 2003 and 2005 to five Irish NGOs (Concern, Trócaire, GOAL, Self Help Development International and Christian Aid Ireland), as part of partnership arrangements. A HIV/AIDS Partnership Scheme (HAPS) has been established to support the short-term institutional development of Irish NGOs with regard to HIV/AIDS programming. The Missionary Development Fund aims to promote a more programmatic approach to co-financing missionary congregations.

The complexity and evolving nature of DCI's engagement with NGOs points to a need for DCI to be well structured to manage its relationships with NGOs. DCI intends to elaborate a policy framework for its engagement with civil society, both in Ireland and in developing countries. Another objective for DCI is the development of appropriate monitoring frameworks and audit and evaluation programmes for its various NGO co-financing schemes. Given the size and influence of NGOs in the DCI programme, these measures would appear overdue.

### *Assessing performance*

Promoting an evaluation culture is an objective for DCI due to the contribution it can make to increasing institutional learning, improving programme implementation and enhancing accountability. Currently, the mission in each DCI programme country prepares various reports on activities in that country. These could possibly be streamlined by concentrating on reporting on more significant results. In a few sectors, specialist advisors in Dublin prepare reports on implementation progress across the DCI programme, a practice DCI hopes to expand further. As well as participating in joint assessments with other donors, DCI's small Evaluation and Audit Section commissions up to 15 evaluations a year of activities at project or sectoral levels, activities conducted by organisations funded by DCI or DCI's own internal practices and management systems. Transparency and confidence in DCI could be enhanced by more clearly differentiating evaluation and audit functions as Ireland's ODA programme expands further and by making evaluations more readily available to the public, such as through DCI's new Internet site. A continuing challenge for DCI is adjusting its performance assessment systems as rapidly as the programme expands into different aid modalities, notably SWAps and budget support. A further issue is the Advisory Board's role in relation to evaluation. This should be separate from the evaluation process, so that the board can provide independent and strategic advice to the minister.

### *Promoting partnership and building local ownership*

The field visit to Tanzania confirmed that Ireland is a strong performer in putting partnership approaches into practice in its programme countries. Ireland is regarded as an agile and flexible donor by its partners in Tanzania. Its country strategy is aligned with Tanzania's Poverty Reduction Strategy Paper (PRSP), which in turn provides the basis for Ireland's programming. Support for ownership underlies DCI's strong support for pooled-funding arrangements and harmonisation of donor procedures. Ireland places emphasis on capacity building at all levels of government. At the same time, Ireland's approach to promoting ownership tends to increase the centralised power of the Tanzanian state and so Ireland could give more attention to enhancing broader strategic alliances with local civil society actors and the local private sector as well. Pooled-funding arrangements also require careful assessment by both donors and partners of the various risks involved.

Ireland's missions in DCI programme countries are staffed by a combination of diplomatic, technical and local staff, including some specialist sectoral advisors. As in other programme countries, Ireland has a compact and professional local mission in Tanzania which puts emphasis on partnership and negotiation skills. While final programming and funding decisions are taken in Dublin, these represent the culmination of processes initiated from the field and involving an open dialogue with headquarters. DCI reports that it has so far not experienced any difficulties as a result of this approach. However, as the programme expands further, maintaining Ireland's capacity to respond rapidly and flexibly, co-ordinate with others and build local ownership may require redefinition of the roles and responsibilities of headquarters and field offices. DCI has commissioned an assessment of staffing arrangements in programme countries. This is timely because increased funding through SWAps and budget support have resulted in changed requirements in field offices in terms of their capacity to

engage more substantially in country-level dialogue and to promote harmonisation and partnership approaches.

### ***Implementation modalities***

Ireland now channels most of its assistance in programme countries through three modalities: area-based programmes, SWAps and budget support (in Mozambique, Tanzania and, until recently, Uganda). Area-based programmes – *i.e.* multi-sector partnerships with a local level of government in a poor region – are a long-standing feature of Ireland's bilateral ODA. A recent evaluation found that these constitute a viable, mature and optimistic approach to development, even if their potential benefits may remain largely unfilled. Ireland views the emergence of SWAps as a response to inadequacies in many other aid modalities, particularly stand-alone projects. It is confident that SWAps can lead to more effective aid and result in better policy dialogue at sectoral levels. In Ireland's view, budget support also has a number of potential advantages because it is linked to an agreed set of policy reforms and an agreed pattern of public expenditure that gives priority to pro-poor strategies.

Ireland finds its three main aid modalities complementary and mutually reinforcing. Area-based programmes give DCI a basis for monitoring the impact of public sector reforms and the introduction of new ways of working through SWAps. In turn, both modalities provide information which can be used to validate the impact of moving from a project to a more programmatic approach. Compared to some other donors supporting SWAps or providing budget support, DCI has an extra advantage because its area-based programmes enables it to ensure that experiences at local and community levels are fed into policy dialogue at the national level, as was seen in Tanzania. DCI's preference is to try to incorporate all three modalities in its country programmes in a balanced way.

### ***Recommendations***

- Ireland should monitor the experience of mixing executive and advisory functions in the mandate of the Advisory Board for DCI.
- Ireland will need to remain vigilant regarding staffing levels, skill mixes and the use of diplomatic staff within DCI, especially as Ireland's ODA volume continues to grow. Addressing human resources issues pro-actively is a key component of planning to manage and implement an effective USD 1 billion ODA programme.
- In its co-financing schemes for NGOs, DCI should continue promoting more strategic approaches, greater mainstreaming of cross-cutting issues (gender, governance, HIV/AIDS and the environment) and more systematic auditing, monitoring and evaluation.
- DCI is encouraged to pursue its efforts to promote an evaluation culture and could consider preparing a multi-annual evaluation plan, to support lesson learning and serve as the basis for a training plan for DCI staff.
- DCI could consider redefining the roles and responsibilities of headquarters and field offices for a range of issues relating to country strategy, programming and operations, financial management and administrative procedures.

## SECRETARIAT REPORT

### CHAPTER 1

#### STRATEGIC CONTEXT AND NEW ORIENTATIONS

##### The context for Ireland's development co-operation

###### *Ireland's tradition of solidarity with the poor*

Ireland considers it has a long tradition of solidarity with the poor and the dispossessed, flowing from its own experience of colonisation, poverty, famine and mass emigration. A manifestation of this tradition has been the active engagement by many Irish people in development activities in poor countries, through missionary work, volunteer service or involvement with NGOs, including some large development NGOs that have emerged in Ireland (*e.g.* Concern, GOAL and Trócaire). The Irish take pride in these direct and personal efforts to reduce suffering in the world, which often receive attention in the media. The Irish public continue to demonstrate their strong support for these activities by readily and generously giving money for development and especially humanitarian causes.

Another manifestation of Ireland's tradition of solidarity is Development Co-operation Ireland, the official development co-operation programme formerly known as Ireland Aid<sup>1</sup> that celebrates its 30<sup>th</sup> anniversary in 2004. The programme is managed by the Department of Foreign Affairs and distinguishes itself by its sharp focus on poverty reduction and its commitment to partnership principles, orientations highlighted in Ireland's 1996 White Paper on Foreign Policy and reconfirmed following a comprehensive review of the Irish aid programme in 2001-02.

Ireland aims to implement a high-quality official development co-operation programme in line with international good practice and, increasingly, to set an example for other donors. In 2001, half of its ODA was channelled to least-developed countries, the largest share in the DAC. DCI's long-standing focus on education and health, including through pooled-funding arrangements with other donors, is now complemented by a strong commitment to addressing the HIV/AIDS pandemic. Ireland's all-grants bilateral assistance is untied and, to increase its effectiveness further, is concentrated in a small number of government-to-government partnerships, currently with seven of the poorest countries in the world<sup>2</sup>. In parallel, DCI provides emergency assistance, including for "forgotten emergencies", and supports countries moving out of conflict towards recovery and rehabilitation. This is partially done through DCI's support to NGOs which absorbs around one sixth of Ireland's ODA. Within the international community, Ireland continues to press for a long-term solution to the debt problem in developing countries, advocating total cancellation of the external debt owed by heavily-indebted poor countries (HIPC).

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<sup>1</sup> The programme's name changed from "Ireland Aid" to "Development Co-operation Ireland" in July 2003. From 1993 to 1999 the programme was known as "Irish Aid". A variety of names were used prior to that.

<sup>2</sup> DCI's seven "programme countries" are: Ethiopia, Lesotho, Mozambique, Tanzania, East Timor, Uganda and Zambia. Up until 2002, these countries were referred to as "priority countries".

### ***Expansion in Ireland's ODA***

Sustained domestic economic growth up until 2002 enabled successive Irish governments to demonstrate their solidarity with the poor by increasing ODA dramatically. Ireland's net ODA disbursements expanded from USD 70 million in 1992 (0.16% of GNI) to USD 187 million in 1997 (0.31% of GNI) and USD 398 million in 2002 (0.40% of GNI). The predictability provided by a ministerial-level agreement on increases to DCI's budget for 1999, 2000 and 2001 reinforced the expansion and mapped out a steady growth path that helped DCI manage this substantial increase in Ireland's ODA.

The expansion in Ireland's ODA volume has been spurred on by the setting of time-bound targets for ODA as a share of national income. Most recently, in 2000, the government committed itself for the first time to a timeframe for reaching the United Nations ODA target of 0.7% of national income<sup>3</sup> - the end of 2007 - with an interim target of 0.45% by the end of 2002.<sup>4</sup> Achieving the 0.7% objective implies almost doubling Ireland's present ODA volume to an annual level of nearly USD 1 billion.

### ***A comprehensive review by the Ireland Aid Review Committee***

In the wake of its decision to reach the United Nations' target, the government established the Ireland Aid Review Committee in 2001 to consider how DCI might best deploy the expected increase in resources. The Review Committee consulted widely as it carried out its deliberations over a period of one year. Its findings and recommendations for a comprehensive policy and institutional framework for DCI were published in the *Report of the Ireland Aid Review Committee*<sup>5</sup>. These were subsequently accepted in whole by the government in March 2002. To a large extent, the Review Committee addressed the two main issues the DAC identified as confronting the Irish aid programme at the time of its last Peer Review in 1999, *i.e.* how best to grow and how best to manage that growth.<sup>6</sup>

Predicated on the expectation of a period of further growth in the Irish economy enabling continued rapid expansion in ODA, the Review Committee made a series of recommendations on the priorities and orientations for Ireland's development co-operation programme (see Box 1). Among these, the expansion in the range of long-term strategic partnerships containing multi-annual funding engagements merits highlighting. Ireland already agreed triennial country strategies with its programme country partners but DCI has now entered into agreements with some key United Nations development agencies whose objectives reinforce DCI's own priorities. In addition, five of the main Irish development NGOs are receiving substantial funding through a more strategic partnership scheme, the Multi-Annual Programme Scheme (MAPS). A Memorandum of Understanding has been concluded with Dóchas, the increasingly important umbrella organisation for development NGOs in Ireland, which includes support to enable Dóchas to bolster its organisational capacity. Finally, strategic engagements have been entered into with some of the main international actors in the provision of emergency assistance.

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<sup>3</sup> While the 0.7% target was originally expressed in 1970 as a share of gross national product (GNP), the new System of National Accounts (SNA 1993) uses the concept of gross national income (GNI) in place of GNP. DAC members agreed in 2001 to replace GNP with GNI in all statistical presentations.

<sup>4</sup> This commitment was announced by the Taoiseach (prime minister) at the United Nations' Millennium Summit and has been reconfirmed several times since, including most recently at the 58<sup>th</sup> General Assembly of the United Nations in September 2003.

<sup>5</sup> Available from the Internet at: <http://www.irlgov.ie/iveagh/irishaid/irlaidreview.pdf>

<sup>6</sup> See Annex I for a summary of progress made against the main recommendations of the 1999 Peer Review.

### Box 1. Recommendations of the Ireland Aid Review Committee

The Ireland Aid Review Committee's key recommendations were published in 2002. These included:

- Ireland Aid/DCI should enter into new strategic partnerships with **NGOs** and with **missionaries**. This should involve increased funding, increased co-operation both at home and in the field and structured arrangements for policy dialogue through a new Development Forum.
- **Education and health** should continue to be given very high priority by Ireland Aid/DCI. There should also be a continuing focus on **food security, water and sanitation and rural roads**. The main geographic focus should continue to be **sub-Saharan Africa**.
- A special **HIV/AIDS Fund** should be established, building on the additional EUR 34 million (USD 30 million) annually which was announced by the Taoiseach in June 2002 to be spent on activities with the greatest impact in terms of combating the disease and its social consequences.
- A new policy focus on **good governance, democracy and human rights** in the developing world. Support for public sector reform, anti-corruption measures and the strengthening of financial management systems should receive particular attention.
- Increased support for the development of the **private sector** in developing countries, which has a major role to play in stimulating economic growth.
- There should be modest **geographical expansion** in the programme (including the possible addition of one or two programme countries in Africa, one in Asia, a strengthening of the current programme in East Timor, an intensified engagement in Central America and the allocation of about 2% of Ireland Aid/DCI's budget to the wider Eastern European region).
- Decisions on the bilateral programme should be guided by a clear and rigorous **set of criteria**.
- Ireland Aid/DCI should enter into strategic partnerships with a small number of **United Nations development agencies** (e.g. UNDP, UNHCR or UNICEF) whose priorities are closely attuned to those of Ireland Aid/DCI and who have demonstrated a real commitment to reform. Ireland should also seek longer and more frequent terms in office on the executive boards of these agencies.
- Ireland Aid/DCI should continue to press for the speedy implementation of reforms in the **European Union aid programme**, so as to ensure that the latter delivers results in terms of poverty reduction which are commensurate with the level of resources available to it.
- **Public awareness and ownership** of the Ireland Aid/DCI programme should be enhanced, including through a new press and information service and a communications strategy.
- The **development education** function should be handled in future by a unit of Ireland Aid/DCI, replacing the National Committee for Development Education, which would receive an increased budget on the basis of a revised strategic plan and would be supported by an advisory committee.
- There should be a **phased integration of the Agency for Personal Service Overseas into Ireland Aid/DCI** in a way which would safeguard the agency's distinct role and value. During the transitional period, the agency would continue to discharge its key functions and provide enhanced support for missionaries. The agency's board would provide guidance during the transitional period, in close co-ordination with Ireland Aid/DCI.
- The **management** of Ireland Aid/DCI should continue to be vested in a dedicated division of the Department of Foreign Affairs. However, urgent action is needed to increase staff numbers and to introduce managerial reforms required for an expanding programme (career structures for specialist staff, measures to promote institutional continuity and greater operational flexibility in a number of areas and provision for on-going reviews of staff numbers, decision-making efficiency and general organisational effectiveness).
- The government should set up a **new advisory board** with broad representation which would work closely with Ireland Aid/DCI to maximize the quality, effectiveness and accountability of the expanding programme. This board, which would replace the Irish Aid Advisory Committee, would be charged with general oversight and the provision of advice on the strategic direction of Ireland's development co-operation programme.

The Review Committee also reflected on the institutional framework needed to deliver Ireland's development co-operation programme efficiently and to achieve its goals and objectives. After considering the strengths and weaknesses for Ireland of various options, the Review Committee recommended that DCI remain a division of the Department of Foreign Affairs but that a new high-level oversight and advisory body be created, the Advisory Board for DCI<sup>7</sup>. The Review Committee further recommended that two bodies only loosely associated with the aid programme be folded into an expanded DCI structure: i) the National Committee for Development Education (NCDE), which played a central role in the government's support for development education in Ireland; and ii) the Agency for Personal Service Overseas (APSO), which principally promoted voluntary service in developing countries, directly and through NGOs and missionaries. The Review Committee considered the recommended revised structure to be most attuned to DCI's needs at the time but recognised that there were shortcomings, in particular in relation to staffing levels and managerial flexibility. Given this context of a compromise solution, it would appear prudent that Ireland keep the institutional framework for its development co-operation programme under review to ensure that it has, in a medium-term perspective, the operational flexibility needed to manage its ODA as well as the capacity to adapt to rapid change.

### ***A halt in ODA growth***

Compared to its performance in the 1990s, the Irish economy slowed down sharply in 2002<sup>8</sup>. This has affected Ireland's development co-operation programme. DCI's final budget outcome for 2002 was USD 30 million less than initially announced. DCI's budget allocation for 2003 includes an increase but essentially only returns the allocation to the level originally announced for 2002. The allocation for 2004 provides a modest cash increase (EUR 25 million) but is not expected to affect the ODA/GNI ratio. Implementation of the Review Committee's recommendations has consequently had to be selective or, in some cases, delayed. Under these circumstances, DCI could consider preparing a medium-term plan for implementing the Review Committee's recommendations, sketching out a range of scenarios linked to different possible budget outcomes.

DCI's various long-term strategic partnerships were negotiated with an expectation that ODA levels would continue to grow. The recent slowdown in ODA growth, coupled with less predictability about DCI's annual budget allocations now that the ministerial-level agreement has lapsed, places DCI in an awkward situation even though the funding commitments given were indicative and ultimately non-binding. These partnerships were entered into in good faith and its commitments with bilateral partners are in line with international good practice<sup>9</sup>. To demonstrate its commitment to partnership principles, it would appear preferable that DCI fulfil the funding undertakings it has made. If additional funds do not become available, DCI could consider preserving its partnership agreements by redirecting funds from other components of the DCI programme.

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<sup>7</sup> This board was briefly known as the Advisory Board of Ireland Aid (ABIA).

<sup>8</sup> In its latest Economic Survey of Ireland, the OECD's Economic Development Review Committee concluded that the extraordinary growth in the second half of the 1990s, the era of the "Celtic Tiger", has given way to a more normal, albeit still rapid pace of expansion since 2001. Ireland's future trend growth rate over the medium term is now widely believed by the OECD and others to be in the range of 4% to 5% p.a. See: "OECD Economic Surveys: Ireland", Volume 2003, Issue 9.

<sup>9</sup> The DAC's "Harmonising Donor Practices for Effective Aid Delivery" stresses the importance of donors who channel funds through partner government systems to make, where possible, multi-year funding commitments (subject to performance) so as to enable partner governments to plan medium-term macro-economic and fiscal positions.

### ***Uncertain prospects for the immediate future***

Achieving the 0.7% objective by 2007 remains Irish government policy, despite more difficult economic circumstances<sup>10</sup>. Reaching this objective will now require doubling the ODA volume in three years. A sizeable budget increase in 2005 will be crucial for putting Ireland back on a path towards the 0.7% objective. The issues of how best to grow and how best to manage that growth consequently remain current for DCI as it contemplates the prospect of additional substantial increases in ODA over the next few years. To maintain quality as Ireland repositions itself as a medium-sized donor, it would appear important that Ireland plan now how this further expansion will be managed and implemented.

At the same time, there is a risk that the foundations are currently too fragile to achieve and sustain the 0.7% objective. While the broad political support that development co-operation receives in Parliament is echoed by key civil society institutions<sup>11</sup>, DCI's objectives, approaches and achievements are not well known or understood by the Irish public. And, compared to activities by NGOs and missionaries, the programme receives only a modest degree of public support and little media coverage<sup>12</sup>. Ireland did not meet its interim target for 2002 and only modest ODA budget increases have been provided for 2003 and 2004. This is generating concern about the likelihood of Ireland achieving the 0.7% target by 2007.

### **The goals of Ireland's development co-operation**

#### ***... as described in the 1996 White Paper on Foreign Policy***

For Ireland, development co-operation is an integral part of its broader foreign relations. The principles underpinning Ireland's foreign policy were spelt out most recently in "Challenges and Opportunities Abroad"<sup>13</sup>, a White Paper published in 1996. Recognising the interconnection between the economic and social well-being of nations and the maintenance of international peace and security, the White Paper situates development co-operation as a practical expression of Ireland's foreign policy commitment to peace and justice in the world. The White Paper states Ireland's objective of reducing poverty and promoting sustainable development in some of the poorest countries in the world as well as three other key objectives for its development co-operation: i) fostering democracy, respect for human rights, gender and social equality and protection of the environment; ii) responding promptly to emergencies and humanitarian disasters; and iii) contributing to building civil society and social solidarity.

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<sup>10</sup> See the speech by the Taoiseach in July 2003 at the global launch of the UNDP's "Human Development Report 2003".

<sup>11</sup> "Sustaining Progress", the Social Partnership Agreement for 2003-05 negotiated by the government, employers, trade unions, farming bodies and the community and voluntary sector, endorses the government's objective of meeting the United Nations 0.7% target by 2007.

<sup>12</sup> A notable exception has been criticism in the media of Ireland's programme of assistance to Uganda, based in particular on Uganda's involvement in the Democratic Republic of Congo. See Department of Foreign Affairs press release dated 19 August 2003 for an official statement on this subject. The issue is raised in Chapter 6 of this report.

<sup>13</sup> Available from the Internet at:  
<http://www.irlgov.ie/iveagh/information/publications/whitepaper/default.htm>

*... as determined in the 2002 Report of the Ireland Aid Review Committee*

The Review Committee reconfirmed that the reduction of poverty in its various manifestations was and should remain DCI's overarching objective. All policies and activities should therefore be gauged with reference to their likely impact on reducing poverty and their ability to contribute towards achieving the Millennium Development Goals. The Review Committee proposed a set of principles to guide the programme. These include effectiveness, value for money, transparency and accountability. The programme should reflect the values cherished by the Irish people, in particular a commitment to peace, human rights and democracy. It should incorporate a high degree of partnership with recipient countries, with the international donor community and with NGOs, both in Ireland and abroad. Poverty should be addressed holistically, through a range of co-ordinated policies. Aid should remain completely untied. The programme should prioritise the objectives of gender equality and environmental protection and aim for sustainable development. It should incorporate rigorous monitoring and impact evaluation, including the setting of clear performance indicators, as well as systematic risk assessment. It should also be designed in such a way as to encourage maximum public ownership and support. Finally, DCI should strive for coherence with other aspects of foreign policy and with the policies of other government agencies.

These guiding principles are consistent with the orientations espoused by the DAC and place Ireland at the cutting edge of international development policy. Ireland consequently continues to set the high standards for its official development co-operation programme that the DAC acknowledged at its last Peer Review. Putting these principles into practice poses challenges for all donors, for example in the areas of impact evaluation, linking the contributions of individual activities to the MDGs and policy coherence for development. Ireland's particular experiences and insights could be made more available for deliberations by the international donor community on these and other areas of special importance for Ireland, such as HIV/AIDS. Furthermore, Ireland's respected and growing ODA programme raises expectations that DCI will assume a higher profile internationally and in its programme countries. Doing so will strengthen Ireland's impact on international and national policies and add to DCI's visibility, both at home and abroad, but will require substantial mobilisation of staff with appropriate sectoral, technical and policy expertise to engage actively in sometimes lengthy and complex processes. DCI's human resources currently appear barely adequate, however, especially in some technical fields and for policy elaboration, and rotation of its many diplomatic staff occurs regularly. Realising Ireland's leadership potential will consequently require continued vigilance regarding staffing levels, skill mixes and the pursuit of a development stream for diplomats within the Department of Foreign Affairs, priority issues previously identified by the DAC.

### **Building public support**

#### *Strengthening public awareness and ownership*

An official public opinion survey was conducted in 2002, the first since 1990. The survey confirmed the strong support by the Irish for helping countries of the developing world: 51% of respondents declared they were "very much for" helping developing countries while a further 39% were "on the whole for".<sup>14</sup> Some 80% of respondents had contributed to charities or fund-raising appeals for developing countries. At the same time, the survey found that only 32% of respondents knew that Ireland provided development assistance to poor countries through the Irish government and

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<sup>14</sup> A similar result was found in a public opinion survey conducted in 2002 for the European Commission. According to "Eurobarometer 58.2", 48% of Irish people thought that giving aid to people in poor countries was "very important" and a further 37% thought it was "quite important". These results were slightly above the average for the 15 European Union member states.

62% had “never heard” of the DCI programme. Some 48% of respondents had “absolutely no idea” how much development assistance the Irish government provided.

When announcing the new name for Ireland’s development co-operation programme in July 2003, the Minister of State at the Department of Foreign Affairs with special responsibility for Development Co-operation and Human Rights acknowledged the critical importance of having the support and engagement of an informed Irish public as Ireland steps up its efforts to reduce global poverty.<sup>15</sup> On other occasions, the Minister of State has described generating greater public understanding of what Ireland is achieving with its official development co-operation programme as one of his key priorities.<sup>16</sup>

But limited public knowledge and awareness of the official development co-operation programme is a long-standing issue for Ireland. “Irish Aid: Consolidation and Growth”, the 1993 strategy plan guiding the first wave of expansion in Ireland’s ODA programme, already noted that surveys had shown that “Irish Aid” was not as well known to the public as it ought to have been and expressed the intention to anchor the expanded programme in a strong base of public awareness. The combination of little impact to date on raising public awareness and its critical importance for achieving and sustaining growth in ODA supports the view that successfully building public support is among the most difficult but important issues for Ireland to address at this point in the evolution of its official development co-operation programme.

In the past, DCI may have relied too heavily on the NGOs it co-finances as its principal means of promoting public awareness and support of the official development co-operation programme. There is an inherent contradiction in such an approach because most NGOs need to promote themselves, so as to attract funding from the public, and many have not been giving due recognition for the funding they receive from DCI. In addition, some NGOs advocate a different vision for development, centred on civil society with a key role for project-based approaches. In contrast, DCI has mostly been strengthening public sectors in developing countries, at national and local levels, and is increasingly providing assistance through sector-wide approaches (SWAs) and sometimes budget support in countries the international donor community judge have demonstrated a sound track record in macro-economic reform and stability. This means that public support for ODA must rest more on its contribution to achieving main partner countries’ development goals, rather than being closely associated with specific and identifiable activities.

Consistent with its responsibility to inform the public on how their taxes are being spent and the results being achieved, DCI recently adopted a more strategic approach to building public support and is expanding its range of actions. After some delays, a new Internet site has been launched which will form the core of DCI’s approach to communications with the general public (see: <http://www.dci.gov.ie/>). Another initiative was to mark World AIDS Day in 2002 with the release of an information booklet, outlining both the nature of the issue and Ireland’s response, which served as a focal point for a series of media and other events. DCI judged this initiative a success and is considering preparing similar events in the future. If so, DCI could consider focusing on its contributions in other cross-cutting areas, such as to mark International Women’s Day, or highlighting achievements in its programme countries which, currently, are not actively promoted. DCI may also need to reconsider whether it can afford to give less emphasis to publications (other than the annual report) which remain a valid communications tool for many audiences. Careful monitoring of the impact of DCI’s communications strategy would appear essential, given the critical importance of

<sup>15</sup> See Department of Foreign Affairs press release dated 3 July 2003.

<sup>16</sup> See, for example, remarks made at the launch of “Attitudes Towards Development Co-operation in Ireland”, Department of Foreign Affairs press release dated 10 June 2003.

raising public awareness and support. This could include going ahead with a proposed follow-up public opinion survey in 2006.

DCI could also consider promoting broader debate on development issues and intervening pro-actively, perhaps through its own official spokesperson, to ensure that the public receives balanced information on the strengths, weaknesses and risks associated with the different but complementary forms of development co-operation provided by the Irish people through both governmental and non-governmental channels. The 30<sup>th</sup> anniversary, in 2004, of Ireland's official development co-operation programme presents an appropriate opportunity for DCI to take stock and make a concerted effort to inform the Irish public of the achievements Ireland can rightly claim through its ODA programme.

### ***Development education***

Related to the challenge of building public support for the official development co-operation programme specifically is increasing public awareness and understanding of development issues more generally. Development education and awareness-raising activities have been taking place in Ireland for more than 30 years and the Irish have become highly concerned by a number of issues over that period, including the abolition of apartheid, support for the Declaration of Human Rights, debt relief, solidarity with East Timor and issues related to the integration of asylum seekers and refugees into Ireland.

Since 1985, the government has provided financial support to development education activities by NGOs and promoted integration of a development perspective into formal education programmes. In 2003, the development education functions of the former National Committee for Development Education were transferred to DCI, allowing for greater synergies with activities to promote public support for the DCI programme itself.

### **Considerations for the future**

- A sizeable increase in ODA in 2005 will be crucial for putting Ireland back on a path towards reaching its 0.7% objective by 2007. To maintain quality as it repositions itself as a medium-sized donor, Ireland should plan now how it will manage and implement a USD 1 billion ODA programme.
- It would appear prudent that Ireland keep the institutional framework for its development co-operation programme under review to ensure it has, in a medium-term perspective, the operational flexibility needed to manage its ODA as well as the capacity to adapt to rapid change.
- DCI could consider preparing a medium-term plan for implementing the recommendations of the Ireland Aid Review Committee, sketching out a range of scenarios linked to different possible budget outcomes.
- DCI should take advantage of the strong public support that exists in Ireland for helping developing countries to inform the Irish public of the achievements Ireland can rightly claim through its ODA programme, thereby generating greater understanding and building public ownership.

## CHAPTER 2

### AID VOLUME, CHANNELS AND ALLOCATIONS

#### Overall aid volume

##### *Official development assistance*

The substantial growth in Ireland's ODA volume since the last Peer Review is a notable and welcome achievement. Ireland had the second fastest growing ODA programme in the DAC (after Luxembourg), expanding by an average of 12% a year in real terms between 1995-96 (two-year average) and 2000-01 (see Annex II for statistical information on Ireland's development co-operation). With a total ODA volume of USD 398 million in 2002, Ireland had the 18<sup>th</sup> largest ODA programme among the 22 DAC member countries in 2002, compared to the 19<sup>th</sup> largest at the time of the last Peer Review.

In terms of ODA as a share of national income, which reached 0.40% in 2002, Ireland has moved up from 10<sup>th</sup> position in the DAC to 7<sup>th</sup> position. Ireland's ODA/GNI ratio has exceeded the DAC average every year since 1995 but remains below the DAC average country effort (unweighted average) (0.41% in 2002). Ireland provided 0.16% of its GNI to least-developed countries in 2001, meeting for the first time the commitment made by donors at various United Nations conferences to devote 0.15% of GNI to the poorest countries.

Slightly more than one third of Ireland's ODA is disbursed multilaterally, broadly in line with the DAC average. In 1993, when "Irish Aid: Consolidation and Growth" was prepared, multilateral assistance accounted for more than half of Ireland's ODA and an objective was set to increase spending on bilateral assistance at a faster rate than contributions to multilateral agencies so as to achieve a situation where two-thirds of ODA is bilateral. A decade later, the Ireland Aid Review Committee adopted a different approach, based on the belief that setting specific ceilings *a priori* for certain categories of expenditure would constrain flexibility and initiative. Instead, the Review Committee favoured an allocation of resources determined on the merits of each proposal, with a single overriding focus on what is most likely to achieve sustainable poverty reduction. Greater fluctuation in Ireland's future multilateral share may consequently occur.

##### *Official aid*

Ireland reported official aid to transition countries of USD 26 million in 2002. This mostly comprised Ireland's *pro rata* share of the European Commission's official aid activities funded directly from the commission's own resources. Ireland's bilateral official aid, which amounted to USD 1 million in 2002, is likely to expand in the future because the Review Committee recommended devoting about 2% of DCI's budget to tackling poverty in Eastern Europe, the Balkans and countries of the former Soviet Union.

### ***Ireland's budget for development co-operation***

Ireland's ODA is made up of three components. The largest is "Vote 39", the Department of Foreign Affairs' Vote for International Co-operation which is separate from the budget for the department's other, non-aid, activities. This funds Ireland's bilateral ODA and most of its voluntary contributions to multilateral agencies. Secondly, like other European Union member states, a *pro rata* share of the European Community's ODA financed from its own resources is notionally attributed back to Ireland. The third component is contributions by other government departments to multilateral institutions - the Department of Finance is responsible for Ireland's participation in international financial institutions while seven other departments provide Ireland's mandatory contributions to some specialised United Nations agencies. In 2001, Ireland's USD 287 million of ODA consisted of USD 211 million (or 74%) from Vote 39, USD 55 million (19%) representing Ireland's share of European Community self-financed ODA and USD 20 million (7%) of funds from other departments.

Vote 39 has been the channel for delivering most of the expansion in Ireland's ODA. Even though Ireland's various ODA/GNI targets have so far not been reached within the timeframes originally set<sup>17</sup>, the Parliament has often appropriated large annual budget increases to Vote 39, including when public expenditure has been under tight control and spending on domestic social services has been reduced. The allocation for Vote 39 has more than doubled in recent years, rising from EUR 173 million (USD 159 million) in 2000 to an expected EUR 399 million in 2004.

The agreement made by the Minister of Finance in 1998 on minimum allocations for Vote 39 in 1999, 2000 and 2001 provided an orderly and predictable growth path that is essential for planning a rapid expansion in development co-operation activities while maintaining aid quality and effectiveness. Subsequent uncertainty regarding annual allocations renders planning more difficult. In 2002, the original allocation for Vote 39 was revised down by nearly 10% towards the end of the budget period, requiring significant cuts to be made in many programme areas (but not co-financing of NGOs, which was protected for this exercise). The allocation announced for 2003 was EUR 1 million more than the original budget allocation for 2002. DCI consequently now needs to plan each year to implement an aid programme whose volume may be significantly larger, essentially unchanged or subsequently reduced, with the initial allocation being decided only a few months before the new budget period starts. As part of its planning processes, DCI could consider protecting existing commitments fully in core areas – such as programmes in programme countries, HIV/AIDS and public awareness activities – before taking decisions on final funding levels for other components of the DCI programme. Ireland should consider reintroducing an inter-ministerial agreement on allocations for Vote 39, ideally with rolling three-year schedules, as this would support the expected imminent further substantial expansion in ODA and help enable DCI to fulfil the multi-year indicative funding commitments it has entered into with programme country partners, multilateral agencies, Irish development NGOs and others.

### ***Budget line for HIV/AIDS***

A major development since the last Peer Review is a substantial increase in funding for HIV/AIDS activities. Demonstrating the strong political commitment in Ireland to combating the pandemic, it was the Taoiseach (prime minister) who used the opportunity of the United Nations General Assembly Special Session on HIV/AIDS in 2001 to announce that Ireland would allocate at

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<sup>17</sup> In the 1992 "Programme for Partnership Government", the then Irish coalition government pledged to increase Ireland's ODA/GNI ratio to 0.40% by 1997. Actual performance was 0.31%. The subsequent government's "Action Plan for the Millennium" included the commitment to increase allocations so as to reach an ODA/GNI ratio of 0.45% by 2002. Actual performance was 0.40%.

least USD 30 million per year to support HIV/AIDS programmes. The availability of these funds helped enable Ireland to be among the first donors to contribute to the International AIDS Vaccine Initiative (IAVI) and the Joint United Nations Programme on HIV/AIDS (UNAIDS), as well as to play an important role in setting up The Global Fund to Fight AIDS, Tuberculosis and Malaria. This political commitment has catalysed interest in the issue and served to raise public awareness of DCI. At the same time, there is a risk that it may result in Ireland backing high-profile or political initiatives and this could deflect support for the sometimes more technical, long-term approach DCI has been pursuing to help build up developing countries' capacity to reverse the spread of HIV/AIDS.

While funds from the new budget line were initially mainly channelled through multilateral/global initiatives, there has been an emerging trend towards increasing funds allocated bilaterally. This trend is likely to accentuate in the future. In July 2003, the Taoiseach signed a Memorandum of Understanding with the William J. Clinton Presidential Foundation that includes a commitment to provide a minimum of EUR 50 million over five years to strengthen the health system in Mozambique and to pay for the provision of treatment and medicine to up to 500 000 Mozambicans with HIV/AIDS. Under the agreement, DCI will support the development of an integrated HIV/AIDS strategy for the health sector which will be submitted by the government of Mozambique for funding approval from DCI. Important considerations for DCI when considering approval of funds will be that the plan builds on DCI's existing country programme in Mozambique and that it is consistent with international good practice. A particular concern will be that the funds are channelled through existing mechanisms in support of the nationally agreed response to HIV/AIDS using the Mozambican health system.

## **Bilateral assistance: policies and allocations**

### ***Geographic distribution***

The geographic distribution of Ireland's ODA demonstrates the poverty reduction focus of its development co-operation programme. In recent years, approximately 80% of Ireland's geographically allocable bilateral ODA has been disbursed to least-developed countries (compared to the DAC average in 2001 of 26%) with a further 10% provided to other low-income countries (DAC average: 33%). Over the last five years, around 85% of Ireland's geographically allocable bilateral ODA was spent in sub-Saharan Africa, more than three times the DAC average of 26%.

Ireland has a great asset in that its main government-to-government partnerships are concentrated on a limited number of programme countries: Ethiopia, Lesotho, Mozambique, Tanzania, Uganda and Zambia - all least-developed countries in sub-Saharan Africa – and, since March 2003, East Timor, currently classified a low-income country<sup>18</sup>. In 2001-02, the then six programme countries received two-thirds of Ireland's bilateral ODA. DCI also has significant engagements with South Africa and, until recently, Zimbabwe and is funding considerable recovery assistance programmes in Afghanistan and the Palestinian Administered Areas.

<sup>18</sup> The World Bank estimates GNI *per capita* in East Timor was USD 520 in 2002. This places East Timor in the World Bank's "low-income country" category, the current threshold for which is *per capita* GNI of USD 735 or less. "Least-developed countries" are a group determined by the United Nations. To be admitted, a country must fall below thresholds established for income, economic diversification and social development and not have a population greater than 75 million. The United Nations reviews the list of least-developed countries triennially. As part of the review taking place in 2003, the Committee for Development Policy recommended that East Timor be included in the list of least-developed countries. A final decision is still pending.

Despite its significant geographic focus, there are growing signs of dispersion as Ireland disbursed ODA to some 85 other countries in 2001-02. This ODA is provided through numerous NGO co-financing schemes, the emergency relief and recovery programmes, the Fellowship scheme of tertiary scholarships and the activities of APSO. Comparative experience in the DAC shows how difficult it can be to refocus once too much dispersion occurs. Ireland should consequently remain vigilant to ensure that high priority continues to be given to its main government-to-government partnerships with programme countries.

### *New programme countries*

An expanding ODA volume has brought with it the issue of whether DCI should increase the number of programme countries. At the last Peer Review, the DAC noted that Ireland was a small donor in its programme countries – in 1997, Irish ODA ranged from 0.6% of total net receipts from all sources in Mozambique up to 5.3% in Lesotho (see Table 1 below). There was thus clearly room for Ireland to become a less marginal actor in these countries. The DAC further noted that there are no strong imperatives for Ireland to become more dispersed geographically - for example for historical, geographic or commercial reasons. This freedom to concentrate was seen as a considerable and enviable advantage for the Irish programme. The DAC recommended at the time that Ireland maintain and enhance its focussed nature. Even a modest extension in the number of programme countries should be evaluated carefully. Decisions on expanding should be based on development criteria and the scope for Irish impacts on poverty reduction.

**Table 1. Ireland's evolving engagement in DCI programme countries**

(based on latest data available at the time of the 1999 and 2003 DAC Peer Reviews)

	Ireland's total bilateral ODA (USD millions)		Ireland's ODA as a share of total net receipts (percentage)	
	1997	2002	1997	2001
Ethiopia	16	25	2.5	2.0
Lesotho	7	11	5.3	20.2
Mozambique	6	29	0.6	1.9
Tanzania	12	25	1.3	1.3
Uganda	10	37	1.3	3.1
Zambia	11	21	1.9	3.0

Source: OECD.

Ireland has heeded the DAC's advice. Since the last Peer Review, the only new programme country designated has been East Timor which, since the violence there in 1999, had already been benefiting from substantial emergency and then recovery assistance. DCI has also deepened its engagement in all programme countries (see Table 1 above). In Uganda, for example, its bilateral ODA in 2002 reached USD 37 million, compared to USD 10 million in 1997.

The needs in DCI's programme countries remain great and may even have become more acute in recent years due to the impact of the HIV/AIDS pandemic. There remains scope for Ireland to go further in deepening its engagement in its current programme countries. In 2001, Ireland's bilateral ODA as a share of total net receipts ranged from 1.3% in Tanzania to around 3.0% in Uganda and Zambia (but 20.2% in Lesotho, where Ireland has been the largest bilateral donor since 1999) (see Table 1 above). Having now put the staff in the field to support implementation of an expanded and more strategic engagement in programme countries, there is an opportunity for DCI to reap an efficiency gain by scaling up its funding in pooled-funding arrangements, where this is possible within the medium-term resource ceilings set by partner governments. Ireland can also consider broadening

its involvement in programme countries by engaging more with local civil society organisations and supporting local private sector development.

Regarding the selection of new programme countries, the Review Committee suggested looking at one and possibly two new countries in sub-Saharan Africa that are least-developed countries and adjacent to existing programme countries. The Review Committee also suggested exploring the scope for adding a new programme country in Asia, more specifically a least-developed country in South-East Asia. On the other hand, it considered that any expansion into Central America should occur by Ireland channelling increased resources through a consortium of Irish NGOs (which have already been particularly active in the region for many years), local civil society organisations and international agencies.

Following through on the Review Committee's recommendations, and in order to fulfil an objective included in the Department of Foreign Affairs' Strategy Statement for 2003-2005, DCI has been examining a number of possible new programme countries. DCI has been following the advice of the DAC and the recommendation of the Review Committee that a clear and rigorous set of development criteria be used to guide decision making. In assessing possible new programme countries, DCI has been focussing on the quality of their governments who must: i) demonstrate a strong commitment to poverty reduction; ii) display a willingness to strengthen democratic institutions and the rule of law; iii) engage in a meaningful way with civil society; iv) conduct relations with donors in a true spirit of partnership; and v) demonstrate a disposition to provide an enabling environment for development. These considerations have had to be put on hold, due to uncertainties about DCI's future funding levels.

Ireland would do well, however, to continue adopting a cautious approach to the question of possibly designating new programme countries. As the Review Committee recognised, a tight concentration on a small number of programme countries has been one of Ireland's strengths and there are some risks in departing from this approach.

### ***Regional approaches***

The location of DCI's programme countries has resulted in Ireland being sensitive to issues of importance for the regions of Eastern and Southern Africa. Ireland has also been supporting related regional initiatives, including the Southern African Development Community (SADC). More recently, however, issues related to HIV/AIDS and conflict have highlighted the critical need of addressing regional dimensions if Ireland's activities in programme countries are to be effective, sustainable and contribute towards achieving the MDGs. DCI's HIV/AIDS activities were the first to focus explicitly and substantially on addressing regional dimensions but have also shown up an institutional challenge to doing so because DCI is currently not structured to respond regionally. It can consequently be expected that DCI will be developing its capacity as an institution to address regional issues. In the meantime, and as a minimum, Ireland should continue taking account of the regional implications of its actions at national levels.

### ***Sectoral distribution***

Ireland's strong support for social infrastructure and services provides a further indication of the poverty reduction focus of its ODA. This sector absorbed nearly two-thirds of Ireland's bilateral sector allocable ODA in 2001-02, compared to the DAC average of one third. Important social sectors supported through Ireland's development co-operation programme are education, health, water and sanitation and governance. Other significant sectors are agriculture (6% of bilateral ODA in 2001-02)

and transport (3%). Emergency assistance accounted for 8% of Ireland's bilateral ODA, compared to the DAC average of 7%.

The Review Committee recommended that Ireland devote a considerable part of its resources to addressing the most immediate and fundamental needs faced by people living in the poorest countries, with education and health continuing to be given high priority. Within the education sector, basic primary education should be the main focus while health activities should concentrate on the provision of basic health care on the widest possible geographical scale within programme countries. Ireland's commitment to addressing the HIV/AIDS challenge points to a need for DCI to implement the recommendation on basic health care flexibly, so as not to preclude access to treatment where appropriate, including for opportunistic infections.

### **Multilateral assistance: policies and allocations**

DCI's policies provide overall guidance for Ireland's multilateral assistance, including participation by other departments in some specialised agencies. DCI is increasingly collaborating with these departments on issues of common interest and providing voluntary funding to complement their core contributions. Ireland has been increasing voluntary contributions to agencies demonstrating a commitment to reform and has actively supported reform processes in both the European Union and the United Nations, where it believes too many agencies have overlapping mandates.

DCI also has a central role and prepares strategically for high-level international meetings and summits on topics of special relevance for developing countries. DCI focuses on pursuing a limited number of objectives at each meeting consistent with its overall policies on development. These have included: i) promoting an increase in ODA; ii) donor co-ordination in support of locally-owned strategies for reducing poverty; iii) reform of United Nations institutions; iv) reforms to the HIPC process and more debt relief; and iv) increasing market access for exports from least-developed countries.

### ***European Union***

Ireland's contributions to the European Community, including its contribution to the European Development Fund (EDF), reached USD 63 million in 2002, compared to USD 39 million at the time of the last Peer Review.

Ireland views the European Union as a major player in development with the potential for being a strong force for global development. The European Community provided USD 6.5 billion of ODA in 2002, placing it among the largest donors in the world, especially for humanitarian assistance. The policies and programmes pursued by the European Community result from complex processes of negotiation and decision making involving institutions of the European Union and its member states. Like other member states, Ireland contributes to these processes and can influence outcomes, providing a vehicle for scaling-up considerably the attention given internationally to issues Ireland identifies as important.

Ireland aims to give development issues a high profile during its presidency of the European Union in the first half of 2004. Ireland intends to pay particular attention to enhancing the ten new accession states' institutional capacities as donors and to encouraging them to participate in the tenth replenishment of the EDF expected in 2007. A meeting is planned in Dublin in June 2004 which will bring together the ministers responsible for development co-operation from what by then is expected to be the 25 European Union member states. Ensuring that new member states' policies give high priority to reducing poverty and achieving the MDGs will in turn help make sure that these objectives

are pursued in the European Community's ODA. Ireland also intends to promote greater awareness of the impact of the HIV/AIDS pandemic on developing countries and to encourage mobilisation of resources to respond to it, including by maximising the overall European Union contribution to the Global Fund.

Influencing the outcome of European Union processes can also occur through strategic alliances and Ireland stands ready to work with like-minded member states when appropriate. A recent example occurred in May 2003 when Ireland's Minister of State joined with six other development co-operation ministers<sup>19</sup> to submit a position paper to the Convention on the Future of Europe. In this paper, ministers stressed the importance of basic principles related to development co-operation being clearly reflected in the draft Treaty establishing a Constitution for Europe, including recognition that international development co-operation is a vital and distinct element of the European Union's external relations. Ministers also expressed the view that efforts must be made, in parallel to work on the future Treaty, to reform the overall management of European Community aid so that it becomes as effective as many other multilateral and bilateral aid efforts.

### *United Nations agencies*

Ireland's contributions to United Nations agencies have risen since the last Peer Review from USD 17 million in 1997 to USD 41 million in 2002. As the DAC recommended, Ireland has adopted a more selective and targeted approach and increased contributions to agencies that reinforce its policy objectives, in particular poverty reduction. In parallel, Ireland has reduced the number of United Nations agencies it funds from around 35 to 20. This has been done by withdrawing from institutions to which Ireland was only making symbolic contributions or which had a poor fit with DCI's overall policies and objectives.<sup>20</sup> With a view to Ireland becoming a more influential donor, the Review Committee endorsed this new approach but suggested that DCI enter into strategic partnerships involving funding on a multi-annual basis, doing so where possible in conjunction with other donors.

DCI developed a set of criteria to identify possible key partner agencies with whom to negotiate partnership agreements with non-binding indicative multi-annual funding commitments for 2001 to 2003. The criteria included the agency's: i) poverty-reduction focus; ii) relevance to the MDGs; iii) management strength; iv) commitment to reform; v) commitment to co-ordinate with other multilateral and bilateral agencies, especially as part of pooled-funding arrangements in partner countries and in support of the country co-ordination role of UNAIDS; and vi) transparency of reporting arrangements. In addition, and slightly at odds with Ireland's ambition to become a more influential donor and to lead by example, another criterion was overall effort sharing to ensure that Ireland does not assume funding responsibilities that are disproportionate with its overall share of the United Nations budget and its international economic weight.

This process has resulted in Ireland engaging more substantially and strategically with five agencies: UNDP (which received funding of USD 8.4 million in 2002), UNHCR, (USD 5.6 million in 2002), UNICEF (USD 5.2 million in 2002), the World Food Programme (WFP) (USD 2.7 million in

<sup>19</sup> Those of Austria, Belgium, Germany, the Netherlands, Sweden and the United Kingdom.

<sup>20</sup> Ireland no longer funds the United Nations Commission on Sustainable Development (CSD), the United Nations International Research and Training Institute for the Advancement of Women (INSTRAW), the United Nations Capital Development Fund (UNCDF), the United Nations Industrial Development Organisation (UNIDO) or the United Nations Institute for Training and Research (UNITAR).

2002) and the United Nations Population Fund (UNFPA) (USD 1.7 million in 2002). DCI provides contributions un-earmarked, so as to supplement agencies' core resources.

As these five agencies have become more important channels for Ireland's ODA, DCI has stepped up its capacity to monitor their performance. Ireland continues to seek membership of governing boards and, in 2003, is on the Executive Board of UNICEF and the Programme Co-ordinating Board of UNAIDS, as well as being a permanent member of the Executive Board of UNHCR. Annual bilateral consultations have been organised with each agency which DCI prepares for using a variety of sources: i) questionnaires completed by Irish embassies in developing countries; ii) consultations with Irish NGOs; iii) reviews commissioned by DCI of each agency's audit, evaluation and financial reporting systems; iv) evaluations conducted by other donors; v) agency's own reports on their results and effectiveness; and vi) for UNDP and UNICEF, reports by Irish-funded Junior Professional Officers. DCI has recently reviewed internally its engagement with each agency and the results of these reflections have influenced decisions on a further round of multi-annual funding commitments for 2004 to 2006.

DCI aims to refine its system of performance assessment further by developing a set of indicators with benchmarks which could be used to appraise the effectiveness of each agency. Many DAC members are developing similar multilateral assessment frameworks and Ireland could usefully share its experiences and learn from other donors. Ireland's experience with conducting annual bilateral consultations has made DCI aware of the heavy transaction costs that this implies for agencies and the possible negative impact it can have on their capacity to operate effectively. Ireland has consequently become more aware of the advantages of greater co-ordination and harmonisation of donors' consultations with multilateral agencies. DCI is exploring the possibility of pooling its extra-budgetary funding to the World Health Organisation (WHO) with funds from some other donors including UNAIDS who, as a single group, would discuss policy objectives and reforms with WHO's management.

DCI's approach, of a strategic partnership combining funding with management and technical engagement to impact on agencies' direction and performance, will improve the effectiveness of Ireland's multilateral ODA. But this approach is also demanding in staff terms for DCI and highlights the importance of continuing the process of consolidation in the number of multilateral agencies funded. DCI continues to provide small contributions to a selection of agencies that receive strong political support domestically.

### ***Bretton Woods institutions***

Ireland's ODA to the World Bank group, principally the International Development Association (IDA), and the International Monetary Fund (IMF) reached USD 18 million in 2002. Links between the Department of Finance, DCI, embassies in DCI's programme countries and Ireland's representative offices at the World Bank and the IMF have been growing in recent years, building on their shared concern about unsustainable debt levels in some poor countries and joint work related to the HIPC initiative. For example, Ireland's representative at the World Bank visited Ethiopia and Uganda to discuss strengthening the input of field-level perspectives into deliberations on issues presented to the World Bank's Executive Board and the Department of Finance co-ordinated with DCI during negotiations of the IDA-13 replenishment. Ireland is now considering strengthening this partnership further by placing a DCI staff member in Ireland's office at the World Bank and by establishing a system for the regular flow of information between Ireland's representatives stationed in Washington and Africa.

Another notable development since the last Peer Review is a formal requirement for the Minister of Finance to table in Parliament an annual report on Ireland's participation in the IMF and the World Bank. Publishing this report contributes to increasing understanding by the Irish public of the roles and responsibilities of these two institutions and of Ireland's involvement with them. The reports include information on a range of topical subjects relevant to developing countries and of particular interest for Ireland. The report for 2002 also shows Ireland's sometimes critical stance towards the Bretton Woods institutions, for example in relation to the sustainability analysis for HIPC debt relief which, in Ireland's view, does not adequately take into account the development impact of the HIV/AIDS pandemic. The 2002 report does not, however, provide information on Ireland's views regarding extending new loans to poor and vulnerable countries with difficulties servicing debt payments.

### ***Regional development banks***

Ireland has been a member of the European Bank for Reconstruction and Development since 1990 but it is not a member of any of the regional development banks whose activities focus essentially on developing countries and contributions to which are eligible for reporting as ODA. The suggestion has been made on various occasions that an expanding budget gives Ireland the opportunity to consider joining the African Development Bank or the Asian Development Bank. DCI has actively pursued these possibilities since the last Peer Review but there are many issues to be resolved before Ireland could join either institution. One relates to the banks' own internal rhythms of replenishments and calls for capital subscriptions. These are affected by a redistribution of shares following a change in membership which, consequently, can only occur at certain times. Another issue is that membership will involve a substantial entry fee and recurring costs and the current situation of budget unpredictability does not allow Ireland to consider making major new multi-annual financial commitments. DCI nonetheless continues to keep the issue under review.

### **Considerations for the future**

- To provide the basis for a predictable growth path for the expected further rapid expansion in ODA, Ireland should re-introduce a multi-annual agreement on budget allocations for ODA, ideally on a rolling three-year basis.
- Ireland should continue deepening its engagement in DCI's existing programme countries, which have been severely affected by the HIV/AIDS pandemic and where needs remain great. Ireland should continue its cautious approach to designating new programme countries.
- Ireland should pursue implementation of a more strategic and programmatic engagement with a selected number of key multilateral agencies. In doing so, Ireland should remain aware of the advantages of increased co-ordination and harmonisation with other donors.



## CHAPTER 3

### SELECTED KEY ISSUES

This chapter covers three issues of high priority and special importance for Ireland's development co-operation programme: i) poverty reduction, the programme's overarching objective; ii) HIV/AIDS, a key development challenge that DCI is committed to addressing; and iii) emergency and recovery assistance, a growing and publicly visible component of Ireland's ODA programme that demonstrates some of the change processes within DCI since the last Peer Review.

#### **Poverty reduction**

The objective of reducing poverty, inequality and exclusion in developing countries drives Ireland's ODA programme. DCI recognises that reducing poverty is complex and challenging and that breaking the vicious cycle of poverty requires a strategic, multi-faceted and sophisticated approach. DCI's activities take account of their likely contribution to reducing poverty and achieving the MDGs.

The MDGs in turn provide the context in which DCI's priority sectors are decided. Ireland's main areas of focus have been education, health, water and sanitation, rural access and agriculture, initially as part of area-based programmes - *i.e.* multi-sector partnerships with a local level of government in poor regions of DCI programme countries - but increasingly through SWAps and sometimes budget support. Other sectors are now also being considered, such as information and communication technology - for which a high-level Task Force has been established to explore how DCI can use new technologies in its development programmes - and private sector development - for which a specific strategy is being developed. In addition, and as a reflection of their importance for reducing poverty sustainably, all DCI activities should take account of gender, governance, HIV/AIDS and the environment as cross-cutting issues.

DCI's priority sectors consequently span a wide and challenging array of topics that staff need to be familiar with and ideally have some proficiency in. This underlines the importance of DCI keeping its guidelines on sectoral and cross-cutting issues up to date and having well developed training programmes. This in turn requires adequate policy formulation capacity within the DCI system, ready access to sectoral expertise in all key areas for staff both in headquarters and in the field and pro-active staffing and career development policies. Staff could also benefit from clear guidance on determining appropriate priorities between various sectors and on addressing poverty issues in a multifaceted and interlinked way.

#### ***Social services***

DCI's budget allocation for education has been expanding rapidly and reached EUR 55 million in 2002. In programme countries, much of this was disbursed through SWAps. In line with international trends, the focus and impact on poverty reduction of DCI's support for education has shifted dramatically over the last 15 years, moving from funding tertiary studies in Ireland to expanding basic

education in partner countries. This focus on basic education remains the priority for DCI. However, through its engagement in SWAps, DCI recognises the need for support to and increased policy dialogue with regards to the wider education sector, including post-primary education.

DCI's spending on health reached EUR 35 million in 2002 (excluding funding for HIV/AIDS activities). In programme countries, this was principally disbursed through SWAps. As with education, DCI continues to complement its engagement at the national level with support for strengthening of capacity at local and district levels to deliver services. A recent phenomenon in the health sector is the proliferation of international initiatives addressing issues of importance for the poor and developing countries. While Ireland provides funding for many of these initiatives and welcomes the additional resources they are generating, it is also concerned that these funds are generally provided through parallel structures and this may undermine efforts to support the building up of health systems within partner countries. A study, "Global Health Initiatives for the Major Diseases of Poverty", was prepared for DCI in 2001 that outlines a set of principles that should govern support for global initiatives so that consistency between international and country-level support is maximised. DCI could consider making the findings from this study more widely available.

Almost all of DCI's support for water and sanitation, the allocation for which was EUR 14 million in 2002, is disbursed through area-based programmes. DCI's other expenditures in this sector include contributions to SWAps in Lesotho and South Africa. Gender and environmental issues receive particular attention in Ireland's activities in this sector.

### ***Promoting economic growth***

Economic growth is dependent on a healthy labour force and children being well enough to attend school and not needing to perform other tasks such as fetching water for their family. Education is also important because it leads to faster and more equitable economic growth, strengthened democracy and, in the case of girls and women, improved family health and decreased fertility. Ireland has consequently been promoting economic growth through its strong support for social services, as well as its smaller-scale activities in some more directly related areas such as agriculture and transport. Nevertheless, there has been growing recognition within DCI since the last Peer Review of the importance of expanding Ireland's involvement in productive sectors in order to reduce poverty. This is because productive sectors drive the economic growth that generates income which can then be taxed to enable governments to fund health and education services, creating a virtuous circle of sustainable development.

Transport is an important sector for economic growth that Ireland has been supporting for some 25 years, with a focus on improving access in rural areas. This can cover rural roads and walking tracks but also efforts to reduce the transportation burden through good planning of water points and grinding mills. Because improving rural access can impact detrimentally on poverty reduction, due to the spreading of HIV/AIDS, increased road accidents and environmental degradation, DCI promotes the planning of interventions in co-ordination with other sectors. DCI promotes labour-based approaches for improving roads, as this provides wage employment for the local community, particularly women, and transfers the skills that enable rehabilitated roads to be maintained. DCI's budget allocation for rural access was EUR 6 million in 2002.

In Ireland's assessment, the development of agriculture is particularly important for the achievement of the MDGs. Agriculture is the main private sector activity in many developing countries and the supply of inputs and the processing and marketing of its outputs provides the basis for a vibrant private sector and an enterprise culture. The appropriate role for governments and donors in such contexts is not always clear but may include supporting research, agricultural extension,

service delivery, rural finance and land tenure. DCI has traditionally focussed on smallholder agriculture but is now also supporting agricultural sector programmes in Mozambique, Tanzania and Uganda, as well as some pilot projects that form part of an overall integrated programme. In addition, Ireland supports international efforts to improve agriculture, including by funding four centres of the Consultative Group on International Agricultural Research (CGIAR). DCI's budget allocation for agriculture in 2002 was EUR 13 million.

The Ireland Aid Review Committee recommended that DCI draw up a policy for the support of small and medium-sized enterprises in developing countries with a particular focus on agriculture and the rural sector. A task force was established in 2002 to examine the issue and look specifically at how the private sector could be supported to fulfil its role better in relation to agricultural development. The task force has identified a number of possible approaches including: i) trade fairs that bring Irish importers into contact with exporters from developing countries; ii) financing exchange visits to support firm-to-firm linkages; iii) grants plus technical assistance packages for which firms in developing countries could bid to access; and iv) support for micro-finance institutions. The task force will meet in late 2003 to examine proposals along these lines from embassies in programme countries and agree which projects to fund. This experience will then feed into preparation of a policy and development of a programme of private sector support, completely untied.

### **The HIV/AIDS challenge**

Ireland has made a strong policy commitment to addressing the challenge that HIV/AIDS represents for achieving the MDGs. The HIV/AIDS pandemic is having a particularly negative impact in DCI's six programme countries in Africa. Despite the fact that these countries make up only 2.4% of the global population, they account for over 25% of all deaths in the world due to AIDS and are home to over one third of all AIDS orphans. An average of one in every 15 adults in these countries is infected with HIV.<sup>21</sup> Reducing poverty in these and other developing countries cannot take place without a rapid, resourced and sustained response to the pandemic. The Review Committee, noting that there is an opportunity for DCI to make a profound and distinctive contribution to efforts to address the HIV/AIDS crisis, recommended scaling up DCI's response and making this a leading priority of the programme. The combination of a strong policy commitment, a strategic approach and a significant budget allocation provides Ireland with the opportunity to become a key figure in the international development community in the field of HIV/AIDS and to lead by example.

### **Strategic orientations**

HIV/AIDS was already recognised as an important issue at the time of the last Peer Review. A formal analysis of the HIV/AIDS situation in DCI programme countries had been commissioned by the former Irish Aid Advisory Committee. The resulting report<sup>22</sup> recommended that DCI develop a more systematic approach to HIV/AIDS, rather than the implicit, project-based, civil society approach that had been taken until then. DCI subsequently prepared and published *An HIV/AIDS Strategy for the Ireland Aid Programme*<sup>23</sup> in 2000 which was designed to intensify and make more coherent Ireland's response to HIV/AIDS.

<sup>21</sup> Source: "Ireland Aid, Annual Report 2001" page 39.

<sup>22</sup> See "HIV/AIDS in sub-Saharan Africa: a development issue for Irish Aid" available from the Internet at: [http://www.iaac.ie/pdf/hiv/aids\\_1.pdf](http://www.iaac.ie/pdf/hiv/aids_1.pdf)

<sup>23</sup> Available from the Internet at: <http://www.irlgov.ie/iveagh/publications/hiv/aids/default.htm>

The strategy focuses on achieving three interlinked and interdependent strategic goals that need to be addressed concurrently if DCI is to have a real impact:

1. **An institutional response:** improve awareness, responsiveness and effectiveness of DCI to HIV/AIDS as a development issue.
2. **A broad-based response:** protect existing social and economic development gains from the adverse effects of HIV/AIDS and promote further development in these areas.
3. **A specific response:** support sectoral policies, programmes and activities that impact on the pandemic at a national, community and individual levels.

The strategy focuses extensively on the background, context and rationale for DCI support. There is a strong and appropriate emphasis on increasing DCI's effectiveness and institutional capacity for HIV/AIDS, as well as on monitoring and evaluating the impact of the strategy's implementation. The strategy endorses the explicit mainstreaming of HIV/AIDS into programmes in DCI's programme countries but only proposes integrating HIV/AIDS concerns into other aspects of the programme. When the strategy is revised in 2004, DCI could consider highlighting the mainstreaming approach it has now adopted – *i.e.* all decisions are informed by and take account of HIV/AIDS issues, and HIV/AIDS concerns are reflected at the policy, planning and project levels – and stressing more that the integration of HIV/AIDS into policies is not sufficient for meeting the challenge.

The cost of medications for treating AIDS has decreased significantly since the publication of DCI's HIV/AIDS strategy and international efforts to expand access to these drugs for people in poor countries have intensified. To guide Ireland's engagement in this area, DCI recently prepared a "Policy on Strengthening Access to Treatment for HIV/AIDS in Low-income Countries" that will be further refined before being incorporated into DCI's revised HIV/AIDS strategy. This interim policy recognises that treatment for HIV/AIDS is an entitlement of people living in developing countries but that providing highly-active antiretroviral treatment (HAART) in low-income settings is complex, due to scarce financial resources and weak public health infrastructure. In line with international good practice, the policy emphasises co-ordination and integration into partner-led development plans and an approach aimed at strengthening public health infrastructure for the delivery of treatment programmes. Given the highly resource intensive nature of access to treatment programmes, the policy includes the principles that funds allocated for treatment be additional to existing allocations and, in order to maintain an appropriate balance with prevention, care and support, that expenditure on treatment be capped at 20% of total DCI support for HIV/AIDS.

### ***Implementation***

DCI has made significant progress in implementing its HIV/AIDS strategy. In 2003, Ireland's total contributions to HIV/AIDS programmes are estimated at around EUR 50 million, comprising EUR 31.5 million from the HIV/AIDS budget line (see Table 2 below) and approximately EUR 20 million through components of the bilateral programme. Funds from the HIV/AIDS budget line are mainly allocated to activities at the multilateral/global, regional and national levels. Funding for community-level activities is sourced from various NGO funding windows, including the new NGO HIV/AIDS Partnership Scheme (HAPS), and from within the bilateral programme.

An initial emphasis on global-level responses was fitting given the rapid increase in resources available. DCI appropriately recognised the need to take time to help increase capacity for HIV/AIDS programming in partner countries and to establish new programming opportunities, through regional programmes and NGOs. Now that capacity in partner countries is stronger and mainstreaming of HIV/AIDS is more established, DCI should move towards increasing funding through programme

countries and developing its regional programming further. Global-level funding should nevertheless remain a major and on-going part of DCI's HIV/AIDS programming but DCI needs to ensure that this engagement continues to be strategic and can be supported by staff with appropriate and sufficient technical skills and policy making capacities.

**Table 2. Expenditure from the HIV/AIDS budget line, 2000-03**

Main channels	2000	2001	2002	2003
Multilateral/Global	1.3	1.6	21.3	19.8
Regional HIV/AIDS Programme	0	0	2.0	3.0
Bilateral/Programme Countries	0	0	0.9	3.4
NGO HAPS	0	0	2.9	5.0
<b>Overall total</b>	<b>1.3</b>	<b>1.6</b>	<b>27.4</b>	<b>31.5</b>

*Note:* The figures for 2000-02 represent expenditure, the figures for 2003 represent budget allocations.

*Source:* Development Co-operation Ireland.

A pragmatic approach has been taken in relation to mainstreaming HIV/AIDS, moving towards genuine mainstreaming in some activities and sectors, after starting by adding on HIV/AIDS components, and exploring possibilities for mainstreaming in other areas, such as humanitarian assistance. DCI should continue building on the steps taken to date to increase the effectiveness of its HIV/AIDS mainstreaming.

Ireland published a paper entitled "Experiences and Lessons of Best Practice in Addressing HIV/AIDS" in October 2002 that considers: i) priorities for government and the international community; ii) facilitating greater involvement by local communities; iii) prevention; iv) treatment, care and support; and v) advocacy. Its purpose was to ensure that DCI-funded programmes are informed by the evidence of what lessons have been learnt to date. Despite its focus on areas of particular interest and concern for DCI, this document could provide useful insights for others and merits wider distribution.

Given the rapid build up of funding for HIV/AIDS, it is appropriate to give high priority to monitoring and impact assessment of these expenditures. To date, evaluations conducted by DCI have covered only a relatively limited range of HIV/AIDS activities. As part of its preparations for the next generation of activities, it would be appropriate for DCI to plan now for a comprehensive evaluation of the full range of Ireland's HIV/AIDS initiatives. This could take in the reviews of country-level HIV/AIDS strategies and HAPS already planned but could also look more widely at successes in building institutional capacity and at constraints to mainstreaming.

#### *Implementation ... at the global level*

To date, the largest recipient of global-level HIV/AIDS funding has been the Global Fund, to which Ireland has contributed EUR 20 million in total. Ireland is one of a small number of countries to have fully honoured its initial pledge of support to this fund. (See also Box 2.) Ireland has contributed nearly EUR 5 million to the International AIDS Vaccine Initiative and is one of eight governments supporting this initiative. A recent evaluation found that the initiative has helped spur research and development on AIDS vaccines and made significant achievements since its creation in 1996. Ireland has also allocated a total of EUR 3 million to UNAIDS for the period 2002-03. DCI believes UNAIDS has been successful in its global advocacy work but retains concerns about the agency's governance and the role of its secretariat. Ireland holds one of seven Western European government seats on the

Programme Co-ordinating Board and, through its engagement, DCI aims to strengthen UNAIDS' performance in partner countries.

**Box 2. Ireland's engagement with the Global Fund to Fight AIDS, Tuberculosis & Malaria**

The Global Fund has substantial resources at its disposal, including for DCI programme countries. For example, according to its 2002/2003 Annual Report, the Global Fund has approved during its first two funding rounds programmes in tuberculosis, malaria but especially HIV/AIDS to a total value of USD 104 million for Ethiopia alone, as well as USD 87 million for Zambia, USD 66 million for Uganda and USD 54 million for Mozambique. Ireland has been a strong advocate and supporter of the Global Fund from the outset, playing an important role in its technical working group and currently sharing a rotating seat on its board with Denmark, the Netherlands, Norway and Sweden.

Ireland shares the concern of other donors about the risks and possible impact of well-funded global health initiatives on partner country-owned and led approaches to strengthening health systems in developing countries. DCI is taking steps to respond to these concerns. An informal system to monitor the implementation phase of the Global Fund will be carried out by staff in DCI programme countries who will provide feedback to Dublin. In addition, in July 2002, DCI proposed a more formal two-country "tracking study". The proposal drew on the design and results of a study into the Global Alliance for Vaccines and Immunisation (GAVI), another global health initiative supported by Ireland that has generated concerns within the donor community. DCI's Global Fund proposal formed the basis for the "Global Fund Tracking Study" currently being carried out in four countries - Mozambique, Tanzania, Uganda and Zambia - jointly commissioned by Denmark, Ireland, the Netherlands and the United Kingdom. The Board of the Global Fund has accepted the conducting of a study and a final report should be prepared by September 2004. Ireland's future funding levels will be contingent on the study's outcomes.

Despite its own comparatively small size and limited in-house technical resources, especially in the area of health, the steps taken by DCI regarding the Global Fund demonstrate its priority for protecting partner country-driven approaches based on local health systems. It demonstrates that evidence-based policy formulation is being promoted in relation to global health initiatives, despite a weak focus on evaluation in some other parts of the DCI programme. The approach of preparing for an evaluation ahead of implementation and drawing on other relevant evaluations to design a study holds some lessons for planning evaluations of other aspects of Ireland's development co-operation programme.

*Implementation ... at the regional level*

Responding to the HIV/AIDS crisis at the regional level facilitates economies of scale and allows issues of migration and mobility that extend beyond borders to be taken up. DCI launched an initiative in 2002, "Beyond Borders: a Regional HIV/AIDS Programme for Southern and Eastern Africa". The initiative can support, through regionally-based organisations with a good track record in delivering effective programmes, activities in such areas as: promoting behaviour change, home-based and orphan care; countering stigma and discrimination and research. To date, the bulk of DCI's funding has been directed to the Soul City Institute for Health and Development Communication in South Africa, to adapt its existing materials for use by selected partner institutions in eight other southern African countries.

*Implementation ... at the national level*

DCI has a comparative advantage in mainstreaming HIV/AIDS at the country level: a strong history of policy engagement and partnership with its programme countries, understanding of the nature and impact of the pandemic at the district and community levels and the availability of additional resources. The strategy identifies area-based programmes as a key instrument for mainstreaming HIV/AIDS and DCI gives significant support for HIV/AIDS through the health and education sectors. In health, it includes specific support for the management of sexually transmitted infections and voluntary counselling and testing services. In education, activities range from building

local government capacity to supporting targeted education campaigns through schools. Steps have also been taken in other sectors, but DCI could do more to ensure that this is systematic and strategic. For example, while HIV/AIDS is identified as a constraint to development across all the sectors DCI supports, it is not identified as a strategic objective within agricultural development or water and sanitation. DCI has also adopted some innovative approaches and these could be built on further. In Lesotho, for example, sector support to the Department of Rural Roads requires a clause in contracts obliging companies to provide condoms and education on HIV/AIDS awareness for staff.

DCI's preparation of specific HIV/AIDS strategies for each of DCI's programme countries and South Africa reflects the critical importance of influencing national and sectoral policies so that HIV/AIDS is effectively mainstreamed throughout partner governments' policies. In several countries, DCI has been promoting the mainstreaming of HIV/AIDS by supporting national AIDS councils or similar bodies. Within the education sector, DCI has been able to help build capacity within national ministries of education in analysis and planning for HIV/AIDS and has supported the integration of HIV/AIDS into primary education reform programmes. Because much of DCI's support in the health sector is provided through SWAps and sometimes budget support and since such pooled-funding arrangements do not lend themselves to earmarking of funds for specific purposes, DCI could consider supporting the mainstreaming of HIV/AIDS by increasing its support to HIV/AIDS-related activities in area-based programmes, particularly in sectors other than health and education. This experience could then feed back into policy discussion and formulation processes at the national level. DCI staff in the field consequently need both effective influencing skills and good technical knowledge to be able to influence policy at national level. Such skills are of particular importance in the context of the provision of budget support.

#### *Implementation ... at the community level*

The primary impact of HIV/AIDS is felt by families or communities, levels that government services and donor programmes can experience difficulties reaching in some developing countries. In many cases, NGOs have been responding to these needs. Consistent with its strong relationship with NGOs, DCI supports these efforts through its funding for missionaries and its NGO co-financing windows. In addition, the HIV/AIDS Partnership Scheme (HAPS) was established in 2002 to support the short-term institutional development of Irish NGOs with regard to HIV/AIDS programming and to accelerate their access to additional DCI funds for HIV/AIDS. Organisations receiving HAPS funding indicate that this new co-financing window has had a catalytic impact by increasing the focus and expanding programmes on HIV/AIDS. The scheme is nonetheless an interim measure for three years, established on the understanding that it would ultimately become part of the Multi-Annual Programme Scheme (MAPS). In 2002, six NGOs were granted EUR 3 million in funding through HAPS but only three of these (Christian Aid Ireland, GOAL and Trócaire) also receive MAPS funding. NGOs that are not MAPS recipients are concerned about the availability of funding for HIV/AIDS after 2005, a concern DCI recognises. Since mainstreaming implies that DCI ensure that HIV/AIDS is a central component of all its NGO funding mechanisms, an assessment would be necessary to establish the need for any specific funding mechanism to expand HIV/AIDS programming by Irish NGOs further. It may prove more effective to support the HIV/AIDS response by funding directly community-based NGOs in developing countries, an approach that merits careful consideration by DCI.

### **Emergency and recovery assistance**

#### *Principles, focus and allocations*

Emergency and recovery assistance is the most visible part of DCI's programme for the public and the subject with which Irish people most readily identify. Ireland's bilateral emergency and

recovery assistance is complemented by the humanitarian aid and disaster relief provided by the multilateral agencies Ireland funds, including the European Commission's Humanitarian Aid Office (ECHO), UNDP and UNHCR. In addition, Ireland has had a continuous presence in United Nations peacekeeping missions since 1958 and in 1998 decided to commit 850 Irish Defence Force personnel to United Nations peacekeeping operations as part of its Standby Arrangements System, an initiative designed to respond to emergency situations.

Ireland's emergency and recovery assistance adheres to DCI's principles of working through partners in developing countries and building local capacity where at all possible. Funding decisions reflect this preference, with assistance often being channelled through WFP and other United Nations agencies, Red Cross/Red Crescent societies and Trócaire and Christian Aid Ireland (Irish NGOs that operate through counterparts in developing countries). Avoiding the funding of parallel structures is another principle DCI applies but where institutional structures are weak and still evolving, DCI endorses the use of trust fund mechanisms. Ireland has had positive experiences with the funds recently set up for Afghanistan and East Timor and, in 2002, contributed USD 1 million to the Afghanistan Reconstruction Trust Fund administered by the World Bank.

Ireland has increased its support to developing countries suffering or recovering from disasters and conflict as its ODA has expanded. In 2003, DCI's allocations reached EUR 23 million for its Emergency Humanitarian Assistance Fund with a further EUR 12 million for its Recovery Assistance Fund.<sup>24</sup> Ireland has provided support for various types of emergencies in recent years: i) acute emergencies (*e.g.* earthquakes in India and El Salvador and floods in Mozambique and Bangladesh); ii) chronic emergencies (*e.g.* in Angola, Somalia, Sudan and Sierra Leone); iii) complex emergencies (*e.g.* Afghanistan and Iraq); and iv) new-variant emergencies (*e.g.* Zimbabwe and Malawi). DCI's priority is to respond to countries in greatest need and "forgotten emergencies", such as Angola. Ireland provided EUR 10 million of assistance through 14 partner organisations to Angola between 1997 and 2002, with the largest allocations going through GOAL (total funding of EUR 1.8 million), Concern (EUR 1.4 million), WFP (EUR 1.4 million) and UNICEF (EUR 1.2 million). Activities supported included the provision of food, shelter, clothing and health care, mine clearance and mine victim rehabilitation, agricultural recovery and livelihoods support.

In total, DCI is currently supporting humanitarian actions in about 30 different locations around the world. Comparing Ireland's budget allocation with the needs to be addressed, some of these interventions may be too small to have a real impact. DCI endeavours to minimise its transaction costs on these token contributions. Given that Ireland is contributing to relieving suffering on a global scale through its multilateral humanitarian assistance, particularly through ECHO, Ireland's bilateral humanitarian assistance could have more impact and visibility if clearer guidelines were developed on where and in response to what circumstances it will provide bilateral humanitarian assistance and concentrated, within co-ordinated overall responses, on those situations that build on Ireland's comparative advantages.

### ***Improving quality and accountability within a more strategic approach***

DCI is now managing its emergency and recovery assistance programmes more strategically, placing greater emphasis on quality and accountability issues and focussing on achieving results that address clients' needs. Up until 2000, funding was, to a large extent, provided responsively for stand-alone projects submitted by NGOs and international agencies. Within DCI, the unit responsible for emergency and recovery assistance had little contact with the sections managing bilateral and

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<sup>24</sup> These funds are occasionally supplemented by additional allocations for extreme emergencies (*e.g.* the Kosovo crisis in 1999) or with programme country funds, when emergencies occur in those countries.

multilateral assistance. Limited use was made of the expertise available in DCI's technical support service. Very few reviews or evaluations were conducted. Staff shortages within DCI during this period was an important explanation for this situation.

As part of a change process taking place since 2000, the unit responsible for emergency and recovery assistance has received extra staff, been up-graded to a section and developed closer links with other parts of DCI. A more strategic engagement with external partners has been adopted, moving towards a more programmatic approach. Partnership agreements have been entered into with the International Federation of the Red Cross and the International Committee of the Red Cross. Ireland has also strengthened its linkages with leading international humanitarian networks and may negotiate strategic partnerships with some of these as well. In the future, DCI will be concentrating more on ensuring that good practice is adopted by its implementing partners. To pursue this approach further, Ireland could also consider co-ordinating more actively with ECHO and other multilateral agencies providing humanitarian assistance to help ensure that their responses to emergencies are timely and effective.

An important contribution to improving accountability has been the commissioning of several reviews of DCI funding mechanisms for humanitarian assistance and of responses to particular emergencies. For example, a review of the response by four Irish NGOs - Concern, Edith Wilkins Hope Foundation, GOAL and Trócaire - after the earthquake in Gujarat, India in 2001 found that their interventions had been effective, efficient and relevant, but not fast. These NGOs could improve their stand-by capacities to deliver staff, materials and start-up funding if they want to become rapid emergency response organisations. On the other hand, the quasi-developmental approaches adopted were impressive and the relief these NGOs provided was needed, especially considering the approaching monsoon season. DCI appropriately intends to conduct a more systematic series of evaluations in the future. A challenge for DCI will be to ensure that lessons learnt are taken up by its diverse range of partner organisations.

Ireland's emergency assistance is designed to link seamlessly into recovery and eventually longer-term support. One of the lessons Ireland has learnt from recent conflicts in Rwanda and the Balkans is that once countries have emerged out of a humanitarian crisis the problems that need to be addressed are long-term in nature and cannot be tackled with short-term funding strategies. Nevertheless, implementation of a seamless approach could increasingly be hindered as Ireland's programme expands further by fragmentation in funding mechanisms, delivery channels and institutional arrangements within DCI. Currently, DCI has separate funds for its emergency and recovery assistance while long-term support is mainly funded from allocations for programmes in programme countries. In addition, among the NGO cofinancing mechanisms, MAPS allows DCI's largest NGO partners to address conflict and rehabilitation in a comprehensive and strategic manner while small stand-alone activities may receive funding from the Human Rights and Democratisation Scheme (this latter scheme is not open to NGOs receiving MAPS assistance). Within DCI, emergency and recovery assistance, NGO cofinancing and programmes in programme countries are managed by different sections. This fragmentation highlights the importance of setting up internal co-ordination mechanisms to promote complementarities.

The recent example of East Timor demonstrates how a more strategic approach has helped DCI engage with countries on an evolving basis as their needs change. Ireland's engagement has moved from project-based interventions, including disparate projects proposed by NGOs, to a multi-annual government-to-government strategy whose key objective is to assist the East Timorese achieve the vision set out in their National Development Plan. DCI developed an initial 18-month transitional country strategy which, following its successful implementation, resulted in the preparation of a three-year country strategy for 2003 to 2005. Responsibility for managing the programme has been

transferred from DCI's Emergency and Recovery Section to its Programme Countries Section. The example of East Timor is now the model for DCI's engagement in countries coming out of conflict, including Afghanistan and the Palestinian Administered Areas. Nevertheless, an issue remains for Ireland as to what extent there should be an expectation, by the country itself and the Irish public, that countries receiving substantial programmatic recovery assistance will graduate automatically to full programme country status.

The transition from emergency assistance to recovery and long-term development programmes would also be facilitated by DCI elaborating a policy framework in this domain. A review of Ireland's USD 11 million programme to Rwanda from 1996 to 2000 identified the lack of an official Irish policy on interventions in a complex humanitarian crisis as a core weakness because this would have assisted with the formulation of an exit strategy from the humanitarian assistance phase to a post-conflict rehabilitation and development phase. DCI has been developing its guidance in some specific areas, such as conflict prevention and the possible scope for its continuing engagement in recovery countries. However, it is looking more to international humanitarian networks to provide strategic guidance in the rapidly evolving areas of complex emergencies and post-emergency environments. Ireland could usefully bring its own experiences to deliberations within the international community on these difficult problems but should also ensure that it helps its implementing partners make the links between international good practice and the requirements and context of Ireland's emergency and recovery assistance.

### **Considerations for the future**

- Ireland should continue to ensure that key characteristics of its aid programme are maintained as DCI expands into new programme areas, *i.e.* ODA should remain untied, support for promoting economic growth should be pro-poor and the impact on and consequences of the HIV/AIDS pandemic should be addressed.
- The planned revision of DCI's HIV/AIDS strategy provides an opportunity to address some issues. The strategy could give more clarification about the terms "mainstreaming", "integration" and "support", which DCI often use interchangeably. More guidance could be provided for staff on what HIV/AIDS mainstreaming entails in practice for DCI's different aid modalities. DCI could also develop guidance for staff on how to address gender, human rights and equity concerns in access-to-treatment programmes.
- As part of its preparations for the next generation of HIV/AIDS activities, it would be appropriate for DCI to initiate a comprehensive evaluation of the impact of Ireland's HIV/AIDS activities to date.
- In the area of humanitarian assistance, Ireland could consider developing clearer guidelines on where and in response to what circumstances it will intervene and concentrating, within co-ordinated overall international responses, on those situations that build on Ireland's comparative advantages.

## CHAPTER 4

### POLICY COHERENCE FOR DEVELOPMENT

#### Enhancing policy coherence for development

The OECD and its members recognise that sustainably reducing poverty in developing countries and attaining the MDGs will require mutually supportive and coherent policies across a wide range of economic, social and environmental issues. When agreeing to the “Action for a Shared Development Agenda” in 2002, OECD members acknowledged the importance of industrialised countries giving increased attention to the impacts of their policies on developing countries. This built on undertakings previously made within the DAC to elevate policy coherence for development as a general concern in government policies and to develop the necessary means for promoting it across government and within international fora.<sup>25</sup>

Enhancing policy coherence for development involves taking account of the needs and interests of developing countries in the evolution of the global economy. As for other DAC members, this can create challenges for Ireland because specific issues commonly involve domestic interest groups and government departments with primary interests and responsibilities other than that of reducing global poverty. In addition, efforts by European Union member states require them to act at both the national and European Union levels because competency in some key policy areas (such as trade) now rests with the European Commission while some other policies (such as foreign and security policy) reflect common positions formulated through consultative processes within the European Union (see Box 3). European Union member states can use their influence, individually or in strategic alliances, to enhance policy coherence through their participation in the various European Union institutions. The rotating presidency of the European Union provides each member state with a special opportunity to move specific matters forward.

#### Examples of policy coherence issues for Ireland

The following selection of issues of special relevance for Ireland demonstrates some of the complexities associated with enhancing policy coherence for development. Reforming agricultural trade policies can create difficulties in Ireland because it may touch upon fundamental national interests. On the other hand, Ireland has been able to promote greater coherence in relation to debt relief as it is politically a less sensitive issue and there is a strong favourable domestic constituency. Other policy coherence issues of relevance for Ireland include protecting intellectual property rights, reducing greenhouse gas emissions and fighting corruption.

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In 1996, when adopting the *Shaping the 21<sup>st</sup> Century* strategy, DAC members collectively set out their aim to assure that the entire range of relevant industrialised country policies are consistent with, and do not undermine, development objectives. The *Guidelines on Poverty Reduction*, endorsed by the DAC in 2001, highlighted the importance of overall coherence between the policies of OECD member governments as a key factor influencing the effectiveness of development co-operation policies.

### Box 3. Policy coherence in the European Union

Policies adopted by the European Union can have a substantial impact on developing countries, both positive and negative.

As a major trading bloc, market access is an obvious example of an area where policy formulation should consider repercussions for developing countries. The “Everything but Arms” (EBA) initiative adopted in 2001 removed all quantitative and tariff barriers to the European Union market for exports from least-developed countries (with the exception of arms, and bananas, rice and sugar for which transitional periods apply before full liberalisation occurs). However, like other developing countries, least-developed countries may still have difficulty meeting various non-tariff barriers, including rules of origin and the sanitary and phytosanitary safeguards on agricultural trade designed to protect human, animal and plant health. These become increasingly important obstacles as other trade barriers are removed.

Internal European Union policies, such as the Common Agricultural Policy (CAP) which, amongst other things aims to help maintain rural livelihoods in member states, can also impact substantially on prospects in developing countries. The CAP subsidises agricultural production within the European Union. Export subsidies then allow overproduction to be sold in other markets at less than production cost, which depresses world prices. There is evidence that subsidised European Union farm products have created unfair competition in some local markets, including in developing countries where agriculture may provide livelihoods for the majority of people and where few alternative sources of income exist for the rural poor. European Union member states and the European Commission continue to negotiate reforms to the CAP so as to reduce its trade distorting aspects. For example, in June 2003, European Union farm ministers agreed that the majority of subsidies will, in future, be paid independently from the volume of production.

### *Promoting inclusive globalisation and reforming agricultural policies*

Ireland’s own recent experience has demonstrated to the Irish how an economy can be transformed through increased trade. This experience suggests that trade is vital for helping developing countries boost economic growth and generate the resources they need to tackle poverty. Agriculture is often a major source of exports from developing countries. Promoting inclusive globalisation therefore implies increasing developing countries’ agricultural output and reducing trade barriers for agricultural products. In Ireland’s view, capacity constraints are a key obstacle preventing developing countries from participating more fully in the global economy and deriving the benefits of trade liberalisation. As well as promoting agricultural development, DCI consequently contributes to a variety of international initiatives supporting trade-related capacity building.

Agriculture is also an important sector for Ireland’s economy and an influential domestic constituency. Most members of the Irish Senate, for example, are elected by five panels representing different vocational interests, one of which is agriculture. The large number of small farmers living on inadequate incomes in remote rural areas of Ireland depend on subsidies from the European Union. According to the Department of Agriculture and Food, 68% of Irish farmers’ aggregate farm income in 2002 came from direct payments. As a result, within European Union contexts, Ireland often associates itself with other member states that defend the CAP. At the Fourth World Trade Organisation (WTO) Ministerial Conference in Doha in 2001, Ireland advised that it was willing to enter positively into negotiations but stressed that safeguarding the European model of agriculture was of fundamental importance because agriculture continued to make a vital contribution to the Irish economy and society. The agriculture sector in Ireland is nonetheless going through reform and in October 2003 the Minister for Agriculture and Food announced that all direct payments for cattle, sheep and arable crops will be fully decoupled from production as from 1 January 2005.

The importance of the agriculture sector in Ireland creates challenges for enhancing coherence between development policies and domestic agriculture sector priorities. Ireland nonetheless strives to increase coherence between development and agricultural trade policies in negotiations at the WTO and within European Union contexts. The EBA proposal was not supported by many parts of the agricultural sector in Ireland, particularly sugar producers, and determining Ireland’s position required

careful consideration by the government. DCI argued strongly in favour of the proposal which the government finally decided to support. Given its usually cautious approach to agricultural reform and the potential economic and political impact domestically, Ireland believes its support for EBA was catalytic for garnering broader support for adoption of the initiative.

In line with the focus in Irish ODA on poverty reduction and sustainable development, DCI has examined the implications of EBA, CAP reform and broader trade liberalisation on development, particularly for DCI's programme countries in Africa. In DCI's assessment, programme countries' ability to benefit from the preferences available under EBA is limited due to their current weak trade capacity, poor infrastructure and the impact of HIV/AIDS on their labour forces. These countries are also heavily reliant on food imports, particularly of temperate zone products. In the short-term, reduction or removal of European Union export subsidies would result in a rise in their import bills as the depressing effect of subsidies on world prices was removed. On the other hand, longer-term benefits may be more positive. Beyond its programme countries, DCI's assessment is that further trade liberalisation within the European Union – *i.e.* the reduction of tariffs, ending of tariff escalation, reduction or elimination of export subsidies and the removal of trade-distorting domestic support – is likely to result in significant additional opportunities in the European Union market and this could benefit countries that have considerable competitive advantages in products that are also produced within the European Union. DCI's conclusion is that these benefits would most likely flow to such middle-income developing countries as Argentina, Brazil, Mexico, South Africa, Thailand and possibly India (a low-income country). These countries would nonetheless face competition from Australia and the United States.

There is a growing awareness in Ireland of the development dimension of trade liberalisation issues, particularly in relation to agriculture. This provides DCI with a basis for building up a constituency for change that is sensitive to and takes account of the impact of reforms on Irish agriculture. A coalition of Irish NGOs has come together since the Third WTO Ministerial Conference in Seattle in 1999 to form "Trade Justice Ireland" with the aim of making trade work for the benefit of the poor and the planet.<sup>26</sup> Concern, one of the largest Irish development NGOs, has in particular become engaged in debates on reforming agricultural policies so as to reduce harmful impacts on developing countries. Policy coherence was also the theme of the first Development Forum organised under the aegis of the Advisory Board for DCI in March 2003. This provided an opportunity for Irish NGOs and DCI policy makers to discuss policy coherence issues.

DCI's analyses could usefully be shared and discussed more widely within the international community. This would increase understanding of these sensitive and important issues for both developing and developed countries, clarify appropriate policy responses and identify areas where further analysis would be useful and timely.

### ***Debt relief***

Ireland is concerned about the heavy external debt of many of the poorest countries, in particular the 42 countries eligible for debt relief under the HIPC initiative (of which five are DCI programme countries: Ethiopia, Mozambique, Tanzania, Uganda and Zambia). In Ireland's assessment, the high cost of poor countries' debt service payments limits their expenditure on essential basic services, especially for the poor, and on infrastructure. This constrains economic growth and limits a country's ability to manage its own development. In addition, in countries afflicted by or recovering from

<sup>26</sup> Trade Justice Ireland makes four key demands: no new powers for the WTO; an end to the dumping which destroys livelihoods; fair and transparent trade-policy making; and trade justice not free trade. Further information is available from the Internet at: <http://www.tradejusticeireland.org/>

conflict, inherited burdens of debt are an obstacle that can and should be removed. Reducing the burden of debt in DCI's programme countries or in countries where DCI funds are being used by NGOs will consequently improve prospects for development and increase the impact of Ireland's ODA on reducing poverty.

Ireland is not a bilateral creditor, either through its ODA programme or by extending long-term export credits, but several multilateral institutions that Ireland is a member of provide loans to developing countries. The "DAC Guidelines on Poverty Reduction" remind creditors of the importance of considering the risks and responsibilities involved in making loans to poor countries and of their need to share the consequent costs of failed credits. For its part, Ireland has contributed over EUR 70 million to debt relief efforts since 1998, both multilaterally and for specific DCI programme countries.<sup>27</sup> Ireland's debt relief was initially funded by the Department of Finance but, to facilitate the integration of debt relief into Ireland's overall ODA strategy, subsequent contributions have come from the DCI budget.

As part of its pro-active stance on debt relief, and with a view to contributing to discussions at the World Summit on Sustainable Development in Johannesburg in 2002, DCI and the Department of Finance conducted a review of implementation of the HIPC initiative. The review concluded that while the progress made to date was welcome, the initiative in its present form was flawed. There were serious issues regarding the adequacy of current debt relief levels as well as about the assumptions and projections being used to calculate debt sustainability, which appear to be over-optimistic. In Ireland's view, this is resulting in some countries qualifying for debt relief but not having their debts reduced to a level that is sustainable. Another concern raised was that calculations of sustainable debt levels focussed too strongly on economic indicators and did not take sufficient account of human development needs. In particular, the economic impact of HIV/AIDS was not being factored into calculations.

An outcome of this review was the preparation of a joint DCI/Department of Finance "Policy on Developing Country Debt" released in July 2002. The policy puts forward Ireland's position that the total cancellation of HIPC countries' external debt is a politically acceptable objective and one that Ireland should support. To a large extent, extra debt relief would need to be funded by additional donor funds. The total cancellation of HIPC debts should be accompanied by strong monitoring and accountability mechanisms to ensure that additional funds are directly channelled into increased social expenditure. For their part, HIPC countries receiving debt cancellation should make greater efforts to strengthen their governance and fight corruption. In this context, Ireland welcomes the commitments given by African governments in the New Partnership for Africa's Development (NEPAD) to promoting good governance. Ireland is prepared to continue funding debt relief and to increase its contributions, including as part of an enhanced HIPC initiative that funds total debt cancellation.

Ireland has consequently been able to achieve a good degree of coherence between the policies pursued by the Department of Finance and DCI in the area of debt relief. Policy consistency would imply the Department of Finance also advocating and supporting within international financial institutions the provision of grants rather than new loans to the poorest and most vulnerable countries facing special difficulties in servicing debt payments.

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<sup>27</sup> This has included EUR 21 million to the World Bank HIPC Trust Fund (of which EUR 6 million was earmarked for Ethiopia), EUR 14 million to the IMF HIPC Trust Fund and EUR 35 million to multilateral debt funds established by Mozambique and Tanzania.

### *Selected other issues*

#### *Protecting intellectual property rights and facilitating access to drugs*

Ireland recognises that effective protection of intellectual property rights is important for economic development, particularly in those industries that depend on large research and development expenditures. At the same time, some flexibility is needed so as to be able to deal with public interest concerns especially in relation to health. In Ireland's view, the agreement on trade-related intellectual property rights (TRIPs) contains such flexibility but some clarification of relevant provisions may be necessary. Given Ireland's strong commitment to combating HIV/AIDS, Ireland should remain actively engaged in debates on the TRIPs agreement to ensure that the needs and interests of developing countries are taken into account. As part of the consideration of broader policy issues in its revised strategy on HIV/AIDS, DCI could also stress the importance of striking an appropriate balance between protecting intellectual property rights and facilitating access to drugs that combat life-threatening and contagious diseases in developing countries.

#### *Reducing greenhouse gas emissions*

The *DAC Guidelines on Poverty Reduction* highlighted how some policy issues involving the management of natural resources and the environment are regional or global in scope and involve matters of policy coherence for donor countries. For example, global pollution perpetuates climate change and, while poor people in developing countries are more vulnerable to the consequences, emissions have so far been greatest in the OECD area. Along with other European Union member states, Ireland ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change in 2002. This committed Ireland to limiting growth in greenhouse gas emissions to 13% above their 1990 level by 2008-2012. Ireland's greenhouse gas emissions in 2001 were 31% above their 1990 level and Ireland was the European Union member state furthest away from reaching its Kyoto target.<sup>28</sup> At the World Summit on Sustainable Development in 2002, the Taoiseach reiterated the high priority that Ireland attaches to environmental management and protection and confirmed that Ireland was gearing up to prepare for the tougher action that is necessary to tackle climate change. Under the Kyoto Protocol, one way to do this is by gaining reduction credits through the Clean Development Mechanism. Ireland's National Climate Change Strategy precludes diverting or adjusting the priority of current aid allocations for the purpose of gaining such credits but where synergies exist between meeting Ireland's national target and the priorities of the countries where investment is undertaken, these will be pursued to the mutual benefit of Ireland and the partner country.<sup>29</sup>

#### *Fighting corruption*

Promoting better governance, including the fight against corruption, is a central concern for DCI, particularly in its programme countries. But, as the *DAC Guidelines on Poverty Reduction* pointed out, much room remains for greater co-operation in the design of coherent policies among OECD area policy communities that deal with corruption, competition policy, harmful tax competition and money laundering. It is consequently important that other government departments reinforce DCI's efforts by promoting better governance at home and abroad. In relation to corruption, Ireland passed the Prevention of Corruption (Amendment) Act in 2001 which provided it with the legislative framework

<sup>28</sup> See media release from the European Environment Agency dated 6 May 2003.

<sup>29</sup> Pursuing these synergies may nevertheless result in a reduction in Ireland's ODA because DAC members have so far been unable to agree that expenditures for eligible projects under the Clean Development Mechanism may also be recorded as ODA.

to ratify anti-corruption conventions drawn up by the OECD, the European Union and the Council of Europe. The “OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions” came into effect on 15 February 1999 and makes it a crime to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals. Ireland completed the ratification process for the OECD Convention in September 2003. As with other signatories, Ireland needs to follow up its ratification by ensuring it has in place reliable means for detecting the offence and adequate sanctions and enforcement measures.

### **Enhancing policy coherence**

The challenges and complexities associated with promoting greater coherence for development in policies across government and within the European Union highlight the importance of DAC members being well organised to address policy coherence issues. One reason for the Ireland Aid Review Committee recommending that DCI remain a division of the Department of Foreign Affairs was that this would facilitate coherence between development policy and other aspects of Irish foreign policy. Nevertheless, as the preceding selection of issues demonstrates, policy coherence issues can also go beyond the traditional responsibilities of a foreign affairs ministry and this points to a need to strengthen links with other departments as well.

Dialogue and co-ordination across departments is facilitated in Ireland by the compact size of the government and short lines of communication. DCI engages regularly but informally with other departments who fund Ireland’s mandatory contributions to specialised multilateral agencies. A number of more formal inter-departmental committees address issues related to development and DCI participates in these fora. For instance, in the area of trade policy, DCI participates in the weekly meetings held to co-ordinate policy positions on items coming up on the agenda of the European Union’s Article 133 Committee. These meetings have been supplemented by other sessions to consider specific issues such as agricultural trade or to prepare positions for multilateral negotiations including at the WTO. Meetings are also held quarterly to develop a co-ordinated and coherent approach to cross-cutting issues arising in United Nations fora.

Nevertheless, the range of issues that can impinge on prospects in developing countries is wide and evolving. The Department of Foreign Affairs, in its Strategy Statement 2003-2005, sets itself the ambitious objective of ensuring that developing countries’ concerns are taken into account in the formulation of government policies. This suggests a need to bolster the actions currently taking place to enhance policy coherence in specific areas or on an *ad hoc* basis by some more open-ended approaches based on solid political support. The recent creation of a dedicated unit in DCI responsible for assessing policy coherence for development issues is an important step in this regard.

### **Considerations for the future**

In line with proposals presented in the *DAC Guidelines on Poverty Reduction*, Ireland could consider the following ways to address more formally and systematically the effects of broader government policies on developing countries:

- **Communicate commitment by the highest political authorities.** The Taoiseach has demonstrated strong commitment for selected development concerns, including HIV/AIDS, debt relief and solidarity with East Timor, as well as reconfirmed Ireland’s determination to reach the 0.7% ODA/GNI objective by 2007. The Minister of Finance has also promoted greater attention to HIV/AIDS and debt issues within international financial institutions and supported rapid expansion in Ireland’s ODA volume. Nonetheless, although the Department of Foreign Affairs recognises that developing

countries' prospects depend not only on ODA but on the trade, investment, environment and other policies pursued by developed countries, Ireland has not endorsed policy coherence for development as an objective for the Irish government. Such an endorsement could provide a more solid foundation for efforts by the Department of Foreign Affairs to ensure that developing countries' concerns are taken into account in the formulation of government policies. Ireland could also consider introducing the requirement that all government decisions be assessed in terms of their potential impact on developing countries, as is already currently done for their impact on gender equality and employment in Ireland. This would help ensure that Cabinet discussions take account of development issues (the minister of state responsible for DCI, like other ministers of state, does not participate in Cabinet meetings).

- **Expand parliamentary involvement.** Several parliamentary committees take an active interest in Ireland's development co-operation programme and in issues related to development and reducing poverty and misery throughout the world. To reinforce a stronger commitment by government to enhancing policy coherence for development, these committees could focus more explicitly on exploring and following up on policy coherence issues. Debates on specific topics could be conducted jointly with other Parliamentary committees concerned.
- **Establish consultation mechanisms.** Ireland's relatively small size promotes a rich network of informal contacts across government agencies and with specialists from a range of academic, civil society and other specialised groups. To help ensure that policy coherence is achieved in practice, Ireland could establish formal mechanisms for consultation and the exchange of information within, across and outside of government agencies on policy coherence issues at both the national and European Union levels. The prime function of these mechanisms would be to harness available expertise so as to mitigate the effects of conflicting government policies and, to the extent possible, resolve contradictions.
- **Enhance staff capacity.** DCI staff can play a key role within government co-ordination and consultation systems as advocates for development objectives. As in other DAC members, Ireland needs to ensure that it has sufficient numbers of appropriately trained, experienced and available staff who can persuasively bring development perspectives to discussions on broader policy issues with substantial repercussions for developing countries.
- **Conduct assessments of the impact of policies on developing countries.** To complement other efforts, Ireland could commission independent assessments of specific policies adopted in Ireland and by the European Union to determine their impact on development prospects in developing countries. These assessments could help highlight areas where priority attention is required or be used to monitor the results of changes in policy.



## CHAPTER 5

### ORGANISATION, STAFFING AND MANAGEMENT SYSTEMS

#### Organisational arrangements

##### *Strategic oversight and guidance*

Responsibility for Ireland's foreign policy lies in the first instance with the Minister of Foreign Affairs. Currently, the Minister of Foreign Affairs is assisted by two Ministers of State, one with special responsibility for European Affairs and the other with special responsibility for Development Co-operation and Human Rights. In addition, and as previously mentioned, the Taoiseach has demonstrated strong commitment for selected development concerns and the Minister of Finance also plays a prominent role in Ireland's development co-operation programme. Among this variety of actors at the political level, the minister most closely associated with Ireland's development co-operation programme is the Minister of State with special responsibility for Development Co-operation and Human Rights (who is directly responsible for some three-quarters of Ireland's ODA expenditures).

Until recently, the Minister of State could receive advice on strategic orientations from the Irish Aid Advisory Committee, a group also charged with undertaking research on relevant issues and which, in practice, devoted most of its attention to this latter task. An important change since the last Peer Review was the replacement of this committee in 2002 by the Advisory Board for DCI. In comparison to its predecessor, the new board's membership includes some former ministers and more representation from NGOs. It has greater financial and staff resources at its disposal and operates in closer association with DCI, while preserving an appropriate degree of independence. The Minister of State, an *ex officio* member, regularly attends the board's meetings. The Ireland Aid Review Committee proposed a wider remit for this board including: i) enhancing the independence of DCI's evaluation and audit arrangements; ii) commissioning research<sup>30</sup>; iii) keeping overall staffing needs under review; and iv) organising Development Forums to facilitate regular strategic dialogue between DCI and Irish NGOs and missionary organisations. This range of responsibilities creates a challenge in terms of ensuring that the board maintains a clear strategic view while performing both executive and advisory functions. An indication of the balance the board is seeking to strike between executive and advisory roles will be given by the nature of its involvement with the new audit committee being set up for the Department of Foreign Affairs as a whole (as part of a broader civil service-wide initiative – see below for further details).

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<sup>30</sup> The Advisory Board launched two two-year research projects at the end of 2003 on: i) coherence between Ireland's official development co-operation activities and other policy areas, in particular agricultural trade and support policies; and ii) DCI's engagement with civil society for poverty reduction.

The wide remit given to the Advisory Board for DCI does not however extend to development education. A separate Development Education Advisory Committee (DEAC) has been formed to advise the Minister of State on policy matters and strategies, to oversee reviews and evaluations of development education initiatives and to manage an annual consultation forum on development education. The former National Committee for Development Education (NCDE)'s functions included selecting projects to receive grants but a separate Grants Advisory Committee has now been established to make recommendations on allocations, thereby giving greater focus to DEAC's activities.

Parliamentary oversight of the aid programme occurs in various ways. The Joint and Select Committees on Foreign Affairs and the Joint Committee's Sub-Committee on Development Co-operation frequently debate development issues. Ministers and senior DCI officials are invited to appear before these committees, including as part of the budget preparation process. The Standing Committee on Public Accounts' *ex post* analyses of government expenditure cover the development co-operation programme. Responding to the interest of Parliamentarians is a significant component of the work of DCI staff at headquarters.

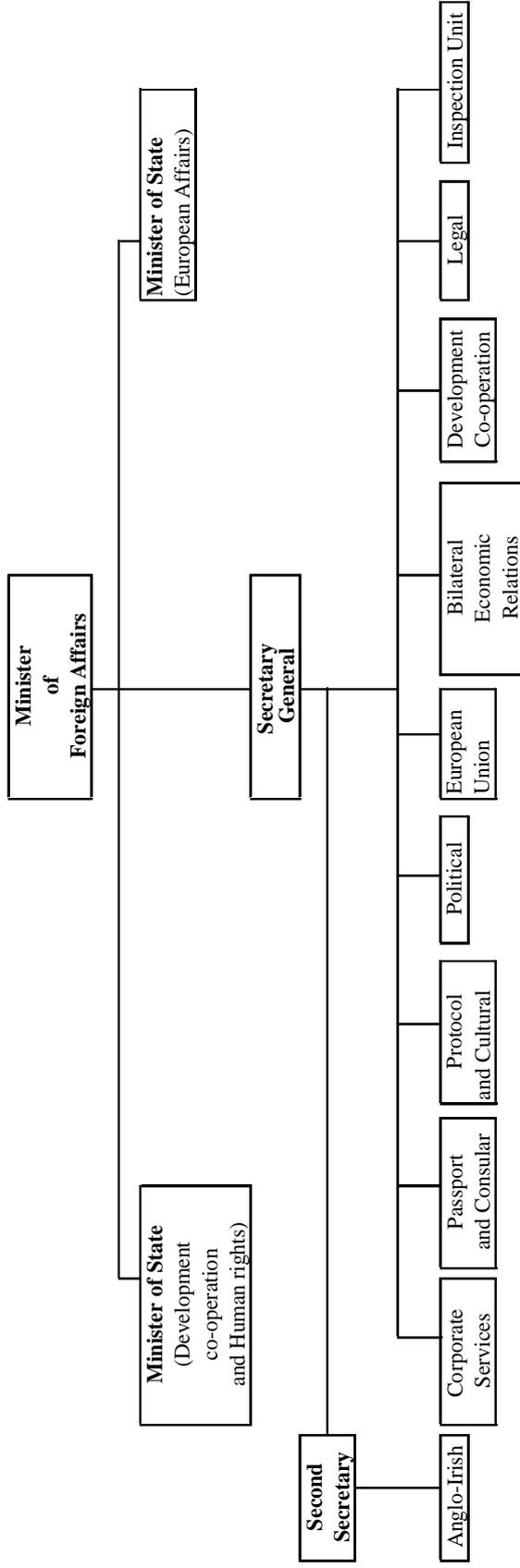
### ***Structure of Development Co-operation Ireland***

The DCI programme is managed by the Development Co-operation Directorate, one of ten divisions of the Department of Foreign Affairs (see Chart 1). Until recently, the directorate's sole responsibility was implementation of the DCI programme and co-ordination of ODA contributions by other departments. However, since 2003, the directorate has also had overall responsibility for co-ordination across the Department of Foreign Affairs on all aspects of Ireland's relations with DCI's six programme countries in Africa.

The Development Co-operation Directorate has expanded considerably since the last Peer Review and now has nine sections (see Chart 2) compared to four previously. In relation to multilateral assistance, individual sections have been created to cover United Nations agencies and the European Union. Sectoral expertise and support service functions have been separated from oversight of DCI's programmes in programme countries. Sections have also been created for: i) emergency and recovery assistance; ii) civil society co-financing schemes; and iii) domestic affairs and Eastern Europe, which were previously located in the same section. Evaluation and Audit remains a separate section, which ensures its independence from implementation of the activities reviewed. The development education functions previously handled by NCDE have been folded into the new Domestic and Eastern Europe Section. The phased integration of APSO into DCI is continuing (see Box 4).

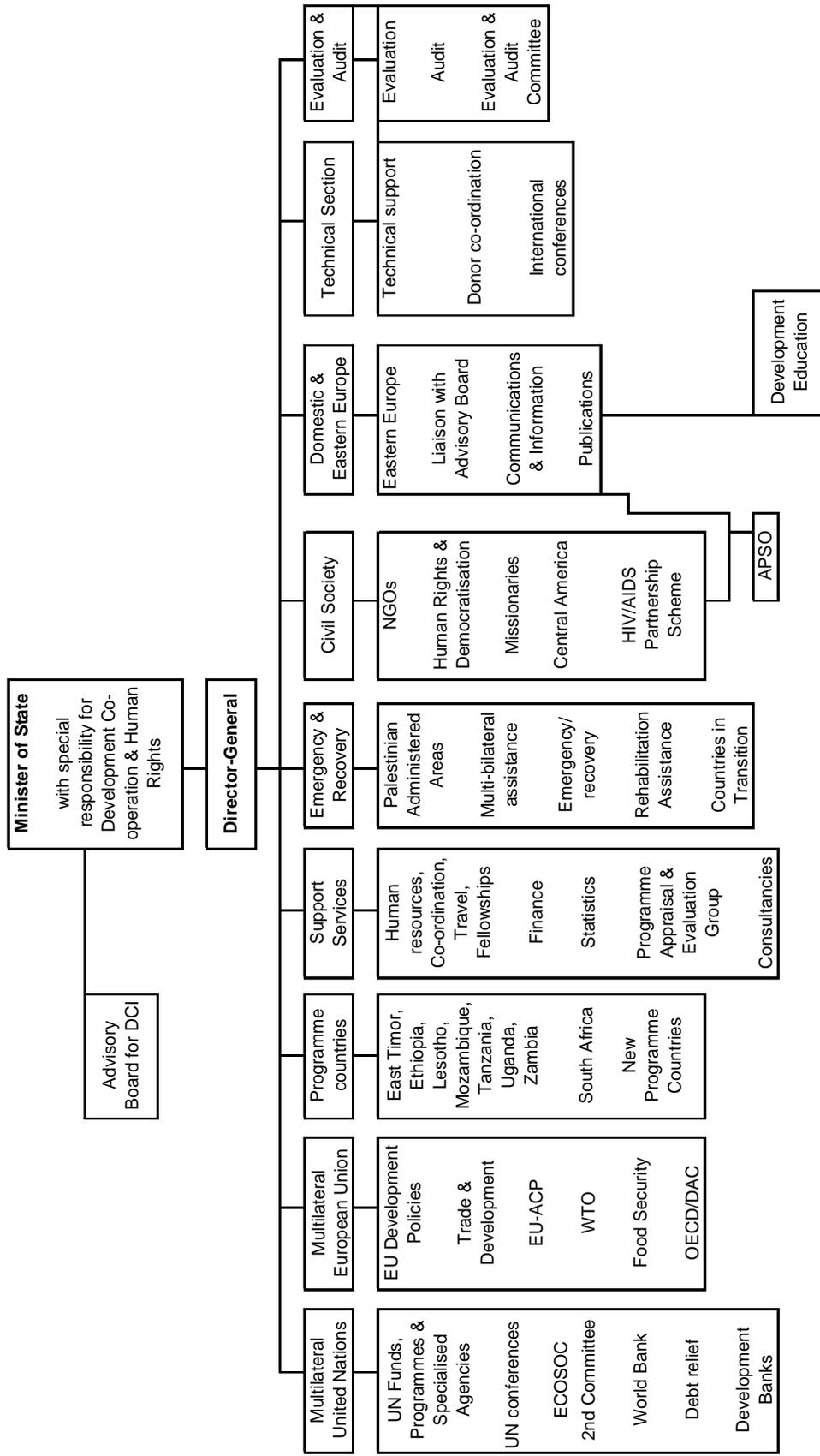
Expansion of the Development Co-operation Directorate has led to the establishment of some more formal mechanisms for promoting dialogue, co-ordination and the exchange of information within DCI. A Senior Management Group has been formed, comprising the Director-General and DCI's section heads, initially to discuss administrative matters but its role is evolving to encompass some policy issues and the screening of DCI activities with a value of less than EUR 300 000. This group may need to meet more frequently than monthly, however, if it is to fulfil its potential as a key policy and decision making forum within DCI.

Chart 1. Department of Foreign Affairs



Source: Department of Foreign Affairs.

Chart 2. Development Co-operation Directorate



Source: Department of Foreign Affairs.

**Box 4. The Agency for Personal Service Overseas (APSO)**

Since its creation in 1974, APSO has been the vehicle by which tens of thousands of Irish people have been able to serve in developing countries. APSO's current roles are: i) co-financing missionaries and development workers sponsored by Irish NGOs; ii) maintaining a register of specialists available for short-term volunteer assignments; iii) providing training, often at no cost, for NGO staff and development workers; and iv) implementing a programme of support to civil society organisations in Central America. APSO's budget of EUR 22 million for 2003 is mostly allocated to co-financing missionaries, including some non-personnel costs (EUR 10 million), co-financing development workers (EUR 7 million), its Central America programme (EUR 2.5 million) and training activities (EUR 1 million).

APSO receives strong support from the Irish public, development NGOs and missionary organisations. Fundamental questions have nonetheless arisen in recent years about the role and future of APSO in a situation in which the emphasis in development aid practice is now on building local capacity, rather than employing expatriate volunteers. The Review Committee recognised the valuable work that APSO has done and recommended that the agency be integrated into DCI in a carefully planned and phased process that ensures that APSO's experience is built on and its particular role and value safeguarded. APSO has been preparing for this integration and has closed nine overseas offices, reviewed the appropriateness of its training activities including for DCI's needs and considered the future of its Central America programme. APSO's staff numbers have fallen from 32 to 21 in Ireland and from 30 to 1 abroad. APSO expects its integration into DCI to be completed by 2004.

Facilitating fast, reliable and secure exchange of information between DCI staff, whether they are located in Dublin or abroad, has also become more important for DCI and more dependent on modern information technology. An unresolved issue the Department of Foreign Affairs is working to address by 2004 is a major up-grading of its communications systems which, through the use of satellite technology, should dramatically improve the quality and timeliness of information exchange with DCI staff located in developing countries and increase the compatibility of DCI software with that of many of its partner organisations.

### **Staffing and human resources management**

The last Peer Review identified some critical staffing and human resource management issues facing DCI. The DAC noted that the number and skill mix of staff were inadequate and that DCI had been improvising and patching together ways of reinforcing staff capacities, in Dublin and in the field, within complex government staffing regulations. The programme also appeared vulnerable because it depended on a few key individuals, diplomatic staff changed post regularly, specialist staff had only renewable short-term contracts and little mobility occurred between headquarters and the field. Under these circumstances, maintaining institutional memory and operational expertise posed particular difficulties for DCI as an organisation. Since then, DCI has been addressing these issues within the sometimes difficult broader context of departmental and civil service requirements.

Decisions on increases in ODA have been independent of decisions on expanding staff numbers to manage the additional financial resources. Neither DCI nor the Department of Foreign Affairs has authority to respond to additional ODA appropriations by creating new civil service positions. This authority rests with the Department of Finance which, in recent years, has needed to restrain expansion in the Irish civil service so as to contain public expenditures, including by imposing across-the-board recruitment freezes or by limiting departments' administrative budgets which can result in money not being available to pay the salaries of positions created. Nevertheless, staffing levels in DCI have increased from 84 in 1998 (63 in headquarters and 21 in the field) to 143 in 2003 (106 in headquarters and 37 in the field). In 2003, DCI also employed more than 200 local staff in its overseas missions, including 26 sector specialists and 36 other staff involved in implementing or monitoring aid activities.

DCI has also been able to introduce a number of significant changes relating to human resources management. Employment conditions for DCI's 50 contract staff have improved in terms of length of contracts, pension rights and possibility for career progression. A wider range of diplomatic posts have been established at missions in programme countries, thus providing diplomats with greater opportunity to progress in their careers while remaining within the development sphere. Movement of staff between headquarters and the field is now occurring regularly.

At the same time, DCI's human resources capacity remains barely adequate<sup>31</sup> and the benefits of recent improvements can be eroded if DCI's budget continues to grow without further increases in staff. Another persistent staffing issue relates to diplomats, who make up most of DCI's senior management and constitute the bulk of staff in some sections. While some advances have occurred towards making a development specialisation more possible for diplomats, a development stream does not formally exist within the Department of Foreign Affairs and the assignment of diplomats to particular posts remains, for the most part, driven by overall departmental objectives. This can have disruptive implications for DCI. Addressing such human resource issues pro-actively is a key component of planning to manage and implement a USD 1 billion ODA programme by 2007.

The situation with DCI's new Technical Section provides an indication of how the objectives Ireland has set for its development co-operation programme are not being supported to the extent they could be by human resources practices. The section has an ambitious range of responsibilities, in line with the expanding and increasingly complex nature of the DCI programme. Its responsibilities include providing expert technical support, formulating policy, developing guidelines on good practice and representing Ireland at international meetings. The section's total staffing level is currently 19 positions, but five remain unfilled (the recruitment process to fill these positions is underway). Staff in the section have mostly been recruited for their general development expertise which gives them potential both to provide specialised support in a given sector when in headquarters and to implement development activities when posted to the field. This approach has usefully increased DCI's capacity to rotate staff between headquarters and the field but has also resulted in DCI currently having no full-time dedicated in-house expertise in some key priority areas, including health, gender, governance, environment and water.<sup>32</sup>

An assessment of DCI's current skill mix and expected future staffing needs may consequently be advisable to determine what gaps exist, both in Dublin and in the field, and to make recommendations on priority needs when recruitment can occur again in the future. Ultimately, insufficient staff numbers and an inappropriate skills mix will undermine the effectiveness of Ireland's ODA, a situation that will become exacerbated as Ireland's ODA continues to expand and if Ireland decides to designate additional programme countries for its bilateral activities. The Review Committee recommended that DCI's staffing situation be scrutinised at least once a year, with the outcome being sent to Cabinet for consideration, and that the Advisory Board keep DCI's overall staffing needs under regular review. While the annual reviews and notification to Cabinet have not yet started taking place, the Advisory Board is monitoring DCI's staffing situation and may conduct a skills audit or an overall staffing review.

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<sup>31</sup> Based on an analysis of the staffing levels in donor countries that have already reached the United Nations target, the Ireland Aid Review Committee found that staff levels within DCI will need to be increased to 300-350 between home and abroad by 2007.

<sup>32</sup> The Technical Section's current complement of advisors cover: development processes (also focal point for rural development), education (also focal point for gender), emergency and recovery, HIV/AIDS, infrastructure (also focal point for water), international organisations, macro-economic support and public sector reform (also focal point for governance).

Growth and turnover of staff within DCI highlight the importance of the directorate ensuring that its training and other staff development activities are planned, managed and performing well and that they are supporting the building up and maintenance of corporate memory. DCI has organised an induction course and some seminars on an occasional basis but recognises that more can be done to support a co-ordinated and pro-active approach to training and staff development. The integration of APSO into DCI provides an opportunity in this regard. The review that APSO commissioned of its training function recommended the establishment of a Centre for Learning and Development within DCI which, among other things, would be a manager of the knowledge base at DCI.

An objective in DCI's strategies on HIV/AIDS and on strengthening access to treatment is the development of a policy for dealing with HIV/AIDS in the workplace. Following a HIV/AIDS regional training workshop in Uganda in September 2000, DCI missions in Africa began to draft and implement HIV/AIDS workplace policies, for Irish and locally recruited staff, appropriate to their country circumstances. These initiatives were suspended in December 2001 because of the need for DCI's policy and practices to be consistent with those of the rest of the Department of Foreign Affairs, which employs a total of 1 400 people around the world, and because of concerns about the possibly significant budgetary implications of paying for anti-retroviral treatment for staff infected with HIV/AIDS. A workplace HIV/AIDS policy was finalised in late 2003.

### **Mainstreaming cross-cutting issues**

Ireland seeks to mainstream four cross-cutting issues throughout the DCI programme – gender, governance, environment and HIV/AIDS. To date, the mainstreaming of HIV/AIDS has been the most successful, benefiting from a strong commitment at the political level, extensive efforts to develop policies, dedicated technical staff, both in headquarters and missions abroad, and substantial financing. This experience may provide some guidance for improving mainstreaming in other areas, particularly gender where a review recently took place and changes can be expected to be introduced.

Some suggestions can nevertheless be made for further strengthening DCI's capacity for effective mainstreaming of HIV/AIDS. DCI can build on the successful outcomes of its regional capacity building workshops which targeted technical staff based abroad so that all staff can benefit from training and continue to develop the skills required to ensure that HIV/AIDS is mainstreamed throughout their work. This is particularly important for staff in senior or key policy positions, in both headquarters and the field. Staff shortages in the Technical Section are critical because technical staff are a driving force behind the mainstreaming agenda within their own specialised areas and have been effective with catalysing DCI's response to HIV/AIDS in those sectors for which technical expertise is available. The lack of a dedicated health advisor, in particular, is significant given the importance of the health sector to DCI in general and in view of the highly technical nature of HIV/AIDS programming in the health sector. Moreover, additional specialist technical support will be needed now that Ireland has decided to provide substantial support to an access to treatment programme for people living with HIV/AIDS. Finally, DCI can develop further institutional structures appropriate for mainstreaming, such as the proposed task team on HIV/AIDS with membership from various sections within DCI.

DCI's current policy on gender equality dates from 1995 and was developed in a context where project-based approaches predominated. Ireland's subsequent move into other aid modalities, particularly SWAps, was an important reason for commissioning a review of the extent to which a gender mainstreaming approach has been operationalised in DCI's policies, strategies and practices. The overall finding was that gender was not yet fully mainstreamed in the programme but women were taken into account as beneficiaries in many major programme activities. In response to these findings, DCI is taking a range of actions to strengthen its mainstreaming of gender equality including

developing a new policy, holding some regional workshops and expanding training and financial resources available for gender activities.

### **NGO co-financing schemes**

In Ireland's view, NGOs have a comparative advantage in many poor countries due to their capacity to operate at the community level and to contribute to the promotion of good governance. As a complement to its other bilateral and multilateral activities, Ireland devotes between 15% and 20% of its ODA each year to co-financing activities by NGOs, a large share by comparative DAC standards. Some three-quarters of this funding is provided to NGOs based in Ireland, who DCI prefers and increasingly expects will operate through local NGOs in developing countries. In 2002, NGOs received USD 63 million or 15% of Ireland's ODA through a large number of co-financing schemes. Funding from the government provided 35% of the income of NGOs based in Ireland in 2002.<sup>33</sup>

DCI, and its main NGO partners, have gone through a considerable change process since the last Peer Review to put their relationship on a more strategic and programmatic basis. Three new co-financing schemes have been developed, the Multi-Annual Programme Scheme (MAPS) (see Box 5), the HIV/AIDS Partnership Scheme (HAPS) (discussed in Chapter 3) and the Missionary Development Fund which aims to promote a more programmatic approach to co-financing missionary congregations. In addition, reviews have been conducted of DCI's smaller funding schemes - the In-Country Micro Project Scheme, the Human Rights and Democratisation Scheme and the NGO Co-financing Scheme. DCI recognises that a more strategic role could be developed for some of these schemes and will be addressing this issue in the future. As from 2003, the five former beneficiaries of DCI's Block Grants Scheme have been receiving funding through MAPS, but the Block Grants Scheme continues on a smaller scale funding three new organisations (Action Aid Ireland, World Vision Ireland and OXFAM Ireland) that were previously funded on a project-by-project basis from the NGO Co-financing Scheme. As well as these various co-financing schemes, NGOs can receive funding through other sources including DCI's Emergency Humanitarian Assistance Fund, its Recovery Assistance Fund, its funds for activities in Eastern Europe and for development education and APSO.

The degree to which HIV/AIDS and other cross-cutting issues need to be addressed or considered systematically as part of project proposals varies across DCI's NGO co-financing schemes. The need to mainstream HIV/AIDS could in particular be reinforced. HIV/AIDS could feature more prominently in the objectives of all NGO co-financing schemes and applications should include an analysis of the impact of HIV/AIDS on the proposed activity, as well as the impact of the activity on HIV/AIDS. In the case of the MAPS, which has been designed since the publication of the DCI HIV/AIDS strategy in 2000, HIV/AIDS is not mainstreamed and does not feature as an eligibility requirement. NGOs are, however, required to address HIV/AIDS as one of four cross-cutting themes. Some NGOs receiving MAPS funding support HIV/AIDS activities through other funding sources or through HAPS, but the lack of an explicit HIV/AIDS mainstreaming requirement within DCI's largest and most strategic co-financing arrangement is unfortunate.

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<sup>33</sup> According to DCI, Irish NGOs received income of USD 140 million in 2002 of which USD 48 million was provided by the Irish government, USD 71 million was provided by donations from the public and USD 21 million was provided by other sources (such as the European Commission and the UNDP).

### Box 5. The Multi-Annual Programme Scheme (MAPS)

When launching the MAPS, the Minister of State described this new scheme as one of the most important innovations in the history of the government's development co-operation programme because it moved the engagement between DCI and its main NGO partners towards multi-annual strategic partnerships, as was already occurring with DCI's programme countries and key multilateral agencies. Total funding for MAPS for 2003-2005 is substantial at EUR 117 million, allocated to five Irish NGOs as follows:

- Concern: EUR 39.5 million for activities in 26 countries, mostly in sub-Saharan Africa.
- Trócaire: EUR 34.3 million for activities addressing basic needs and social development in 33 countries.
- GOAL: EUR 32.1 million for activities in 12 countries, with a focus on recovery by vulnerable communities.
- Self Help Development International: EUR 6.9 million to promote sustainable livelihoods in five sub-Saharan African countries.
- Christian Aid Ireland: EUR 4.5 million to foster recovery and development in four countries.

Through the MAPS, Ireland will deliver development assistance in a wide range of sectors to more than 40 countries including, for the first time, DCI's programme countries. For the Minister of State, one of the most important facets of the MAPS approach is that it will indirectly result in around 200 NGOs in developing countries being supported, thus helping to build more democratic and participative societies in those countries. The principle of partnership is also emphasised in MAPS, which has resulted in the establishment of Partnership Monitoring Committees between DCI and each participating NGO. Their aim is to help guarantee that a good balance is maintained between learning and accountability and that each programme is achieving the maximum benefit for the beneficiary communities as well as value for money for Irish taxpayers. Formation of these committees is consistent with the recommendation of the Ireland Aid Review Committee that funding channeled to NGOs should be subject to the same standards for planning, implementation, effectiveness, evaluation and good practice that apply across the rest of the DCI programme.

The complexity and evolving nature of DCI's engagement with NGOs points to a need for DCI to be well structured to manage its relationships with NGOs. DCI's new Civil Society Section appears prepared to play an active role in nurturing good relationships and in developing a common understanding and vision for this form of development co-operation. The section has been designated as the focal point for the government's policy dialogue and funding relationships with NGOs, both in Ireland and in developing countries, and manages DCI's NGO co-financing schemes. The section also has responsibility for the elaboration of a policy framework for DCI's engagement with civil society, both in Ireland and developing countries. Given the size and influence of NGOs in the DCI programme, such a policy would appear overdue. With the expected further rapid expansion in ODA, DCI's civil society policy could address the issue of whether an upper limit should be set on the volume or share of ODA that Ireland provides to NGOs. The capacity of NGOs to continue absorbing additional aid rapidly and disbursing it effectively is ultimately limited. In addition, many NGOs in Ireland have placed a cap on the level of funding they receive from government, so as to preserve their independence. A further area where a civil society policy could provide guidance relates to consistency of Irish NGO programming and the poverty reduction strategies adopted by partner countries.

Another key objective of the Civil Society Section is the development and implementation of appropriate monitoring frameworks and audit and evaluation programmes for NGO co-financing schemes. DCI's view is that monitoring and evaluation of the NGO activities it funds needs to be strengthened. The efforts of DCI to raise standards in this area would be reinforced by implementation of the Review Committee's recommendation that legislation on the regulation of charities and charitable fund-raising in Ireland be enacted so as to set universal standards for NGO definition, fund-raising, methods of operation, oversight and accountability.

### **Assessing performance**

Promoting an evaluation culture within DCI is a key objective for the organisation due to the contribution it can make to increasing institutional learning, improving programme implementation and enhancing accountability, by providing information on how public funds are being used. Multilateral assistance and emergency and recovery assistance are two areas where DCI has made progress since the last Peer Review to improve performance assessment. DCI nevertheless recognises that more could and should be done, especially in some programme areas such as NGO co-financing. In support of this objective, DCI has recently put in place a system of management responses which specify how DCI anticipates following up on evaluations. For the future, DCI could also consider preparing a multi-annual evaluation plan which in turn would serve as the basis for a training plan to help build up an evaluation culture within DCI.

DCI's small Evaluation and Audit Section is active, commissioning up to 15 evaluations a year of DCI activities at project or sectoral levels, activities conducted by organisations funded by DCI or of DCI's own internal practices and management systems. Increasingly, the Evaluation and Audit Section is also representing Ireland on joint assessment exercises, such as the recent Joint Evaluation of External Support to Basic Education that included case studies from two DCI programme countries, Uganda and Zambia. Transparency and confidence in DCI activities would be enhanced by making evaluations, or at least their executive summaries, more readily available to the public. DCI's new Internet site presents an opportunity here.

The Evaluation and Audit Section has commissioned two external reviews with the aim of improving its own performance. First, a review of current practices in lesson learning from evaluations was commissioned in 1999. This found that while an open environment for learning existed within DCI, the function of evaluations was widely perceived as one of control rather than of providing input for policy development. As a result, DCI has been developing closer links between evaluation and policy making. This has occurred in relation to agriculture, water and gender where reviews have fed into the preparation of new policies and guidelines. Secondly, a strategic and operational review of DCI's Evaluation and Audit Section was carried out in 2001. One of its key recommendations was to set up an evaluation committee so as to strengthen the independence and quality of DCI's evaluations. Implementation of this recommendation is taking place in the context of recommendations having been made separately to assign responsibility for enhancing the independence of DCI's evaluation and audit functions to the Advisory Board for DCI and to establish audit committees in all Irish government departments. To avoid any possible negative consequences for DCI's performance assessment systems resulting from an extended period of uncertainty, it would be preferable that the respective roles and responsibilities of these various actors is determined rapidly.

DCI's Evaluation and Audit Section is also responsible for ensuring that DCI's systems for monitoring and reporting are in place and functioning. Actual monitoring and reporting on activities in DCI programme countries is the responsibility of the mission in each country which prepares monthly, bi-monthly, semi-annual and annual reports. This large number of reports is needed to respond to different requirements, ranging from general overview to a comprehensive account of progress in relation to specific sectoral objectives. DCI could nevertheless consider investigating whether some streamlining could be introduced by concentrating on reporting on more significant results. In a few sectors, advisors in Dublin have also been preparing six-monthly reports on implementation progress across the DCI programme in their area of expertise, a practice which DCI hopes to expand to other sectors when feasible. A longer-term ambition for DCI is to use the development of indicators for measuring progress towards achieving the MDGs as a tool for assessing its own performance.

A challenge for DCI in recent years has been to adjust its performance assessment systems as rapidly as the programme has expanded into different aid modalities, especially SWAp and budget support. These modalities give primacy to partnership principles and this leads to monitoring, reporting, accounting and auditing increasingly being undertaken jointly by donors, partner governments and other stakeholders. DCI has participated in relevant joint assessments to the extent its resources have enabled it to do so. Nonetheless, a considerable volume of information continues to be generated by other sources independently of DCI – including reviews, evaluations and audits commissioned by partner governments and other organisations, researchers and academic institutions – which DCI could capture better as input for its own accountability and performance systems. Doing so may require extra staff resources as it would probably imply greater decentralisation of accountability and performance mechanisms to missions in the field. Nevertheless, the additional expenses would appear warranted if they enable DCI to give more credible assurance to the Irish public, media and Parliament that Ireland's ODA through SWAps and budget support is being used for the purposes envisaged and achieving the results anticipated.

### **Considerations for the future**

- Ireland should monitor the experience of mixing executive and advisory functions in the mandate of the Advisory Board for DCI and of maintaining a separate advisory board specifically dedicated to development education.
- DCI's human resources currently appear barely adequate, especially in some technical fields and for policy elaboration. Ireland will need to remain vigilant regarding staffing levels, skill mixes and the use of diplomatic staff within DCI, especially as Ireland's ODA volume continues to grow.
- DCI should continue strengthening its capacity to mainstream HIV/AIDS throughout its programme and build on this experience to improve its mainstreaming of gender, environment and governance as cross-cutting concerns in Ireland's ODA.
- In its co-financing schemes for NGOs, DCI should continue promoting more strategic and programmatic approaches, greater mainstreaming of cross-cutting issues and more systematic auditing, monitoring and evaluation. The size and influence of NGOs points to the value of developing a policy on the involvement of civil society organisations, both Irish and those in developing countries, in Ireland's development co-operation programme.
- DCI is encouraged to pursue its efforts to promote an evaluation culture and could consider preparing a multi-annual evaluation plan, to support lesson learning and serve as the basis for a training plan for DCI staff.



## CHAPTER 6

### PARTNER COUNTRY OPERATIONS

#### **Partnership approaches and local ownership of development processes**

Ireland's bilateral partnerships are built on broad policy frameworks agreed with the governments of programme countries at both central and local levels. These outline the partners' development objectives, priorities and strategies and set out both sides' responsibilities. DCI finds that this facilitates regular, open dialogue and encourages the partner to take the lead in the formulation of development strategies, thereby contributing to the strengthening of capacity in programme countries. In Ireland's experience, a strong, equal partnership with beneficiaries is vital if they are to have the ownership of development processes necessary for ensuring that local capacity is built and sustainable progress is achieved.

Building on the conclusion of the last Peer Review that Ireland was a strong performer in putting partnership approaches into practice in its programme countries, a field visit to Tanzania to prepare for this Peer Review found that Ireland is appreciated as a collaborative partner by the Tanzanian government. In particular, Ireland is considered to be flexible and agile and able to respond quickly to Tanzanian requests (see Box 6).

#### **Country strategies and programming**

DCI's overall support for programme countries is guided by triennial country strategies that include detailed budget projections. Ireland's objective in preparing country strategies is to reach a shared definition of the partner's needs and of an agreed programme of action by Ireland for addressing these which complements the partner's own poverty reduction strategy paper (or similar locally owned strategy for development). DCI's country strategy formulation process has reached the point where the need for annual bilateral consultations with each partner government is obviated, thereby reducing transaction costs for partners. Ultimately, DCI can envisage reducing transaction costs further by adopting the partner's own poverty reduction strategy as DCI's country strategy. The field visit to Tanzania found that DCI's country strategy is already aligned with Tanzania's own vision statements for development.

Some changes have been introduced to DCI's process for preparing country strategies since the last Peer Review. The process is now more comprehensive, involving a broader range of government and civil society stakeholders both in Ireland and the partner country. An evaluation of the previous country strategy and a specific HIV/AIDS assessment and strategy provide major inputs for discussions. DCI is currently reviewing whether its preparation of country strategies can be made more consistent with partnership approaches, such as by enhancing their integration into and alignment with partners' own development plans. Now that DCI has started to co-finance Irish NGO's activities in its programme countries, there is an opportunity for DCI and Irish NGOs to explore how their respective activities in those countries can be mutually reinforcing.

### Box 6. Ireland's approach to partnership in Tanzania

With the aim of understanding the way in which the implementation of donors' partnership strategies contributes to country ownership, Ireland's development co-operation in Tanzania was included in a Joint Country Assessment in 2003, along with the programmes of Denmark, Finland and Japan. Three specific sub-themes were used to facilitate investigation in the field and the subsequent analysis of results, namely: i) country ownership; ii) donor co-ordination; and iii) donor capacity for implementing effective partnerships.

In summary, the joint assessment found that, while all the donors share the general perspective on the desirability of a partnership approach, nonetheless, the four donors faced challenges in integrating their strategies with Tanzanian policy. The partnership approaches could be broader and more effective. Effective co-ordination was often constrained by organisational factors, such as relations between the country mission and the donor head office, or shortage of staff in embassies. All these factors could constrain the effectiveness of aid programmes in supporting Tanzanian development.

The joint assessment also identified a number of specific features of each of the four countries. Ireland is regarded by partners as an agile and flexible donor, able to leverage others' funds in support. Its country strategy is aligned to Tanzania's PRSP and the Tanzanian Assistance Strategy. It is published in English and widely available in Tanzania, which is an advantage for partners. Ireland has a compact and professional local mission and puts emphasis on partnership and negotiation skills. Support for ownership underlies Ireland's strong support for pooled-funding arrangements, including budget support, and harmonisation of donor procedures. Ireland places emphasis on capacity building at all levels of government. DCI is able to respond quickly to the Tanzanian government's needs. Although over 80% of funding is in SWAPs (or similar pooled-funding arrangements) and budget support, area-based programmes are reality checks to inform policy discussions at the national level.

On the other hand, a number of issues were identified in relation to Ireland's development co-operation programme:

- **Country strategy:** DCI's resource situation is more constrained than envisaged. The high reliance on budget support and other pooled-funding arrangements requires a focus on managing the political dimensions and risks in Dublin.
- **Organisation and management:** Sustaining the Irish commitment to ownership and co-ordination will be increasingly restricted by the centralisation of major decisions in Dublin. Giving further autonomy to the field mission is constrained by the need to deepen analytical capacity in key areas.
- **Promoting ownership through partnership approaches:** Ireland's approach to promoting ownership tends to increase the centralised power of the Tanzanian state. More attention could be given to broader strategic alliances with non-governmental actors and the local private sector, to promote democracy and for effective risk management.
- **Operations:** Efficiency could be improved by channeling further funds through the Tanzania mission in a concentrated way, so as not to extend the programme further.

As well as specific HIV/AIDS strategies, DCI is also increasingly preparing a civil society strategy for each programme country. This is an important step because it can enable DCI to address two issues. First, DCI's current modalities for delivering development co-operation result in its primary partners mostly being government institutions. DCI could usefully complement this by promoting local civil society and local private sector more actively, strategically and directly. The field visit to Tanzania found that such an expansion of dialogue would help Ireland contribute to reducing the centralising tendencies of the Tanzanian bureaucracy. Secondly, Ireland's "Policy on Developing Country Debt" highlights the need to complement efforts to build governments' capacity for debt management in HIPC countries with support for civil society, so that the latter can monitor the impact of the HIPC initiative and engage in debt policy debate at the national level. As DCI

recognises, its current approach for supporting NGOs in developing countries by channelling funds through Irish or international NGOs is unlikely to result in specific and substantial targeting of support either for HIPC monitoring and debt policy advocacy or for DCI programme countries or HIPC countries as priority groups.

### **Representation in field offices and decentralisation of authority**

Ireland's missions in DCI programme countries are staffed by a combination of diplomatic, technical and local staff. Locally recruited staff typically include full-time advisors or part-time focal points for particular sectors, accounting and audit staff, administrative staff, drivers, security personnel and other support staff. A management needs analysis of staffing arrangements in these missions is being carried out which should lead to a reduction in disparities between missions in staffing numbers and structures and ensure a better match between programme priorities and available sectoral expertise. Conducting this review is timely because Ireland's recent increase in funding through SWAps and budget support have resulted in changed requirements in field offices in terms of their capacity to engage more substantially in country-level dialogue and to promote harmonisation and partnership approaches.

The Irish diplomatic mission in each DCI programme country has overall responsibility for the management and day-to-day implementation of Ireland's government-to-government programmes. The mission is backed up by the Programme Countries Section in Dublin which is the primary interface between the country programmes, other sections in DCI and other stakeholders in Ireland. The section co-ordinates, supports and facilitates the implementation of those programmes, in line with individual country strategies and DCI's overall policies. An important task of the Programme Countries Section is contributing to the preparation of proposals for examination by the Programme Appraisal and Evaluation Group (PAEG), an interdepartmental committee that meets every eight weeks to approve new projects and programmes with a value of EUR 300 000 or more (smaller proposals are now considered by the Senior Management Group which makes recommendations to the PAEG). While final programming and funding decisions are consequently taken in Dublin, these represent the culmination of processes initiated from the field and involving an open dialogue with headquarters. DCI reports that it has so far not experienced any difficulties as a result of this approach. However, further substantial expansion and the growing need for donors in the field to respond rapidly and flexibly so as to promote harmonisation and partnership may require DCI to redefine the roles and responsibilities of headquarters and field offices for a range of issues relating to country strategy, programming and operations, financial management and administrative procedures.

### **Harmonisation of donor practices**

Ireland welcomes the work done recently by the international donor community on harmonising donor practices. Ireland has had a particular interest in promoting harmonisation for several years, due to the expected benefits in terms of improving aid effectiveness and reducing transaction costs for partners by eliminating duplications. As an example of this, Ireland commissioned a study<sup>34</sup> on harmonisation in sector programmes for the high-level meeting in 1999 of PROAGRI, the agricultural sector reform programme in Mozambique. This has become a useful reference on the subject.

DCI's structures are generally not complex and this allows Ireland to adopt flexible approaches and adjust its procedures in order to harmonise. Ireland is currently pursuing opportunities to harmonise with other donors as occasions present themselves. For example, Ireland has joined six

<sup>34</sup> See: Grindle, J. (1999) Donor harmonisation in sector programmes: issues and challenges. Available from the Internet at: <http://www.irlgov.ie/iveagh/irishaid/paper1.htm>

other donors<sup>35</sup> to participate in a harmonisation pilot exercise in Zambia. The pilot is designed to use existing funding more effectively, rather than to channel additional funds. As part of the exercise, each donor will take on a special role as a sectoral focal point. Zambia was chosen because of its progress with implementing reforms and fighting corruption.

### **Implementation modalities**

DCI has used a range of aid instruments – technical assistance, stand-alone projects, area-based programmes, SWAps and budget support – but their mix has evolved over the history of Ireland’s ODA programme. Ireland’s strong commitment to partnership principles has resulted in DCI now channelling most of its assistance in programme countries through three modalities: area-based programmes, SWAps and budget support. DCI considers these modalities to be complementary and mutually reinforcing. Ireland’s engagement in area-based programmes is used as a basis for monitoring the impact of public sector reforms and the introduction of new ways of working through SWAps. In this way, Ireland can bring its experience of service delivery at local government level in such sectors as health and education to policy discussions at the sectoral level. In turn, both modalities provide information which can be used to validate the impact of moving from a project to a more programmatic approach and give greater legitimacy to Ireland’s participation in policy dialogue at national level. DCI’s preference is to try to incorporate all three modalities in its country programmes in a balanced way, but the final outcome ultimately depends on specific conditions in each country, such as the partner country’s readiness for budget support, and gaps in the existing provision of development co-operation. In Tanzania - where DCI recently exited from one of its four area-based programmes and is currently considering supporting a new district - the distribution in budget allocations for 2003 is 10% for projects, 10% for area-based programmes, 42% for SWAps and similar pooled-funding arrangements and 38% for budget support.

### ***Technical assistance***

At one time, Ireland was a large supplier of expatriate technical assistance to its partner countries but the number of technical assistants has fallen from 71 in 1992 to one in 2003. Ireland provides two explanations for this change. First, as an application of partnership principles, the funding of activities should be de-linked from their management and so DCI no longer hires technical assistants to support the implementation of its own activities. Secondly, although capacity development is important for sustainably reducing poverty, DCI’s experience is that technical assistance is an ineffective means of supporting this because it tends to be a substitute for local staff and counterparts are rarely provided by the partner institution. DCI nonetheless remains open to supporting technical assistance when essential, but believes that it should be untied and funded through pooled-funding arrangements. The person should be recruited by the partner government and be responsible and accountable solely to them. The field visit to Tanzania confirmed that Ireland is adopting this approach.

### ***Projects***

Ireland readily acknowledges that numerous donor-assisted projects present significant problems in terms of donor co-ordination and government leadership and pose a challenge in terms of implementing partnership approaches. In line with this realisation, the number of stand-alone projects in the DCI programme has decreased but some projects are still being supported. In DCI’s view, projects remain a valid modality in certain circumstances, such as during a transition to a sector-wide approach, when new ideas are being piloted or when a specific problem exists which is amenable to a project approach, such as developing financial or auditing systems. Projects are also an appropriate

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<sup>35</sup> The other donors are Denmark, Finland, the Netherlands, Norway, Sweden and the United Kingdom.

response when government systems are so weak that few alternatives exist. However, in such circumstances, DCI's view is that the project should aim to hand over to government as soon as feasible and have the building of local capacity as a key objective.

### *Area-based programmes*

Area-based programmes are a long-standing feature of DCI's activities in its five larger programme countries: Ethiopia, Mozambique, Tanzania, Uganda and Zambia. In these programmes, DCI seeks to promote inclusive and co-ordinated development programmes led by the local authority and to maximise the use of local capacity by involving local NGOs and community groups in the planning, management, resourcing and implementation of development initiatives. Strong efforts are made to avoid the establishment of parallel, non-integrated structures. DCI's objective is that when it exists an area-based programme, typically after 12 to 15 years, the local government and community will have developed the capacity and working relationship to enable them to maintain and resource an on-going local development programme.

Originally designed as a means of increasing the impact and effectiveness of ODA by concentrating the scarce resources of a small donor in a limited geographic area, the number and geographic coverage of DCI's area-based programmes increased as Ireland's ODA expanded during the 1990s. By 1999, nearly half of Ireland's ODA to its largest programme countries funded area-based programmes. The emergence since the late 1990s of SWAps, multi-donor debt relief funds and budget support modalities in DCI's programme countries has provided Ireland with alternative and complementary channels for disbursing the most recent expansion in ODA. As a result, the share of ODA for area-based programmes fell to around 30% in 2002, even though the volume of resources for this modality has remained largely unchanged.

The focus of DCI's area-based programmes has moved away from providing direct advice to local authorities to supporting and monitoring the implementation of programmes. Area-based programmes are now more partnership based, more integrated into local government systems and less dependent on technical assistance. In parallel, DCI has become increasingly involved in governance issues and local government reform due, in part, to their importance for ensuring the sustainability of area-based programmes (they also increase the impact of SWAps and budget support in rural areas). The experience of DCI's withdrawal after supporting the Kilosa district in Tanzania for some 18 years shows the value of moving in the direction of greater promotion of local ownership of the development process and of the need to address governance issues. In that district, the programme seems to have appeared as being externally designed and implemented because financial improprieties, fraud and theft occurred during the programme's last year of operation in 2002.

As well as some clear strengths, a general evaluation of support for area-based programmes (see Box 7) and some more recent specific reviews have identified a number of weaknesses in DCI's approach in area-based programmes. These relate particularly to assessing the output and impact of investments and DCI intends to respond to these findings. At the same time, however, central governments in some partner countries are becoming increasingly concerned that area-based programmes are distorting the equitable allocation of national resources and are reducing their allocations to local governments by the amount of direct support they receive from donors. An additional issue for DCI to address in such contexts is ensuring that capacity building in local governments occurs effectively so that area-based programmes continue to add value and foster greater development at local and community levels.

**Box 7. Evaluation of area-based programmes**

The DAC's 1999 Peer Review recommended that Ireland place greater emphasis on evaluating area-based programmes which, at that time, were the core and largest component of its bilateral assistance. A wide-ranging evaluation was subsequently commissioned of experiences with area-based programmes. This was published as "Reaching out to communities: Area-based programmes, 1994-2000".

The evaluation found that, as an aid modality, area-based programmes advance partnership principles because they transfer a considerable part of the decision making and all of the implementation to legitimate democratic and administrative structures in the districts involved. Nevertheless, the quality and depth of the partnership relationship between Ireland and its local government partners had in some cases been poor. The establishment of a common vision on objectives and approaches had been a difficult process in such areas as community involvement in planning and management, accountability, financial management and resource sustainability, particularly in the older area-based programmes that had evolved from project-based to programmatic approaches. In the newer area-based programmes, more effort had appropriately been concentrated in establishing a realistic and open partnership, in defining respective roles and expectations and in agreeing overall objectives.

The evaluation also found that DCI had adapted its area-based programmes to the local context in each country. All of its area-based programmes had contributed to successes in increasing the delivery of social services and in building or rehabilitating infrastructure for health, education, water supply and rural roads. On the other hand, the evaluation raised concerns about the need to pay greater attention to the quality of services delivered and to the need to focus to a greater extent on community maintenance of infrastructure, especially rural roads and water supply.

A weakness identified in DCI's approach had been the low level of importance given to evaluation and to investing in reliable monitoring systems which could demonstrate the effectiveness of inputs. This had diminished the potential for lesson learning and on-going course correction in programmes. The evaluation had nonetheless been able to document clear benefits deriving from DCI's area-based programmes.

In conclusion, the evaluation found that area-based programmes constitute a viable approach to development, even if their potential benefits remained largely unfulfilled. The evaluation recognised that area-based programmes are an exposed and risky modality because their success depends directly on the ability and willingness of other actors to perform their assigned tasks. They are also a mature and optimistic approach because they are based on the assumption that, with appropriate support, partners and local actors can and will deliver.

***Sector-wide approaches***

Ireland views the emergence of SWAs as a response to inadequacies in many other aid modalities, particularly stand-alone projects which tended to operate in parallel to government programmes. These inadequacies include lack of partner ownership, lack of co-ordination within a sector, policy fragmentation, duplication of resources and approaches, managerial constraints from servicing numerous isolated activities and lack of sustainability. Ireland expects SWAs will promote stronger local ownership and more inclusive processes for decision making and priority setting. The linking of capital and recurrent costs within a coherent sectoral plan is expected to enhance sustainability.

Ireland's ambition of contributing to an effective and sustainable reduction in poverty has led to it becoming fully engaged in SWAs in all DCI programme countries in Africa. DCI's traditional heavy engagement in the education and health sectors facilitated this transition because these sectors were the first to move towards SWAs. DCI estimates that around one-third of its disbursements to programme countries in 2002 funded SWAs.

Among DCI's programme countries, the SWAp mechanism is most advanced in Uganda, where sectoral programmes in education and health have been implemented for more than five years. Uganda's Poverty Eradication Action Plan (PEAP), one of the first poverty reduction strategy papers, advocates all activities in a given sector being guided by a common sector-wide programme that is fully costed and integrated into the country's medium-term budget framework. The four SWAps operating in Uganda today - in agriculture, education, health and justice - are integrated into the PEAP. Joint government-donor working groups regularly monitor implementation in each SWAp. In addition, each SWAp is comprehensively reviewed twice a year. Successful outcomes from these reviews are critical because they trigger the release of Poverty Reduction Support Credits from the World Bank. To date, the World Bank has approved two USD 150 million credits for Uganda, released in 2001 and 2002. Ireland funds all four SWAps operating in Uganda and participates actively in donor co-ordination fora.

DCI's own experience, coupled with the findings of the analytic work it has commissioned, provides Ireland with a basis for being confident that SWAps can, in the long run, lead to more effective aid and result in better policy dialogue at sectoral levels. Ireland is nevertheless aware that the reliance on partner governments' accounting and monitoring systems can involve an increased fiduciary risk if partners' public financial management systems are poorly developed. SWAps can provide, however, an avenue for donors to respond more effectively to fiduciary risks through their regular monitoring and reviewing of sectoral programmes as a complement to their on-going support for strengthening partners' financial systems as part of broader public sector reform programmes. Compared to some other donors participating in SWAps, DCI has an extra advantage because its involvement in area-based programmes enables it to ensure that experiences at local and community levels are fed into policy dialogue at the national level, as was seen in Tanzania. DCI is aware that the emphasis to date in SWAps on improving structures and systems for sectoral planning and management has yet to manifest itself in greatly improved service delivery. There is consequently a risk that the public and Parliaments in donor countries will become disillusioned before this modality has proved its full worth. This points to the need for donors engaged in SWAps to implement effective communications strategies so as to build up public awareness and confidence in this modality.

### ***Budget support***

Ireland subscribes to the view that budget support has a number of potential advantages over stand-alone projects because it is linked to an agreed set of policy reforms and an agreed pattern of public expenditure. At the centre of the process is an effort to set up a mechanism by partner governments for resource allocation towards prioritised pro-poor strategies, through a transparent and consultative process that is accountable to all stakeholders. As part of this process, donors are expected to provide complementary resources through mechanisms that integrate their resource allocation decisions into public sector budgets. Budget support consequently promotes pro-poor economic growth and development by creating an environment for higher quality dialogue on policy and reform processes, by supporting partners in a more definitive way to implement their poverty reduction strategies and by encouraging greater local ownership of the development process.

A combination of factors has given DCI confidence in the policies and potential of some of its programme countries and allowed it to join other donors in providing budget support to finance partner countries' national strategies for reducing poverty. These factors include: i) a sound track record in macro-economic reform and stability; ii) greater collaboration among donors through SWAps; and iii) Ireland's positive experience between 1999 and 2001 of providing programme funding through the Multilateral Debt Funds established by Mozambique and Tanzania. In 2002, around 18% of DCI disbursements to programme countries was provided as budget support to three countries: Mozambique (along with nine other donors), Tanzania (along with 12 other donors) and

Uganda (along with eight other donors). In these countries, DCI is actively engaged in the government-donor co-ordination frameworks that have been established to facilitate policy dialogue on priority areas for poverty reduction and to monitor the implementation of reform policies and service delivery. DCI can usefully bring experiences and perspectives from its involvement in both area-based programmes and SWApS to these discussions.

As with other aid modalities, budget support brings with it a number of risks. Fiduciary risks are predominant as a result of the often undeveloped public financial management systems in some partner countries. However, as a budget support donor, DCI considers that it is in a more legitimate position to see through reforms which will lower fiduciary risks by ensuring that systematic improvements are made in financial accountability, the management and tracking of public sector expenditure and governance issues. Governance issues are important concerns in all three countries where DCI has provided budget support – *e.g.* public service corruption in Tanzania and Uganda and a banking crisis in Mozambique – and these subjects feature in Ireland’s dialogue with its partner countries. Budget support entails increased risks for partner countries as well, including unpredictability of resource flows. Delays or reductions in disbursements by donors can impact on the cash flow of ministries and in turn affect the delivery of services to people in developing countries. The current lack of predictability in DCI’s own budget limits Ireland’s capacity to provide partner countries with assurances about future funding levels, thereby contributing to greater unpredictability in resource flows. This in turn reduces the potentially large positive impact expected through supporting this aid modality.

The example of Uganda demonstrates the influence that donors can have through policy dialogue with partner governments from the provision of budget support. In Uganda, Ireland and other donors have tied their budget support to the World Bank’s Poverty Reduction Support Credit and developed, with the Ugandan government, a matrix of reforms and benchmarks to serve as the basis for their policy dialogue. This has provided an opening for Ireland and other donors to engage in discussions with Ugandans on sensitive and political issues, such as increases in Uganda’s defence expenditures and the involvement of the Ugandan army in the Democratic Republic of Congo. In the view of the Minister of State, the complete withdrawal of Ugandan troops from the Democratic Republic of Congo in early 2003 can be attributed in considerable measure to pressure from Ireland and other donors.<sup>36</sup>

As an expression of Ireland’s on-going concern about increases in Uganda’s spending on defence<sup>37</sup>, the Minister of State took the decision in July 2003 to redirect the EUR 12.7 million previously allocated for budget support to Uganda in 2003 to Uganda’s Poverty Action Fund, which finances poverty reduction activities in the areas of health, education, water and rural roads. The objective in taking this decision was to strengthen Ireland’s focus on key sectors and to enhance safeguards. While the Minister of State has made clear that Ireland has a long-term commitment to supporting poverty reduction in Uganda, it remains unclear whether budget support may at some future time be reinstated in Uganda (and, if so, what conditions would need to be fulfilled). Ireland’s programme of assistance to Uganda has been the subject of public criticism in Ireland recently, based in particular on Uganda’s involvement in the Democratic Republic of Congo. Following the Minister of State’s decision, there has been a general debate in Ireland about providing budget support, governance issues in developing countries and the appropriate and respective roles of donor

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<sup>36</sup> See Department of Foreign Affairs press release dated 19 August 2003.

<sup>37</sup> According to the Irish Department of Foreign Affairs, the Ugandan government agreed with its international donors to cap its defence expenditures in 2002 at 2.1% of GDP but spending increased to a level of about 2.3% of GDP.

governments and NGOs in fostering development. This has brought the public discussion in Ireland on development closer to the complex and challenging issues that the official development co-operation programme confronts as it endeavours to reduce poverty sustainably in the sometimes difficult circumstances that exist in developing countries.

The field visit to Tanzania provided an opportunity to learn how Ireland and other donors are providing budget support and addressing the fiduciary risks associated with this aid modality. Ireland was one of the pioneering donors in the Poverty Reduction Budget Support (PRBS), whose objective is to support Tanzania's poverty reduction strategy by ensuring adequate resources for priority sectors in the government budget through the provision of flexible and co-ordinated budget support. A major advantage for bilateral donors of participating in the PRBS is the overview of Tanzanian government strategy and practice that this mechanism brings. At the same time, the fiduciary risk of funds not reaching down to the implementation level and achieving intended results is a great concern for donors, a risk that has increased due to the decentralisation process in Tanzania. For most donors participating in the PRBS, the transfer of funds is scheduled over a three-year period which means that donors will need to see results within that timeframe. To assess progress during the intervening period, donors have been developing a performance framework with the focus currently on process indicators, such as progress in implementing initiatives on financial management. These indicators are being used to stimulate dialogue with the government. Outcome indicators are also being developed, but may not be available before three years.

### **Considerations for the future**

- Ireland should continue refining its country strategy preparation processes so as to enhance partnership principles further and explore how the preparation of individual civil society strategies can be used to promote local civil society and private sector in programme countries more actively, strategically and directly.
- In parallel to its review of management arrangements in programme countries, DCI could consider redefining the roles and responsibilities of headquarters and field offices for a range of issues relating to country strategy, programming and operations, financial management and administrative procedures.
- Based on the experience of the pilot exercise in Zambia, Ireland could help establish the conditions and take on a leading role in promoting greater harmonisation of donor practices in DCI's other programme countries.
- DCI could consider promoting broader public debate in Ireland on development issues and intervening pro-actively to ensure that the public receives balanced information on the strengths, weaknesses and risks associated with the different but complementary forms of development co-operation provided by the Irish people through both governmental and non-governmental channels. As part of this process, DCI could outline its reasons for having moved to fund SWAs and to provide budget support.



## ANNEX I

**PROGRESS AGAINST MAIN RECOMMENDATIONS  
OF THE 1999 DAC PEER REVIEW**

	<b>Recommendation made in 1999</b>	<b>Current situation</b>
1.	A written implementation programme, up-dating "Irish Aid: Consolidation and Growth", would give clear direction for future growth in the aid programme.	The "Report of the Ireland Aid Review Committee", published in 2002, set out a comprehensive policy and institutional framework to guide expansion in the DCI programme. The Review Committee's findings and recommendations have been accepted in whole by the government.
2.	To mark Irish Aid/DCI's 25 <sup>th</sup> anniversary, Ireland should renew its commitment to promoting development and reducing poverty as priority goals for all government policy.	The Ireland Aid Review Committee reconfirmed that the reduction of poverty should remain the overarching objective for the DCI programme. In its Strategy Statement 2003-2005, the Department of Foreign Affairs sets itself the objective of continuing to ensure that developing countries' concerns are taken into account in the formulation of government policies.
3.	Decisions on expansion of the programme should be based on development criteria and the scope for Irish impacts on poverty reduction.	The Review Committee confirmed that all of DCI's policies and activities should be gauged against their contribution to reducing poverty and their ability to achieve progress towards the MDGs.
4.	Irish Aid/DCI should maintain and enhance its focused nature. Even a modest extension in the number of programme countries should be evaluated carefully.	Ireland's support for United Nations agencies has become more selective and strategic. East Timor is the only new programme country designated since the last peer review. However, a number of other new programme countries are being actively considered. The Review Committee recognised that a tight concentration on a small number of programme countries had been one of Ireland's strengths and there are some risks in departing from this approach.

5.	Ireland should pursue its consideration of joining the African Development Bank.	Ireland has not joined the African Development Bank. DCI continues to keep the issue of joining regional development banks under review.
6.	Staffing, skill mixes and career perspectives must be reinforced and changed if Ireland's contribution to development co-operation is to be maintained and further enhanced.	Some positive developments have occurred, notably in relation to employment conditions for contract staff, but overall staff numbers appear barely adequate, especially in some technical fields and for policy elaboration. There should be more opportunities for a strong development focus within career paths in the Department of Foreign Affairs.
7.	Reinforcing existing organisational structures is preferable in the short-term. In the longer term, establishing an independent implementing agency is an appealing option from an operational point of view.	The Review Committee recommended that DCI remain a division of the Department of Foreign Affairs. It considered the recommended revised structure to be most attuned to DCI's needs at that time but acknowledged some shortcomings related to staffing levels and managerial flexibility.
8.	Irish Aid/DCI could do more to engender a culture of evaluation and a focus on monitoring and results. The evaluation of area-based programmes should be given greater emphasis.	An evaluation culture is being engendered in some DCI programme areas, such as multilateral assistance and emergency aid, but DCI recognises that more can be done, especially in relation to NGO co-financing. A wide-ranging evaluation of area-based programmes was conducted in 2000.

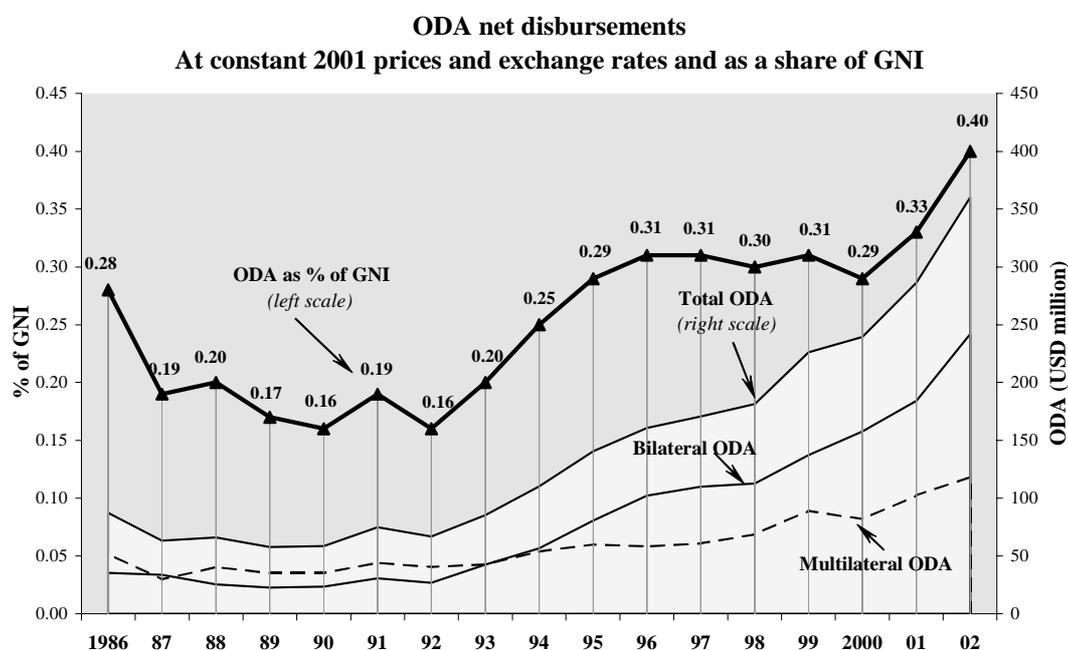
**ANNEX II**  
**OECD/DAC STANDARD SUITE OF TABLES**

Table II-1. Total financial flows

USD million at current prices and exchanges rates

Ireland	Net disbursements						
	1986-87	1991-92	1998	1999	2000	2001	2002
<b>Total official flows</b>	<b>57</b>	<b>84</b>	<b>199</b>	<b>245</b>	<b>252</b>	<b>310</b>	<b>424</b>
Official development assistance	57	71	199	245	234	287	398
Bilateral	26	29	124	149	154	184	267
Multilateral	31	43	75	97	80	102	131
Official aid	n.a.	13	-	-	18	23	26
Bilateral		0	-	-	1	0	1
Multilateral		13	-	-	17	23	25
Other official flows	-	-	-	-	-	0	0
Bilateral	-	-	-	-	-	0	0
Multilateral	-	-	-	-	-	-	-
<b>Grants by NGOs</b>	<b>23</b>	<b>26</b>	<b>45</b>	<b>6</b>	<b>90</b>	<b>101</b>	<b>86</b>
<b>Private flows at market terms</b>	<b>16</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>416</b>	<b>350</b>	<b>986</b>
Bilateral: <i>of which</i>	16	29	-	-	416	350	986
Direct investment	-	-	-	-	-	-	-
Export credits	16	29	-	-	-	0	-
Multilateral	-	-	-	-	-	-	-
<b>Total flows</b>	<b>96</b>	<b>139</b>	<b>243</b>	<b>251</b>	<b>758</b>	<b>761</b>	<b>1 496</b>
<i>for reference:</i>							
ODA (at constant 2001 \$ million)	75	71	181	226	239	287	360
ODA (as a % of GNI)	0.23	0.18	0.30	0.31	0.29	0.33	0.40
Total flows (as a % of GNI) (a)	0.39	0.31	0.50	0.32	0.93	0.85	1.49

a. To countries eligible for ODA.



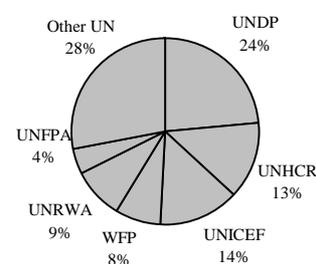
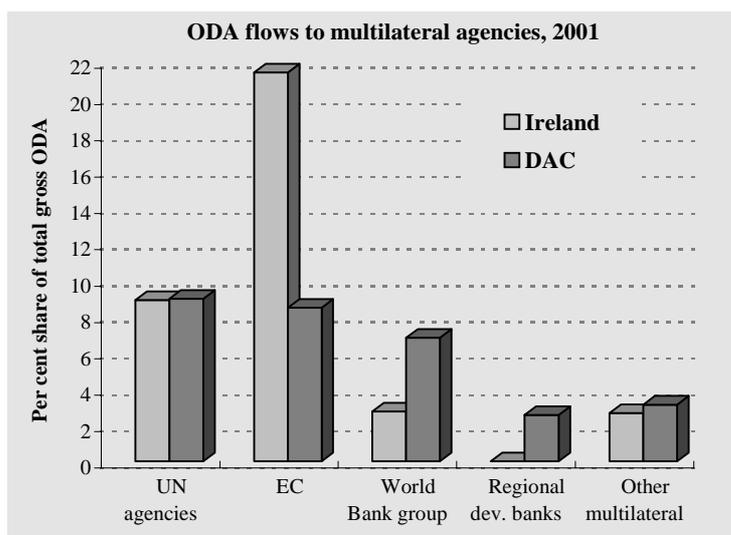
Source: OECD.

Table II-2. ODA by main categories

Ireland	Constant 2001 USD million					Per cent share of gross disbursements					Total DAC 2001%
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	
	<i>Disbursements</i>										
<b>Gross Bilateral ODA</b>	<b>113</b>	<b>137</b>	<b>157</b>	<b>184</b>	<b>242</b>	<b>62</b>	<b>61</b>	<b>66</b>	<b>64</b>	<b>67</b>	<b>70</b>
<i>Grants</i>	<i>113</i>	<i>137</i>	<i>157</i>	<i>184</i>	<i>242</i>	<i>62</i>	<i>61</i>	<i>66</i>	<i>64</i>	<i>67</i>	<i>57</i>
Project and programme aid	88	92	90	93	138	48	40	37	33	38	13
Technical co-operation	-	-	-	11	12	-	-	-	4	3	23
Developmental food aid	-	-	-	-	1	-	-	-	-	0	2
Emergency and distress relief	9	29	24	18	15	5	13	10	6	4	6
Action relating to debt	-	-	-	11	0	-	-	-	4	0	4
Administrative costs	-	-	8	14	19	-	-	3	5	5	5
Other grants	16	17	35	38	57	9	7	15	13	16	4
<i>Non-grant bilateral ODA</i>	-	-	-	-	-	-	-	-	-	-	<b>13</b>
New development lending	-	-	-	-	-	-	-	-	-	-	<b>12</b>
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	<b>1</b>
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	<b>0</b>
<b>Gross Multilateral ODA</b>	<b>69</b>	<b>89</b>	<b>82</b>	<b>102</b>	<b>118</b>	<b>38</b>	<b>39</b>	<b>34</b>	<b>36</b>	<b>33</b>	<b>30</b>
UN agencies	17	16	23	25	37	9	7	9	9	10	9
EC	45	53	48	61	57	25	23	20	21	16	8
World Bank group	6	6	9	8	17	3	3	4	3	5	7
Regional development banks (a)	-	-	-	-	-	-	-	-	-	-	3
Other multilateral	1	15	3	8	8	0	6	1	3	2	3
<b>Total gross ODA</b>	<b>181</b>	<b>226</b>	<b>239</b>	<b>287</b>	<b>360</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Repayments and debt cancellation</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total net ODA</b>	<b>181</b>	<b>226</b>	<b>239</b>	<b>287</b>	<b>360</b>	-	-	-	-	-	-
<i>For reference:</i>											
<i>ODA to and channelled through NGOs</i>	<i>15</i>	<i>15</i>	<i>35</i>	<i>38</i>	<i>57</i>	-	-	-	-	-	-
<i>Associated financing (b)</i>	-	-	-	-	-	-	-	-	-	-	-

a Excluding EBRD.

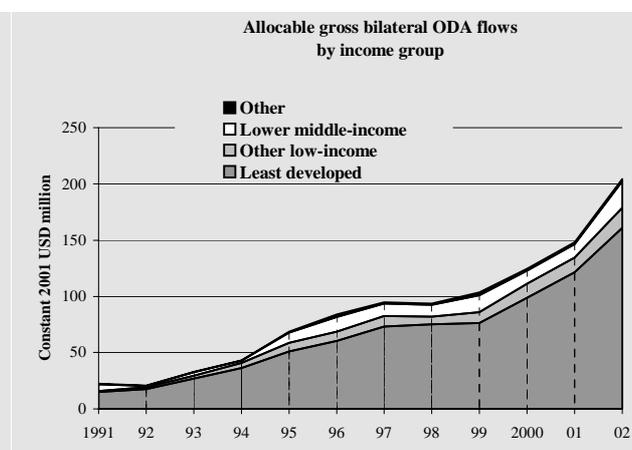
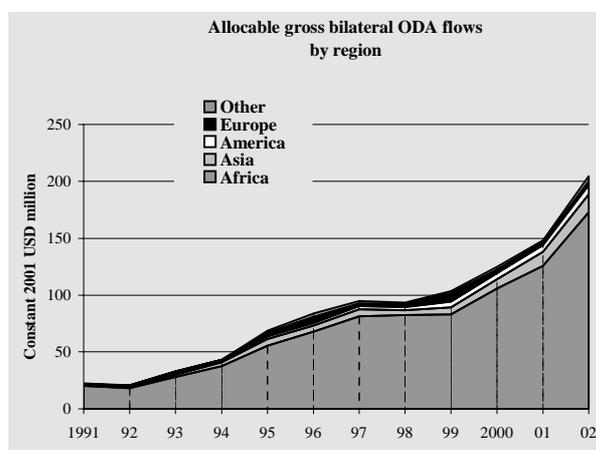
b. ODA grants and loans in associated financing packages.



Source: OECD.

Table III-3. Bilateral ODA allocable by region and income group

Ireland	Constant 2001 USD million					Per cent share					Total DAC 2001%
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	
	Gross disbursements										
<b>Africa</b>	83	83	106	126	173	88	80	85	85	84	<b>33</b>
Sub-Saharan Africa	83	83	106	125	173	88	80	85	85	84	<b>26</b>
North Africa	0	0	0	0	0	0	0	0	0	0	<b>7</b>
<b>Asia</b>	4	6	8	13	16	4	6	6	9	8	<b>39</b>
South and Central Asia	2	3	3	9	11	2	3	3	6	5	<b>17</b>
Far East	2	4	5	4	5	2	3	4	3	2	<b>22</b>
<b>America</b>	3	5	6	6	8	3	5	5	4	4	<b>15</b>
North and Central America	2	3	3	3	5	2	3	3	2	2	<b>7</b>
South America	1	2	2	3	3	1	2	2	2	2	<b>8</b>
<b>Middle East</b>	2	2	2	2	5	2	2	2	1	2	<b>4</b>
<b>Oceania</b>	0	0	0	0	0	0	0	0	0	0	<b>2</b>
<b>Europe</b>	2	7	3	2	3	3	7	3	2	2	<b>6</b>
<b>Total bilateral allocable by country</b>	<b>94</b>	<b>104</b>	<b>125</b>	<b>148</b>	<b>205</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	75	76	99	122	161	80	73	79	82	79	<b>26</b>
<b>Other low-income</b>	7	10	13	13	18	8	10	10	9	9	<b>33</b>
<b>Lower middle-income</b>	10	15	11	12	24	11	14	9	8	12	<b>35</b>
<b>Upper middle-income</b>	1	3	2	2	2	1	2	2	1	1	<b>5</b>
<b>High-income</b>	-	-	-	-	-	-	-	-	-	-	<b>0</b>
<b>More advanced developing countries</b>	-	-	-	-	-	-	-	-	-	-	<b>-</b>
<i>For reference:</i>											
<i>Total bilateral</i>	113	137	157	184	242	100	100	100	100	100	<b>100</b>
<i>of which: Unallocated</i>	19	34	33	36	37	17	25	21	20	15	<b>23</b>



Source: OECD.

Table II-4. Main recipients of bilateral ODA

Ireland	1991-92			1996-97			2001-02		
	Current USD million	Constant 2001 USD mn.	Per cent share	Current USD million	Constant 2001 USD mn.	Per cent share	Current USD million	Constant 2001 USD mn.	Per cent share
Tanzania	5	4	21	15	13	15	30	29	16
Lesotho	4	4	17	11	10	11	24	23	13
Zambia	3	3	15	10	9	10	23	22	12
Egypt	2	3	11	8	7	8	21	19	11
Sudan	1	1	6	7	7	7	16	15	9
<b>Top 5 recipients</b>	<b>15</b>	<b>15</b>	<b>71</b>	<b>51</b>	<b>46</b>	<b>52</b>	<b>114</b>	<b>108</b>	<b>61</b>
Ethiopia	1	1	4	5	4	5	10	10	6
Somalia	1	1	3	5	4	5	8	8	4
Zimbabwe	0	0	2	4	4	4	6	5	3
Kenya	0	0	2	4	4	4	4	3	2
Cambodia	0	0	2	2	2	2	3	3	2
<b>Top 10 recipients</b>	<b>18</b>	<b>18</b>	<b>85</b>	<b>71</b>	<b>65</b>	<b>72</b>	<b>145</b>	<b>137</b>	<b>78</b>
Bangladesh	0	0	2	2	2	2	3	2	1
Iran	0	0	2	2	2	2	3	2	1
Sr Ex- Yugoslavia unsp.	0	0	1	2	2	2	2	2	1
Uganda	0	0	1	2	2	2	2	2	1
Turkey	0	0	1	2	1	2	2	2	1
<b>Top 15 recipients</b>	<b>20</b>	<b>20</b>	<b>91</b>	<b>81</b>	<b>73</b>	<b>82</b>	<b>157</b>	<b>148</b>	<b>84</b>
Nigeria	0	0	1	2	1	2	2	2	1
Mozambique	0	0	1	1	1	1	2	2	1
Malawi	0	0	1	1	1	1	2	1	1
Namibia	0	0	0	1	1	1	2	1	1
India	0	0	0	1	1	1	2	1	1
<b>Top 20 recipients</b>	<b>20</b>	<b>20</b>	<b>94</b>	<b>86</b>	<b>78</b>	<b>87</b>	<b>165</b>	<b>156</b>	<b>88</b>
<b>Total (63 recipients)</b>	<b>22</b>	<b>21</b>	<b>100</b>	<b>99</b>	<b>89</b>	<b>100</b>	<b>187</b>	<b>176</b>	<b>100</b>
Unallocated	7	7		18	17		39	37	
<b>Total bilateral gross</b>	<b>29</b>	<b>29</b>		<b>117</b>	<b>106</b>		<b>226</b>	<b>213</b>	

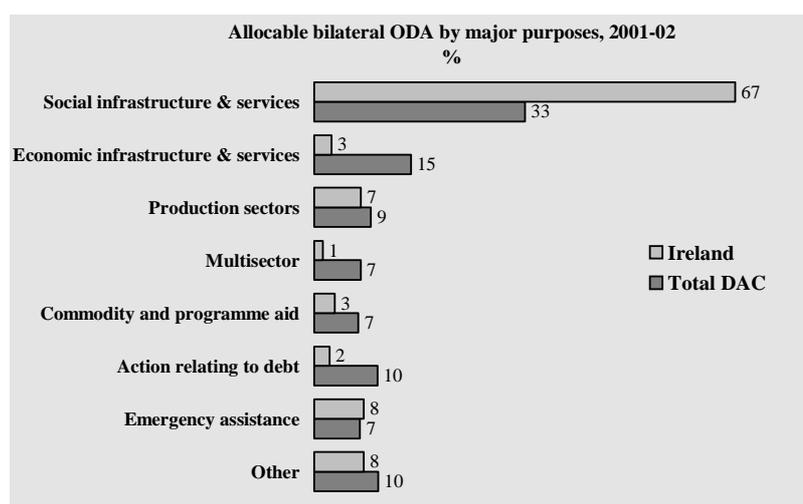
Source: OECD.

Table II-5. Bilateral ODA by major purposes

at current prices and exchange rates

Disbursements, two-year averages

Ireland	1991-92		1996-97		2001-02		2001 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>12</b>	<b>44</b>	<b>54</b>	<b>53</b>	<b>147</b>	<b>67</b>	<b>33</b>
Education	7	26	20	20	45	20	9
of which: basic education	-	-	-	-	-	-	2
Health	2	8	16	16	48	22	4
of which: basic health	-	-	-	-	-	-	3
Population programmes	0	0	0	0	1	0	3
Water supply & sanitation	1	4	7	7	11	5	5
Government & civil society	1	3	2	2	21	10	7
Other social infrastructure & services	1	4	8	8	22	10	6
<b>Economic infrastructure &amp; services</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>3</b>	<b>15</b>
Transport & storage	1	4	5	5	6	3	9
Communications	0	0	0	0	0	0	1
Energy	0	1	1	1	0	0	4
Banking & financial services	-	-	2	2	0	0	1
Business & other services	0	1	-	-	0	0	1
<b>Production sectors</b>	<b>3</b>	<b>11</b>	<b>7</b>	<b>7</b>	<b>16</b>	<b>7</b>	<b>9</b>
Agriculture, forestry & fishing	2	7	6	6	14	6	7
Industry, mining & construction	1	3	1	1	2	1	1
Trade & tourism	0	1	0	0	1	0	1
Other	0	0	-	-	0	0	0
<b>Multisector</b>	<b>2</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>7</b>
<b>Commodity and programme aid</b>	<b>3</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>3</b>	<b>7</b>
<b>Action relating to debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>2</b>	<b>10</b>
<b>Emergency assistance</b>	<b>2</b>	<b>9</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>8</b>	<b>7</b>
<b>Administrative costs of donors</b>	<b>2</b>	<b>8</b>	<b>14</b>	<b>13</b>	<b>17</b>	<b>8</b>	<b>7</b>
<b>Core support to NGOs</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>Total bilateral allocable</b>	<b>28</b>	<b>100</b>	<b>102</b>	<b>100</b>	<b>220</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>							
Total bilateral	28	40	114	63	226	66	70
of which: Unallocated	1	1	12	6	6	2	3
Total multilateral	43	60	66	37	116	34	30
<b>Total ODA</b>	<b>71</b>	<b>100</b>	<b>180</b>	<b>100</b>	<b>342</b>	<b>100</b>	<b>100</b>



Source: OECD.

Table II-6. Comparative aid performance

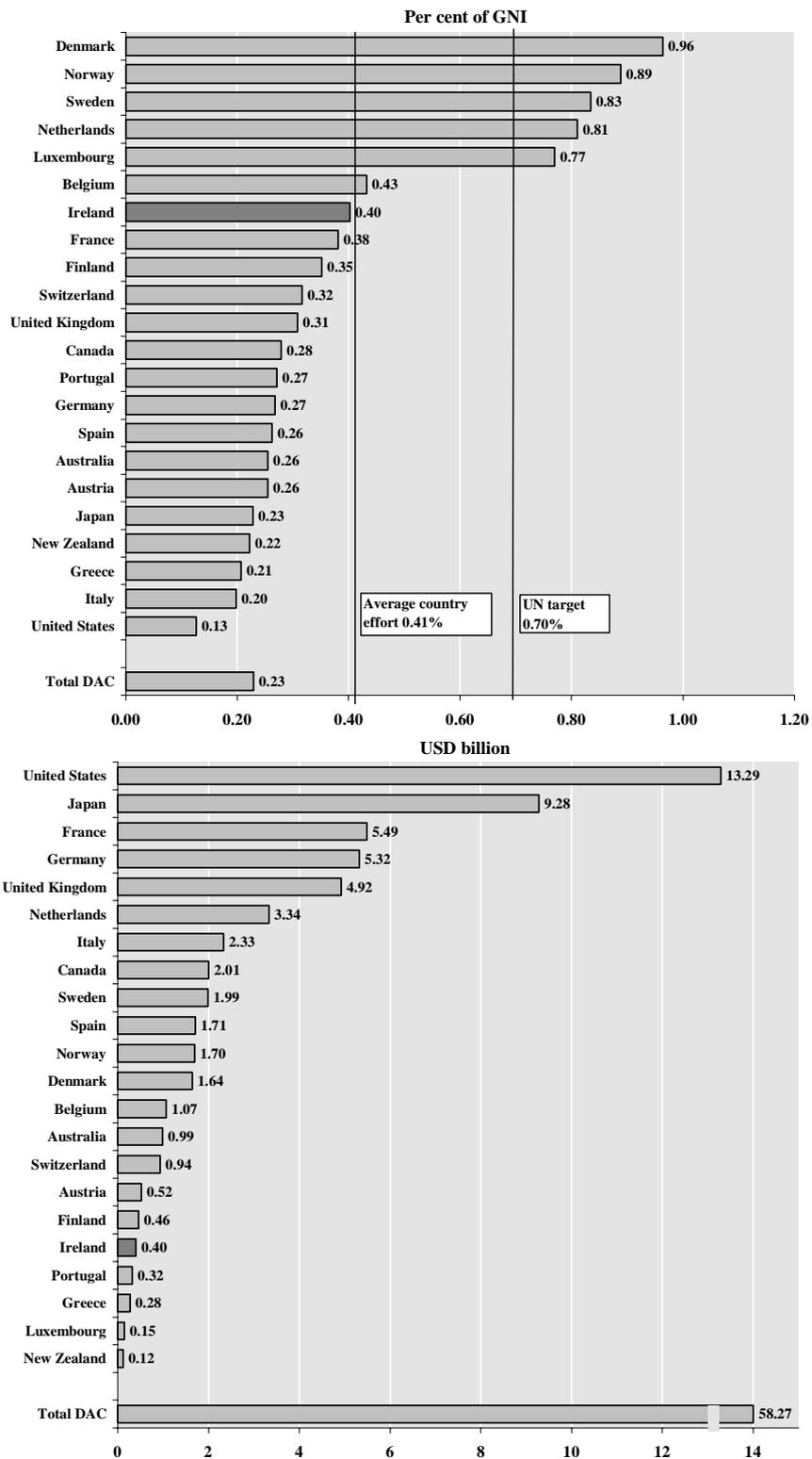
	Official development assistance		Grant element of ODA (commitments) 2001		Share of multilateral aid 2001			ODA to LDCs Bilateral and through multilateral agencies 2001		Official aid 2001	
	USD million	% of GNI	95-96 to 00-01 Ave. annual % change in real terms	% (a)	% of ODA		% of GNI (c)	% of ODA	% of GNI	USD million	% of GNI
					(b)	(c)					
Australia	873	0.25	0.6	100.0	24.3	0.06	20.1	0.05	5	0.00	
Austria	533	0.29	0.2	90.8	35.9	0.10	19.9	0.06	212	0.11	
Belgium	867	0.37	3.5	99.6	42.1	0.15	34.0	0.13	88	0.04	
Canada	1 533	0.22	-2.7	100.0	21.7	0.05	15.1	0.03	152	0.02	
Denmark	1 634	1.03	4.8	100.0	36.7	0.38	33.0	0.34	181	0.11	
Finland	389	0.32	4.8	100.0	42.3	0.14	29.4	0.09	61	0.05	
France	4 198	0.32	-6.5	95.5	38.2	0.12	25.8	0.08	1 334	0.10	
Germany	4 990	0.27	-1.2	95.8	42.8	0.12	23.5	0.06	687	0.04	
Greece	202	0.17	8.2	..	59.1	0.10	10.9	0.02	9	0.01	
<b>Ireland</b>	<b>287</b>	<b>0.33</b>	<b>11.8</b>	<b>100.0</b>	<b>35.7</b>	<b>0.12</b>	<b>49.9</b>	<b>0.16</b>	<b>23</b>	<b>0.03</b>	
Italy	1 627	0.15	-2.3	99.6	72.8	0.11	29.9	0.04	281	0.03	
Japan	9 847	0.23	3.0	88.2	24.3	0.06	18.1	0.04	84	0.00	
Luxembourg	141	0.82	18.1	100.0	24.8	0.20	32.4	0.27	9	0.05	
Netherlands	3 172	0.82	4.9	100.0	29.9	0.25	31.4	0.26	214	0.06	
New Zealand	112	0.25	5.5	100.0	24.1	0.06	25.7	0.07	0	0.00	
Norway	1 346	0.80	1.8	100.0	30.1	0.24	33.3	0.27	32	0.02	
Portugal	268	0.25	6.7	94.7	31.7	0.08	44.5	0.11	28	0.03	
Spain	1 737	0.30	7.2	95.1	33.8	0.10	11.1	0.03	14	0.00	
Sweden	1 666	0.77	4.5	99.8	27.7	0.21	27.5	0.21	119	0.05	
Switzerland	908	0.34	3.0	100.0	29.0	0.10	28.2	0.10	63	0.02	
United Kingdom	4 579	0.32	5.7	100.0	42.7	0.14	36.0	0.12	461	0.03	
United States	11 429	0.11	3.2	99.7	27.5	0.03	14.6	0.02	1 542	0.02	
<b>Total DAC</b>	<b>52 337</b>	<b>0.22</b>	<b>1.8</b>	<b>96.4</b>	<b>33.1</b>	<b>0.07</b>	<b>23.0</b>	<b>0.05</b>	<b>5 597</b>	<b>0.02</b>	
Memo: Average country effort		0.40									

Notes:

- a. Excluding debt reorganisation.  
b. Including EC.  
c. Excluding EC.  
.. Data not available.

Source: OECD.

Graph II-1. Net ODA from DAC countries in 2002



Source: OECD.

## PRESS RELEASE OF THE DAC PEER REVIEW OF IRELAND

### DAC'S RECOMMENDATIONS AS IRELAND PREPARES FOR A USD 1 BILLION DEVELOPMENT CO-OPERATION PROGRAMME

In a major review of Ireland's development co-operation programme, the OECD's Development Assistance Committee (DAC) noted that Ireland's official development assistance (ODA) rose dramatically over the past decade, to USD 398 million or 0.40% of its gross national income (GNI) in 2002 compared to USD 70 million or 0.16% of GNI in 1992. Demonstrating its commitment to poverty reduction, Ireland channels half of its ODA to least-developed countries. This is the largest share among the 22 member countries in the DAC and contributes to achieving the Millennium Development Goals.

Ireland's ODA is expected to continue growing - the government's goal is to reach the United Nations target of 0.7% of national income by 2007. This USD 1 billion commitment reflects the strong Irish tradition of helping the poor and dispossessed. However, as Ireland did not meet its interim target for 2002 - 0.45% of GNI - and only modest ODA budget increases have been provided in 2003 and 2004, there is concern about the likelihood of Ireland achieving the 0.7% target by 2007.

A multi-year funding agreement with the Department of Finance allowed Development Co-operation Ireland (DCI) to make medium-term forward plans as its programme grew rapidly. This agreement has lapsed, making it more difficult for DCI to implement its own aid programme and to fulfil its commitment to long-term partnerships and multi-annual funding arrangements with partner countries, United Nations development agencies and Irish development NGOs.

Ireland's longstanding focus on health and education is now complemented by a strong commitment to addressing the HIV/AIDS pandemic. A prime ministerial commitment in 2001 of at least USD 30 million annually to fight HIV/AIDS through multilateral/global, regional, national and community efforts supports DCI's mainstreaming of HIV/AIDS issues throughout the programme.

The DAC Chairman, Richard Manning, summarised the Committee's main recommendations to build on the progress Ireland has made since its last Peer Review by the DAC in 1999:

- The vast majority of people in Ireland support development efforts. It will be important to build public awareness and ownership of DCI's vision, achievements and challenges as its ODA grows to reach and sustain the 0.7% objective.
- Ireland should plan now how it will manage and implement a USD 1 billion programme so as to: maintain focus on the least-developed countries especially in eastern Africa where its aid is concentrated; support selected multilateral agencies; continue to respond to the HIV/AIDS crisis which is such a significant issue in Ireland's main area of concentration; and promote its forward-looking debt strategy.
- To provide a predictable growth path for the expected rapid and substantial growth in ODA and to help DCI get best value from its multi-annual funding agreements, Ireland should re-introduce a multi-annual agreement on ODA allocations.
- Ireland has addressed some of the critical human resource issues identified in the 1999 DAC Peer Review but should further increase DCI's staff, specialist expertise, and development

management skills as its ODA volume continues to grow and Ireland repositions itself as a medium-sized donor. There should be more opportunities for a strong development focus within career patterns in the Department of Foreign Affairs.

- Ireland has done well to concentrate its main bilateral partnerships on just seven programme countries. It should continue deepening its engagement in these countries, including by engaging more with and supporting local civil society organisations and the local private sector, and bringing regional perspectives to bear on its programme. Ireland should maintain a cautious approach to designating new programme countries.
- By comparative DAC standards, Ireland devotes a large share of its ODA to co-financing activities by NGOs. DCI should continue promoting more strategic approaches, greater mainstreaming of cross-cutting issues (gender, governance, HIV/AIDS and the environment) and more systematic auditing, monitoring and evaluation by NGO partners.
- DCI is managing Ireland's emergency and recovery assistance more strategically, placing greater emphasis on quality and accountability issues and on achieving results. DCI could take this further by developing clearer guidelines, including an exit strategy for humanitarian assistance, or, where appropriate, for continued support integrated into longer-term post-conflict development strategies.
- To maximise its opportunity to make a profound contribution to addressing the HIV/AIDS crisis, DCI should strengthen its mainstreaming of HIV/AIDS by recruiting additional specialists and developing a significant HIV/AIDS training programme for all staff. When up-dating its strategic framework in 2004, DCI should highlight its mainstreaming approach and develop guidance on addressing gender, human rights and equity concerns in its growing access-to-treatment programmes. DCI should initiate a comprehensive evaluation of the impact of its HIV/AIDS activities.
- The DAC welcomed the creation of a unit responsible for assessing policy coherence for development issues and disseminating the results of analyses conducted. This should enhance Ireland's capacity to address the effects of broader government policies on developing countries

At the DAC's latest Peer Review of Ireland's development co-operation policies and programmes on 17 November 2003, the Irish Delegation was headed by David Donoghue, Director General, Development Co-operation Ireland. The examiners were Belgium and Switzerland.

## DESCRIPTION OF KEY TERMS

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.*

**ASSOCIATED FINANCING:** The combination of official development assistance, whether grants or loans, with other official or private funding to form finance packages.

**AVERAGE COUNTRY EFFORT:** The unweighted average ODA/GNI ratio of DAC members, i.e. the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

**DAC (DEVELOPMENT ASSISTANCE COMMITTEE):** The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of this volume.

**DAC LIST OF AID RECIPIENTS:** The DAC uses a two-part List of Aid Recipients which it revises from time to time. Part I of the List comprises developing countries (eligible to receive official development assistance). It is presented in the following categories (the word "countries" includes territories):

**LDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

**Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNP less than USD 760 in 1998 (World Bank Atlas basis).

**LMICs:** Lower Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 761 and USD 3 030 in 1998. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

**UMICs:** Upper Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 3 031 and USD 9 360 in 1998.

**HICs:** High-Income Countries, *i.e.* with GNP per capita (Atlas basis) more than USD 9 360 in 1998.

Part II of the List comprises "Countries in Transition"; assistance to these countries is counted separately as "official aid". These comprise (i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and (ii) more advanced developing countries.

**DEBT REORGANISATION:** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, rescheduling or refinancing.

**DIRECT INVESTMENT:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of Aid Recipients. 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.

**DISBURSEMENT:** The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (less any repayments of loan principal or recoveries of grants received during the same period).

**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable financial 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.

**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 the first repayment of capital). The grant element is calculated against a fixed interest rate of 10%. 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.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL AID (OA):** Flows which meet the conditions of eligibility for inclusion in official development assistance, except that the recipients are on Part II of the DAC List of Aid Recipients.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, i.e. the weighted ODA/GNI ratio of DAC members (cf. Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Developmentally relevant transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as official development assistance or official aid.

**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.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. 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. These data show the value of aid in terms of the domestic purchasing power of a US dollar in the year specified.

# THE DEVELOPMENT ASSISTANCE COMMITTEE



## **DAC PEER REVIEWS**

### **HOW TO CONTACT US**

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