

DAC Peer Review

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Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Examen du CAD par les pairs Belgique

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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 Austria and Portugal for the Peer Review on 26 October 2005.

*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.*

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

ACRONYMS

AFD*	French development agency
AGCD*	General Administration for Development Co-operation
APEFE*	Association for the promotion of education and training abroad
BIO	Belgian corporation for investment in developing countries
BPR	Business Process re-Engineering
BTC	Belgian Technical Co-operation (public corporation)
CAP	Consolidated Appeals Process
CFDD*	Federal Council for Sustainable Development
CIAT*	International Committee in Support of the Transition
CIPE*	Interministerial Conference for External Affairs
CIUF-CUD*	French-speaking community inter-university committee – University commission for development
CNCD*	National development co-operation center
DAC	Development Assistance Committee (OECD)
DGDC	Directorate General for Development Co-operation (Belgium)
DGE*	Directorate General for Coordination and European Affairs (Belgium)
DGIC	Directorate General for International Co-operation (Belgium)
DRC	Democratic Republic of Congo
EDF	European Development Fund
EU	European Union
FAO	Food and Agriculture Organisation
FPS	Federal Public Service
FPSFA	Federal Public Service Foreign Affairs, Foreign Trade and Development Co-operation
GM	Genetically modified
GMO	Genetically modified organism
GNI	Gross National Income
HIPC	Heavily indebted poor countries
ICP	Indicative Co-operation Programme
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
LDCs	Least developed countries
LICs	Low income countries
LMICs	Low middle-income countries
MDB	Multilateral development bank
MDG	Millennium Development Goals
MONUC*	United Nations Organisation Mission in the Democratic Republic of Congo
NCP	National Contact Point
NGO	Non-governmental organisation

ODA	Official development assistance
OND*	National Del Credere Office
PRSP	Poverty reduction strategy paper
SBI*	Belgian corporation for international investment
SSR/DDR	Security Services Reform/Demobilisation, Disarmament and Reintegration
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCHR	United Nations High Commissioner for Human Rights
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
VLIR*	Flemish inter-university Council
VVOB*	Flemish association for development co-operation and technical assistance
WB	World Bank
WFP	World Food Programme

* Denotes acronyms in original language

Signs used:

USD United States dollar

() Secretariat estimate, either wholly or in part

- Zero

0.0 Negligible

.. Not available

... Not available separately, but included in the total

n.a. Not applicable

The figures being rounded, the totals do not always correspond to the sum of the parts.

Exchange rates (EUR per USD)

2000	2001	2002	2003	2004
1.0851	1.1166	1.0611	0.8851	0.8049

Belgium's Aid at a glance

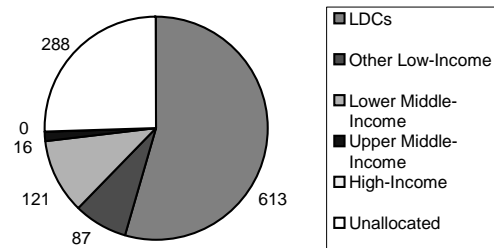
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Net ODA	2003	2004	Change 2003/04
Current (USD m)	1 853	1 452	-21.6%
Constant (2003 USD m)	1 853	1 291	-30.3%
In Euro (million)	1 640	1 169	-28.7%
ODA/GNI	0.60%	0.41%	
Bilateral share	79%	60%	
Net Official Aid (OA)			
Current (USD m)	163	180	10.2%

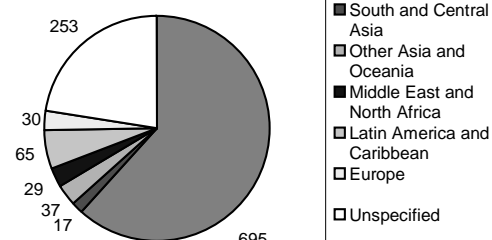
Top Ten Recipients of Gross ODA/OA (USD million)	
1 Congo, Dem. Rep.	415
2 Tanzania	41
3 Serbia & Montenegro	28
4 Cameroon	26
5 Côte D'Ivoire	25
6 Rwanda	21
7 Burundi	17
8 Bolivia	17
9 Burkina Faso	15
10 Viet Nam	12

Gross Bilateral ODA, 2002-03 average, unless otherwise shown

By Income Group (USD m)



By Region (USD m)



By Sector

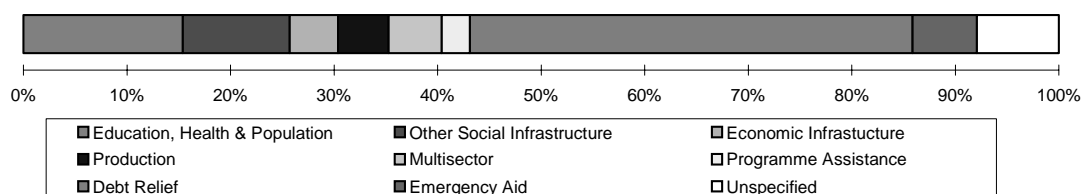


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DAC'S MAIN FINDINGS AND RECOMMENDATIONS

General framework and new directions

Dynamic for reform

Belgium has, since 2001, introduced reforms and taken measures enabling it to adapt to the new international context regarding development co-operation, while at the same time taking into consideration the recommendations made in the previous review. Positive illustrations of this include having given a legal framework to the target of allocating 0.7% of gross national income (GNI) to official development assistance (ODA) by 2010, strengthened the geographical concentration of aid, adjusted federal strategy with regard to the Millennium Development Goals (MDGs) and consolidated the institutional structures put in place following the 1999 reform. Belgium is now anxious that its efforts should be placed in the context of the Paris Declaration on Aid Effectiveness, meaning that it will need to adapt its aid delivery instruments and methods. Its commitment in the Democratic Republic of the Congo (DRC) as leader of the pilot exercise involving implementing the Principles for Good International Engagement in fragile states is evidence of its engagement in this respect.

This dynamic for change has benefited from the Plan Copernic introduced in the early 2000s with the object of reforming Belgium's federal public administration. It resulted in 2003 in development co-operation being incorporated in the new Federal Public Service Foreign Affairs, Foreign Trade and Development Co-operation (FPSFA) in the form of the Directorate-General for Development Co-operation (DGDC). The plan favours introducing results-based management. A process of administrative rationalisation which began in 2004 has resulted in a more determined quest for internal consistency inside the FPSFA and has identified blockages in the implementation of aid programmes. Significant results of this could include the provision of additional expertise and the introduction of measures to encourage *ex post* rather than *ex ante* expenditure controls. The measures undertaken need to be pursued, firstly in order to consolidate what the reforms have achieved, secondly to develop a more strategic approach to the different aid players and, lastly, to take account of changing needs – especially where human resources are concerned – because of the increase in the co-operation budget and the introduction of new aid arrangements.

A legislative and institutional framework conducive to commitment to the MDGs

The Law of 25 May 1999 is the reference where Belgium's development co-operation policy is concerned. The prime goal is sustainable human development, to be achieved through combating poverty, on the basis of the notion of partnership and in compliance with the criteria concerning relevance to development, as defined by the DAC. The Law brought in the principle of geographical and sectoral concentration of aid. Belgium's direct bilateral ODA targets 18 countries and five sectors: i) basic health care; ii) education and training; iii) agriculture and food security; iv) basic infrastructure; and v) conflict prevention and the consolidation of society. Added to these are three cross-cutting themes which relate to gender, the environment and welfare economics. In addition, the commitment made in Monterrey to increase Belgium's ODA to 0.7% of GNI by 2010 was written into the law in 2002. The promotion to ministerial rank, as of 2003, of the member of the government

responsible for development co-operation is indicative of the importance that the latter has acquired in government policy.

The October 2004 policy note by the minister for Development co-operation confirmed that the MDGs are central to Belgium's co-operation policy. The result of that choice is that Belgian aid is targeted very much at the least developed countries (LDCs) and that Belgian co-operation remains substantial in the fragile states of Central Africa. It ought in future to prompt Belgium to give more attention to access to basic social services and gender equality, and also to measures to combat HIV/Aids and the protection of children's rights – two themes which are at present somewhat neglected. The minister has also identified the promotion of effectiveness and improved consistency as strategic priorities. Implementing these positive options will involve stepping up efforts to simplify procedures and developing complementarity between the different aid delivery channels. It is true that Belgium could enhance its impact by making its aid instruments more rational.

The Belgian parliament has a monitoring role where co-operation policy is concerned and helps to shape policy via its legislative function. It defends the 0.7% commitment *vis-à-vis* the government. Those involved in indirect co-operation, particularly NGOs and universities, also play an important role in terms of arguing in favour of development, informing and mobilising support. They receive appreciable backing from the DGDC in this respect. Educating people in development matters and communicating - areas in which the DGDC is stepping up its efforts – must continue to be priority targets for investment, bearing in mind how little the Belgian public knows about development questions and what action is taken at federal level in this area.

“Defederalisation” of development co-operation on hold

Development co-operation is currently still 95% the responsibility of the federal government. However, there is still talk of “defederalising” or devolving it, *i.e.* transferring certain parts of development co-operation to the federate entities, on the basis of the responsibilities allocated to them internally. This principle is embodied in the special Law of 13 July 2001 transferring various competencies to the Regions and Communities, and was confirmed in a government statement of July 2003. While reiterating that development co-operation remains a federal responsibility, the Minister for Co-operation is seeking, in compliance with the laws of 1999 and 2001, to build up synergies between federal and federated entities, which can carry out development co-operation activities in line with their own competencies. He has not ruled out increasing the share of the budgets allocated to the latter, within the framework of negotiations aimed at achieving the budget target of 0.7%, on condition that overall policy coherence can be maintained. The risks that “defederalisation” involves in terms of dispersion and loss of effectiveness, relevance and coherence, which were identified by the DAC in 2001, remain a reality. With the Paris Declaration calling for more harmonisation and Belgium wanting to play an active part in drawing up a more coherent European co-operation policy, it is vital that its institutional arrangements be geared towards aid effectiveness and it be given the means to play its role at the international level.

Recommendations

- Belgium is invited to consolidate and stabilise its development co-operation architecture by adapting the existing instruments in such a way as to strengthen synergies and improve complementarity.
- Belgium needs to persist with its policy of educating people in development matters and step up its information policy with the object of securing greater public backing for international development goals and government action in this area.

- It is important, whatever institutional framework is set up, that the federal government retains the competency related to development co-operation, in order to ensure the coherence and effectiveness of aid, without restricting the scope for federated entities to carry out development co-operation activities in line with their own competencies.

Volume and breakdown of aid

A challenge: to continue increasing ODA in line with the national commitment

After reaching a high of USD 1.85 billion in 2003 as a result of a large-scale debt forgiveness operation, Belgian ODA fell back to USD 1.46 billion in 2004. The ODA/GNI ratio has moved sharply up and down in line with debt forgiveness operations, rising from 0.43% in 2002 to 0.60% in 2003 before falling back to 0.41% in 2004. There has been, however, an appreciable upturn in public funding of aid since 1999. In 2004, Belgium was in ninth position among the DAC countries in terms of the percentage of GNI, with a ratio above the DAC average (0.25%) and almost equal to the average figure by country (0.42%). Belgium is therefore in line with the target that member countries of the European Union have set themselves of devoting 0.33% of their GNI to ODA by 2006, while its commitment to reach the 0.7% ratio by 2010 means that it is ahead of European commitments to reach 0.51% by 2010 and 0.7% by 2015.

A growth framework has been drawn up so as to ensure compliance with Belgium's commitment. In view of the contribution that debt forgiveness operations have made to the recent increase in ODA figures – accounting for as much as 40 % of ODA in 2003 – it is essential to look for new budgetary resources and/or identify new financing, whereas the Belgian authorities have undertaken to maintain public finance equilibrium. Programming these resources, how they are to be implemented and the human resources required are challenges which the DAC is encouraging the Belgian authorities to address without delay. Managing a volume of aid destined to all intents and purposes to double between 2004 and 2010 will mean adjusting the capacity of the DGDC and Belgian Technical Co-operation (BTC), particularly since increased aid should be reflected more in flows of fresh money to partner countries. By taking the appropriate budgetary decisions, the latter could give support to the strategic choices made by Belgian co-operation in order to achieve the MDGs.

Bilateral co-operation: persisting with geographical and sectoral concentration

The key player in Belgian co-operation is the DGDC which directly or indirectly manages some 60% of ODA. Also important is the Federal Public Service for Financial Affairs which manages country-to-country loans and contributions to international organisations, *i.e.* 10% of ODA. Some of the FPSFA's general directorates other than the DGDC also have an important role, the Foreign Affairs Ministry being in charge of conflict prevention and part of humanitarian aid (*i.e.* 5% of the ODA budget). Then there are the measures taken by the Regions and Communities, the Provinces and a large number of communes (5% of ODA), and a variable share depending on the year of debt relief managed by the National Delcredere Office. Belgian bilateral ODA is delivered via two channels: i) direct bilateral co-operation (or government co-operation), which is made up of the different forms of aid managed at federal level or at federate institution level; ii) indirect bilateral co-operation, which consists of the programmes cofinanced by the DGDC, but prepared and implemented by so-called indirect players which, in the main, are recognised NGOs, Belgian universities and scientific establishments and associations specialising in training the developing countries' human resources. There are, in addition, special programmes relating to humanitarian aid and conflict prevention, and also the Belgian Survival Fund (FBS). Indirect co-operation is steadily increasing and is substantial, having accounted in 2003 for 29% of Belgium's overall ODA not including debt reduction operations. Special funds account for 20% of the aid managed by the DGDC.

The geographical concentration of government co-operation, which since 2003 has focused on 18 countries, is increasing significantly: the five main recipients of bilateral aid accounted for 64% of total bilateral aid on average in 2002-03, compared to 34% in 1997-98. More than half of Belgian aid goes to the LDCs and great priority is given to Central Africa, that region receiving on average more than 60% of the bilateral aid disbursed by Belgium in 2002-03. This increase in concentration needs to be maintained because it improves the impact of Belgian aid. It should therefore be seen whether, in view of its importance, indirect aid might not also be involved in the quest for more geographical targeting.

The sectoral concentration strategy contained in the law is designed to meet the needs of assisted countries more efficiently and to make intervention possible in an entire sector. The example of Morocco demonstrates the effectiveness of such a strategy. However sectoral concentration, which again only concerns government aid, needs to be more fully implemented. Similarly, the increase in aid to social services and basic infrastructure must be continued and greater account taken of cross-cutting themes, with the object of achieving the MDGs. This could mean revising some of the features of indirect co-operation so that the co-operation system is better adapted to the objectives pursued.

Towards a more strategic approach to multilateral aid

Multilateral aid accounts for 20% of Belgium's net ODA, but this share goes up to 30% if hypothecated financing ("multi-bi" projects and emergency aid) is included. A policy of concentrating on 12 priority organisations is being applied, but it has to contend with the growing complexity of the international aid system. At the same time, Belgium is seeking to promote a more strategic approach. This could be taken further in future by borrowing from the approaches adopted by other donors and making more use of the lessons to be learnt from its experience of bilateral co-operation in the decision-making bodies of multilateral organisations.

Recommendations

- Belgium is encouraged to respect the timeframe it has established and to assure the funding of the resources needed to achieve the 0.7% target by 2010, bearing in mind the composition of its ODA and the forecasts with regard to debt forgiveness.
- Belgium is invited to consolidate its geographical concentration measures and to maintain the continuity of co-operation relations by keeping an unchanged list of 18 focus countries.
- Belgium is invited to review its aid mechanisms and sector allocations so as to ensure that it is backing the implementation of its partner countries' sectoral strategies and is contributing significantly to the MDGs being achieved.

Policy coherence for development

Towards better co-ordination for policy coherence for development

The focus on policy coherence is a matter of increasing importance for the Belgian authorities. The latter are devoting special attention to the security aspect and to the stakes involved in international trade. In this regard, Belgium favours the removal of export subsidies for agricultural products and the lifting of protectionist measures which impede developing country trade. The quest for coherence also involves continued efforts to relieve the debt of the highly indebted countries and a policy of untying official aid which goes further than the provisions of the DAC recommendation.

The FPSFA, and the DGDC in particular, have a strategic role with regard to co-ordination between ministries (and also the Communities and Regions) on multilateral and globalisation issues. Incorporating Co-operation in the FPSFA and setting up consultation mechanisms within the FPSFA and between Federal Public Services has improved co-ordination, especially between Diplomacy, Defence and Co-operation. That said, a lot of consultations take place on an *ad hoc* basis. Improved coherence means restructuring interministerial consultation mechanisms and providing specialised human resources. This would make it possible to go further than information sharing and one-off strategic co-ordination and to put in place a common strategy including looking for synergies between the different dimensions of Belgium's relations with the developing countries. These changes are the more necessary in that the defederalisation of responsibilities in key areas such as foreign trade, agriculture and the environment may complicate the quest for this coherence and mean setting up an arbitration mechanism between the federal and federate authorities.

Improving policy coherence in certain key sectors

Analysis of the different political, economic and trade dimensions of Belgium's relations with the DRC shows the importance of policy coherence, particularly in the case of a fragile country where institutional weaknesses combine with the illegal exploitation of resources to fuel instability and insecurity. With Belgium continuing to be one of that country's key trading partners, it would be useful for the economic dimension to be built more into the analysis of co-operation so that a comprehensive strategy of support for the development of the DRC can be shaped. For this to happen there needs to be clarification of the economic interests involved; this could focus primarily on the contribution of Belgian private investment to the economic development of the DRC.

Secondly, Belgium should continue to improve its monitoring of the behaviour of Belgian companies with interests in the DRC and imports from the DRC, including diamonds and coltan. This is a key part of coherence for the promotion of peace and security in the region, given the clear link between the exploitation of and illegal trade in resources and arms dealing. So Belgium's efforts to limit illegal practices must be continued. It is important, in this connection, to emphasise Belgium's support for the work of the OECD's Investment Committee which is currently pursuing a study on how business is conducted in areas with weak governance, including an analysis of the case of the DRC. Belgium's National Contact Point (NCP) responsible for following up the OECD directives on multinational enterprises could in future be more incisive in dealing with the complaints lodged with regard to the DRC. This would mean having increased recourse to expertise and strengthening communication with the DGDC. Closer links between the economic and trade sector and development co-operation ought also to bolster the connection between cracking down on corruption and preventing it. Where aid management is concerned, stepping up measures to combat corruption – as the minister wants – will involve introducing new mechanisms, such as anti-corruption clauses, in compliance with the 1996 DAC Recommendation on aid-financed procurement.

Recommendations

- Belgium is encouraged to finalise and implement its long-term, cross-cutting, strategic note regarding the coherence between the development assistance approaches and other sectoral policies with an impact on the developing countries, including trade, international investment and migration policies.
- Belgium should consider strengthening its interministerial information and co-ordination mechanisms, taking due account of the specifics of the institutional system and providing for means of arbitration between the federal and federate authorities.

- Belgium should make use of the work done in the OECD to continue and step up its efforts to promote compliance with the code of good conduct for multinational enterprises, in particular by bolstering the activity and resources of the NCP.

Aid management and implementation

Co-operation which is appreciated in the field

Belgian co-operation enjoys a good reputation and has good relations with partner countries. This is attributable in particular to the continuity of these relations and the quality of the dialogue which is possible because of competent and committed teams. Even so, the joint committees system which oversees direct bilateral co-operation is rigid and cumbersome; it would benefit from being reconsidered with the idea of encouraging partnership relations where the emphasis would be more on ownership and alignment and facilitating harmonisation with other donors. This sort of reappraisal ought also to set out to improve the predictability of Belgian aid.

Clarifying the roles of federal actors and improving the project cycle

One of the principles behind the reform of Belgium's bilateral co-operation was the partial separation of the framing of co-operation policy and its actual implementation. This led to the creation of, on the one hand, the DGDC which is responsible for the preparation and budgetary and statistical co-ordination of co-operation programmes and, on the other hand, the Belgian Technical Co-operation (BTC) which is a public, social-purpose corporation and is the DGDC's sole partner for the implementation of direct bilateral aid. A great deal of effort has been put into defining the respective roles of the two institutions and improving the effectiveness and quality of the partnership. These efforts need to be pursued in two directions: i) increasing the capacity of the BTC to act so that there are no hold-ups in aid disbursements which are set to increase; ii) improving the conditions governing aid delivery. For this to happen, there will have to be some clarification of the way responsibilities are shared between the DGDC and the BTC. Similarly, it will be important to reconsider the details of the project cycle, looking to identify any malfunctions and facilitate procedures, including by making financial controls simpler.

The responsibilities of the minister for Co-operation with respect to emergency aid and conflict prevention have, since 2004, fallen to the minister for Foreign affairs. It is important to check that the resulting new division of tasks is practicable from the point of view of the administrative burden and the effectiveness of the decision-making and disbursement process and, if necessary, envisage other institutional arrangements.

Adopting a more strategic approach vis-à-vis all the actors in the aid field

A great many bodies are involved in implementing bilateral aid: apart from the BTC, numerous NGOs and Belgian associations, and also unions, universities, research institutions, towns and communes participate by means of co-financing and using a wide variety of procedures and methods. Similarly, the Belgian Survival Fund and also BIO, the Belgian corporation for investment in the developing countries, which is the main channel for delivering aid to the private sector in the developing countries, each works in its own specific way. As a result, the DGDC only directly manages (with implementation by the BTC) about one-third of the volume of aid entrusted to it. This splitting up of aid delivery channels makes for considerable flexibility, which has proved useful in the case of fragile states. But by reducing the DGDC's room for manoeuvre, it also leads to dispersion and can undermine both the coherence of Belgian co-operation and, by the same token, its impact. It would therefore be as well to adopt a more strategic approach to all the players involved in aid by clarifying

the responsibilities of each of them and looking more systematically for synergies. This is the object of the current management plan put in place by the Director-General for Development Co-operation.

A more strategic approach is particularly necessary where the 135 recognised NGOs are concerned, they being the foremost distributors of indirect co-operation and receiving co-financing to the tune of 75 to 85% of the cost of the programmes presented. A reform of the co-financing system is now under way and is designed to improve efficiency by making financing more predictable and easing the administrative side of monitoring. The reform could also provide an opportunity to develop a more strategic approach to the partnership with NGOs, based on a policy view of co-financing which has still to be defined. This view will have to take into account the specific nature and added value of NGOs' activities, and also the imperatives deriving from the need for convergence and complementarity between the co-financed programmes and the objectives of Belgian co-operation. This more strategic approach will also be needed where the other partners in indirect co-operation are concerned - and especially universities and research institutions - so as to ensure that they contribute to the objectives of Belgian co-operation efficiently and without duplication. Other Belgian co-operation instruments also need to be reappraised for the same reasons. This is true of the BIO in particular. Although it is funded mainly by the DGDC, the latter cannot for statutory reasons influence its choice of activities.

Towards increased decentralisation

Since 2000, Belgium's embassies have had increased responsibilities in the field of direct bilateral co-operation as a result of the creation of a new post of development co-operation attaché. That said, the degree of delegation of authority is limited from both the decision-making and the financial points of view. Multilateral co-operation and indirect co-operation are largely outside the control of DGDC authority. Greater decentralisation is desirable from the point of view of implementing the Paris Declaration on Aid Effectiveness. This means closer consultations between Brussels and those in the field where strategic decisions are concerned, delegation of decision-making in the case of smaller-scale projects, a reappraisal of financial procedures with the emphasis on *a posteriori* instead of *a priori* controls and increased delegation of responsibility for monitoring indirect and multilateral co-operation. Decentralisation along these lines will benefit from the culture of communication and consultation now being developed in the DGDC. It will need to be backed up by improved access to sectoral and thematic expertise based on the new, cross-cutting policy support service.

Rationalising human resource management

Belgium is contending with the two-fold challenge of renewing development co-operation personnel and maintaining internal expertise. A lot of posts remain unfilled because of the shortage of civil service staff, this despite having substantial recourse to contract staff. This situation is affecting the proper functioning of the DGDC. Coping with these challenges is vital in a context in which the response has to be adapted to changing needs and forms of partnership, and in which the increase in personnel needed to manage the scheduled rise in the volume of ODA has to be planned. This will involve more rational human resource management which suffers from the coexistence of seven different types of status.

One necessity is to look at ways of stabilising the number of regular staff and competent temporary staff so as to arrive at the required figure, while another is to review the conditions governing the entrance competition for the external career. It will also be important to consider how to ensure that the juxtaposition of the external career, confined to the new co-operation attachés, and the internal career, the members of which are serving in Brussels, is not damaging to the smooth running

of co-operation. Lastly, Belgium needs to consider how best to keep its internal technical expertise in those sectors where Belgian co-operation has a strong comparative advantage, bearing in mind the expertise available in the BTC. At the same time, it must be borne in mind that 2006 should see the creation of a single foreign affairs framework (encompassing diplomacy, consular affairs, trade and co-operation) at external career level.

Evaluation

The monitoring-evaluation sector is being completely overhauled following a difficult period in the early 2000s, and an internal evaluation service was put in place in the DGDC in 2004. At the same time, the Special Evaluation Department, which is responsible for all development co-operation at federal level, also became operational in 2004. The need now is to accelerate the development of evaluation instruments, establish the right mechanisms for drawing on the lessons learnt from these evaluations and clarify the roles of the different co-operation actors involved in evaluation – and especially between the DGDC and the Special Evaluation Department and between the DGDC and the BTC – so as to avoid any duplication. A multi-annual strategic plan for evaluation could then be drawn up with a view to encouraging those involved in development co-operation to make use of these evaluations. It is also important to continue introducing the tools needed for results-based management.

Promoting aid effectiveness

Belgium subscribes to the Paris Declaration on Aid Effectiveness and endeavours to implement it via its operations in each of its partner countries – as its adoption of the principle of co-management shows. Similarly, while Belgian co-operation is predominantly in the form of project aid, Belgium has taken steps to develop more of a programme approach to aid, having launched a 3-year pilot phase during which between 15 and 20% of bilateral aid is scheduled to be granted in the form of general budgetary aid. Belgium is also actively involved in promoting co-ordination and harmonisation between donors, and is exploring new forms of co-operation such as trilateral co-operation.

Belgium now needs to develop a genuine aid effectiveness strategy by drawing up a plan for implementing the Paris Declaration. To do this, it must weigh up all the institutional and procedural adjustments needed to enhance aid effectiveness which include, in particular: taking decentralisation policy further, strengthening the expertise needed to implement a more programme-based approach, revising some of the rules on co-operation funding which make harmonisation and alignment difficult, adapting the BTC and the way it co-operates with the DGDC to the new instruments (budgetary aid, delegated co-operation, joint programmes, etc.) and, lastly, review the process for drawing up strategic notes and the system of joint commissions so as better to ensure alignment on national strategies and improve aid predictability.

Recommendations

- The DGDC is invited to strengthen the synergies and complementarities between the different aid delivery channels by fostering a more strategic approach on the part of those involved in indirect co-operation, the aim being to improve the coherence and effectiveness of aid.
- Belgium should continue to clarify the terms of reference of the DGDC and BTC, revise procedures in such a way as to optimise the capacity of the co-operation system and reconsider the role of the BTC from the point of view of the new aid arrangements.

- Belgium could give impetus to decentralisation by delegating more authority to embassies' co-operation sections in the areas of government co-operation and monitoring indirect co-operation, while at the same time improving access to thematic and sectoral expertise.
- Belgium is encouraged to review the DGDC's human resource management, taking account of changing needs due, in the main, to the foreseeable increase in the co-operation budget and the development of the new aid measures.
- Belgium is encouraged to continue the efforts being made to revive the DGDC's internal evaluation function, taking due account of the complementarity with the responsibilities of the special evaluator and the BTC.
- Belgium is invited to develop an aid effectiveness action plan based on the Paris Declaration and describing the institutional adjustments, procedural changes and training requirements that are relevant in this context.

Belgian humanitarian assistance

A humanitarian programme with potential to grow

Belgium operates a comparatively small humanitarian aid programme although increased attention has lately been given to humanitarian aid. Belgium has committed itself to the “*Principles and Good Practice of Humanitarian Donorship*” (GHD) and participates in various fora related to humanitarian policy development. Since the last Peer Review in 2001 Belgium has increased its net disbursements on emergency and distress relief from USD 26.6 million in 2001 to USD 110.8 million in 2003. This volume represents 6% of gross disbursement, and is below the DAC average (7.4%). However, this increase reflects disbursement on the item “refugees in donor country” and has not resulted in additional funding available for responding to humanitarian needs. Belgium's humanitarian programme has remained constant around USD 33.5 million between 2000 and 2003, which is below the DAC average.

Management structures and procedures for administering humanitarian aid are complex. Responsibility for humanitarian aid is shared between the Minister for Foreign Affairs and the Minister for Development Cooperation. Administration of humanitarian aid is primarily located in two departments in DGDC, namely the Department for Special Programmes and the Department for Multilateral and European Programmes. The management system with dual responsibility for humanitarian aid is also reflected in a complicated budget structure which is fragmented and not optimised to promote flexibility and timeliness, placing high demands on co-ordination and administration in a system with very few staff.

Addressing the challenges of good humanitarian donorship

To confirm its commitment to GHD, Belgium should consider developing an internal implementation plan for GHD. Such plan should address challenges at policy level, management systems and administrative routines. Despite the Royal Decree of 1996 which sets the framework for financing humanitarian action and implementing humanitarian aid, there is no comprehensive policy document explaining Belgium's approach to humanitarian action. This makes it difficult to assess how priorities are set and how support for humanitarian action adheres to humanitarian principles. Belgium should therefore consider elaborating a comprehensive policy document for humanitarian action. When developing its humanitarian aid policy Belgium should consider its implementation approach and how this policy area relates to other activities indirectly linked to humanitarian aid *i.e.* conflict

prevention and assistance to “fragile states”. Furthermore, preventive measures for emergencies such as disaster risk reduction, including support to local capacities, could be further developed and integrated in Belgium’s development cooperation planning, in view of the priority it gives to partner countries vulnerable to natural disasters.

Belgium’s potential role in financing humanitarian action should be seen in light of the ambitious targets set to improve ODA volume. As Belgium moves towards the 0.7% ODA/GNI target in 2010, it should consider a substantial increase in allocations for humanitarian purposes. Belgium should also clarify and strengthen its management system for implementation of its humanitarian programme. To strengthen the needs-based approach and promote harmonisation and alignment in complex emergencies, it could explore further how to take full advantage of its country operations and develop humanitarian strategies based on the UN Common Humanitarian Action Plans (CHAP).

Recommendations

- Belgium should finalise and implement as soon as possible its policy document for humanitarian action reflecting the “*Principles and Good Practice of Humanitarian Donorship*” (GHD) which it has endorsed.
- Within a growing ODA budget, Belgium could consider increasing its allocation to humanitarian aid, including prevention and preparedness, emergency response and recovery and reconstruction in line with GHD and a needs-based approach. Measures should also be taken to further improve the transparency of funding decisions and the predictability of long-term funding arrangements to partners implementing humanitarian activities.
- Belgium should consider concentrating and consolidating its management of humanitarian aid by establishing a single unit within its organisation responsible for humanitarian aid. Belgium should also further develop its systems for intra- and inter-ministerial co-operation in order to optimise its humanitarian response and decision-making for funding humanitarian action.

SECRETARIAT REPORT

Chapter 1

Broad strategic framework and new directions

Background

Sweeping reform

Since 2000, Belgium has sought to adapt to the new international context for development co-operation, marked by new commitments regarding goals, financing and effectiveness, including in fragile states. In doing so, Belgium has taken a number of measures in response to the recommendations of the previous peer review, reflecting its desire to follow the guidelines and best practices identified by the Development Assistance Committee (DAC). The positive results include placing the government's objective of allocating 0.7% of gross national income (GNI) to official development assistance (ODA) by 2010 in a legal framework, focusing assistance on priority countries, aligning co-operation policy with the Millennium Development Goals (MDG), taking a more strategic approach to multilateral assistance and maintaining co-operation efforts in the fragile states of central Africa. Other significant features of Belgium's approach include consolidating the institutional structure introduced following the 1999 reform, creating BTC (*Coopération Technique Belge*) and maintaining Belgian co-operation at federal level.

New measures were also taken in the wake of the review, such as the creation in 2001 of BIO, a corporation to promote investment in developing countries. Others echoed DAC's new recommendations, such as a policy of untying assistance that goes beyond the 2001 recommendation and, more recently, following the Rome and Paris Declarations, a strong commitment to aid effectiveness.

As the review shows, further adjustments are still needed to maximise the benefits of the 1999 reform, which entailed a process of structural and administrative change that has not been easy to manage. They will improve implementation of the new guidelines, whether in increasing aid predictability, moving towards a more programme-based approach that incorporates new aid instruments, taking better account of cross-cutting issues (gender equality, the environment, the social sectors and HIV/AIDS) or rooting ODA in a results-oriented management approach. Belgium must also try to rationalise the way in which different channels are used to deliver assistance and make its development policies more coherent. The political will exists, as may be seen from the co-operation minister's October 2004 policy paper (De Decker, 2004) and, in operational terms, the Director General's current management plan (Chapter 5). The fact that there have been three co-operation ministers since 2001 has not sapped that determination because there is a high level of consensus in

favour of Belgium's contribution to achieving the Millennium Development Goals, and its broader commitment to supporting development, reflected in its active advocacy at European level during Belgium's presidency of the EU in 2001. Rapid change at the top has translated more into the addition of new aid instruments or the refashioning of existing ones, albeit sometimes with the attendant risk of increasing the complexity of Belgium's development co-operation system.

A favourable broad framework linked to the substantial administrative reforms in progress

Sweeping reforms of Belgium's federal administration were set in train under the Copernic Plan, designed to remedy the many malfunctions identified in the late 1990s. The plan affects all the administration's organisational structures, with ministries being transformed into Federal Public Services (FPS), and many aspects of personnel management. A competitive examination system for senior civil servants has been introduced, for example, and department heads are appointed for limited terms subject to assessment. Directors General must now present a management plan for which they are accountable. Within this framework, in January 2003 the former Directorate General for International Co-operation (DGIC), instituted in 2000, became one of the six departments of the FPSFA with the title Directorate General for Development Co-operation (DGDC). Although the foreign minister is responsible for the overall direction of policy at FPSFA, DGDC's priorities are decided by the minister for development co-operation, a situation which can enhance the national and international visibility of Belgium's development co-operation policy.

A business process re-engineering (BPR) initiative was launched in early 2004 with the aim of improving the how each FPS works. For FPSFA it represents an opportunity to adapt to a changing world, not least by identifying the new skills required and reinforcing coherence in foreign affairs, security/defence and development co-operation. The process confirms that, while the specific features of co-operation need to be preserved, integrating the DGDC into FPSFA has been a positive move and may help the co-operation viewpoint to prevail with other departments. However, DGDC will have to make a sustained effort in that direction if such an outcome is to be achieved. The BPR initiative has also helped to identify obstacles in governmental co-operation, associated with cumbersome procedures, and to set up a plan designed to the lead-time for project approval. It has also nourished the ongoing reform of indirect co-operation, with control procedures being further streamlined by a movement towards *ex post* rather than *ex ante* controls based on a labelling scheme for development non-governmental organisations (NGOs). These changes will favour the transition to a programme approach on a multi-year basis.

A process to rationalise personnel management is also under way within FPSFA, including a project to standardise external careers (diplomatic, consular and co-operation staff), with the aim of decartmentalising those sections and increasing versatility (Chapter 5).

Objectives and principles of Belgian co-operation

Legislative and institutional framework

The law of 25 May 1999 continues to provide the basis for Belgium's development co-operation policy. Its primary objective is described as sustainable development, to be achieved by combating poverty, on the basis of the concept of partnership and in accordance with the criteria for determining relevance to development as defined by DAC. It introduces the principle of concentrating direct bilateral assistance geographically on a maximum of 25 partner countries or regional organisations. It also establishes a focus on the following five sectors: i) basic healthcare, including reproductive health; ii) education and training; iii) agriculture and food security; iv) basic infrastructure; v) conflict prevention and societal consolidation. Three cross-cutting themes are added, namely gender equality,

environmental protection and the social sectors. Lastly, the law establishes the principle of focusing multilateral co-operation on twenty or so organisations and indirect co-operation on partners selected in ways that comply with established criteria.

New measures have been introduced subsequently, such as inclusion in the programme law of 24 December 2002 of the Belgian government's commitment, given at Monterrey, to increase the country's ODA to 0.7% of GNI by 2010, and a royal order reducing the number of priority countries or regional organisations from 25 to 18. Since 2003, the government member responsible for co-operation development has been a full minister, not just a secretary of state, underlining the importance given to development co-operation in government policy.

The policy paper produced by the minister for Development co-operation in October 2004 confirms these commitments, asserts that the Millennium Development Goals are central to Belgium's development policy and establishes two strategic priorities for development co-operation: i) streamlined procedures for greater effectiveness; and ii) greater continuity and coherence (including coherence with migration, international trade and security policies). As far as direct bilateral co-operation is concerned, this should be reflected in ongoing efforts to concentrate assistance geographically and sectorally so as to improve the impact and effectiveness of aid, and improved co-operation between DGDC and BTC so as to shorten the project cycle and pave the way for new forms of aid, like budget aid, sectoral aid and joint project funding. Multilateral co-operation also needs to be better targeted, with the number of priority partner organisations being limited to twelve, and more strategic. This can be achieved by securing the engagement of multilateral partners in the Great Lakes region and, as far as European co-operation is concerned, promoting co-operation with the poorest countries, supporting Europe's leading role in harmonising and advocating coherence between development and international trade co-operation policies. The document reasserts the importance of indirect bilateral co-operation which, by cofinancing actions by approved NGOs, trade unions, local authorities, migrant support organisations, universities, scientific institutions and non-profit organisations specialising in training, helps to strengthen civil society and promote democracy. The minister also supports the quest for greater synergy between direct bilateral, indirect bilateral and multilateral co-operation.

The review team is pleased with these orientations and recommends stepping up efforts to develop complementarities between the different channels for delivering aid and continuing the policy of geographical and sectoral concentration. Greater rationalisation of a complex set of instruments could increase the impact of Belgian aid (Chapter 5). Promoting regional co-operation in concentration zones with a view to ensuring coherence between national and regional engagement is a step in the right direction. At the same time, it will be necessary to ensure that a concern for continuity does not call into question the focusing of assistance on a smaller number of partners.

Mobilisation in favour of the MDGs and support for fragile states

Belgium regards the Millennium Development Goals as a thread running through its development policy. The five sectoral priorities and three cross-cutting themes for co-operation help to achieve these goals, and strategy papers for each one were drawn up in 2002. A number of factors contribute to this aim: ten of the 18 concentration countries are among the least developed countries (LDCs), they account for over 50% of ODA, and the priority given to Central Africa means that Belgium maintains a substantial co-operation effort in a number of fragile states. It also involves Belgium in conflict prevention and social consolidation – one of its strategic priorities – and humanitarian aid. Its commitment in this sphere is based on a royal decree of 1996 which establishes the framework and criteria for granting humanitarian aid, against the background of the Stockholm principles for good

humanitarian donorship agreed in June 2003 (Annex C). Belgium issued its first progress report on the eighth MDG, "Global Partnership for Development", in June 2005 (DGDC, 2005a).

However, in his 2004 policy paper the minister for Development co-operation noted the need to pay greater attention to the fight against HIV/AIDS, malaria and other poverty-linked diseases, children's rights, gender equality and access to drinking water to increase Belgium's support for achievement of the MDGs. A strategy paper on AIDS was prepared in 2004 with that in mind (DGDC, 2004a). Analysis of the sectoral breakdown of ODA shows that it will be necessary in future to devote more resources to basic education, gender and environmental issues (Chapter 3). However, concentrating on those issues must not lead to a dispersal of effort.

Development co-operation: critical support from the public

Greater public support which still has to be consolidated

Eurobarometer data¹ on attitudes towards development aid show a significant improvement in public perception of development issues in Belgium since the end of the 1990s. The proportion of the population that considers aid to developing countries to be important or very important rose from 55% in 1998 to 71% in 2002 and 86% in 2004. It is thus moving closer to the European average, even though the latter is still higher (91% in 2004). Likewise, the percentage of the population that thought aid needed to be increased rose from 36% in 1998 to 43% in 2002. In 2004, only 16% of respondents thought that too much of the government budget was allocated to development aid.

However, the population as a whole does not consider itself to be well-informed about development issues. A DGDC survey in 2004 (DGDC, 2004b) showed that less than a third of the population considered itself to be well-informed about co-operation matters. 83% of Belgians are not familiar with the Millennium Development Goals and only 3% were able to quote the objective of allocating 0.7% of GNI to ODA. Likewise, 60% of the population said that they were not aware of the real level of Belgium's ODA and only 9% situated it in the 0-0.7% of GNI bracket. There is also little awareness of federal development co-operation authorities: only 13% of the Belgian population perceive DGDC as a player in Belgian co-operation (9% for BTC), far behind NGOs, universities and religious institutions. In addition, according to the 2005 Eurobarometer, only 59% of respondents think that government aid is effective. This lack of confidence in how the money allocated to development is spent can also be found in the DGDC survey, according to which 37% of the population consider the money to be well-spent and 33% do not.

Better development education and advocacy

Belgium is aware of the need to improve public support for and knowledge of development issues. Consequently, in 2004 DGDC conducted an opinion survey, as recommended in the previous review, enabling it to gain a better understanding of public opinion and hence to prepare its campaign to raise awareness of the Millennium Development Goals. Similarly, the overall budget for action to increase awareness of development rose from EUR 13.3 million in 2000 to EUR 18.1 million in 2003 (DGDC, 2004c).

About two-thirds of this amount (EUR 11.9 million in 2003) is managed by DGDC's Non-governmental Programmes division and is used to cofinance the development education activities of some thirty or so NGOs. The remainder is managed by the Awareness Programmes division and is

1. Eurobarometers 50.1, February 1999 and 58.2, March 2003; special Eurobarometer 222, February 2005.

allocated either to development education actions carried out by sociocultural organisations or to DGDC's own activities, such as a website, periodicals, conferences and exhibitions, the coproduction of TV programmes and the organisation of campaigns. For example, an annual Fair Trade Week is organised with a consortium of NGOs, with financial support from the DGDC. A Millennium Development Campaign has also been in progress since the end of 2004, designed to increase awareness of the MDG among the Belgian population. BTC is an important player in this respect, responsible in particular for carrying out the *Annoncer la couleur/Kleur bekennen* awareness drive and the *Infocyles* training programme designed to increase mobilisation for development co-operation.

The Belgian parliament plays an advocacy role with regard to the government by pressing for the introduction of a timetable to ensure that the 0.7% of GNI target is reached by 2010. It also has a monitoring role, through weekly questions to the government, and as a legislative body helps to frame policy by voting laws and recommendations. The Senate, for example, has adopted a bill amending the 1999 law in order to include the cross-cutting theme of children's rights in Belgium's co-operation policy options. The bill is now before the House of Representatives. Senate reports, like the one on the Great Lakes region, also have a certain resonance (Chapter 4).

The Belgian Survival Fund, through the Coalition Against Hunger, and players in indirect co-operation (NGOs, universities, trade unions, scientific institutions) also play an important part in development education. As mentioned earlier, their action in that area receives substantial and growing support from DGDC. Umbrella organisations for NGOs (11.11.11 for the Flemish community and CNCD, the national development co-operation centre, for the French-speaking community) play a dual advocacy role with regard to the public authorities, using information and fund-raising campaigns to promote achievement of the 0.7% objective and mobilisation in support of development.

DGDC has tried to strengthen Belgium's co-operation awareness policy and target it better. In 2003, the former Information division of the DGIC was renamed the Awareness Programmes division, most communication activities having been transferred to FPSFA's new Press and Communication division. That effort must continue, ensuring that the communication aspect is also stepped up, even if it is now less directly dependent on DGDC. It is important to carry out both awareness drives, to improve the understanding of development and encourage a change in attitudes, and communication initiatives, to show that the aid delivered by DGDC and BTC is effective, and hence to increase public support for achieving the 0.7% objective. Communication initiatives in 2004, such as the recruitment of a communication specialist at FPSFA and a new logo, must be continued, in compliance with the DGDC Director General's management plan, the fourth objective of which is to "promote a partnership with public opinion in Belgium to strengthen public support for development co-operation and help to anchor the democratic values of our society". DGDC must ensure that this aspect is conveyed in the communication strategy of FPSFA's Press and Communication division. In that respect, the external evaluation of the *Annoncer la couleur* programme in 2004 may provide useful information for framing the new general communication plan for 2006-07.

Devolution suspended

Although 95% of development co-operation is handled at federal level in Belgium, the question of "defederalising" the budget, *i.e.* devolving all or some of the responsibility for managing ODA to the communities and regions, is still on the political agenda. Under Belgium's institutional arrangements, it is possible for some aspects of international co-operation to be devolved to the federated entities according to the powers vested in them by domestic law (Box 1). The question, raised by the inner Council of Ministers on 15 October 2000, was taken up in the special law of 13 July 2001 transferring various competences to the regions and communities, Article 6 of which states that "some development co-operation responsibilities shall be transferred as of 1 January 2004 if

they fall within the competences of the regions and communities. A special working party shall be formed and given the task, in consultation with the sector and by 31 December 2002 at the latest, of proposing a list of matters relating to the competences of the communities and regions with regard to development co-operation. "The working party did not reach any operational conclusions and a survey has indicated that Belgium's development community has considerable reservations about the devolution of development co-operation. However, the principle of at least partially transferring development co-operation to the regions and communities was reaffirmed in the government declaration of July 2003, according to which "the special law of July 2001 on devolution of development co-operation according to the competences of the federated entities will be implemented; a consultation mechanism will ensure the coherence of development co-operation policies and actions; some parts of the policy will be devolved to the regions and communities according to the powers of the federated entities." While reiterating that development co-operation remains a federal responsibility, the Minister for Co-operation is seeking, in compliance with the laws of 1999 and 2001, to build up synergies between federal and federated entities, which can carry out development co-operation activities in line with their own competencies. He has not ruled out increasing the proportion of budgets allocated to the federated entities as part of the negotiations for achieving the 0.7% budget target provided that overall coherence was maintained. At present, regional and community development co-operation is financed by the federated governments themselves, federal funding being limited to subsidies given to two non-profit training organisations, the *Association pour la Promotion de l'Éducation et de la Formation à l'Étranger* (APEFE) and the *Vlaamse Vereniging voor Ontwikkelingssamenwerking en Technische Bijstand* (VVOB) in the framework of indirect co-operation. The federated entities are aware of the need for coherence and are promoting the unified development co-operation structures they have set up at the level of the Flemish government and the Wallonia-Brussels French Community.

Box 1. Devolution of development co-operation: approach and issues

The devolution of federal responsibility to the federated entities is a complex political, institutional and administrative process which began in 1970 when the French and Flemish communities acquired cultural independence and has since involved four successive reforms of the State. Under the 1994 constitutional reform, which came into effect on 1 January 1995, Belgium became a federal state comprising three economically autonomous regions with competence for territorial matters (the Flemish, Walloon and Brussels-Capital Regions) and three linguistic communities with competence for matters relating to the person (the French, Flemish and German-speaking Communities). The territory of the Flemish Region coincides with the Flemish-language area. The Walloon Region includes the French and German-language areas. The Brussels-Capital Region exercises its authority in the bilingual area it covers. Each federated entity has its own institutions (government and parliament). However, the institutions of the Flemish Region and Flemish Community have merged and there is now a single Flemish government and parliament. The General International Relations Board of the French Community of Belgium and the International Relations Direction of the Walloon Region (CGRI-DGRI) jointly manage the two federated entities' international relations, including development co-operation. A co-operation agreement between the Walloon Region, the French Community, the German-speaking Community and the French Community Commission of the Brussels-Capital Region has resulted in the creation of the Wallonia-Brussels International Co-operation Council, a consultative and advisory body.

The federated entities exercise their domestic competences in international affairs. Following the special law of 13 July 2001 there are now eleven such competences, including the economy, employment, infrastructure, urban and regional planning, the environment and foreign relations. Trade responsibilities were devolved on 1 September 2003. As subjects of public international law, the federated entities can conclude international treaties and no government (including the federal government) has precedence over another, though the regional governments concerned and the federal authority must consult beforehand. At present, the Flemish government and Wallonia-Brussels, through the CGRI-DGRI, carry out direct co-operation programmes on the basis of joint commissions in two countries on the Flemish side and fourteen countries on the French-speaking side. There are also indirect co-operation programmes, implemented by cofinancing the projects of NGOs, training organisations (APEFE and VVOB) and university bodies, and multilateral co-operation.

The decision to devolve the international co-operation budget, taken by the inner Council of Ministers on 15 October 2000, left some room for manoeuvre over the precise division of powers between the various players and partners. The ensuing legislation, while confirming that development co-operation should be devolved in principle, failed to define the operational conditions for doing so, a situation which has remained unchanged since 2000.

Nevertheless, the three major risks of devolution identified during the previous DAC review still exist: i) undermining current efforts to reform aid administration and achieve greater stability, continuity and institutional effectiveness; ii) diminishing the internal coherence of the aid system as a whole, in terms of its relevance, effectiveness and efficiency, and of the strategic relations between its bilateral and multilateral components; and iii) reinforcing a purely Belgian approach to indirect co-operation to the detriment of the processes and dynamics under way in several partner countries. At a time when the Paris Declaration on Aid Effectiveness has highlighted the need for greater harmonisation, and when Belgium wants to play a leading role in the definition of a "more coherent and hence more effective European co-operation policy" (DGDC, 2005b), its institutional development co-operation machinery must reflect a commitment to aid effectiveness and give Belgium the means to fully assume its role on the international stage.

Future considerations

- Now that a major reform process has been completed, it is important to consolidate and stabilise the development co-operation architecture by adapting existing instruments to reinforce synergies and complementarities and avoiding the creation of new instruments that could affect the quest for coherence.
- Belgium is invited to continue its development sensitisation and education policy and to step up its information policy with a view to raising the visibility of ODA at national level, and hence increasing public support for international development goals.
- At a time when donors are seeking greater harmonisation and alignment to increase aid effectiveness, Belgium is encouraged to maintain the coherence of its co-operation policy. In particular, it is important, whatever institutional framework is set up, that the federal government retains the competency related to development co-operation, in order to ensure the coherence and effectiveness of aid, without restricting the scope for federated entities to carry out development co-operation activities in line with their own competencies.

Chapter 2

Amount and breakdown of aid

A challenge: continuing to increase ODA in line with the government commitment

After rising to a peak of USD 1.85 billion in 2003, a 41% increase in real terms compared with 2002, Belgian ODA declined to USD 1.46 billion in 2004. At the same time, ODA rose from 0.43% of GNI in 2002 to 0.60% in 2003 before falling back to 0.41% in 2004. This up-and-down movement, attributable to debt relief, nevertheless marks a significant upturn in the public financing of aid since 1999. ODA had declined in the 1990s, both by volume and as a proportion of gross national income, reaching 0.30% in 1999 (Annex B, Table B.1 and Chart B.1). In 2004, Belgium ranked ninth among the DAC countries in terms of aid as a percentage of GNI, with a ratio higher than the DAC average (0.25%) and almost equal to the average effort per country (0.42%).

Belgium has gone further than the commitment given by EU Member States to devote 0.33% of their gross national income to ODA by 2006 and, in a new commitment announced in May 2005, 0.51% in 2010 and 0.7% in 2015. Belgium aims to stay on course to meet the commitment given at Monterrey and enshrined in the programme-law of 24 December 2002 to increase the amount allocated to development co-operation to 0.7% of GNI by 2010. This target was confirmed in the government agreement of July 2003. In accordance with the timetable in the law, a framework for growth has been established, based on a 0.45% ratio of ODA to GNI in 2005 and an annual increase of 0.05%.

Efforts will undoubtedly have to be made to keep to this framework in the coming years, because the recent increase in the volume of ODA is partly attributable to debt relief operations under the aegis of the Paris Club. In 2003, for example, following an agreement with the Democratic Republic of Congo (DRC), debt relief amounted to USD 616 million at constant 2002 rates, the equivalent of 40% of gross ODA disbursements. It represented 15% of gross ODA in 2002, compared with 5% on average in the preceding three years and is still likely to account for 10% of ODA in 2004 (*i.e.* EUR 149 million). That rate is likely to remain steady for three or four years before falling significantly once the countries in debt to Belgium that have not yet concluded agreements with the Paris Club (essentially Congo, Cameroon, Côte d'Ivoire and Iraq) have completed all the stages in the debt relief process.

One challenge for Belgium will therefore be to continue increasing ODA by allocating fresh budget resources at a time when the government is committed to keeping public finances in balance. It is therefore in favour of any innovative initiative for additional development funding that would meet with the general approval of the international community. On 19 November 2004, for example, the Belgian parliament passed a law introducing a 0.02% tax on international financial transactions, though it cannot come into force unless several eurozone countries take similar measures.

Programming these resources and planning for their implementation and for the necessary human resources are issues that the DAC encourages the Belgian authorities to address without delay. Estimates suggest that the amount of aid managed by DGDC will almost double between 2004 and

2010. This reflection is all the more important in that, leaving aside the fraction of aid that could result from including security and conflict prevention activities in ODA, a bigger aid budget should generate flows of fresh money towards developing countries. If appropriate budget choices are made, those flows could help to reinforce the implementation of Belgium's strategic options for achieving the MDG.

Bilateral co-operation

Although the regions and communities, communes and provinces are involved in ODA,² the federal government is by far the leading player, accounting for over 95%. Belgium's bilateral aid is delivered through the twin channels of direct and indirect bilateral co-operation, plus special programmes.

Direct bilateral co-operation

Direct bilateral co-operation, or organised state-to-state co-operation (also called governmental co-operation) includes projects, training programmes, technical assistance, financial co-operation and debt relief managed at federal level or by federated institutions. DGDC is the key player in co-operation, directly or indirectly managing around 60% of ODA (though only 43% in 2003 because of the scale of debt reduction). The National Del Credere Office (OND), responsible for processing the debt, has played an important part in co-operation since 2002. However, the effect is a transitory one linked to the very substantial debt reduction operations carried out at the time, and the proportion of ODA under its management is likely to return to around 10%, having climbed to 40% in 2003. FPS Finance, which handles state-to-state loans and contributions to international organisations, is another important player, managing 10% of ODA. FPSFA (excluding DGDC) handles interest rebates, conflict prevention and some humanitarian aid, accounting for 5% of the ODA budget. Actions carried out by the regions and communities, the provinces and a large number of municipalities account for a further 5%.

Indirect bilateral co-operation

Indirect bilateral co-operation covers programmes cofinanced by DGDC but prepared and carried out by so-called "indirect" players. These are approved NGOs, organisations specialising in how to use migrants' skills to improve development in their home countries, local authorities (since 2000) and trade unions (since 2002). DGDC also funds the development actions of Belgian universities and scientific institutions, represented by the French-speaking Community Inter-university Committee/University Commission for Development (CIUF-CUD) and the Flemish Inter-university Council (VLIR),³ and non-profit organisations specialising in training human resources from developing countries (APEFE and VVOB). It also funds scientific institutions like Antwerp's Institute of Tropical Medicine, the Royal Museum of Central Africa and BIO, a Belgian corporation for investment in developing countries created in 2001. Indirect co-operation is growing steadily and accounted for 29% of Belgium's total ODA excluding debt relief in 2003.

NGOs are the most important players in indirect co-operation initiatives. There are 135 approved NGOs, and 1 500 actions by 109 NGOs working in 75 countries were cofinanced in 2004 at a total

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2. There were 589 communes, three regions, three communities and ten provinces which have reported their aid contributions to the DAC.
 3. Conseil interuniversitaire de communauté française – Commission universitaire pour le développement, and Vlaamse Interuniversitaire Raad.

cost of EUR 95 million (DGDC, 2005b), to which should be added EUR 33 million of aid to refugees in Belgium in 2004 and EUR 9.6 million in humanitarian aid. As well as cofinancing programmes, DGDC assumes the cost of sending staff – Belgian NGOs have about a thousand development workers – and subsidises the development education activities of thirty or so NGOs. Nevertheless, the NGOs are relatively independent because of their own capacity for mobilisation. In 2002-03 they raised a total of EUR 360 million, of which 28% came from DGDC, 16% from European Commission funds and 52% from private donors.

Special programmes

Special programmes include actions relating to humanitarian aid and conflict prevention and the Belgian Survival Fund. They represent a substantial proportion of the budget, accounting for 20% of the aid managed by DGDC and, in countries like DRC, up to one third of Belgian ODA.

Humanitarian aid accounted for 2.8% of gross disbursements of ODA on average between 2000 and 2002. The amount jumped from USD 29 million in 2002 to USD 90 million in constant terms between 2002 and 2003 (Table B.2). This rise was mostly due to Belgium's new notification to the DAC of the "Refugee" item, which now includes the cost of refugees in the donor country: in 2003, the item for refugees in Belgium jumped from a previous level of USD 200 000-300 000 to USD 79 million. Even so, Belgium's rate of 6% of gross disbursements of ODA falls short of the DAC average of 7.4% in 2003. Aid to refugees in Belgium, the biggest item in budget terms, is delivered through indirect co-operation, *i.e.* by granting subsidies to organisations that take care of refugees. At government level, emergency aid is provided through two budget items: i) Prevention, emergencies and short-term rehabilitation, with an annual allocation of EUR 22 million, initially managed by DGDC but transferred to other FPSFA general directorates in 2004; and ii) Food aid, with an allocation of EUR 13 million. Under the 1999 International Food Aid Convention, Belgium pays an annual contribution of at least 30 000 tonnes cereal equivalent in the form of untied aid that excludes genetically modified organisms (GMO) and is intended to be used primarily for local and regional purchases. Food aid is used both in emergencies and for rehabilitation initiatives such as restoring agricultural systems, and development projects like school canteens. Over 90% of food aid and 56% of the government emergency aid and rehabilitation budget was allocated to Africa in 2003. A new budget item, "Structural intervention and societal consolidation", has been created to finance post-crisis transition. EUR 15 million are also allocated to **conflict prevention** and preventive diplomacy.

The **Belgian Survival Fund**, created on the initiative of the Belgian parliament, is funded from a levy on National Lottery profits. Under the 1999 law on co-operation, a grant of EUR 250 million was added to the EUR 49 million left over from a first grant in 1983. The DGDC manages the fund, which is intended to finance programmes to improve food and nutritional safety in African countries facing chronic food shortages. Identified projects are carried out in the framework of partnerships with four multilateral organisations, 15 Belgian NGOs and BTC. EUR 15 million were spent under the scheme in 2003, and EUR 20 million in 2004.

An appropriate level of geographical concentration

The 1999 law on international co-operation limited the number of partner countries for direct bilateral co-operation to 25, subsequently reduced by royal order to 18. The 18 partner countries were selected at the end of 2003 on the basis of criteria contained in the law, taking the following principles into account: i) absolute priority to Central Africa as stipulated in the government agreement; ii) evaluation of co-operation over the last five years; iii) Belgium's contribution to aid actions in the country; iv) the quality of existing projects in each country; v) the quality of the political dialogue with each country. Drawing up the list was not easy and argument arose about certain countries not

included. However, they were guaranteed that projects in progress would be duly completed within the time limits imposed by Belgium's undertakings, then transferred to local partners.

The 18 partner countries, which include 10 LDCs, are Algeria, Benin, Bolivia, Burundi, DRC, Ecuador, Mali, Morocco, Mozambique, Niger, Peru, Rwanda, Senegal, South Africa, Tanzania, Uganda, Viet Nam and zones under Palestinian administration. This is an appropriate level of geographical concentration and helps to improve the impact of Belgian aid. DAC statistics illustrate the effort to concentrate aid, since the five biggest beneficiaries of bilateral aid received 64% of all bilateral aid on average in 2002-03 compared with 34% in 1997-98.⁴ Over half Belgium's aid targets LDCs (83% in 2003, taking into account the impact of forgiveness of DRC's debt) and Central Africa is the main beneficiary zone, in accordance with the agreement to give the region absolute priority. Belgium's five Central African partner countries accounted for over 60% of aid given by Belgium on average in 2002-03.

It is important to maintain that level of concentration and to reinforce implementation, as noted in Chapter 1, for several reasons. First, former partner countries and some others (Cameroon, Serbia & Montenegro and Kenya in 2003) continue to receive aid, especially to complete ongoing projects. Although the total amounts allocated to them by DGDC in respect of governmental co-operation are diminishing and accounted for only 4% of direct bilateral aid in 2003, representation costs and the cost of monitoring these small programmes represent an additional expense. Second, new co-operation initiatives are also being established, in the Mekong region for example, or planned with regional organisations, which could reduce the impact of concentration. Third and above all, the focus on 18 countries concerns only direct bilateral aid; it does not apply to special programmes (including humanitarian aid), of course, but nor does it apply to indirect aid, to government loans managed by FPS Finances, to guaranteed commercial loans managed by the OND, to BIO equity interests, or to projects carried out by the regions, communities and local authorities. That is why DAC statistics record a total of 106 beneficiaries from Belgium's ODA. An evaluation should be made of the extent to which indirect aid, given its scale, can be linked up with better geographical targeting (Chapter 5).

Greater sectoral concentration

The 1999 law defined five priority sectors in order to meet the needs of beneficiary countries more effectively and enable actions to target an entire sector, thus increasing their impact. A further aim is to concentrate aid in each country on a limited number of sectors where Belgian development co-operation can play a decisive role. This has proved to be an effective strategy, as can be seen from the example of Morocco where, although aid is relatively modest in volume terms, a high level of concentration in a key sector (water and sewage) has enabled Belgium to develop a comparative advantage there and have a real impact (Annex E).

However, concentration is only partial. In 2004, the sectors defined in the law accounted for 62% of direct bilateral co-operation (DGDC, 2005b). Moreover, the concentration policy does not apply to indirect aid. Little aid is devoted to basic infrastructure, including the management of water resources, sewage, other infrastructure and social services, and agriculture even though they are included in the five sectors for concentration (they each accounted for 4% of bilateral aid in 2002-03). The same applies to basic healthcare (3%), which accounts for only half the amount allocated to healthcare despite the concentration policy. More generally, despite the amounts earmarked for HIV/AIDS, the ODA allocated to the healthcare sector has fallen from 12% in 1997-98 to 6% in 2002-03. Education (9%) and support for good governance and civil society (7%) are the biggest sectors (Table B.5).

4. Belgium's 10 main partners received 41.1% of all Belgian ODA on average in 2002-03, compared with a corresponding average rate for all DAC members of 21.4% (OECD/DAC, 2005).

Overall, the aid allocated to basic social services should continue to increase. The breakdown of ODA in the education sector confirms the evidence from the healthcare sector: although aid is increasing, basic education is largely neglected, since it accounts for only 7% of aid allocated to education. And yet the commitment to achieving the MDG should lead to greater emphasis being placed on basic education, which corresponds to goals 2 and 3. In fact, the breakdown is due not to any strategic choice in Belgian co-operation but to its co-operation mechanism. Most Belgian support for the education sector is given through indirect co-operation and therefore depends on players that manage their co-operation independently (especially the universities through CUD and VLIR), and they devote most of their aid to secondary, technical and university education. In this particular case, the mechanism favours the supply from Belgian universities and scientific institutions rather than demand expressed by the countries concerned or identified from an analysis of the situation.

The importance of debt treatment

In 1991, Belgium introduced a debt conversion programme with an annual budget of EUR 13.6 million, managed by the development co-operation authorities. The programme enabled them to contribute to cancellations of commercial loans guaranteed by the OND, Belgium's export credit agency, and to buy back loans from the OND so as to convert them into aid projects. The arrangement, additional to Paris Club debt cancellation operations, was maintained for as long as debt relief continued to be on a relatively small scale. However, the amounts involved rose sharply following the Council of Ministers' decision in May 2001 to participate in the HIPC (highly indebted poor countries) initiative, leading to the cancellation of very substantial stocks of ODC loans: EUR 168 million in 2002, EUR 665 million in 2003 and EUR 149 million in 2004. In addition, in 2005 the Belgian government decided to cancel all the commercial debt of all countries reaching completion point under the HIPC initiative. Since 2003, the debt conversion budget managed by DGDC has been used exclusively to cover some of the cancellations of DRC's debt. Belgium also contributes to the reduction of multilateral debt through the HIPC trust fund. At the same time, the proportion of aid granted in loan form has fallen from 2% in 1999 to less than 1% in 2003.

Multilateral co-operation: reinforcing the strategic approach

Aid provided by Belgium through multilateral channels fell slightly between 2001 and 2003 but rose again in 2004. It still accounts for a substantial proportion of Belgium's ODA: 30% of net ODA in 2003 and over 40% excluding debt effects and including earmarked funding (multi-bilateral funding and emergency aid). DAC statistics do not include this earmarked funding, which represents 7% of Belgium's net ODA. This factor, coupled with the scale of debt reduction in 2003 and the carryover to 2004 of the EUR 74 million contribution to the International Development Association (IDA) explains why the share of multilateral aid shown in Table B.2 is only 20% in 2003. The contribution to the European Development Fund (EDF), amounting to EUR 87 million in 2004, represents a third of DGDC's contributions to multilateral organisations excluding special programmes. This explains the increase in the share of mandatory contributions, which rose from 56% of regular multilateral aid granted by DGDC in 2001 to 63% in 2003 and 70% in 2004 (Table 1).

A concentration policy has been pursued since the 1999 law, which stipulated that co-operation with multilateral organisations should be limited to twenty or so partners, with the aim of making a more significant contribution to a limited number of institutions. The Royal Decree of 2 April 2003 contained a list of 23 organisations, 12 of which were given priority status.⁵ However, because the

5. World Bank, UNDP, UNFPA, UNICEF, WHO, UNAIDS, Global Fund, OCHA, ICRC, FAO, CGIAR and UNEP.

introduction of new partners such as global funds increases the complexity of aid architecture, the concentration policy is not implemented strictly.

Table 1. Multilateral aid (EUR million)

	2001	2002	2003	2004
DGDC: Regular aid (D4)	177	235	202	314
Mandatory contributions	99 (56%)	150 (64%)	128 (63%)	220 (70%)
General contributions	32 (18%)	33 (14%)	26 (13%)	41 (13%)
Earmarked contributions	46 (26%)	52 (22%)	48 (24%)	53 (17%)
DGDC: Emergency aid (D2)	30	28	41	31
Finances (MDBs and EU excl. EDF)	247	169	170	..
Other	81	70	65	..
Total	535	502	478	..

Source: DGDC, 2004d.

At the same time, Belgium is seeking to take a more strategic approach that will enable it to promote "active multilateralism". A paper on multilateral strategy was presented to parliament in 2001 and strategy papers on several UN partner organisations were subsequently drawn up. They help to define Belgium's approach to those organisations and are designed to increase the quality of co-operation, provided on the basis of a four-year programme. The strategy papers also provide a basis for regular consultations with multilateral partners. The guidelines promoted by Belgium are as follows: i) to avoid the dispersal of international organisations in a plethora of small funds and programmes by encouraging consolidation between organisations and the implementation of joint programmes; ii) to encourage further reforms in UN organisations to improve the effectiveness of their action; and iii) to improve co-operation between the United Nations system and the World Bank. Belgium is also seeking to reduce the number of actions carried out with each organisation so as to increase their impact and facilitate aid management. Lastly, it aims to encourage the organisations to act in its partner countries, especially in Central Africa. Thus, of the EUR 12 million allocated by Belgium to the UN Food and Agriculture Organisation (FAO) for 2004-07, EUR 6.7 million are earmarked for DRC. This approach also helps Belgium to reinforce bilateral actions (Annex D). In future, the introduction of qualitative monitoring, in liaison with the internal evaluation unit and the Special Evaluator and in connection with the systems set up by other donors, would help to support the choices for allocating resources to multilateral organisations against a background of maximising the quality of actions. Greater involvement by DGDC representations on the ground in projects financed by Belgium, assuming better access to information, would also be appropriate (Chapter 5).

As regards European co-operation, three priorities have been highlighted: i) ensuring that sufficient attention is paid to the poorest developing countries, especially in Africa – which has contributed to a significant increase in the EDF budget allocated to DRC; ii) supporting Europe's primary role in implementing the agenda for harmonising and streamlining financial and programming procedures; and iii) paying more attention to the coherence between development co-operation and international trade policy.

ODA granted by federated entities

The Flemish region and community granted ODA amounting to EUR 29 million in 2004, of which 37% concerned education and training. As at federal level there are direct, indirect and multilateral channels for delivering aid, though only 5% is allocated through the multilateral channel. Direct aid amounting to EUR 10.5 million (36% of the total) was concentrated on three provinces of

South Africa and Mozambique, targeting four sectors: education, healthcare (including HIV/AIDS), water and sewage, and agriculture and food security.

Wallonia-Brussels (comprising the Walloon region, the French-speaking community, the German-speaking community and the French Community Commission of the Brussels-Capital Region) granted ODA amounting to EUR 20 million in 2004. Direct aid from Wallonia-Brussels amounted to EUR 8 million and benefited 14 partner countries, focusing on 11 sectoral priorities (including education and training, the environment, energy, healthcare, economic development, agriculture and rural development) and five cross-cutting priorities. Indirect aid amounted to EUR 4 million and multilateral aid to EUR 8 million.

Future considerations

- Belgium is invited to respect the timeframe it has established and to assure the funding of the resources needed to achieve the 0.7% target by 2010, bearing in mind the composition of its ODA and the forecasts with regard to debt forgiveness. It could also give consideration to ways of improving aid predictability by introducing multi-year programming.
- In order to maximise the impact of its co-operation, Belgium is invited to consolidate the positive effort of geographical concentration and to preserve the continuity of co-operation relationships by making no changes to the list of 18 concentration countries and regional organisations.
- Belgium is invited to increase the proportion of funding allocated to supporting implementation of developing countries' sectoral strategies in order to enhance its contribution to achieving the MDG.
- Belgium is encouraged to continue to take a more strategic approach to multilateral co-operation by enabling the decision-taking bodies of multilateral organisations to benefit more from the lessons of its experience of bilateral co-operation.

Chapter 3

Priority sectors and themes

The 1999 law on development co-operation identified five sectors of concentration: i) basic healthcare including reproductive health; ii) education and training; iii) agriculture and food security; iv) basic infrastructure; v) conflict prevention and societal consolidation. Three cross-cutting themes were also identified: gender equality, environmental protection and the social sectors. Strategy papers were drawn up for each of these sectors and themes in 2002-03, then transmitted for information to parliament and submitted for comment to the Federal Council for Sustainable Development and the Belgian Commission on Women and Development (DGDC, 2002a-g and 2003).

This section looks at the issue of fragile states, linked to those of conflict prevention and societal consolidation, analyses coverage of the cross-cutting themes and considers the particular case of support for private sector development, partly because of their relevance to the international agenda and partly because of the lessons that can be learnt from Belgium's particular approach to them.

Investment in fragile states

Conflict prevention and societal consolidation, including the promotion of a human rights culture, is one of the five sectors on which Belgium has decided to concentrate its aid effort. The need for peace as a precondition for development, and in very practical terms the large number of fragile states that lack the institutional capacity to frame and implement suitable development policies, are particular challenges that Belgium wishes to help meet in the context of its support for achieving the MDG. Deeply committed to several fragile states in Central Africa, Belgium has opted to maintain a substantial co-operation effort there despite difficult conditions.

Operating principles and methods

Operating in these States is a highly complex business since it needs to incorporate aspects of conflict prevention and peace-building, governance and institutional reinforcement, and humanitarian aid. DGDC produced a strategy paper on peace consolidation in July 2002, drawing on work carried out within the DAC Network on Conflict, Peace and Development Co-operation and its guidelines *Helping Prevent Violent Conflict*. In terms of strategic choices, the document targets the following sectors: support for the reinforcement of parliamentary institutions and a democratic culture; reconciliation and transition justice; disarmament, demobilisation and reintegration; assistance to children in countries in conflict; the fight against antipersonnel mines; and preventing the dissemination of light weapons. The human rights aspect is addressed in a cross-cutting way, with reference to the international principles set out in the United Nations Charter and expanded in the Universal Declaration of Human Rights (1948), the Vienna Declaration (1993) and the provisions of international and regional conventions on human rights.

The Social Development unit within DGDC's Special Programmes division has been responsible since 2003 for devising and managing programmes relating to conflict prevention and social development. It manages two basic budget items: i) "Conflict prevention, peace consolidation and

human rights", created because existing budget items did not allow for a sufficiently flexible response in conflictual or unstable situations, and placed under the aegis of the minister for foreign affairs since 2004; and ii) "Co-operation with local NGOs", which permits direct co-operation with those organisations. Seven countries in conflict or post-conflict situations were initially chosen, though the list has since been enlarged. A budget item for "Preventive diplomacy" has been added, also under the aegis of the minister for foreign affairs and included in the same budget line, though the procedures for using it are different: applications are made to the Council of Ministers and allocations are for one year at most. Funds can be released from the two lines even if the partner country government has not made a prior request. Such flexibility is particularly helpful where fragile states are concerned. The "Preventive diplomacy" item, for example, was used to finance support for the drafting of the constitution in DRC. Conversely, support for the transition process in DRC was drawn on the "Conflict prevention" line, since it was spread over more than one year. However, the "Preventive diplomacy" item would benefit from being defined more precisely in terms of its strategic purpose and the type of action covered in order to ensure coherence with other budget lines. An assessment should be made of the extent to which the human rights-based planning and programming approach recommended in the strategy paper is actually applied. There is also a need to clarify connections between general directorates (especially DGDC) within FPSFA where conflict prevention is concerned. More broadly, the evaluation of the impact of activities financed from these budget items (scheduled for 2005 as regards direct funding) and the evaluation of the coherence between preventive diplomacy and development co-operation operations (planned by the Special Evaluator) would be particularly helpful for updating the strategy paper.

Co-operation in practice: Belgium and the African Great Lakes region

The terms and conditions of aid to fragile states must be adapted to each particular context while still striving for effectiveness even more than elsewhere. At the DAC High-Level Meeting in March 2005, the Belgian minister for Development co-operation announced his country's wish to be the lead donor in DRC for the pilot scheme for implementing the *Principles for Good International Engagement in Fragile states*. That engagement should make it possible to learn the lessons from Belgium's approach in the Central African region which, described below, shows extensive convergence with the *Principles*. Belgium has a particular responsibility to that part of Africa, partly because of its historical links but also because of the many exchanges that exist, whether political and economic or migratory (including a large number of asylum seekers). The Great Lakes region is central to Belgium's concerns and plays a leading part in its diplomacy. Through diplomatic action and its co-operation policy, Belgium seeks to support regional stability, peace consolidation and the fight against poverty while ensuring that the instruments of its action are as complementary as possible.

Belgium is aiming to develop and implement a **regional strategic approach**, as demonstrated by the framing in 2001 of an action plan for Central Africa (DGDC, 2001) and the appointment of a Central Africa expert to coordinate action there. It bases its engagement on **analysis** of ongoing processes, with the peace agreements as its reference framework, situating it in a **long-term perspective**. The volume of bilateral aid to the countries concerned has risen significantly since the peace agreements were signed.

Belgium is also acting simultaneously in **complementary and essential sectors**, particularly institutional reinforcement, conflict prevention and security, reconciliation and human rights, economic revitalisation and community development, including enhancement of the social sectors, humanitarian aid and rehabilitation (Annex C on humanitarian aid). It combines action on the ground with constant high-level bilateral diplomatic dialogue. In DRC, it is also a member of CIAT, the International Committee in Support of the Transition.

Belgium takes advantage of the **flexibility** and **complementarity** of its different channels for delivering aid (direct and indirect bilateral aid and multilateral aid) to target populations or national institutions directly. That possibility enabled it to continue providing aid throughout the 1990s and to take different approaches in the same country at the same time according to the situation. In DRC, for example, the healthcare project in the Lower Congo is entirely integrated into national structures and reinforces the national strategy for primary healthcare, while in South Kivu the hospital run by *Louvain Développement*, an NGO, in partnership with the archdiocese of Bukavu aims to maintain healthcare services in a situation of humanitarian crisis where the State does not provide any healthcare at all.

Belgium seeks to act as a **catalyst** with regard to other donors and to **complement** their action, often through multilateral institutions. In December 2001, it signed up as a donor to the Multi-Country Demobilisation and Reintegration Programme (MDRP), which covers the seven countries affected by the crisis in Central Africa and whose trust fund is managed by the World Bank. It provides substantial support to the armed groups demobilisation programme (EUR 10 million and a team of two experts to support Security Sector Reform programmes in DRC and Burundi) and to the UN-run emergency programme for Congolese populations (EUR 4 million). Belgium is also seeking to develop synergies with other donors, illustrated in DRC by its participation in activities to support civil service reform and its position as co-leader with the United States in preparing the pilot Consolidated Appeals Process (CAP, 2005).

Belgium is seeking to take an integrated approach and ensure **close coordination between diplomacy and co-operation, and with defence**. The latter is essential where DDR/SSR programmes are concerned and joint co-operation/defence teams are working in the sector in DRC and Burundi (Box 2). A weekly meeting of staff from the private offices of the ministers concerned ensures internal coherence, supplemented by a monthly meeting with FPS Defence. Belgium could institutionalise this interministerial machinery, designed to ensure coherent action, and include the dimension of economic exchanges more systematically. A regular meeting between the various departments represented has also been introduced in representations on the ground. It could become a real strategic coordination body, on the basis of a reinforced strategic vision of all Belgium's action in the Great Lakes region.

Box 2. Co-ordination between Defence and Co-operation: supporting SSR/DDR in DRC

Belgium is deeply involved in the SSR/DDR process in DRC. Having provided a joint defence/co-operation team to support the framing of the DDR programme, Belgium was the first to train a mixed brigade at Kisangani, now based at Ituri. A second military integration centre (*centre de brassage*) was opened in early 2005 at Kamina, in partnership with South Africa. Belgium has trained 250 Congolese trainers in Belgium and is supervising their training of a new group of 300 Congolese trainers. It is also supporting the rehabilitation of the army personnel management system, including aspects such as pay and logistics.

In 2003, the military section of the embassy in Kinshasa set up a unit to monitor the military partnerships programme, tasked with tracking the Congolese army's integration process, which has received significant support from Belgian co-operation. A consultation mechanism for the two programmes has been instituted between the military section and the embassy co-operation bureau and joint missions involving defence/co-operation experts have been organised since February 2004. This is essential because reform of the security system, including integrating the various armed groups to form a national army (a defence matter) and the disarmament/demobilisation/reintegration process (a co-operation matter), must be conducted simultaneously. Consultation has been extended to the embassy's political section, which is a member of the SSR sub-committee of MONUC, the United Nations Organisation Mission in the Congo.

Nevertheless, several problems that go beyond the strict framework of Belgian co-operation are affecting the parallel conduct of the twin SSR/DDR process. While the DDR part is financed from the multi-country trust fund, insufficient funds have been raised for the SSR part. The funds allocated to SSR, which fall into the category of bilateral state-to-state aid, are split up and will result in an army that has different sorts of equipment (transport and communication equipment and weapons), making the logistic support chain very difficult to manage. The institutional structure put in place by the government also creates many obstacles.

Belgium is actively involved in donor **coordination** and in efforts to harmonise practices and align national poverty alleviation and development strategies. Such a strategy appears easier to implement in Rwanda, which has a poverty reduction strategy paper (PRSP) – it covers Belgium's bilateral programme – and where the government is able to organise coordination. Sectoral aid is possible and Belgium is the lead donor for the healthcare sector (Chapter 6).

In future, Belgium will benefit from taking a more strategic approach, emphasising greater coherence between the diplomatic, military and economic components of its action and placing its response in a more sub-regional context. The planned updating of the action plan for Central Africa could provide an opportunity for this. Greater devolution coupled with consultation mechanisms at sub-regional level could also help to increase its aid effectiveness. As regards political dialogue, Belgium could increase its comparative advantage by using its high-level diplomatic action to boost the international community's efforts to exert sufficient diplomatic pressure to ensure compliance with peace agreements.

Scope and limits of consideration given to cross-cutting gender and environment themes

Three cross-cutting themes are included in the 1999 law: environmental protection, gender equality and the social sectors. HIV/AIDS was subsequently added as part of the mobilisation to achieve the MDG. A strategy paper on HIV/AIDS was published in October 2004, an AIDS ambassador was appointed and a national AIDS platform was created. However, the initiative is too recent to have been translated into co-operation programmes and HIV/AIDS is still mostly dealt with under the health heading. Consequently this section will refer only to the environment and gender themes, the social sector being treated in the section on "Private sector support".

Aims and principles

Belgium regards poverty alleviation and environmental protection as overlapping objectives which must therefore be essential components of any **sustainable development** strategy (DGDC, 2002f). Two specific objectives have been defined, namely integrating environmental protection into all levels of Belgium's international co-operation and helping partner countries to introduce the necessary conditions for the protection and sustainable management of the environment. Six strategic priorities have been identified and are the subject of international agreements or at the heart of the debate on environmental issues: i) sustainable water management; ii) preventing desertification and land degradation; iii) protection and sustainable management of forests; iv) protection and sustainable management of biodiversity; v) better ecological management of urban and suburban zones; and vi) preventing and reducing the effects of climate change.

Belgium's overall strategy in favour of gender equality, defined in a 2002 strategy document (DGDC, 2002g), has three main thrusts: i) support for partner countries' efforts to address gender issues, in particular by building the capacity of domestic institutions, strengthening civil society and supporting grassroots organisations, especially women's groups; ii) supporting the efforts of international organisations and NGOs to promote gender equality; iii) reinforcing DGDC's institutional capacities. Belgium targets its support in three areas: healthcare and reproductive and sexual rights, including the fight against HIV/AIDS; eliminating gender inequalities in basic education; and the participation of women in the construction of peace and security, including the fight against sexual violence. The minister's 2004 policy paper places particular emphasis on non-discrimination and the promotion of women's rights as a factor of development (De Decker, 2004).

Methodology and resources for implementing the cross-cutting approach

In institutional terms, the Federal Council for Sustainable Development (CFDD) and the Commission on Women and Development have an advisory role and are responsible for raising public awareness. At DGDC level, experts on the issues concerned work in the policy support unit attached to the General Directorate. Staff numbers are small, however, and at the present time the Gender and Environment units have only one expert each. At BTC, the sectoral and thematic expertise division is also tasked with ensuring that cross-cutting themes are taken into account when projects and programmes are prepared and executed.

DGDC has introduced tools to ensure that the cross-cutting gender and environment themes are incorporated into government co-operation in compliance with DAC relevance criteria. For the environment, for example, a preliminary risk assessment is made when projects are identified. DGDC has defined four levels of risk, on the basis of which a project may be accepted, deemed to require further study, or rejected. Specific impact assessments are carried out when major environmental risks are present and are used to prepare an environment management plan setting out corrective measures and follow-up needs. An advisory committee of geographical and thematic experts meets in Brussels to review the technical and financial aspects of programmes from the standpoint of relevance criteria, including gender and the environment.

As far as multilateral co-operation is concerned, Belgium's partners include international organisations specialising in the environment and gender equality, especially UNEP and UNIFEM, and Belgium provides financial support to programmes in those areas. It is more difficult to take systematic account of cross-cutting aspects in indirect co-operation, though DGDC encourages its partners to develop procedures in their programmes that will enable them to systematically analyse risk and relevance from an environmental and gender standpoint.

Mixed results

Because they are cross-cutting, it is difficult to evaluate the impact of and consideration given to gender and the environment. Belgium's action in these areas is not always measurable in budget terms, since it is integrated into programmes and projects without always being the primary objective. Belgium reckons that EUR 1.8 million was spent on activities strictly related to gender equality in 2003, or 0.19% of total aid excluding debt relief, more than in 2001 (0.15%) but less than in 2002 (0.26%). The gender equality marker used in Belgium's reporting to DAC (except for data transmitted by federated entities) gives slightly better results: over 10% of aid in the population/reproductive health sector, 5-10% of aid in the basic education sector and less than 5% of aid in the basic healthcare and water and sewage sector related to gender equality (OECD/CRS, 2005).

Impact assessments would be helpful for judging the effect and scope of Belgium's policy in these areas, as the CFDD advises in its opinion on the December 2002 environment strategy paper. But it is clear that much remains to be done to fully implement cross-cutting strategies through projects and programmes. In DRC, for example, there are insufficient resources for cross-cutting themes to be truly incorporated at operational level even though they feature in the country strategy paper and some projects include gender objectives. The same observation has been made in Morocco, where insufficient consideration is given to gender and environmental issues in projects and programmes (Box 3).

Outlook for better inclusion of cross-cutting themes

Better inclusion of cross-cutting themes implies an adjustment both centrally and in the field. The number of staff assigned to thematic issues should be increased. Because there are so few of them, DGDC experts are unable to support partner countries in identifying programmes. Most of their work is done in Belgium, with the risk of losing touch with the realities of the situation on the ground and hence of being out of step with field workers' perceptions of how the themes should be tackled. It is also a factor that holds back the project approval process. Field bureaux would benefit from better methodological support from the centre, which should provide expert help with the development of appropriate tools or, given the current shortage of specialists at DGDC, extra funding to acquire such expertise. Programme budgets should provide for the possibility of calling in experts on given themes when they are drawn up. They should also provide for support measures, such as gender training, which prove necessary on implementation. Lastly, BTC technical assistants should be given systematic training in the themes before they leave on assignment, rather than simply being put in touch with gender and environment experts, as is the case at present.

Box 3. Consideration given to gender equality and environmental issues in Morocco

The review team found that the cross-cutting themes defined in the Belgian co-operation law are the subject of some specific projects but are not systematically taken into consideration in every programme. Gender equality is one cross-cutting theme of particular relevance to Morocco, since it is here that the greatest challenges for achieving the MDG are to be found. Belgium has therefore developed a number of projects to support Morocco's response to the challenge. However, gender is not systematically included in Belgium's other co-operation projects. Thus, the impact on women – both positive and possibly negative – of drinking water supply projects in remote rural areas has not been fully appreciated. The reasons for and implications of the lack of female participation in the associations created to manage networks could be analysed. Improvements are being made, with greater attention being paid to the gender equality objective in framing and monitoring new projects and the introduction of positive discrimination for grants and training courses. However, it would be desirable for gender issues, including gender-sensitive situation analysis and impact assessments, to be included more systematically. The environment is another important cross-cutting theme, given the issues connected with access to water in Morocco. Belgium supports some projects directly linked to the environment and, above all, many projects relating to water infrastructure, but insufficient consideration is given to the cross-cutting environmental dimension in them.

Private sector support

Principles that need clarification: support for the private sector and the social economy

Belgium confirmed its interest in support for private sector development by creating BIO, the Belgian Investment Corporation for Developing Countries, in late 2001. In the wake of the Monterrey and Johannesburg conferences, realisation of the private sector's key role in alleviating poverty has caused Belgium to try and step up its action in that area. A policy plan presented by the minister for development co-operation entitled *Businesses against Poverty and in Favour of Development* (Verwilghen, 2004) was approved in the Council of Ministers on 19 March 2004. The paper sets out the basic principles of Belgium's commitment, which correspond to the fundamental criteria of Belgian co-operation: relevance for development, transparency, untied aid, complementarity with the market, sustainability, complementarity and synergy between the players and with the various channels of Belgian co-operation. It gives BIO a bigger role and more resources and promotes the involvement of Belgium businesses in the development process. Four lines of action are proposed: i) supporting the creation of an environment favourable to the development of the private sector in developing countries; ii) raising awareness in the business community of development issues in the

south; iii) promoting socially responsible enterprise; and iv) facilitating investment in southern countries.

However, the 1999 law does not list the private sector as one of the sectors where Belgium should concentrate its aid, though the social sectors are one of its cross-cutting themes. The strategy paper on the social economy, drawn up in 2003, defines them as collective initiative activities for the production of goods and services by co-operative companies, mutual societies and associations whose ethical approach is based on the following principles: i) service- rather than profit-oriented; ii) autonomous management; iii) democratic decision-taking processes; iv) primacy of people and work over capital in the allocation of income. Support for the social economy means reinforcing the capacities of civil society, the emphasis being placed on the training and managerial aspects of local initiatives. Support may be provided through grassroots organisations or through intermediate partners and national, regional and devolved institutions. In this context, Belgium has initiated actions targeting micro-finance, micro-insurance in the healthcare sector and support for fair trade producer organisations.

It would be helpful to define the link between the "social economy" approach and private sector support and to define a strategic approach covering support for economic development as a whole.

Private sector support: players and instruments

BIO, the most recent addition to Belgium's co-operation effort, is the main instrument for private sector support in developing countries. Created by the law of 3 November 2001 as a public limited company whose shareholders are DGDC and SBI, the Belgian Corporation for International Investment, BIO's purpose is to contribute to the development of the private sector in developing countries by providing long-term financing under market conditions to local micro, small and medium-sized enterprises. A first development fund was created for the purposes. Two new instruments were set up following the 2004 policy paper on *Businesses against Poverty and in Favour of Development*, managed by BIO and financed by DGDC: a fund to support private sector development and a local currency facility to cushion exchange rate risks (Box 4). An expert fund to finance technical assistance (training, feasibility studies) is also planned and is due to be approved by the minister for development co-operation in 2005. These various funds will cover a private company's entire investment cycle.

Box 4. Main features of BIO instruments

BIO currently has two instruments at its disposal in addition to a EUR 9 million local currency facility:

i) A EUR 96 million **development fund** for intermediate financial institutions (at least 70%) and SMEs. It is intended for three categories of country (LDC, LIC, LMIC), but a minimum of 35% must be allocated to LDCs and the emphasis must be placed on Belgian co-operation partner countries. The channels are venture capital (42% of investments in 2003) and loans (58%). The portfolio is divided into microfinance investments (45% of funds allocated in 2003) and SME investments, through shares in investment funds (55%). A total of EUR 64.6 million were allocated in 2003, 33% in Africa (compared with 4% in 2002), 25% in Latin America and 24% in Asia.

ii) The **support fund**, set up in December 2004 and operational since April 2005. With EUR 24 million, it is intended to finance direct investment in developing countries (LDC, LIC, LMIC). Two-thirds of the funds must be invested in priority countries for Belgian co-operation. Loans are granted in euros, the minimum loan being EUR 45 000 and the maximum loan EUR 700 000, for three to twelve years with a maximum three-year grace period.

Other players in Belgian co-operation also provide private sector support. BTC, as the agency that implements direct co-operation, helps the social sectors, in particular by supporting micro-credit projects. The Belgian Survival Fund and specialist NGOs also support such projects. DGDC funds an annual fair trade campaign, and a fair trade fund is due to be launched in 2005. Lastly, a new "Businesses for development" basic allocation has been created within DGDC with the aim of raising awareness among businesses, one of the priorities identified in the *Businesses against Poverty and in Favour of Development* paper. It provides a framework for exchanges of personnel between North and South, an annual fair and a handbook on establishing and developing activities in southern countries.

Complementarity between aid instruments is one of the criteria of Belgian co-operation, referred to in the 2004 strategy paper and in the law creating BIO, which states that BIO must call on the services of BTC when necessary. However, exchanges between these two players are limited to occasional contacts in partner countries. Such contacts have enabled BIO to take over a project initiated by BTC, an example which shows the continuity of actions carried out by both players and the benefit that could be gained from coordinating their activities better. At the present time, however, the only forum bringing together the players in Belgian co-operation involved in supporting the private sector is a micro-credit platform comprising DGDC, BTC, BIO and several specialist NGOs. There is further to go in that direction, for example by setting up a coordination body to extend consultation, increase coordination and ensure greater coherence in actions on the ground. However, BIO's current status makes such a move difficult.

Although DGDC is BIO's main source of finance,⁶ it is not able to influence the direction of BIO's activities (BIO is a public limited company, jointly owned by DGDC and SBI as equal shareholders). It is BIO's board of directors that decides on investment projects, which do not always have to fit into the predefined framework for governmental co-operation, especially as regards geographical concentration. Only nine of the twenty countries in which BIO operates are concentration countries.⁷ In partner countries DGDC representatives may be consulted before BIO launches an action and BIO is sometimes invited to take part in joint commissions on DGDC's initiative, but its activities are regarded as indirect aid and not therefore included in indicative co-operation programmes (ICP). The opinion of co-operation attachés is required only in the framework of the support fund. Because of the desire and need to seek complementarity between aid channels, to develop synergies between actions and to increase the geographical concentration of aid, Belgium should review BIO's corporate status and purpose so that it can play its full role as an instrument of Belgian co-operation within the strategy for governmental co-operation.

Outlook

The commitment to private sector support is still recent and action remains on a modest scale. BIO, which had EUR 134 million at its disposal at end-2004, is still limited in scope compared with similar organisations in other European countries and private sector support accounts for only 5% of Belgium's total bilateral ODA. Support is directed mainly towards banks and financial services, not infrastructure.

Belgium's strategy concerning the social economy and support for private sector development should be defined more clearly, partly to clarify the links between the two aspects and partly to

6. The various funds managed by BIO are financed by DGDC, which provided EUR 39 million in 2003.

7. The previous DAC review recommended that BIO should give priority to LDCs. It is regrettable in that respect that the requirement to allocate 35% of funds to LDCs was not continued when the support fund was created. Currently, seven of the twenty countries in BIO's portfolio are LDCs.

specify, on the basis of coherent objectives and tools, the place and role of each organisation involved and the sectors benefiting from support. Such clarification could draw on OECD guidelines which emphasise the central role of the private sector as a driver of development and recommend taking a cross-cutting approach designed to institute a framework favourable to pro-poor growth (OECD/DAC, 2004a), which corresponds to the priorities of Belgian co-operation.

Hitherto, BIO has mostly relied on intermediate structures like financial institutions and investment funds. Without representation in the field, BIO works with local financial institutions, its operational objective being to institute devolved management based on a network of local partners. In this approach, BIO should continue to work closely with its European partners in order to offset its current limitations in terms of capacities and instruments.

At the same time as providing private sector support in developing countries, it is necessary to ensure that Belgium's policies relating to trade and private investment in those countries do not contradict the efforts being made. The 2004 paper on *Businesses against Poverty and in Favour of Development* addressed this aspect of policy coherence, though it could be further enhanced when the paper is updated, a process which will take account of the conclusions of the seminar on "Enterprise in Central Africa" organised by DGDC in June 2005. More generally, coordination with federal policies and the policies of federated entities is at stake and will be examined in Chapter 4.

Future considerations

- Belgium is invited to share the lessons of its experience of co-operation in fragile states in the Great Lakes region with DAC Member States, drawing on an evaluation of all Belgium's actions in support of transition in DRC.
- Steps should be taken to ensure that cross-cutting policies, especially the gender equality policy, to which Belgium pays particular attention, should be reflected to a greater extent in programmes. This presupposes fresh thinking backed up by suitable guidelines, appropriate technical resources, coherent implementation mechanisms and relevant monitoring tools.
- Belgium could take advantage of the revision of its paper on "Businesses against poverty and in favour of development" to clarify its overall strategy for private sector support and make it more coherent, defining the objectives, players, sectors and tools of such support and the links between players. Consideration could be given to revising BIO's by-laws in this respect.

Chapter 4

Policy coherence

OECD members are aware that coherent and complementary economic, social and environmental policies must be implemented in order to secure a lasting reduction in poverty in developing countries and achieve the MDG. When they agreed on the *Action for a Shared Development Agenda* in 2002, OECD members emphasised the importance for industrialised countries of paying greater attention to the repercussions of their policies on developing countries. This follows other commitments within DAC (OECD/DAC, 1996 and OECD/DAC, 2001a) to make policy coherence for development the common denominator of government policy and to work to achieve that ambition in national administrations and international fora. For EU Member States, the principle of policy coherence is stated at Article 130V of the Maastricht Treaty, concluded in 1992 (subsequently Article 178 of the Amsterdam Treaty, concluded in 1997).

Policy coherence: opportunities and challenges for Belgium

Renewed political commitment

Belgium's support for the MDG, especially Goal 8, which presupposes the adaptation of national policies in development-related matters, has helped to refocus the government's attention on the subject. The co-operation minister's policy paper of October 2004 (De Decker, 2004) emphasises the need for development co-operation strategy to take account of dimensions such as international trade, migration and security. As regards trade, the minister points out that an effort should be made not to hamper development by export subsidies or other protectionist measures. Thus, Belgium is pleased that the Doha agreement will pave the way for the elimination of export subsidies for agricultural produce. Likewise, Belgium has advocated a greater commitment in the European Union's foreign policy to securing and maintaining peace – in accordance with the UN – since peace and security are essential preconditions for sustainable human development. Through its Federal Plan for Sustainable Development 2000-04 and its preparatory work on the next plan, Belgium is also seeking to ensure that due consideration is given to international commitments in that sphere, like Agenda 21 and the Kyoto Protocol.

The commitment to greater international coordination is repeated in the foreign minister's general policy statement. One important function of FPSFA is to contribute to coordination between ministerial departments (including the communities and regions) in multilateral and globalisation matters. DGDC has a more specific responsibility to seek coherence in development policies. This is the second strategic thrust of the Director General's management plan, with twin objectives: i) contributing to the coherence of European anti-poverty policies; and ii) increasing the coherence of policies carried out by all FPS and the federated entities that have an influence on the fight against poverty.

However, although Belgium is actively involved in the networks set up by OECD and the EU to promote development policy coherence, it could do more domestically. In the first place this calls for

more systematic long-term strategic thinking, incorporating the nature and implications of policy coherence for a specific sphere. The Great Lakes paper is an interesting example in this respect. Greater coherence also requires a better structuring of interministerial consultation (and arbitration) mechanisms and the assignment of specialists to the task. The devolution of powers in key areas such as foreign trade, agriculture and the environment complicates the quest for policy coherence and makes such efforts all the more necessary.

A positive example: untying ODA

In 2003, 99.1% of Belgium's aid to LDCs was untied. Belgium supports untying and has gone further than the DAC recommendations since its food aid, allocated through the World Food Programme (WFP), is also untied and designed to favour triangular exchanges.

The DAC recommendation on untying aid has also led Belgium to adapt its policy on government loans and interest rebates. First, the Council of Ministers changed its policy on government loans in March 2002, stipulating that loans to LDCs in excess of 700 000 SDR would be made in the form of untied aid. Burkina Faso, for example, was granted a EUR 2.3 million loan for a water supply project carried out by a local firm. However, the number of requests for government loans has declined. Applications for the loans, which served the dual purpose of supporting both Belgian exports and development, generally used to be made by companies. Governments nowadays are unfamiliar with the mechanism, especially as FPS Finance does little to promote this particular line of credit to developing countries. The policy for granting such loans has also been tightened up: measures are taken to ensure that projects financed by them are relevant for development and prices are controlled if there is no proof of competition. Second, Belgium has stopped granting interest rebates to LDCs. In fact, as these countries are high-risk recipients for the OND, Bangladesh was the only one to have benefited from interest rebates.

One option for continuing to untie aid could be to examine how far it could be extended to technical co-operation, both direct, for which BTC is the exclusive partner, and indirect, in which NGOs, universities, associations, communes, etc. play a leading role. For that, it could be helpful to analyse the likely impact of using local players more extensively.

A challenge: controlling the illegal exploitation of and trade in DRC's resources

Although its economic clout in DRC has diminished considerably since leading Belgian businesses left the country in the 1970s, Belgium is still one of DRC's key trading partners and major Belgian firms still have subsidiaries there or interests in Congolese companies. From the standpoint of greater policy coherence, it would be helpful if Belgium clarified its economic interests and integrated them into a global approach to development aid in DRC. The weakness of the Congolese government, evidenced by the scale of illegal exploitation of the country's resources and the implications of that situation, make such an effort all the more necessary.

Such clarification could first concern the link between Belgian private investment and economic development in DRC. Belgium is seeking to promote foreign investment as a factor of development in the country, organising visits by Belgian firms to encourage them to invest in DRC and a conference in Brussels on investing in Central Africa. It would therefore be helpful for Belgium to explain in greater detail how such investment contributes to development and the fight against poverty and for the economic dimension to be incorporated into Belgium's strategy for supporting DRC's development.

From the same standpoint of coherence, Belgium should continue to step up its monitoring of the behaviour of Belgian companies with interests in DRC and of imports from DRC, which are strategic since Belgium is DRC's leading customer, especially for diamonds and coltan. Environmental damage and the poor conditions in which resources are exploited, especially timber and coltan, raise questions of coherence with the promotion of sustainable development and human rights. Above all, there is a clear link between the illegal exploitation of and trade in resources and arms trafficking, and hence with the continuation of conflict in DRC. Of course, Belgium is taking steps to limit illegal practices. In DRC, it is taking part in joint action by donors to identify the players in the timber industry, monitor their behaviour and support the drawing up of a forestry code. At home, it is implementing the Kimberley Process to improve the traceability of diamonds and, as a result, to reduce illegal trade and increase the resources of DRC's government. Following the first report by United Nations experts on the unlawful exploitation of natural resources in DRC, published in 2001 (UN, 2001), which cited 13 Belgian firms including five coltan traders, the Senate set up a commission of enquiry which completed its report in February 2003 (Senate, 2003).

The investigations could have been more thorough; furthermore, the enquiry's recommendations have hardly been followed up assiduously. That is the case with the recommendations concerning coltan in particular, since illegal exploitation of the mineral has played a key role in financing the Rwandan guerilla movement and Belgium occupies a dominant position as a marketplace and transit country for coltan. Legal proceedings have been taken against several companies for offences relating to coltan and diamond trafficking in DRC.

Following the UN Panel of Experts' final report on the *Illegal Exploitation of Natural Resources and Other Forms of Wealth in the DRC* (UN, 2003), published in October 2003, seven complaints against Belgian companies were filed with the Belgian national contact point (NCP) responsible for following up the OECD guidelines for multinational enterprises (Box 5). However, in 2004 the only complaint dealt with by the NCP culminated in a press release stating that it could not take a decision on the matter since there was "insufficient available and reliable information in the Report".⁸ Thus, the more incisive role that the NCP could play is limited by the lack of reliable information on firms against which legal proceedings are pending, especially as the UN panel of experts has now been dissolved. The NCP decided in 2004 to wait for the end of judicial proceedings in such cases before beginning an enquiry. In November 2004, 15 Belgian NGOs also brought proceedings with the NCP against four Belgian firms for failure to comply with the OECD guidelines in their activities in DRC.⁹ As judicial proceedings were under way for two of them, the NCP will consider the cases of the other two firms cited in 2005.

More generally, following publication in October 2003 of the Final Report, which accused certain companies from OECD countries doing business in DRC of not following the OECD guidelines for multinationals, the OECD Investment Committee set up a mechanism for monitoring the issues raised. With financial support from Belgium, the Committee is currently looking at the topic of conducting business in weak governance zones, with a case study of DRC (OCDE/DAF/INV, 2004). The work will produce a risk management tool for investors in fragile states, with reference to the OECD's integrity instruments, which include the guidelines for multinational enterprises, recommendations on

8. Source: *Annual Report on the OECD Guidelines for Multilateral Enterprises: 2005 Édition: Corporate Responsibility in the Developing World*.

9. In the context where NCP investigations into these companies are still in progress, the appointment of two of these companies' senior managers as foreign trade advisers in January 2005 was not well received by the NGOs having brought proceedings.

accounting standards, external audit and internal control of companies, and guidelines on bribery and managing conflict of interest.

**Box 5. Compliance with the OECD Guidelines for Multinational Enterprises:
nature and functions of the Belgian NCP**

Drawn up in 2000 and covering all countries, not just OECD members, the new OECD Guidelines for Multinational Enterprises revitalised national contact points (NCP). The NCP's role is to promote the guidelines and encourage multinationals to comply with them in a spirit of constructive co-operation with the parties concerned – firms, trade unions and NGOs. The NCP submits an annual report to the OECD Investment Committee.

The Belgian NCP, under the aegis of FPS Economy, comprises representatives of employers' organisations, trade unions and the federal and regional governments (Brussels, Flanders and Wallonia). The federal departments of justice, employment, foreign affairs and the environment are also represented. The NCP is required to meet at least twice a year but given the complaints procedure it actually meets seven or eight times a year.

The involvement of employers' organisations and trade unions helps to increase awareness of the guidelines within firms, which was one aspect of the NCP's work in 2003 and 2004 (presentations to firms, consultation with national partners like OND, press articles, etc.). However, the NCP has limited material and human resources (a chairman, one person responsible for the Secretariat, no budget of its own) and dealing with cases relating to DRC took up most of its time in 2004. Any institution may complain about non-compliance with the OECD guidelines, and the UN and various NGOs have filed complaints against Belgian firms for their activities in DRC. When this happens the NCP initiates a "specific instance" procedure. The NCP Secretariat examines the complaint, requests additional information if necessary and transmits the file to the NCP's members. A confrontation between the plaintiff and the firm in question is organised, then the NCP meets to take a decision. A second confrontation may be organised if necessary. The NCP's conclusions, like the guidelines, are not binding. However, the prospect of a press release if serious violations are suspected has a deterrent effect.

While Belgium has made a genuine effort to promote good conduct by firms doing business in DRC, the NCP's action could be reinforced by: i) establishing a more explicit link with investment promotion, export credit and investment guarantee organisations with a view to promoting compliance with the guidelines; ii) using expert input more systematically when processing cases, especially when the available information is insufficient; and iii) achieving better communication with DGDC, which is not represented on the NCP, FPSFA being represented by the foreign trade department.

Stepping up anti-corruption measures

From a policy coherence standpoint, it would also be helpful to tighten the link between the prosecution of bribery offences under the OECD Anti-Bribery Convention, which mainly concerns the economic and commercial sector, and the prevention of bribery, which is more of a co-operation matter. Practices like the payment of "incentives" or "performance bonuses" used by Belgium – and most other donors – in DRC should be analysed with reference to this concern (Annex D). Generally speaking, Belgium applies anti-bribery and good conduct rules with regard to interest rebates, government loans and risk coverage, firms having to sign a declaration that cancels OND coverage in the event of bribery. The OND also refuses to cover risks when the political risk is high, as is the case in DRC. In contrast, anti-bribery mechanisms could be improved where aid management is concerned. BTC, for example, does not include an anti-bribery clause or equivalent measure in tender's publications and contracts relating to the projects it implements, thus failing to apply the 1996 DAC recommendation on aid-funded procurement according to which an anti-bribery provision should be included in every tender contract financed with development aid. In this context the co-operation

minister's concern to step up the fight against bribery, expressed in his 2004 policy paper, is welcome. It has already been reflected in support for the introduction of a specific World Bank programme, and resources for improving anti-bribery measures in bilateral aid are planned. They should take account of the DAC recommendation and be integrated into project cycle management procedures without making them too cumbersome (Chapter 6).

Increasing policy coherence within Belgium's institutional apparatus

Preserving coherence in a partly devolved institutional system

All policies liable to affect development must be coherent, whether carried out by federal or federated departments. As Box 6 below shows in the case of the arms trade, the lack of any hierarchy between federal and federated levels makes it difficult to resolve conflicts of interest and underlines the need for a specific arbitration mechanism. In other, less sensitive areas like healthcare, which is a community competence, attempts to reach common positions are mostly reflected in the fact that it takes longer to prepare strategy papers because of the need to consult the different levels of power. This can be seen in the current process of preparing the HIV/AIDS paper, which is supposed to provide the basis for an action plan.

Box 6. Devolution and policy coherence: the case of the arms trade

Arms exports have been a regional competence since 1 September 2003, a decision that was challenged as contrary to federal policy on conflict prevention. However, the law did not provide for any binding mechanisms between federal and federated levels that would guarantee coherence between regional decisions to grant licences and Belgian foreign policy. The federal government cannot rescind export licences that may contradict Belgium's interests overseas or run counter to a political wish to curb the proliferation of light and small-calibre weapons. Article 4 of the 1991 law on arms states that arms sales must not contradict Belgium's overseas interests or international objectives and that a procedure to settle conflicts of interest may be initiated before the court of arbitration. But the federal sanction disappeared with the transfer of competence to the regions, even though Article 4 is still in force, since the regions have not promulgated any decrees on the subject.

In 2005, a case in which an export licence to Tanzania was granted sparked off a real debate on the issue. The federal foreign affairs minister publicly opposed the decision, taken in early 2005 by the Walloon minister responsible for export licences, to grant an export licence to New Lachaussée, a Liège firm owned by the Forrest Group, for the construction of a production line for assault rifle ammunition in Tanzania. The licence had been refused by the Walloon Minister-President the previous year for reasons of regional stability and the risk of deflection and/or re-export. The federal foreign affairs minister, opposed to the granting of the licence for reasons of coherence with Belgian foreign policy but unable to question regional competence for trade in arms, could merely seek information about a matter liable to endanger Belgium's foreign policy in the Congo. However, in March 2005 the Walloon authorities decided to suspend the licence for three months and use the period to send a mission to assess the economic and humanitarian aspects of awarding a licence. Following the mission, on 26 June 2005 the Walloon government decided to withdraw the licence.

Greater transparency – required by law – is needed in sensitive matters of this sort to ensure that restrictions are put in place. Likewise, an agreement needs to be concluded between the federal government and the regions, guaranteeing coherence with Belgian foreign policy when arms export licences are granted, as is currently being sought.

Reinforcing coordination mechanisms within FPSFA and between ministerial departments

The challenges of integrating co-operation into FPSFA

The General Directorate of Development Co-operation (DGDC), the new name since 2003 of the General Directorate of International Co-operation (DGIC), succeeded the previous General

Administration for Development Co-operation (AGCD) and is part of FPSFA. That integration helps to increase coherence between Foreign Affairs and Development Co-operation and can enable the co-operation standpoint to prevail provided that DGDC adopts a proactive stance. DGDC is responsible for ensuring the coherence of development policies. It sits on several FPSFA committees and a working party has been set up with the various General Directorates concerned to prepare a paper on policy coherence for the Executive Committee and the Council of Ministers.

The integration of Co-operation and Foreign Affairs should be reinforced in the future by the introduction of a single external career path for Foreign Affairs staff (diplomatic, consular and co-operation). As things stand at present, although co-operation human resources management was transferred to FPSFA in 2004, the three external career paths are still separate and distinct. A new external career path for co-operation attachés is being introduced, but it is still specific to Co-operation and only a handful of diplomats currently work at DGDC. With the aim of improving human resources management and favouring harmonisation and coherence within Foreign Affairs, there is a plan to standardise the three career paths by creating a new common diplomatic competitive examination so as to recruit versatile staff capable of moving from one function to another in overseas posts. In such a context, it will be important to maintain the specificity and complementarity of the approach to development co-operation while at the same time not belittling the importance of expertise, which is needed if Belgium is to adjust to the international agenda for aid effectiveness. Sectoral advisers will still be necessary in the most important posts, given the prospect of a shift to a more sector-based approach.

Co-ordination between ministerial departments

At ministerial level, an interministerial foreign policy committee (CIPE) ensures that ministers responsible for foreign policy at federal and federated level act coherently. However, the CIPE needs to be reactivated and more needs to be done to ensure that all the entities participate. Informal meetings also take place. However, the regions and communities seem to be involved at very different levels in the preparation of strategy documents, the drafting of the HIV/AIDS paper being an exception in this respect.

Coormulti, an interdepartmental coordination unit, is more active. It was set up in 2003 to improve the coherence of Belgium's positions in multilateral organisations by ensuring that a common position was reached before embarking on international negotiations. Its strategic importance is growing as the powers of the communities and regions are extended, reflected in the fact that several levels of Belgian government are represented in institutions like UNCTAD, WHO and UNESCO. Attached to the Directorate General for Multilateral Affairs and Globalisation (DGM) of FPSFA, Coormulti brings together all the stakeholders, including federated entities and NGOs, and covers all areas except security, defence and European affairs. Monthly meetings take place on matters such as sustainable development. Depending on the issues under discussion, embassies and missions to multilateral bodies may be consulted before a Coormulti meeting.

As far as the European Union is concerned, the 1994 co-operation agreement between the federal state, the communities and the regions concerning representation of the Kingdom of Belgium on the Council of Ministers of the European Union gives a central role to the Directorate-General for Coordination and European Affairs (DGE) of FPSFA in organising both general and *ad hoc* coordination meetings with a view to deciding Belgium's position. The DGE's report constitutes Belgium's position, which is expressed to the Council and in its committees and preparatory bodies. DGE organised a number of *ad hoc* coordination meetings in 2004 on subjects like the EDF budget and new development instruments. Internal coordination takes place to decide Belgium's position with regard to European policy on agricultural subsidies. DGE has sought to reinforce the dialogue with

civil society by setting up a discussion forum on topics of current interest (GM foods, international trade, the Great Lakes region). DGDC takes part in DGE's work on aspects relating to technical assistance in the trade sphere and in preparing EU meetings on trade policy.

Specific arrangements have been put in place to ensure that actions in the Great Lakes region of Africa, where Belgium has a particular responsibility, are properly coordinated. A Central Africa expert has been appointed for that purpose. A weekly meeting to coordinate policy in the region is held, chaired by the Directorate General for Bilateral Affairs (DGB) of FPSFA and attended by representatives of the Prime Minister, Foreign Affairs, Co-operation and Development, Finance and, when necessary, the Interior and Trade. Defence, Foreign Affairs and Development Co-operation also hold a monthly meeting. These meetings provide an opportunity for settling differences and have encouraged the introduction of common instruments, like the joint teams working on DDR/SSR. As mentioned earlier, however, economic and trade aspects are less fully integrated into this inter-sectoral approach.

For other issues of particular importance for fragile countries, such as multilateral international trade negotiations, diamond trading, anti-personnel mines and the proliferation of light weapons, asylum policy, etc. specific operational arrangements ensure that consideration is given to the co-operation viewpoint. Likewise, consultations take place with Finance over debt issues and with Defence for security issues and Belgium's participation in international peacekeeping operations. FPS Finance represents Belgium in international financial institutions and a monthly coordination meeting takes place between FPS Finance and FPSFA. Since 2002, DGDC has been part of the Belgian delegation to World Bank meetings, and meetings are organised between the Co-operation and FPS Finance representatives to coordinate viewpoints before international meetings. Since 2004, the minister for development co-operation has accompanied his Finance colleague to meetings of the World Bank board of directors. Similarly, on the environment front, DGDC takes part in the activities of the Interdepartmental Commission for Sustainable Development and the relevant expert commissions of the International Environment Policy Coordination Committee with the aim of favouring policy coherence.

Except for these two coordinating committees for sustainable development and the environment, consultation mechanisms are not formalised at institutional level and most meetings are called *ad hoc*. A more formal and systematic framework for exchanges should be established, going beyond information sharing and occasional strategy coordination, to institute a common strategic approach that includes the promotion of synergies between the different dimensions of Belgium's relations with developing countries.

Mobilising expertise

If a more strategic approach is to be taken, the capacity for analysis needs to be strengthened within FPSFA in general and DGDC in particular. The work that it has been possible to carry out since the recruitment of a Central Africa specialist shows all the benefit to be gained from additional investment in human resources. DGDC's policy support unit should be in a position to play a key role in developing strategic analysis, which requires input on the relevant issues from all the players involved, including co-operation attachés in the field.

Future considerations

- Belgium is encouraged to finalise and implement its long-term, cross-cutting strategic note on coherence between development assistance policy and policies in other areas that have an impact on developing countries, including trade, international investment and migration.

- Belgium should look at ways of better structuring interministerial information and coordination mechanisms, taking account of the specific features of the institutional system, while providing for arbitration procedures between federal and federated levels capable of resolving conflicts of interest.
- Belgium should take advantage of OECD work to continue and increase its efforts to promote compliance with the *Guidelines for Multinational Enterprises*, especially by increasing the activity and resources of the NCP.
- Belgium is invited to reinforce the coherence of its action against bribery. It should endeavour to comply with the 1996 DAC recommendation on aid-funded procurement by including an anti-bribery provision in tender's publications and contracts relating to the projects it implements.

Chapter 5

Organisation, human resources and management system

Federal aid mechanisms: handling many different players

DGDC, which is part of FPSFA, is the main player at federal level, tasked with preparing and coordinating co-operation programme budgets and statistics. Other bodies are also involved in framing co-operation policy, especially other FPSFA and FPS Finance directorates. A large number of players are involved in delivering ODA: while BTC, the agency responsible for implementing Belgium's direct bilateral co-operation programmes, is DGDC's exclusive partner in that sphere, many organisations are involved in indirect co-operation, including NGOs, trade unions, universities and scientific institutions, cities and communes. The number is growing, following the inclusion of communes as players in indirect co-operation in 2000 and the inclusion of trade unions in 2002, and the creation of BIO in 2001 and Africalia in 2003 to support the cultural sector. Actions carried out autonomously by the federated entities further add to this list.

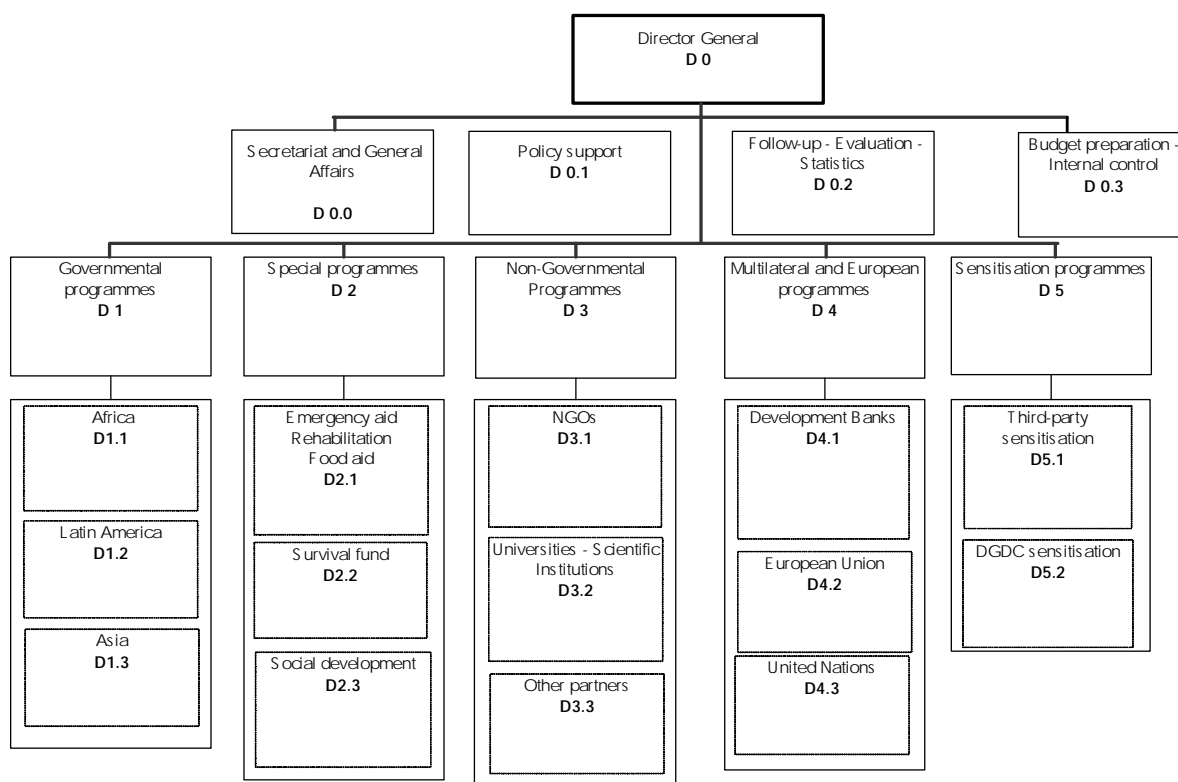
What is an advantage in terms of the flexibility and variety of possible approaches, especially where fragile countries are concerned, may become a drawback when it threatens the coherence of overall action (Annex D, the case of DRC). In such a system, therefore, it is necessary to clarify the functions of each player, to develop complementarities, to reinforce synergies and to adapt them to the requirements of aid effectiveness. The management plan of the Director General of Development Co-operation, approved by the chairman of FPSFA's Executive Committee in July 2003, has taken that requirement on board and two of its five strategic objectives are: i) to contribute to the complementarity and co-ordination of development co-operation actions by taking an active part in the proper integration of DGDC within the FPS; and ii) to create a competent and multidisciplinary administration. Improvements still need to be made in order to achieve these objectives, both within DGDC and in its relations with BTC and the other players involved in indirect co-operation. Likewise, as pointed out earlier, BIO's legal status does not make coherence between Belgium's development assistance activities any easier to achieve.

Bilateral co-operation organisation chart: towards greater rationalisation

DGDC's organisation was modified in 2003 as part of the government reform. DGDC has five operational directorates (Governmental Programmes, Special Programmes, Non-governmental Programmes, Multilateral and European Programmes and Sensitisation Programmes) and four support services (secretariat and general affairs, policy support, follow-up, evaluation and statistics, and budget and internal control) reporting directly to the Director General. The policy support unit is thus now a cross-cutting department attached directly to the Directorate General whereas it used to be an additional vertical directorate (the strategy directorate). The same applies to the budget preparation and statistical monitoring units, now included in an internal evaluation department, which used to be part of the coordination directorate. That directorate, now the Governmental Programmes Directorate, is made up of geographical units.

The new policy support unit monitors the major development issues and supports senior management and operational directorates by providing macroeconomic and thematic expertise. Thus, it has drawn up strategy papers for the five sectors and three cross-cutting themes of Belgian co-operation and monitors their implementation. The unit's thematic experts sit on project review committees organised by the Governmental Programmes Directorate. However, given that the unit is not situated hierarchically in relation to the other directorates or country representations, its brief sometimes puts it in a difficult position, as when there is disagreement between the review committee sitting in Brussels and co-operation attachés in the field. The relationship with field staff is all the more difficult in that the experts, being relatively few in number (ten or so), rarely travel to partner countries. The policy support unit's missions and remit will have to be reviewed, taking account of the implications of greater decentralisation, making it all the more necessary for representations to have access to technical expertise. Consideration will have to be given to the contribution of BTC, which also has thematic experts, and, in view of the limited resources available, it will be essential to ensure complementarity. Keeping a tight geographical and sectoral focus is especially important in order to concentrate the available expertise and maximise the benefits.

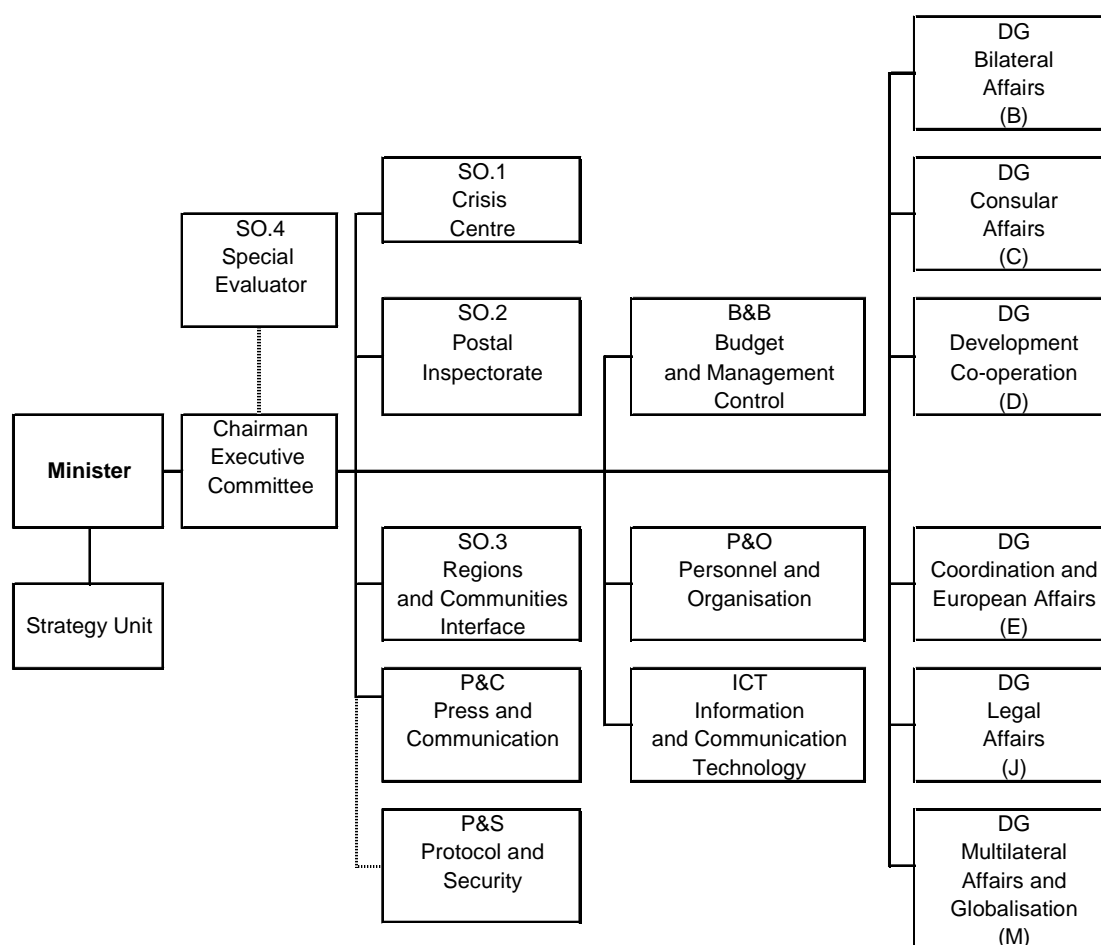
Organisation Chart 1. DGDC



Source: DGDC, 2005b.

At the same time, FPSFA has assumed responsibility for managing DGDC personnel and the directorate's staff and operating costs are paid out of the overall Foreign Affairs budget. The government has introduced a single development co-operation budget, transferring certain items previously allocated to other departments, like compulsory contributions to international institutions, which used to be paid by SPF Finance. However, the FPSFA budget has a separate section for operating credits for co-operation, in line with DAC recommendations.

Organisation Chart 2. FPSFA, Foreign trade and Development co-operation



Source: DGDC, 2005b.

In addition to support services, in 2004 the minister for foreign affairs assumed various competences that had formerly belonged to the co-operation minister, such as emergency aid and conflict prevention, though DGDC still manages the corresponding instruments through the emergency aid and social development units (D2.1 and D2.3 respectively). These units therefore work for both ministers, and since January 2005 projects involving emergency aid must be approved by both when they concern partner countries. The units must also work closely with DGDC directorate D4, responsible for relations with multilateral institutions, D3.1, responsible for relations with NGOs, DG M (the Directorate General for Multilateral Affairs and Globalisation) and DG C (the Directorate General for Consular Affairs) of FPSFA. A national rapid reaction scheme for humanitarian emergencies was set up in 2000, entitled B-Fast. It is managed by the Executive Committee of FPSFA, which can call on several other public services to work alongside it, such as Health, Defence, Interior and Co-operation. B-Fast has its own budget and is tasked with organising and coordinating immediate assistance, reporting to the Council of Ministers. However, this set-up, intended to ensure a smooth transition between emergency support and development support activities, has proved relatively inefficient. It places obstacles in the way of collaboration between administrations, increases

the amount of red tape and slows down the decision-taking and disbursement process (Annex C on humanitarian assistance).

FPSFA's General Directorate of Bilateral Affairs (DG B) manages financial assistance for exports included in ODA, whether interest rebates or government loans. A FINEXPO committee, co-chaired by DG B and FPS Finance, on which DGDC has a seat, considers all applications and gives an opinion. As mentioned earlier, FPS Finance is also involved in debt relief operations and multilateral co-operation through its European and international relations department.

Necessary decentralisation

The 2000 reform gave Belgian embassies greater responsibility for bilateral co-operation, with the new development co-operation attachés in partner countries being given an increasingly central role in drawing up and monitoring co-operation programmes. In financial and decision-taking terms, however, the decentralisation of authority is very limited. Financial autonomy is limited by the fact that Finance Inspectorate approval is needed for any expense in excess of EUR 67 000. Consequently, all dossiers have to be sent to Brussels for approval by the finance inspector assigned to DGDC. As well as acting as a brake on decision-taking in the field, this also causes delays in implementing programmes. Ex post controls could dispel this restriction and give representations more financial autonomy (Chapter 6). In addition, both strategic decisions and more modest decisions about projects are still taken centrally. For example, DGDC project review committees take decisions in Brussels about whether to take up projects identified by partner countries with the help of embassies and their co-operation attachés. It can sometimes take a considerable time before a project is reviewed, delaying implementation. In future, the very precise identification and formulation process should make central validation of certain projects less crucial and devolving the function for smaller projects could be envisaged. It is probably also necessary to introduce more extensive consultation with representations before strategic decisions are taken. The communication and evaluation culture currently being developed at DGDC, reflected in extensive consultations with field staff about aid mechanisms (microactions, study funds, etc.), is helping to give staff in the field more responsibility and should be encouraged.

Multilateral co-operation also mostly escapes the supervision of embassies and their co-operation attachés, projects being negotiated and monitored directly from the centre. In DRC, for example, the follow-up report on an FAO project financed by Belgium is transmitted by the FAO bureau in Kinshasa to FAO headquarters in Rome, which forwards it to Brussels, which may share it with its representation in Kinshasa. Embassies have no authority over indirect co-operation either, since programmes are chosen and monitored by Brussels and information is not systematically passed on to co-operation attachés in the countries concerned (especially given the system whereby projects are followed up NGO by NGO, not country by country). Thus, the co-operation bureau of the Belgian embassy in Kinshasa does not have accurate and comprehensive information about all the NGOs working in DRC, even though both DGDC and field staff have expressed the desire for closer monitoring of indirect co-operation, as illustrated by current efforts in Kinshasa (Annex D).

More extensive decentralisation is desirable, especially with a view to implementing the Paris Declaration on aid effectiveness. It would help to strengthen the position of Belgian representations in the dialogue with national authorities and development partners. Even if co-operation attachés have the necessary competences to assume greater powers, decentralisation should be accompanied by greater access to sectoral or thematic expertise, and field staff should be given training with the aim of improving the capacity for political dialogue, analysis and programming. More consistent support from the centre would be helpful, in particular by sending in-house or outside experts on short-term assignments, especially when projects are being prepared.

It would also be helpful to develop regional consultation mechanisms among the representations in countries of a sub-region. At the moment a geographical round table is organised each year in Brussels, attended by attachés, diplomats and NGOs. It is an important occasion for sharing information and promoting coherence at regional level. Apart from this annual get-together, however, each embassy deals only with Brussels. Given that a regional approach is essential, especially in the Great Lakes region, horizontal consultation could be valuable. Devolved regional conferences, like those that have taken place in the recent past, should be envisaged in that respect.

Relations between DGDC and BTC: clarification is needed to consolidate the benefits of reform

BTC, the agency that implements Belgium's direct bilateral co-operation, was created in 1998 as a public-law corporation with a social purpose (Box 7). It is a recent institution, set up as part of the reform of Belgium's bilateral co-operation which changed the entire system for implementing governmental assistance. One of the principles of the reform was to separate the framing and implementation of co-operation policy and strategies from execution of the resulting direct bilateral action. It led to the creation of BTC and the replacement of AGCD by DGIC, then DGDC. New federal institutions have thus been put in place, albeit not without difficulty, especially at BTC, which had four directors general in five years. The reform also led the new DGIC, which became DGDC in 2003, to adjust its role. A full and stable team is now in place at BTC and the reform has enabled progress to be made in certain areas, especially effectiveness, partnership and flexibility of implementation.

Box 7. Belgian Technical Co-operation (BTC)

The Belgian State, through DGDC, is BTC's main patron for the execution of co-operation projects. Article 5 of the law creating BTC states that BTC is DGDC's exclusive partner for implementing direct bilateral assistance. These public service tasks include: i) carrying out direct bilateral projects and programmes; ii) carrying out financial co-operation and debt relief projects and programmes for partner countries; iii) carrying out actions to support the private sector in partner countries; iv) managing grants to foreign students; v) drawing up proposals and preparing technical dossiers for the above-mentioned projects and programmes; and vi) providing emergency aid and short-term rehabilitation assistance and food aid. BTC can also carry out projects for third parties, especially international donors like the European Union and World Bank (Article 7). That is the case in DRC, enabling Belgium to increase the impact of its co-operation by using the World Bank to finance the extension of a healthcare programme. More rarely, BTC may tender for delegated management contracts.

BTC managed 259 co-operation actions in 37 countries in Africa, Asia and Latin America in 2003. Turnover amounted to over EUR 91 million, divided between Latin America (9%), Asia (14%), North and West Africa and the Palestinian territories (37%) and Central, Eastern and Southern Africa (40%). BTC also manages the 1 000 study grants awarded by DGDC each year, the Belgian Co-operation Information Cycles, which welcome 900 participants each year, and two awareness programmes for young people, *Annoncer la Couleur / Kleur Bekennen*.

BTC has representatives in 26 countries and consideration is being given to adapting the organisation to the focus on Belgium's 18 concentration countries. It has a staff of 100 in Brussels and 159 expatriates in partner countries, including 126 technical assistants, plus 100 local staff in representations and 2 000 working on projects. BTC is financed by a levy equivalent to 14% of the amount of the projects it implements. The levy is used to finance the costs of representation and overheads in Brussels and in the field, together with grants and microprojects.

Source: CTB (2004a, b) and (2005).

However, five years after the system was introduced, and despite the conclusion in October 2002 of a second management contract between BTC and the Belgian State, tensions still remain between

DGDC and BTC. They are fed, *inter alia*, by confusion over the scope of their respective remits and delays in project implementation which, though less than they used to be, are still too great, feeding DGDC's fears of BTC's capacity to honour its management contract and do more than offset the increased costs of the new structure (14% of aid). BTC regrets the red tape and restrictions imposed on it when preparing and carrying out projects. Clarification is therefore needed about the division of tasks and responsibilities of the players in the bilateral co-operation process when delivering aid (Box 8). Likewise, it is important to take a fresh look at how the project cycle works, trying to identify what is wrong and to streamline procedures, including by reviewing financial controls. Consideration should also be given to BTC's role in the new aid set-up as part of the process of preparing the new management contract scheduled for 2007 (Chapter 6).

Box 8. Project cycle: processes and division of roles between DGDC and BTC

BTC's second management contract defines how roles are shared between DGDC and BTC in the conduct of a co-operation programme in a partner country.

Identification: The partner country is responsible for identifying programmes with DGDC's help. BTC manages the study fund made available to the partner country in this context but acts only as an observer in the process. The identification dossier includes a description of the project and the terms of reference for its formulation. When the Belgian co-operation minister has approved the dossier, a specific agreement is concluded with the partner country, stipulating the maximum amount of Belgium's contribution and the two parties' rights. The dossier is then passed on to BTC for formulation and subsequent implementation.

Formulation: BTC is responsible for drawing up the programme, in collaboration with the partner country. This is done with the help of outside consultants, recruited by tender corresponding to the terms of reference contained in the identification dossier. DGDC may be brought into the formulation process. The technical and financial dossier prepared during formulation is attached to the specific agreement concluded with the partner country.

Implementation and follow-up: Implementation of the programme starts after the Belgian State and BTC have concluded an implementation agreement. The partner country is often the prime contractor, BTC providing technical support and being responsible for financial management. The national partner, the embassy and BTC are represented on a joint structure (*structure mixte de concertation locale* – SMCL) which holds regular follow-up meetings so that the project can be adapted to changing circumstances. An internal assessment of projects implemented by BTC is carried out at the half-way stage.

Evaluation: An external evaluation is generally carried out on completion of the project. However, the evaluation system is still being set up and a degree of confusion remains as to the respective powers of DGDC and BTC.

It is important to dispel the sources of tension over financial matters, partly caused by delays in BTC's presentation of its accounts. Some of the problems are being solved, through the new terms of the second management contract and the introduction of a process to optimise BTC's accounting procedures. Since the second management contract came into effect, DGDC has paid BTC quarterly advances (rather than monthly, as in the past) on the basis of quarterly accounts. This has helped to avoid delays with projects caused by BTC's failure to justify expenses in good time. BTC has now taken structural measures to optimise its accounting procedures and improve the quality of the necessary information for budget preparation and financial management. Nonetheless, a review of the way in which BTC is financed and the procedures whereby DGDC controls expenditure should be envisaged in the context of the third management contract. BTC also needs to improve its performance, since the ceiling on direct bilateral aid commitments is EUR 175 million and the annual budget allocated to BTC is EUR 120 million. However BTC, which has a monopoly on the delivery of governmental aid, is only able to spend EUR 90 to 100 million. There is thus a risk of losing credits

for governmental co-operation, since unspent credits are cancelled. It is therefore essential, in the context of mobilisation for the 0.7% target, to increase BTC's implementation rate.

The Special Evaluator is due to evaluate the reform of direct bilateral co-operation in 2005. The evaluation should shed light on the internal co-ordination mechanisms between the decision-taking level and the implementation level and will be a useful vehicle for suggested improvements to existing structures and instruments, helping them to move towards a results-based culture.

Relations between DGDC and the players in indirect co-operation: an ongoing reform

One hundred and thirty-five Belgian non-profit associations are approved as development NGOs, entitling them to funding from the Belgian co-operation budget on the basis of a five-year programme. Nine new programmes were presented in 2004 and four of them were approved. Cofinancing covers 75 to 85% of the cost of the programmes, the rest of the money coming from fundraising or other public funds (communes, provinces, regions, communities) up to a maximum of 10%. DGDC disbursed EUR 95 million in 2004 in this framework.

Since 1991, Belgium's indirect co-operation has gradually shifted from a project approach to a programme approach, with the Belgian State cofinancing NGOs by giving approval in principle to five-year plans put forward by the NGOs, conditional on the acceptance of annual action plans. The introduction of this new method of cofinancing has been accompanied by the establishment of NGO umbrella organisations (ACODEV on the French-speaking side and COPROGRAM on the Flemish side) which act as an interface between DGDC and approved NGOs through a technical commission that meets every two months. The limitations of this method of programme financing have become apparent, since approval of the programme is indicative only and merely commits the State to assessing the action plans presented to it following approval. The action plans are approved annually on the basis of a qualitative assessment and the availability of funds. Budgets are tighter and, in 2004, action plans presented by NGOs represented a total amount of EUR 135 million for an available budget of only EUR 95 million, meaning that some of the plans had to be revised. The lack of budgetary predictability is compounded by cumbersome administrative procedures for reviewing annual plans.

The external evaluation of NGO funding carried out in 2004 also highlighted the lack of a policy vision for cofinancing. This is due to the consensus in Belgium on the specific nature and value added of the work done by NGOs, which are not sub-contractors for public authorities but first and foremost an offshoot of civil society. As a consequence, NGOs' five-year plans do not have to obey any geographical or sectoral conditions.

A reform is currently being prepared with the aim of improving the effectiveness of the cofinancing arrangements without calling the programme approach into question, and taking a more strategic approach to the partnership with NGOs. It calls for the introduction of programmes approved for three years, thus no longer requiring the presentation of annual plans. The reduction in the duration of programmes from five to three years is for budgetary reasons, committed credits being frozen for the three-year period. In addition, given that the State will have to commit to higher amounts since they cover a three-year period (the ceiling is EUR 6 million a year), the reform calls for the introduction of a new programme approval system for NGOs. A new window will be created for NGOs who are not able to obtain approval. NGOs with programme approval should retain the considerable autonomy they already enjoy in identifying and carrying out their projects. Conversely, in order to avoid dispersal, smaller NGOs (which are often the most heavily dependent on government funding) will have to plan their cofinanced action for a limited number of countries and will be monitored directly by co-operation attachés at embassies.

The NGOs assert their independence and their wish to keep the right of initiative. In particular, they are unwilling to leave certain countries, like Burkina Faso, where long-term partnerships have been established. The independence of NGOs is partly contingent on the mobilisation of private funds and their other sources of funding but it is real, since federal funds account for less than 30% of their total budget. They therefore have scope to act on their own initiative when they use their own funds. In contrast, where federal sources account for over 75% of programme funding, it would be rational to bring them into the framework of a coherent strategic approach to development assistance. Could three-year cofinancing be weighted in such a way as to favour concentration countries and sectors, thus reducing the dispersal and increasing the impact of Belgian aid? NGOs would still be free to use their own funds to carry out programmes in the countries and sectors of their choice, with the proviso that a smaller share would be cofinanced when the programmes were situated outside concentration countries and sectors. Conversely, they could be allowed more input into the preparation of strategy papers in partner countries and consulted when the strategic orientations of co-operation are being considered. More generally, the reform currently under discussion provides a good opportunity for redefining the foundations and terms of the partnership between the State and NGOs as it concerns supporting partners in the South, reinforcing the capacities of NGOs and promoting development education in Belgium.

Identifying geographical points of focus and setting up an indirect co-operation database should encourage greater synergy between governmental co-operation and indirect bilateral co-operation in partner countries. As NGOs are not monitored on a geographical basis from Brussels, representations in the field do not at present know precisely how many Belgian NGOs are working in their country, or in which sectors and regions.

The other partners in indirect co-operation are mostly universities and scientific institutions and the APEFE and VVOB. Different conditions and procedures pertain, depending on whether the co-operation involves institutional support for southern universities, Belgian universities' own initiatives, the funding of courses, study trips and scholarships, or co-operation projects presented by Belgian trade unions or institutions that organise international courses or look after migrants. Here again, the challenge is to promote a strategic approach so that this type of co-operation can contribute to achieving the objectives of Belgian co-operation as a whole. As noted in Chapter 2, the large proportion of funding allocated to universities and scientific institutes (EUR 40 million in 2004) means that aid is targeted on higher education to the detriment of basic education. Likewise, the dual system of grants awarded by governmental co-operation and indirect co-operation should be examined to check that there is no overlap, to ensure that the dual system is effective and to assess its impact on partner countries' development.

Human resources management: the recruitment challenge

FPSFA is now responsible for human resources management; DGDC no longer has its own personnel department. However, specific challenges still need to be faced, not least the coexistence of seven different types of status, which complicates the task.¹⁰ There are external staff, comprising 82 development co-operation attachés assigned after the 2000 reform, and about 190 internal staff. Whereas most of the attachés are assigned to diplomatic posts in developing countries or with international organisations (58 of the 82 posts are overseas), the home staff work in Brussels. There is little overlap between the two careers, since access to the external career track depends on passing an examination that has the reputation of being difficult. This has resulted in a situation where most co-operation staff, including at senior levels, have no opportunity of working overseas, with the

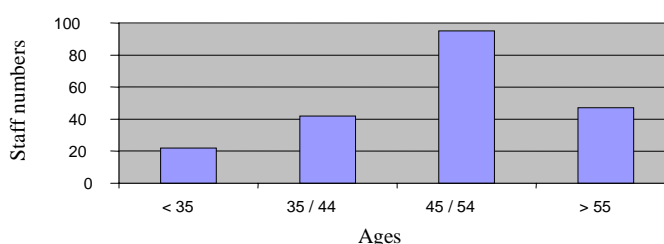
10. BTC recruits and manages its own staff autonomously.

attendant risk of causing a split within the personnel between those who have field experience and those who do not, and hence differences in their assessment of situations.

In addition, because of the conditions of the entrance exam, only 67% of the planned co-operation attachés (55 staff) were in place or in the process of integration at the beginning of 2005, the integration process beginning with a two-year training course. Many posts are therefore filled by temporary staff appointed as assistant attachés. What is true of the external career is also true of the internal career. In March 2003, 78 of the 189 DGDC staff working in Brussels (41%) were on contract. Temporary staff are employed to make up for the lack of permanent staff, as special advisers, experts or replacements, which explains why there are so many different types of status. This means that some key positions, like that of Central Africa expert, are filled by contract staff on fixed-term contracts, while some posts are not filled at all: in March 2003, only 61% of the initially planned workforce was in place. Consequently, DGDC has trouble meeting changing needs for expert assistance in partner countries. There are no experts in conflict prevention at present, or sustainable development and agriculture, two key sectors of Belgian co-operation. In contrast some qualified staff, possibly with many years' experience of Belgian co-operation, have been squeezed out after failing the external career examination, or have been put off by the precarious nature of the other types of status offered, leading to a loss of skills, especially technical skills, in the co-operation system as a whole. A first competitive examination for attachés was organised in 2000 to transfer co-operation staff to the new career track. However, only 20% of candidates fulfilling the admission requirements (they had to have passed the previous exam for access to former long-term co-operation staff status) were finally accepted. This raises the question of the selection criteria for attachés and of whether the recruitment process should be adjusted. One option might be to require those who fail the language test to have further training.

The recruitment problem is all the more acute in that DGDC staff are ageing (more than half of them are over 50), increasing the pressure for renewal at more senior levels. More staff will also be needed to manage the greater amount of ODA programmed as part of the 0.7% target. High turnover and staff shortages are already undermining the smooth operation of DGDC and have been identified by several players in indirect co-operation as an obstacle to good working relationships (Graph 1).

Graph 1. Age pyramid of DGDC staff at 01/01/03



Source: DGDC.

At the same time, the policy has been to reduce the number of specialists and not to consider sector specialisation for attachés (except in DRC) so that staff, including co-operation attachés, will be "general purpose". Even in 2003 there were only five level-A jobs in the category that used to correspond to technical functions (doctors, engineers), meaning that there was virtually no in-house capacity to assess the technical component of co-operation actions. The choice was made to engage specially qualified experts under contract, but this poses a threefold problem: the difficulty of recruiting outside experts, the high turnover of such staff and the loss of institutional memory. The planned creation in 2006 of a single external career path within FPSFA (covering diplomatic, consular,

trade and co-operation staff) is likely to accelerate this trend and raises the question of how to preserve expertise in sectors where Belgian co-operation has a strong comparative advantage, like public health, or in emerging areas in which it is involved, such as DDR.

A Royal Order creating voluntary civil service is being considered. However, caution is needed given the cost of such an institution when co-operation is on a modest scale, the fact that large numbers of players are already involved in Belgian co-operation and the opportunities that exist through the European Commission.

Follow-up, evaluation and results-based management: keep up the good work

The key evaluation sector went through a difficult time between 2000 and 2004. DGIC's internal evaluation department was scrapped following the creation of a Special Evaluator attached to the General Secretariat of FPSFA, but the post did not become fully operational until 2004 (Box 9). Time and capacity were lost, affecting follow-up and evaluation exercises and the ability to learn the lessons and use them to inform development support strategies. No fresh impetus was given until 2004, when an internal evaluation department was set up within DGDC on the basis of the previous review's recommendations and the preparation of a strategy paper on evaluation together with a multiyear evaluation plan 2005-07. The follow-up, evaluation and statistics unit reports directly to the Director General. With six staff, it has embarked on the important task of instilling an evaluation culture in DGDC. Although the unit does not evaluate projects or programmes directly, it provides methodological support and quality control. It will also conduct evaluations of specific themes involving all the players in Belgian co-operation. Three are scheduled before January 2006: primary healthcare, the 1% allocated to NGOs for evaluation, and decentralisation and local governance.

Box 9. The Special Evaluation Unit

A first Royal Order appointing a Special Evaluator was published on 4 May 1999 but had to be rescinded, causing the external evaluation activity to cease. A second Royal Order creating a special international co-operation evaluation unit was published on 17 February 2003 and a new Special Evaluator was appointed in May 2003. The unit became operational in April 2004. The order refers specifically to the previous review's recommendations and DAC principles on evaluation. The unit is tasked with evaluating policy and strategy choices for Belgian co-operation, its scope of competence covering all development co-operation at federal level, including for example FPS Finance, OND, NGOs, universities, BTC and BIO but not the communities and regions. The Special Evaluator reports to the chairman of FPSFA's Executive Committee. The unit has a small staff of five and thus makes extensive use of consultants.

So far the unit has carried out a quantitative study of Belgium's development co-operation, a case study of implementation of the conflict prevention budget line and an evaluation of Belgian direct and indirect co-operation with Bolivia over the period 1992-2004. It has also taken part in various joint evaluation exercises and peer reviews with other donors. It has drawn up a highly ambitious programme of work for 2005-07, including evaluations of the reform of governmental co-operation, emergency aid, co-operation actions in Rwanda, private sector development support (BIO), debt cancellation, good governance, indirect co-operation and Belgium's contribution to achieving the MDG.

It is now necessary to step up the development of tools, like an evaluation guide, and to produce suitable supports for drawing out and capitalising on the lessons learnt from evaluations. In that respect, the three fields of action for follow-up and evaluation identified as part of the business process re-engineering exercise currently under way in the administration are relevant: i) developing a database designed to produce statistics and serve as a project and programme monitoring tool; ii) developing monitoring instruments; and iii) developing evaluation tools.

It is also necessary to clarify the roles of the different players involved in evaluation, especially DGDC and the special evaluation unit, and between DGDC and BTC. The special evaluation unit is competent for all co-operation at federal level and responsible for the strategic evaluation of all aspects of federal co-operation not covered by DGDC. DGDC's internal unit is responsible solely for evaluating DGDC's own policies and actions. However, the two units' tasks and functional relations should be clarified, especially as regards: i) the conduct of thematic evaluations, carried out by either unit; ii) monitoring Belgium's contribution to achieving the MDG (currently carried out by the internal unit, though an external evaluation is scheduled in 2007); and iii) representation to outside bodies like the European Commission, where both units are currently represented. It will also be necessary to specify how the players in indirect co-operation are to be evaluated, drawing on the planned evaluation by the DGDC follow-up, evaluation and statistics unit of the 1% arrangement whereby 1% of a project budget is made available to NGOs for evaluation purposes. The division of roles between DGDC and BTC on evaluation also remains to be clarified. BTC also carries out evaluations as part of its project follow-up. Ultimately, it should be up to DGDC to carry out final evaluations. This clarification of roles should be accompanied by a plan to disseminate information, providing for systematic exchange of the results of evaluations, capitalising on their results and making them available to all players in suitable formats.

DGDC does not yet have a results-based management system, though the development of such a system is one of the operational objectives of the Director General's management plan. The co-operation minister's policy paper also refers to the need to evaluate and monitor the results of the various co-operation instruments. This desire to promote an evaluation- and results-based culture should be encouraged. It is important that it should lead to the introduction of appropriate management tools.

Organisation of federated entities

For the French Community and Walloon Region, the executive, answerable to parliament, is responsible for defining the direction and strategy of development co-operation. The key players are, in the public arena, the Espace International Wallonie-Bruxelles which, since 1998, has acted as an umbrella agency for the international relations, foreign trade and development co-operation interests of the Wallonia-Brussels French Community and the Walloon Region. It includes the General Commissioner for International Relations of Belgium's French Community and the International Relations Division of the Walloon Region (CGRI-DRI), the Walloon Export Agency and APEFE. A number of para-community and para-regional agencies also contribute to the international solidarity effort. APEFE, which gets 85% of its budget from the federal State (EUR 8 million from DGDC in 2003) and 15% from the federated entities, acts as a centre of expertise and implementation for CGRI-DRI and accounts for a substantial proportion of Walloon co-operation, which had a total budget of 20 million EUR in 2003. The agency's departments correspond to Wallonia-Brussels' three levels of intervention: direct bilateral (EUR 8 million in 2003), indirect bilateral (EUR 4 million), implemented through French-language NGOs, university bodies, associations, local authorities, social partners and migrant associations, and multilateral (EUR 8 million), in partnership with the Agence de la Francophonie and seven international institutions. Wallonia-Brussels has seven field representations, in which an APEFE coordinator is also present. An APEFE coordinator is present in the other seven countries where there is no representation.

For Flanders, co-operation is included in the portfolio of the minister of administrative affairs, foreign affairs, media and tourism; there is a development co-operation unit within the foreign affairs administration. There are plans to create a ministry of foreign affairs and international co-operation. Other ministries are involved in ODA, especially for emergency aid, multilateral co-operation and education (study grants, etc.). Flanders has a representation in South Africa, which also covers

Mozambique, Namibia, Botswana, Lesotho and Swaziland. Like the APEFE for Wallonia-Brussels, the VVOB, which receives joint funding from DGDC (EUR 8 million a year) and the federated entities, provides technical support for Flemish co-operation. In particular, it monitors the programmes financed by the Flemish government. Flemish ODA amounted to EUR 29 million in 2004 and is delivered directly to South Africa and Mozambique and indirectly elsewhere.

Future considerations

- Belgium is invited to review the policy support unit's missions and operating methods, to re-evaluate its human resources requirements and to reassess link-ups with the expertise available at BTC from the standpoint of decentralisation and the development of new terms for delivering aid, especially sectoral and budgetary approaches.
- Belgium should review where responsibility lies within FPSFA for emergency aid and conflict prevention strategy and follow-up and examine the possibility of consolidating those missions within DGDC in order to optimise its response.
- Belgium could step up decentralisation by delegating more powers for governmental co-operation to embassies and BTC local representations in partner countries, by sharing information about indirect co-operation more widely and by reactivating regional consultation mechanisms. It should also take advantage of the BPR exercise to explore options for streamlining financial control procedures in order to facilitate the delegation of more powers and reduce delays in implementing projects.
- Belgium should grasp the opportunity of the renewal of BTC's management contract to clarify the respective missions of BTC and DGDC and revise procedures with a view to optimising the capacities of the co-operation system. The lessons learnt from evaluating the reform of governmental co-operation will have to be taken into account in that regard.
- DGDC is invited to reinforce the synergies and complementarities between the different channels for delivering aid, giving priority to a more strategic approach by players in indirect co-operation with the aim of improving coherence and aid effectiveness.
- Belgium is encouraged to re-examine its human resources management, taking a comprehensive view and giving consideration to changing needs, especially in view of the foreseeable increase in the co-operation budget and the need to maintain an internal capacity for expertise. Ways of relaxing the rigidities that curb recruitment or crossover from one career path to another must be identified and implemented.
- Belgium is invited to continue its efforts to reactivate DGDC's internal evaluation function by developing the relevant tools and supports for the conduct of evaluations and exploiting and circulating their results. It must ensure that DGDC's evaluation activities are complementary with the functions of the Special Evaluator and the BTC and continue to implement suitable tools for results-based management.

Chapter 6

Belgian co-operation in the field

Partnership arrangements and the prospects for ownership and alignment

In co-operation matters, relations between Belgium and its partner countries are governed by joint commissions that generally meet every three years.¹¹ An indicative co-operation programme (ICP), drawn up on the basis of a strategy paper prepared by DGDC co-operation attachés, is adopted at these joint commission meetings. A financial envelope is decided on completion of each meeting, providing the basis on which the co-operation programmes will be prepared, which in turn lead to the conclusion of specific co-operation agreements. However, this institutional mechanism is cumbersome and ill-suited to partnerships that give priority to ownership and alignment.

Under the 1999 law, strategy papers must be drawn up for each partner country involved in direct bilateral co-operation. Prepared after extensive consultation, their purpose is to enable a better definition of priorities, better internal coherence, greater efficiency and longer term planning. They have to be evaluated and updated every four years and are submitted to the House of Representatives and the Senate. Internally, this system is unsatisfactory. Five of the 18 country papers had not been finalised by April 2005. In addition, parliament does not have the necessary capacity to analyse and monitor them effectively. Country strategy papers would also benefit from taking a wider view, embracing the different dimensions of Belgium's relations with each partner country (diplomacy, trade, economy, defence, migration, etc.). In that way they would help to resituate co-operation within the various aspects of Belgium's action in a country, favouring greater coherence in development policy. Externally, strategy papers, the basis on which ICPs are drawn up, do not currently favour the objectives of ownership and alignment. As initially conceived, they lead to a focus on the five concentration themes of Belgian co-operation without taking sufficient account of national priorities or of the need to build the partner's capacity to define and implement its own anti-poverty strategies. Of course Belgium tries to adapt, as in DRC, where it is awaiting publication of the PRSP in order to finalise its strategy paper. The usefulness of strategy papers in their current form could also be reviewed in the context of harmonisation, since each partner tends to engage in a similar exercise. More specifically, greater account should be taken of the analytical groundwork carried out in an EU context when preparing the co-operation strategy and indicative programme, which partly obviates the need for each Member State to prepare strategy papers.

Another drawback of the current joint commission system is that it does not allow for real aid predictability. Although meetings are supposed to take place every three years, substantial human resources have to be mobilised and they are often postponed. In Morocco, for example, the current ICP, designed to cover the period 2001-03, has been extended to 2004 and 2005, the next joint commission meeting being planned for autumn 2005. Such postponements undermine the partnership relation because real predictability becomes impossible; as well as delaying the delivery of aid, they can also lead to some of the work being accomplished outside the co-operation framework defined by

11. In some crisis countries like DRC, co-operation has been re-established before a joint commission has met.

the ICP, as is the case in Morocco (Annex E). More generally, joint commissions were introduced in the framework of a project approach giving preference to bilateral relations, which runs counter to the new preference for a multi-donor approach in a context of sectoral support. A fresh look should be taken at this system, since it is difficult to manage, a source of rigidity that undermines aid effectiveness and ill-suited to the new requirements of national ownership and alignment in national development strategies. Such a review could be undertaken in the light of the first objective of the DGDC Director General's management plan, which is to increase the effectiveness of ODA in an approach based on partnership, ownership and sustainability.

Field visits indicated that Belgium was regarded as a reliable partner in the two countries visited, not least because of the existence of long-term bilateral relations and its expertise in sectors such as healthcare. Given this relationship of trust, Belgium could take a more strategic and coherent approach to its political dialogue with national authorities. That would increase its capacity to broach sensitive issues such as corruption, which go beyond the scope of purely technical matters, in support of alignment and in close coordination with other donors.

Improving the project cycle

The creation of BTC has increased effectiveness by reducing the lead-time for project implementation from over two years to 12-18 months. The new aid organisation has also reinforced partnership, through the establishment of a Partners Committee in all partner countries, translated at project level into a joint local consultation structure. These structures have helped to enhance dialogue with local partners and, as far as project follow-up is concerned, favour decision-taking at local level. They also permit greater flexibility, especially in terms of recruitment, and the introduction of streamlined purchasing procedures, at least when the sums involved are small. But project implementation could be further improved, partly by defining DGDC and BTC's respective roles more clearly, partly by simplifying procedures and financial controls.

Defining DGDC and BTC's terms of reference

During its field visits to Morocco and DRC, the review team found that operational collaboration between DGDC and BTC is good and that development partners have a clear perception of the two organisations' respective roles. However, confusion remains at the different stages in the project cycle and it would do no harm to clarify their attributions. This is particularly important for the identification and formulation phases, and the links between them should be reviewed. The identification phase, carried out by partner countries with the support of co-operation attachés and DGDC, tends to encroach on the formulation phase, for which BTC is responsible. BTC would like to keep some room for manoeuvre in defining the resources earmarked for the programmes it is tasked with implementing. Responsibility for evaluation also needs to be specified more clearly. Although BTC is responsible for the halfway-stage review, DGDC should carry out the final evaluation, though not all the players seem to see the matter as being quite so clear-cut.

In Morocco, some confusion still seems to exist within the local structures responsible for project follow-up, since the national partner regards DGDC as the key contact, to the detriment of BTC, even though it has only a secondary role. DGDC should keep its monopoly on political dialogue, but BTC should be able to play a technical role in the thematic groups covering the sectors in which it is involved so that it can act with fuller knowledge of what is going on and enhance the group's work with a view from the field. DGDC and CTB should also exchange information more systematically. Lastly, whether or not DGDC carries out projects financed from the "Direct financing of civil society" budget line seems to have little relevance. This type of funding generates a considerable workload and requires specific logistical resources for both project identification and follow-up. DGDC is not

equipped for that, unlike BTC. NGOs may also be better placed to carry out this type of project, given their knowledge of civil society organisations.

Streamlining procedures and relaxing financial controls

The procedures governing the project cycle are cumbersome and rigid. There are 14 stages between project formulation and project implementation, all highly time-consuming since approval is required from different authorities each time (Chapter 5 on decentralisation). As a result, it generally takes 18 months on average for a project to start. Conclusion of a specific agreement after the identification phase has not reduced the project lead-time. DGDC should undertake an analysis of the process in consultation with BTC and inspection bodies (Finance Inspectorate and Court of Auditors) with the aim of streamlining it, while still complying with governmental procedures.

Onerous financial controls are one reason for long lead-times. Administrative agencies are required by law to have an internal control system. Controls are carried out by the Finance Inspectorate and the Court of Auditors before, during and after projects. These rules are particularly complex to apply in the case of development co-operation, where the players are working with foreign governments and incur a high level of risk. Approval from the Finance Inspectorate is required each time a programme is identified, before the specific agreement is signed, and again for the technical and financial proposal that results from the programme formulation phase. These successive controls compound the delay and their benefit should be assessed. In addition, a finance inspector must determine whether any expenditure in excess of EUR 67 000 is both lawful and appropriate. But it takes a long time to process the paperwork, since the Finance Inspectorate has assigned only one inspector to DGDC. Furthermore, a call for tenders must also be issued for any expenditure in excess of EUR 67 000. Belgium's public procurement legislation is not suited to LDCs and the procedures are long and cumbersome. Raising the threshold at which the approval and tender procedures apply could ensure greater flexibility and faster implementation on the ground. More generally, consideration should be given to the conditions and implications for development co-operation of ex post controls by the Finance Inspectorate and Court of Auditors, at least for certain categories of expenditure. That would mean tightening up accounting and management procedures to ensure that representations monitor expenditure more closely.

The impact of co-management

Belgian co-operation agencies have adopted the principle of co-management everywhere except for zones under Palestinian administration and DRC, with the aim of promoting alignment and ownership by the partner country. It backs up Belgium's commitment to greater aid effectiveness and should be encouraged. However, it can also create restrictions that delay project implementation. This can be seen in Morocco, where Belgian direct aid is delivered almost entirely through government channels; 73% is included in the Moroccan budget. Over 90% of direct co-operation projects use Moroccan public procurement procedures, oversight being delegated to the national partner. But Moroccan procedures have proved ill-suited to project requirements and Belgium is the only bilateral partner to work in this way. For example, the procedure for incorporating aid into the budget is a considerable obstacle to disbursement. In such a case, negotiations should be conducted to remove the obstacles as part of a dialogue with the authorities so that arrangements consistent with co-management can be introduced with a view to improving aid effectiveness.

Aid effectiveness

Belgium fully subscribes to the Paris Declaration on Aid Effectiveness and endeavours to put it into practice through its action in each partner country, as can be seen from adoption of the

co-management principle. Other efforts in the same direction include promoting coordination and harmonisation between donors, and Belgium also intends to take a more programme-based approach to aid.

Belgian co-operation and new aid methods

Most of Belgium's development aid is still delivered in project form. 76 specific co-operation agreements for projects and programme support (including institutional support) were signed in 2003, totalling EUR 175 million. Co-operation in the form of budget aid, balance of payments aid and contributions with other donors to collective funds amounted to EUR 21 million, benefiting Bolivia, Burundi, Mozambique, Niger and Tanzania. However, as the review team found in DRC and Morocco (Box 10), Belgium wishes to take a more programme-based approach and catch up the lag it has accumulated in the last few years with regard to new methods for delivering aid.

This re-orientation presupposes the drafting of new guidelines for budget and sector aid. A BTC/DGDC working party has been set up to put forward proposals for guidelines and procedures for the use of budget aid, whether general, sectoral or basket funding. The guidelines concern: i) the conditions that must be met for Belgium to be able to grant budget aid (public finances and good governance, macroeconomic situation, agreements between donors and mechanisms for political dialogue with the beneficiary country, quality of the PRSP); ii) the terms and conditions for co-operation between BTC and DGDC; iii) the analyses and reports to be produced in the context of budget aid. FPS Budget needs to be consulted on these matters, since its approval is required for any budget aid; monthly coordination meetings with FPS Finance already take place.

A first paper on the criteria for granting budget aid was approved in March 2005. A three-year pilot scheme was launched, under which a significant proportion of Belgium's support (15 to 20% of bilateral aid) will be granted in the form of general budget aid, with Mozambique as the test country. Since 2003, Belgium has been one of a group of donors jointly involved in providing budget aid to the Mozambique government, contributing a total of EUR 5 million in 2004 and 2005. Together with other donors, it is also helping to improve the system for managing the country's public finances. In this context, DGDC and BTC have concluded an agreement under which BTC provides an economist, working alongside co-operation attachés, to monitor general budget aid and the public finance management system.

Box 10. Morocco: taking a more programme-based approach and reinforcing institutional support

Belgium uses projects to implement its co-operation programme in Morocco. This is partly due to the situation in Morocco, which has neither a PRSP nor an operational national development plan with outcome indicators, and all donors to Morocco take a similar line. However, Belgium could adopt a more strategic approach by concentrating its aid and reducing the number of projects (there are 15 at present under the ICP and three outside the envelope, plus four in preparation), especially in the water and sewage sector, where it is currently involved in seven different projects. This could pave the way for a more programme-based approach: desired by Belgium, it could take advantage of close co-operation with other active donors in the sector and the diagnosis drawn up on the basis of the Water group's work. The next ICP could also provide an opportunity for developing a programme-based approach in the sector, aligned on Morocco's drinking water policy at a time when the country is shifting from a supply-driven to a demand-driven policy, coordinated with the other donors and taking advantage of the gift and loan aspects of their various forms of aid (with subsidies being used to finance social engineering).

Increasingly, priority should be given to strengthening institutions by providing support to the National Office for Drinking Water and water user associations like PAGER. The study and expertise fund, which provides technical expertise, may be useful in that respect. The role of technical assistance is diminishing (there were five expatriates in Morocco in 2004 for 20 ongoing BTC projects) and should be reviewed with the national partner, taking account of the institutional capacity on the ground so as to enable projects to be implemented properly while avoiding the risk of substitution and encouraging capacity-building.

In the context of new aid methods and greater harmonisation between donors, it would be helpful to reconsider the role of BTC, DGDC's exclusive partner for government co-operation. Belgium must ensure that it has the necessary mechanisms to institute delegated co-operation or take part in a joint programme. It should explore these options in greater depth, taking advantage of existing experience like the *Defensor del Pueblo* programme in Bolivia, cofinanced by eight international co-operation agencies.

As mentioned earlier, it will also be necessary to review certain rules for financing co-operation which hamper harmonisation and alignment, and to build both DGDC and BTC's capacity to provide expertise.

Harmonisation and coordination between donors: active engagement in the field

In DRC and Morocco, Belgium is actively involved in initiatives to achieve coordination and harmonisation between donors (Box 11). In DRC, it seeks to act in complementarity with other donors, as can be seen from the work carried out in the key sector of civil service reform, and by acting as a catalyst, a role that is all the more important in that few donors are yet willing to embark on large-scale programmes in the country (Annex D). Belgium also supports coordination efforts there, through the theme group mechanism and by organising round tables. Belgium organised four round tables in 2004, in consultation with national partners, on key sectors for DRC's development: agriculture and food security, healthcare, education and basic infrastructure. The meetings were chaired by the respective ministries and were attended by all the relevant bilateral and multilateral players and development NGOs. Each round table concluded with a final statement setting out all the parties' practical commitments and creating a monitoring committee. They represent a first step towards a sectoral approach. Belgium also participates in various trust funds and has acted as a catalyst in getting several UN agencies to work together against sexual violence (Box 12).

With reference to the *Principles of Good Engagement in Fragile States* drawn up by donors following the London forum in January 2005, Belgium and the DRC government have decided to implement one of the DAC harmonisation pilot schemes. DGDC had already proposed in 2004 that aid effectiveness should be a subject for discussion with donors and organised a survey of partners' practices. In 2005, it is due to organise a round table on harmonisation and alignment with the planning ministry. Real work in this area has begun, with considerable support from the UK's Department for International Development (DFID). Two sectors have been chosen, healthcare and infrastructure, in which harmonisation will be tested with the biggest partners (EU, World Bank).

The harmonisation and coordination strategy, designed to increase aid effectiveness by reducing transaction costs, is particularly appropriate given Belgium's position as a medium-sized donor, since co-operation with other donors enables it to compensate for the relatively limited amount of aid it gives.¹² Belgium is also open to new forms of co-operation like trilateral initiatives, such as the police training and DDR/SSR scheme instituted in partnership with South Africa in DRC, or the education scheme for students from sub-Saharan Africa planned with Morocco.

12. In Mali, for example, a tripartite agreement between Mali, France and Belgium on support for a ten-year sanitary and social development programme was concluded in December 2003. Under the agreement, France and Belgium will assume an equal share of funding for the programme in the Mopti region.

Box 11. Harmonisation and alignment in Morocco

Belgium is seeking to actively promote harmonisation and coordination between bilateral and multilateral donors in Morocco, notably on the basis of the Paris Declaration on Aid Effectiveness. With Germany, it has advocated the preparation of an aid harmonisation action plan. However, the context for harmonisation and alignment is relatively unfavourable in Morocco, due partly to the donors and partly to Morocco itself. Because aid represents a very small proportion of GDP and mostly derives from two donors, the European Commission and France, Morocco takes little interest in coordination and does not lead the way on harmonisation and alignment, even though it is one of the 14 countries taking part in the DAC pilot scheme on aid effectiveness. In addition, there is no benchmark strategic framework for alignment and dialogue with donors, and the difficulties encountered by the few donors that use national procedures, causing substantial delays in disbursements, hardly encourages partners to venture further down that road. The large number of Moroccan discussion partners (ministries with technical remits, ministry of foreign affairs and co-operation, ministry of finance and privatisation) is a further obstacle. Consequently, there has been no clear agenda on harmonisation and alignment to date. In the current circumstances, donors tend to align themselves with the broad themes of the plan. Some, like Belgium, seek to coordinate their actions better.

The European Commission delegation in particular has set up a highly structured coordination framework, including monthly meetings of mission heads preceded by a preparatory meeting of primary staff, monthly meetings of economic and trade advisers, monthly meetings of co-operation advisers, joint quarterly meetings of co-operation and economic advisers, bimonthly meetings of cultural advisers and bimonthly meetings on justice and home affairs. An annual meeting is held to review the political, social and economic situation in Morocco and to assess co-operation priorities and changes to Europe's co-operation strategy and coordination mechanisms. Six thematic groups have been set up, acting as the main instrument for sectoral coordination and bringing together the Commission and EU Member States. They are Water (chaired by AFD), Healthcare (Spain), Environment and Natural Resources (Germany), Gender (Germany), Humanitarian Assistance and Reconstruction/Al Hoceima (Italy) and Habitat (AFD). Belgium, which is very active in the Water group, is also involved in the other groups except Habitat, an area in which it has no co-operation activities. The groups have carried out sectoral analyses and encouraged complementary actions, like the joint financing by GTZ and DGDC of a water supply project (Tiznit).

However, there is a risk that the lack of Moroccan input into these groups, even though the government was invited to chair them, will result in unilateral diagnosis and hence a lack of ownership. The presentation of the strategy paper on water, scheduled for October 2004, has been postponed indefinitely despite the donors' best efforts. EU coordination efforts do not include multilateral organisations and bilateral players like the US, Canada and Japan, limiting the impact of the overall coordination system and undermining its coherence. Two groups involve other donors (Governance, chaired by UNDP, and Small Business, chaired by IFC) and two further groups are being set up (Justice, Harmonisation). Belgium will be involved in the Harmonisation group, where there is much work to be done: a recent meeting of all donors highlighted the extent to which their procedures are duplicated.

Box 12. Project to support the fight against sexual violence in DRC

In December 2003, several United Nations agencies (UNICEF, UNFPA, UNHCHR) launched a joint initiative against sexual violence towards women and children, taking an intersectoral approach: i) medical and psychological, to support traumatised women and children; ii) legal, with the aim of improving people's legal protection; iii) sensitisation, targeting the army and police in particular. The initiative also includes institutional support measures designed to reinforce medical and legal structures. It was identified after an assessment of the situation in 2003, which highlighted the growing scale of the problem of sexual violence in DRC and the geographical areas where the response was weak or non-existent. The provinces of Equateur, Orientale and Maniema were initially targeted.

The joint project financed by Belgium falls within the scope of the sexual violence initiative. Belgium is devoting EUR 7.82 million to the project over the period 2004-07 and paid the funds to the United Nations Population Fund (UNFPA) in December 2004. Under the go-through system, UNFPA manages the budget and allocates funds to the two other UN agencies involved according to a jointly decided schedule of work. A steering committee comprising the agencies, Belgium and the national partners in the project meets at regular intervals. One of the first achievements of the project has been to bring the subject of sexual violence into the public arena. Three draft bills have been drawn up and are being debated in parliament. Partner NGOs have been identified to implement the project in the three provinces. Through its funding, Belgium recognises the UN agencies' expertise, supports their joint work and reinforces credibility. It also acts as a staging-post for the project for other bilateral donors, who could follow Belgium's lead and join the scheme in the coming months. Belgium also agreed to host a UNFPA symposium on sexual violence which took place in June 2005. The pilot scheme has made it possible to take a more programme-based approach looking to the medium and long term. The lessons learnt from implementing the project will be of great interest to the donor community.

Need to develop an aid effectiveness strategy

Nevertheless, Belgium has not yet produced a plan for implementing the Paris Declaration on Aid Effectiveness. Such a plan will be needed in order to go beyond the experimental phase and the pilot schemes and develop a genuine aid effectiveness strategy. Amongst other things, that will mean gaining an overview of all the institutional and procedural adjustments needed to increase aid effectiveness, such as stepping up decentralisation, increasing the expertise needed to implement a more programme-based approach, adapting BTC and its relations with DGDC to the new instruments (budget aid, delegated co-operation, joint programmes, etc.), and overhauling the process for drawing up strategy papers and the system of joint commissions in order to ensure better alignment with national strategies and improve aid predictability.

Future considerations

- Belgium is encouraged to review the institutional system for co-operation relationships with its partner countries to ensure that it favours the establishment of partnerships based on national ownership and alignment.
- Belgium should clarify DGDC and BTC's respective competences at each stage of the project cycle and in the implementation on the ground of projects financed from different budget lines, and review BTC's role from the standpoint of new ways of delivering aid.
- Belgium is invited to draw up an action plan for harmonisation and alignment based on the Paris Declaration on Aid Effectiveness, putting into perspective the institutional and procedural adjustments and training needs required to put the undertakings given in the Declaration into practice.

Annex A

Steps taken by Belgium since the 2001 review

Recommendations	Situation in 2005
<p>Strategic thrusts</p> <p>Reaffirm the statutory priority for poverty alleviation as a fundamental objective and prepare country strategies on the basis of the PRSP process and the sectoral approach.</p> <p>Opt, in the event that the sharing of responsibility for Belgian aid is pursued, for a minimal approach ensuring that the federal administration retains the powers and resources, in co-operation matters, to secure consistency, effectiveness and impact in the field.</p>	<p>Belgium has reaffirmed poverty reduction as the priority for its co-operation and has adopted the MDG as the guiding theme of its development policy. This thrust is reflected in the heavy targeting of direct bilateral assistance to LDCs and the ongoing co-operation in the fragile states around Africa's Great Lakes.</p> <p>The principle of devolution of development co-operation was reaffirmed at the political level in 2001 and 2003, but the operational details have not yet been defined. In 2005 devolution was not in force, and 95% of Belgian co-operation was still federal.</p>
<p>Aid volume and targeting</p> <p>Take advantage of any improvement in the budget situation to continue to increase the volume of aid and bring it progressively towards the government target of 0.7% of GNP.</p> <p>Increase the proportion of bilateral assistance going to the priority countries and continue to refocus multilateral operations on a smaller number of international institutions.</p> <p>Associate DGCI more closely in defining the positions that Belgium upholds in the governing bodies of the Bretton Woods institutions.</p>	<p>The goal of bringing Belgian ODA to 0.7% of GNP was written into the program law of 24 December 2002, and confirmed in the government decree of July 2003. A growth path has been spelled out, aiming at an ODA/GDP ratio of 0.45% in 2005, rising thereafter in regular steps of 0.05% a year. There is still a need to identify and ensure mobilisation of the corresponding funds, with due regard to ODA composition and debt remission forecasts.</p> <p>The number of priority countries has been reduced from 25 to 18 and aid is more heavily concentrated on priority countries. There are 23 partner multilateral organisations, 12 of which have been designated priority.</p> <p>A more strategic approach is in place, and it includes coordination of positions with the FPSFA. Since 2002, the DGCD has been represented at the World Bank and the Co-operation Minister sits on its Development Committee.</p>
<p>Policy coherence</p> <p>Devote more systematic attention to achieving more consistency between co-operation policy and other policies that may have adverse effects for developing countries, possibly leading to the introduction of special arrangements for that purpose.</p>	<p>A number of official or <i>ad hoc</i> coordination bodies have been established within PFSFA and with the other federal ministries involved in order to bring greater consistency to the diplomatic, military and co-operation dimensions of their activities, especially in the Great Lakes Region of Africa. There is however no overall strategic framework that would clarify objectives and specify terms of reference for institutional mechanisms.</p> <p style="text-align: right;">.../...</p>

<p>Aid management</p> <p>Pursue its efforts to consolidate the current reforms and ensure greater stability, continuity and institutional effectiveness in DGCI and CTB.</p> <p>Maintain the principle of a separate budget for international co-operation within the Ministry of Foreign Affairs.</p> <p>Reform the system of evaluation so that DGCI and CTB develop a monitoring system and an internal assessment system whose findings can be taken into account.</p>	<p>The « Copernic » reform of the Belgian public service has sparked supplementary reforms, including one whereby the DGCI became a <i>Direction Générale</i> of PFSFA, under the name DGDC. The management contract with the CTB has been amended. The DGDC organisation chart needs further clarification to define the division of responsibilities with the PFSFA in humanitarian assistance and conflict prevention, and the specific mandates of the DGDC and the CTB.</p> <p>The co-operation budget is integrated with that of the Ministry of Foreign Affairs, but the DGDC is still organisationally distinct.</p> <p>A special auditor, independent of the DGDC, and an internal evaluation office within the DGDC have been in operation since 2004. Methodological tools need to be developed for conducting and making use of assessments and ensuring complementarity in the work of the special auditor, the DGDC and the CTB in this area.</p>
<p>Aid implementation</p> <p>Prepare participatory country strategies in all the priority countries.</p> <p>Make firmer use of the sectoral approach in implementing assistance.</p> <p>Avoid dispersal of indirect co-operation and ensure that it is more fully in line with the priorities and poverty alleviation programmes defined by the partner countries.</p>	<p>Most of the strategy papers were drafted in 2002 and 2003. However, five of the 18 papers have yet to be finalised. Procedures for updating the strategy papers should take into account the new context relating to aid effectiveness, in particular the objectives of ownership and alignment with national strategies, and harmonisation with other donors.</p> <p>The project approach still dominates, but work is under way to develop a sectoral approach, and experts have been hired for this purpose. Greater sectoral concentration, and the maintenance and strengthening of expertise in the sectors of concentration, could further this shift in emphasis.</p> <p>Indirect co-operation is still highly dispersed and there is little synergy between the different channels for delivering Belgian aid, something that limits its impact in reducing poverty. The reform now in preparation would allow these institutions to take a more strategic approach and to reinforce their complementarities, through a clearer geographic and sectoral focus, and would help ensure that their activities fit with partner countries' priorities.</p>
<p>Support for the private sector</p> <p>Speed up the establishment of a new corporation for promoting investment in developing countries, BIO, and ensure that its regulations give due priority to the least developed countries (LDCs), strengthening local institutional capacity and combating poverty.</p>	<p>BIO was established in 2001 and its activities are growing. The first fund to be constituted (the Development Fund) is intended to provide specific and significant support for LDCs, but this is not the case with the latest fund (the Support Fund) established. The legal structure of BIO gives the DGDC no direct say on BIO's strategic choices in terms of support for private sector development.</p>

Annex B

OECD/DAC Standard suite of tables

Table B.1. Total financial flows

USD million at current prices and exchange rates

Belgium	Net disbursements						
	1987-88	1992-93	1999	2000	2001	2002	2003
Total official flows	1 173	1 267	757	897	947	1 251	2 937
Official development assistance	644	840	760	820	867	1 072	1 853
Bilateral	422	508	437	477	502	712	1 468
Multilateral	222	332	323	343	365	360	385
Official aid	148	115	82	74	88	97	163
Bilateral	99	48	6	5	5	12	29
Multilateral	49	66	75	69	84	85	134
Other official flows	381	312	- 84	3	- 9	82	921
Bilateral	354	281	- 84	3	- 9	82	921
Multilateral	27	30	-	-	-	-	-
Grants by NGOs	17	30	79	85	151	84	165
Private flows at market terms	- 307	234	22 370	1 220	-1 964	-2 442	-1 752
Bilateral: <i>of which</i>	- 333	234	22 370	1 220	-1 964	-2 442	-1 752
Direct investment	490	83	2 102	1 458	877	-1 942	-
Export credits	- 252	88	- 59	443	156	- 500	-1 719
Multilateral	26	-	-	-	-	-	-
Total flows	883	1 531	23 205	2 202	- 866	-1 107	1 350
<i>for reference:</i>							
ODA (at constant 2002 USD million)	771	764	704	868	928	1 072	1 508
ODA (as a % of GNI)	0.44	0.39	0.30	0.36	0.37	0.43	0.60
Total flows (as a % of GNI) (a)	0.50	0.68	2.21	1.00	0.13	0.54	0.40

a. To countries eligible for ODA.

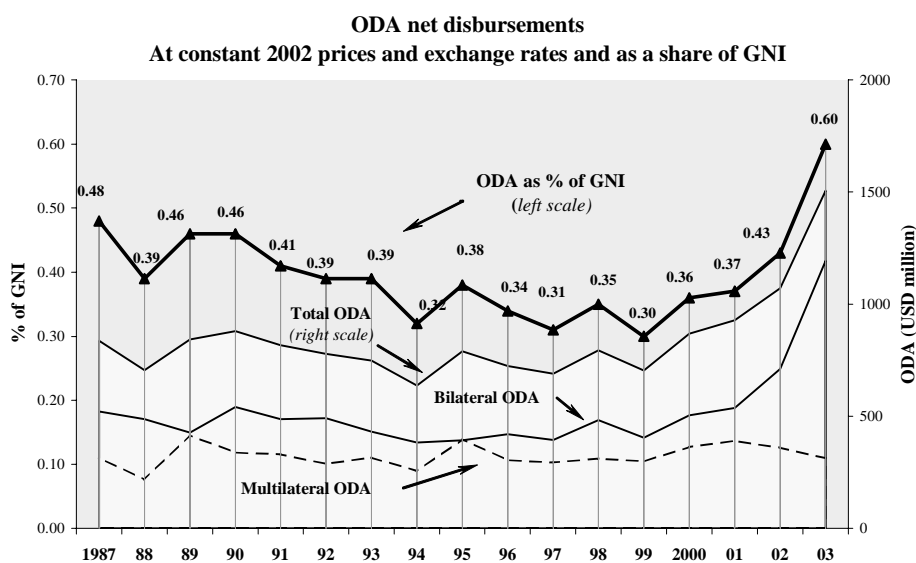


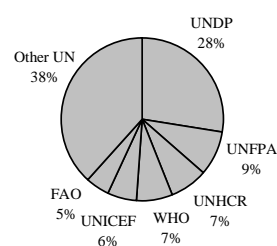
Table B.2. ODA by main categories

Belgium	Constant 2002 USD million					Per cent share of gross disbursements					Total DAC 2003%
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
	Gross Bilateral ODA	432	527	557	751	1 222	59	59	59	68	
<i>Grants</i>	<i>421</i>	<i>505</i>	<i>543</i>	<i>737</i>	<i>1 217</i>	<i>57</i>	<i>57</i>	<i>57</i>	<i>66</i>	<i>79</i>	<i>64</i>
Project and programme aid	34	47	160	135	158	5	5	17	12	10	13
Technical co-operation	255	234	229	291	264	35	26	24	26	17	24
Developmental food aid	0	12	9	10	9	0	1	1	1	1	2
Emergency and distress relief	32	27	29	29	90	4	3	3	3	6	7
Action relating to debt	36	37	57	167	616	5	4	6	15	40	11
Administrative costs	45	38	25	40	46	6	4	3	4	3	4
Other grants	18	110	35	66	35	2	12	4	6	2	4
<i>Non-grant bilateral ODA</i>	<i>11</i>	<i>22</i>	<i>14</i>	<i>14</i>	<i>5</i>	<i>2</i>	<i>3</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>12</i>
New development lending	11	22	14	12	4	2	3	1	1	0	9
Debt rescheduling	-	-	-	0	0	-	-	-	0	0	2
Acquisition of equity and other	-	-	-	2	-	-	-	-	0	-	1
Gross Multilateral ODA	306	364	390	361	313	41	41	41	32	20	24
UN agencies	34	52	38	42	37	5	6	4	4	2	6
EC	202	202	204	210	230	27	23	22	19	15	8
World Bank group	43	59	60	52	0	6	7	6	5	0	4
Regional development banks (a)	7	8	44	24	20	1	1	5	2	1	2
Other multilateral	18	42	44	33	27	2	5	5	3	2	3
Total gross ODA	737	891	948	1 112	1 535	100	100	100	100	100	100
Repayments and debt cancellation	- 33	- 24	- 20	- 41	- 28						
Total net ODA	704	868	928	1 072	1 508						
<i>For reference:</i>											
<i>ODA to and channelled through NGOs</i>	<i>6</i>	<i>108</i>	<i>127</i>	<i>124</i>	<i>111</i>						
<i>Associated financing (b)</i>	<i>-</i>	<i>3</i>	<i>3</i>	<i>4</i>	<i>5</i>						

a Excluding EBRD.

b. ODA grants and loans in associated financing packages.

**Contributions to UN Agencies
(2002-03 Average)**



**Contributions to Regional Development
Banks (2002-03 Average)**

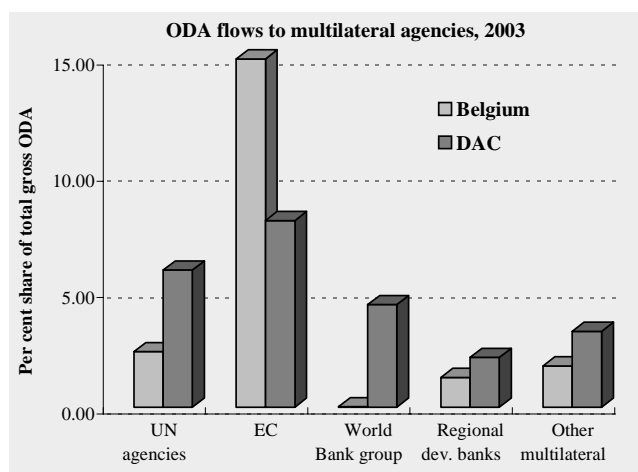
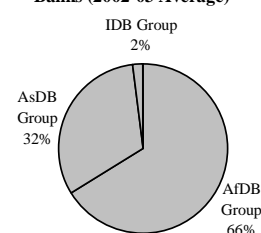


Table B.3. Bilateral ODA allocable by region and income group

Belgium	Constant 2002 USD million					Per cent share					Total DAC
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	2003%
	<i>Gross disbursements</i>										
Africa	165	214	249	345	830	60	60	68	67	88	40
Sub-Saharan Africa	147	196	236	336	815	53	55	64	65	86	35
North Africa	18	18	12	9	15	7	5	3	2	2	5
Asia	38	74	54	49	43	14	21	15	9	5	34
South and Central Asia	8	6	18	15	15	3	2	5	3	2	17
Far East	31	68	36	33	28	11	19	10	6	3	17
America	49	46	44	58	50	18	13	12	11	5	11
North and Central America	14	14	14	14	12	5	4	4	3	1	4
South America	35	32	30	43	37	13	9	8	8	4	7
Middle East	8	9	8	11	15	3	3	2	2	2	9
Oceania	0	0	0	0	0	0	0	0	0	0	1
Europe	14	15	13	53	5	5	4	4	10	1	5
Total bilateral allocable by country	275	358	368	515	943	100	100	100	100	100	100
Least developed	126	169	208	261	786	46	47	56	51	83	36
Other low-income	49	88	67	105	56	18	25	18	20	6	23
Lower middle-income	87	86	80	140	83	32	24	22	27	9	37
Upper middle-income	13	15	14	10	19	5	4	4	2	2	4
High-income	-	-	-	-	0	-	-	-	-	-	0
More advanced developing countries	0	0	-	0	-	0	0	-	0	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	432	527	556	750	1 221	100	100	100	100	100	100
<i>of which: Unallocated</i>	157	170	188	234	278	36	32	34	31	23	21

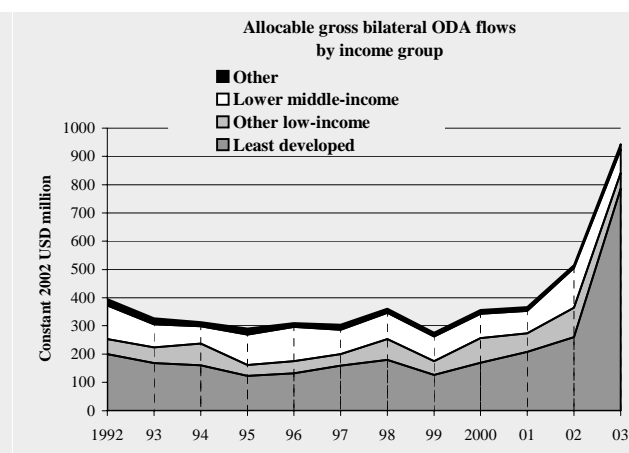
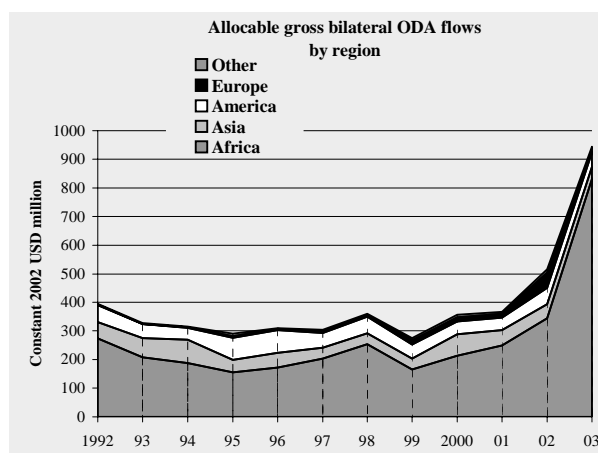


Table B.4. Main recipients of bilateral ODA

Gross disbursements, two-year averages

Belgium	1992-93			1997-98			2002-03		
	Current USD million	Constant 2002 USD mn.	Per cent share	Current USD million	Constant 2002 USD mn.	Per cent share	Current USD million	Constant 2002 USD mn.	Per cent share
Rwanda	41	37	10	36	32	10	415	342	50
Burundi	40	36	10	28	25	8	41	40	5
Congo, Dem. Rep.	32	29	8	26	23	7	28	28	3
Tanzania	20	18	5	22	20	6	26	24	3
Morocco	17	16	4	15	14	4	25	25	3
Top 5 recipients	150	136	38	127	114	34	536	458	64
China	15	14	4	13	12	3	21	19	3
Bolivia	14	13	4	11	10	3	17	15	2
Indonesia	12	11	3	10	9	3	17	15	2
Kenya	10	9	3	9	9	3	15	13	2
Algeria	9	8	2	9	8	3	12	11	1
Top 10 recipients	211	192	53	179	161	49	617	532	74
Tunisia	9	8	2	9	8	2	12	10	1
Ecuador	8	8	2	9	8	2	12	10	1
Thailand	8	8	2	9	8	2	11	9	1
Bangladesh	7	7	2	8	8	2	10	9	1
Philippines	7	7	2	8	7	2	9	8	1
Top 15 recipients	251	228	63	222	200	60	670	579	80
Somalia	7	6	2	7	7	2	9	7	1
Senegal	7	6	2	7	7	2	8	7	1
India	7	6	2	7	6	2	7	7	1
Cameroon	7	6	2	6	6	2	7	7	1
Chile	6	6	2	6	5	2	7	6	1
Top 20 recipients	284	258	71	256	231	69	708	613	84
Total (114 recipients)	398	362	100	369	332	100	837	729	100
Unallocated	134	122		150	135		289	257	
Total bilateral gross	532	484		518	468		1 126	986	

Table B.5. Bilateral ODA by major purposes

at current prices and exchange rates

Gross disbursements - Two-year averages

Belgium	1992-93		1997-98		2002-03		2002-03 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	176	35	168	34	289	26	33
Education	76	15	51	11	95	9	8
of which: basic education	-	-	2	0	7	1	2
Health	39	8	58	12	61	6	4
of which: basic health	-	-	26	5	36	3	3
Population programmes	28	5	1	0	16	2	3
Water supply & sanitation	16	3	10	2	18	2	3
Government & civil society	16	3	22	4	73	7	8
Other social infrastructure & services	1	0	25	5	25	2	6
Economic infrastructure & services	41	8	18	4	52	5	11
Transport & storage	9	2	4	1	5	0	4
Communications	3	1	6	1	2	0	0
Energy	10	2	2	0	4	0	4
Banking & financial services	19	4	4	1	40	4	1
Business & other services	-	-	3	1	1	0	1
Production sectors	88	17	64	13	55	5	6
Agriculture, forestry & fishing	59	12	46	9	48	4	4
Industry, mining & construction	14	3	15	3	6	1	2
Trade & tourism	15	3	3	1	1	0	1
Other	-	-	-	-	0	0	-
Multisector	114	22	44	9	58	5	8
Commodity and programme aid	20	4	32	7	31	3	5
Action relating to debt	19	4	88	18	479	44	19
Emergency assistance	16	3	28	6	70	6	8
Administrative costs of donors	33	6	41	8	48	4	5
Core support to NGOs	2	0	4	1	11	1	4
Total bilateral allocable	508	100	488	100	1 093	100	100
<i>For reference:</i>							
Total bilateral	508	60	518	61	1 122	75	76
of which: Unallocated	0	0	30	4	29	2	2
Total multilateral	334	40	338	39	373	25	24
Total ODA	842	100	857	100	1 495	100	100

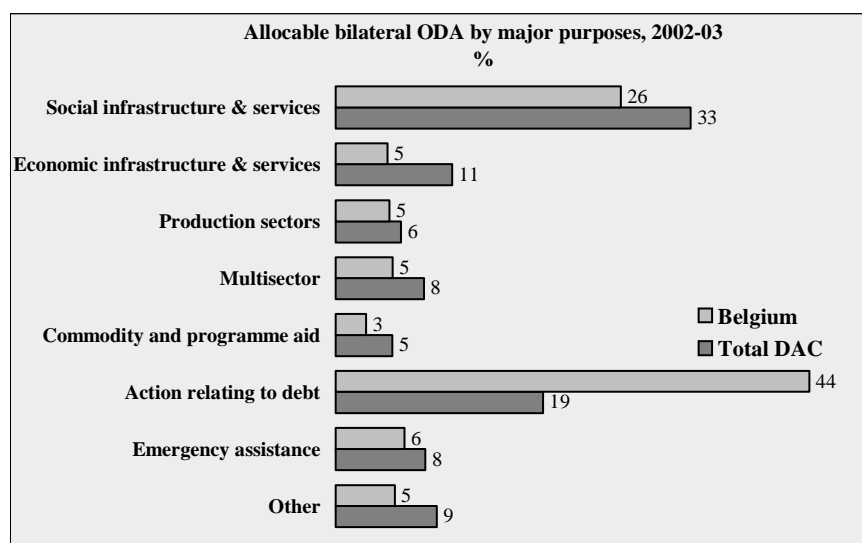


Table B.6. Comparative aid performance

	Official development assistance		Grant element of ODA (commitments) 2003	Share of multilateral aid 2003			ODA to LDCs Bilateral and through multilateral agencies 2003		Official aid 2003		
	97-98 to 02-03 Ave. annual % change in real terms			% of ODA (b)	% of GNI (c)	% of ODA (b)	% of GNI (c)	% of ODA	% of GNI	USD million	% of GNI
	2003	% of GNI									
Australia	1 219	0.25	100.0	20.0	0.05	21.3	0.05	9	0.00		
Austria	505	0.20	100.0	54.7	0.11	33.4	0.07	245	0.10		
Belgium	1 853	0.60	99.5	20.8	0.13	58.7	0.35	163	0.05		
Canada	2 031	0.24	100.0	33.6	0.08	31.2	0.07	102	0.01		
Denmark	1 748	0.84	100.0	41.0	0.34	38.5	0.32	202	0.10		
Finland	558	0.35	100.0	44.7	0.16	32.7	0.11	82	0.05		
France	7 253	0.41	95.6	28.1	0.12	40.9	0.17	2 027	0.11		
Germany	6 784	0.28	97.5	40.2	0.11	37.0	0.10	1 181	0.05		
Greece	362	0.21	..	37.0	0.08	15.3	0.03	81	0.05		
Ireland	504	0.39	100.0	30.1	0.12	52.8	0.21	1	0.00		
Italy	2 433	0.17	99.4	56.4	0.09	45.4	0.08	497	0.03		
Japan	8 880	0.20	87.5	28.7	0.06	21.6	0.04	-219	-0.01		
Luxembourg	194	0.81	100.0	22.8	0.18	33.5	0.27	6	0.03		
Netherlands	3 981	0.80	100.0	25.9	0.21	32.3	0.26	248	0.05		
New Zealand	165	0.23	100.0	21.9	0.05	27.3	0.06	1	0.00		
Norway	2 042	0.92	100.0	28.4	0.26	39.2	0.36	50	0.02		
Portugal	320	0.22	100.0	42.9	0.09	64.2	0.14	51	0.04		
Spain	1 961	0.23	92.0	41.3	0.10	17.4	0.04	5	0.00		
Sweden	2 400	0.79	99.9	25.9	0.21	34.2	0.27	127	0.04		
Switzerland	1 299	0.39	100.0	27.3	0.11	31.1	0.12	77	0.02		
United Kingdom	6 282	0.34	100.0	38.5	0.13	36.2	0.12	698	0.04		
United States	16 254	0.15	99.9	10.2	0.02	27.5	0.04	1 471	0.01		
Total DAC	69 029	0.25	97.2	27.8	0.07	32.7	0.08	7 106	0.03		
Memo: Average country effort		0.41									

Notes:

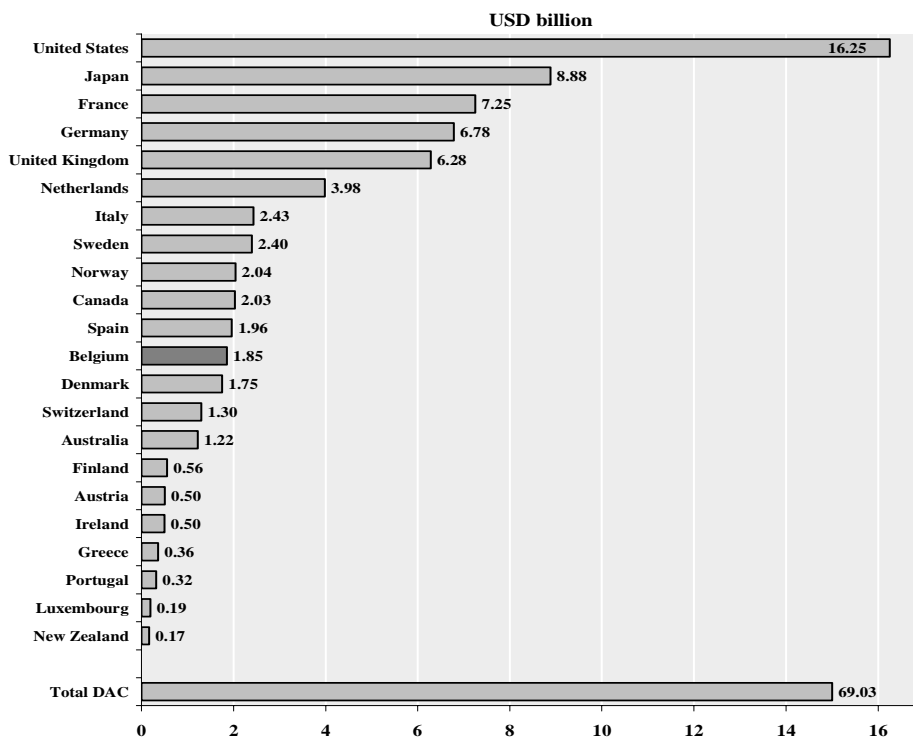
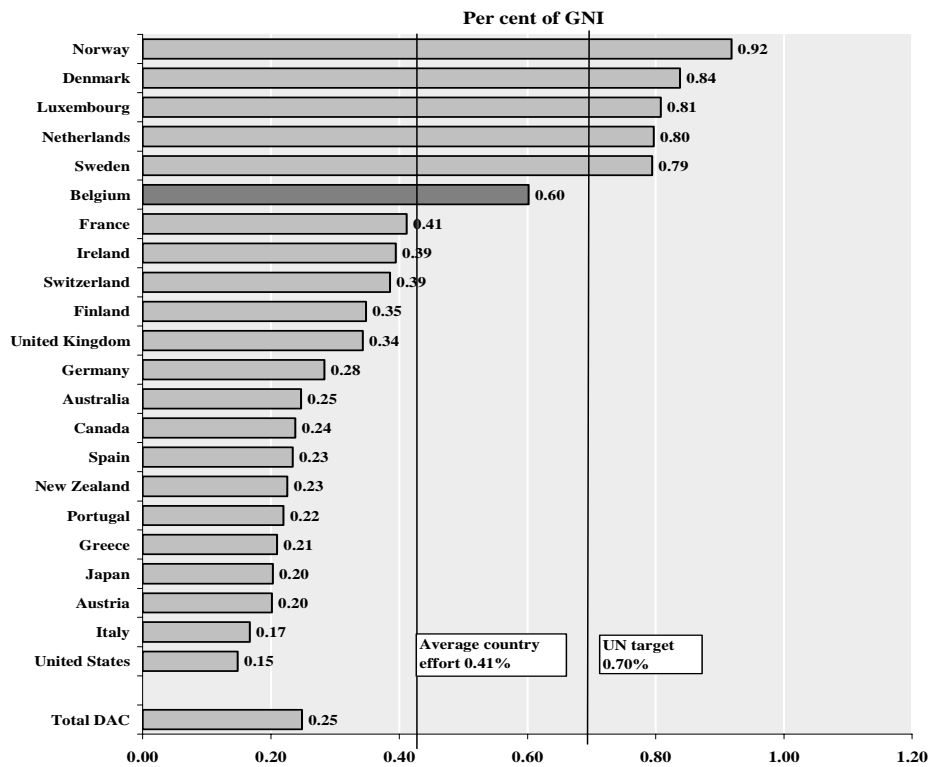
a. Excluding debt reorganisation.

b. Including EC.

c. Excluding EC.

.. Data not available.

Graph B.1. Net ODA from DAC countries in 2003



Annex C

Belgium's support to humanitarian aid

Humanitarian policies and principles

Belgium's humanitarian aid is governed by the Royal Decree of 19 November 1996, which sets the framework for financing humanitarian action and implementing humanitarian aid. This decree identifies "short-term emergency and rehabilitation aid" with the objective to provide humanitarian aid to "people in distress who have been the victims of natural or man-made disasters on a scale and gravity which exceed local and national assistance capabilities". The concept of Belgium's short-term emergency and rehabilitation aid is made up of the following three components:

- a) **Preventing natural disasters:** Activities directly aimed at promoting preventive measures.
- b) **Emergency aid:** Meeting the vital needs of people faced with human violence or natural disasters.
- c) **Immediate post-emergency or short-term rehabilitation aid** aimed at developing short-term rehabilitation and reconstruction activities in order to help disaster-stricken populations in reaching a basic level of self-sufficiency and to ensure the transition towards development programmes.

In addition Belgium distinguishes food aid as a special dimension of humanitarian aid and identifies three distinct categories: i) **food aid:** In the context of the 1999 Food Aid Convention, and in accordance with the agreements entered into with the European Union, Belgium supplies a minimum of 30 000 tonnes of cereal equivalent to developing countries each year. In accordance with EC Council regulations, Belgium allocates this aid to selected priority countries to overcome temporary food shortage arising from crisis situations. The objective is to temporarily restore food supplies and to support food security programmes;¹³ ii) **emergency food aid:** Supplied only in situations arising from unforeseeable emergencies; iii) **rehabilitation food aid:** Aims to rebuild and restore rural production systems in a sustainable way among disaster-stricken populations.

Despite the Royal Decree of 1996 there is no comprehensive policy document explaining Belgium's approach to humanitarian action. This makes it difficult to assess how Belgium sets its priorities and ensures that its support for humanitarian action adheres to humanitarian principles. However, the Peer Review team were informed that a process of developing a humanitarian aid policy is underway. The Principles and Good Practice of Humanitarian Donorship (GHD), endorsed by Belgium in 2003, should provide the point of departure for developing such new policy.

When developing its humanitarian aid policy Belgium should consider its implementation approach and how this policy area relates to other activities indirectly linked to humanitarian aid *i.e.* conflict prevention and assistance to so-called "fragile states". Furthermore, preventive measures for

13. EC Council Regulation no. 1292/96 of 27 June 1996.

natural disasters such as disaster risk reduction, including support to local capacities, could be further developed and integrated in Belgium's development co-operation planning.

Volume and distribution

Volume

Since the last Peer Review in 2001 Belgium has increased its net disbursements on emergency and distress relief from current USD 26.6 million in 2001 to current USD 110.8 million in 2003. The emergency assistance share of gross ODA disbursements has also increased, from 3% in 2001 to 6% in 2004. However, Belgium's contribution is below the DAC average of 7.4% in 2003 and despite the increase in reported emergency and distress relief, additional funding for humanitarian aid has not been provided as this increase only reflects "refugees in donor country". Since 1997 and in accordance with the DAC reporting directives, Belgium includes in its ODA expenditures for assistance to refugees in their first twelve months of stay in a donor country. In 2002, this item amounted to 0.2% of the reported emergency and distress relief. After a shift in policy for reporting data to the DAC, this item accounted for 72% of emergency and distress relief in 2003. According to DAC figures, expenditure for humanitarian response remained unchanged, at around constant 2002 USD 33.5 million, between 2000 and 2003.

Belgium's potential role in financing humanitarian action should be seen in light of the ambitious targets set to improve ODA volume. As Belgium moves towards meeting the 0.7% ODA/GNI target in 2010, it should consider a substantial increase in allocations for humanitarian purposes.

Data provided by UN-OCHA's Financial Tracking System show that Belgium has increased its support to the UN Consolidated Inter-Agency Appeal (UN-CAP) from USD 10.5 million in 2001 to USD 28.8 million in 2004, making Belgium the 15th largest CAP donor in 2004 (OCHA, 2005a, b).

Budget structure

The nature of humanitarian action places special demands on budgetary systems and governments use different methods to ensure a needs-based, timely and flexible response. Humanitarian budget systems include specially earmarked annual ODA envelopes for multilateral, bilateral and NGO funding; reallocations of bilateral ODA; special institutional arrangements, including rapid response funds and special budgetary transition arrangements.

Belgium funds humanitarian action from a separate budget line. Its humanitarian budget structure is divided in two main parts, of which one is managed by three divisions within the Ministry of Foreign Affairs, Foreign Trade and Development Co-operation, and the other part is managed within the DGDC (Annex C, Table C.1.).

This budget system is fragmented and not optimised from the viewpoint of flexibility and response speed. The budget structure is further complicated by the way funds are managed and by the fact that responsibilities for humanitarian aid are divided between two units of the ministry (described separately below). To improve performance this budget might be reviewed.

Funding principles

Belgium funds humanitarian action implemented by UN humanitarian agencies, the International Red Cross movement, and national or international non-governmental organisations. It is mainly in response to appeals or applications from these agencies and organizations that Belgium provides such

grants. Certain operational activities of other national agencies may also be financed from the humanitarian budget, such as the national response capacity B-FAST (see the section on national intervention capacities, below). Financing decisions are based on available needs assessments, mainly those produced by the UN Office for the Coordination of Humanitarian Affairs (OCHA) and the UN Consolidated Appeal Process (CAP), in conjunction with internal assessments and separate NGO applications. It is unclear how Belgium ensures that funding of humanitarian action directed at high-profile crises does not adversely affect meeting the needs of other ongoing and “forgotten” crises.

Table C.1. Belgium’s budget structure for humanitarian aid

Humanitarian Aid		2004 (EUR thousands)	%	2005 (EUR thousands)	%
Federal Public Service Foreign Affairs, Foreign Trade and Development co-operation (FPSFA)					
1	General services (Division 40)	1 261	2.3	1 178	2.4
2	Directorate-General for Consular Affairs (Division 52)	122	0.2	122	0.3
3	Directorate-General for Multilateral Affairs and Globalisation (Division 53)*	54 322	97.5	47 312	97.3
Sub Total – FPSFA		55 705		48 612	
DG – Development Co-operation					
4	Special Programmes – Food Aid (DGDC – D2.1)	12 800	45.1	17 000	46.7
5	Special Programmes - Transition, reconstruction and consolidation of society (DGDC – D2.3)	5 500	19.4	9 000	24.7
6	Multilateral Co-operation - Voluntary contributions to humanitarian organizations (DGDC - D4.3)	10 072	35.5	10 400	28.6
Sub Total – DGDC		28 372		36 400	
TOTAL		84 077		85 012	

* The amount shown also covers non-humanitarian aid commitments, since it includes all allocations, embracing preventive diplomacy and conflict prevention as well as emergency and rehabilitation assistance.

Source: FPSFA, Activity Report 2004.

Policies relating to resource allocation between multilateral and bilateral channels are not explicitly stated but Belgium is striving to increase its support to multilateral humanitarian agencies. Belgium uses “soft” earmarking in its multilateral funding.

Due to constraints in the budget system Belgium cannot make longer-term funding arrangements and Belgium is limited by law to funding international and Belgian NGOs only. National NGOs of other countries may not be financed from the humanitarian budget. In order to speed up funding procedures Belgium could consider developing a system where implementing partners could be entrusted with handling “rapid response funds”.

Belgium should try to make its UN-CAP contributions early in the year (January or February) and to provide stable, un-earmarked funding to its major humanitarian partners. It could also further develop its approaches to ensure that humanitarian aid is needs based. In doing so Belgium could

consider developing a way of participating in all UN-CAPs. Multi-year funding arrangements should also be considered for long-term, complex emergencies and current constraints to such funding should be reviewed.

Crosscutting and emerging issues

Promoting standards and enhancing implementation: Belgian practice recognises and supports the role of the United Nations in providing leadership and co-ordination for international humanitarian action. Belgium contributes to UN OCHA's coordination efforts and the Consolidated Appeals Process. It is also a member of the OCHA Donor Support Group. The roles and mandates of the International Committee of the Red Cross (ICRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC) are also recognised and respected.

Belgium supports the development of practical tools to promote accountability, efficiency and effectiveness in implementing humanitarian action and dissemination of standards and principles. To ensure that implementing organisations adhere to humanitarian guidelines and codes of conduct Belgium insists on its application procedures and formats. However these application procedures could be up-dated once the new humanitarian policy is adopted, and they could be supplemented with assessments of implementing partners' capacities.

Transition support: The current organisation of Belgium's humanitarian and transitional assistance administration poses particular challenges to intra- and inter-ministerial co-ordination. The role of the Belgian Technical Co-operation office (CTB) in transition planning is not clear. Six of Belgium's top ten recipients in 2002-03 were countries immersed in or emerging from armed conflict. Two budget lines managed by the Social Development Department (D2.3) are used for transition in post-emergency situations where Belgium will be engaged in longer-term rehabilitation and reconstruction. The budget line for "Conflict Prevention and Peace Building" aims at providing support for democratic development and reconciliation. It falls under the responsibility of the Minister of Foreign Affairs. A second budget line for use in transition situations was introduced in 2001 and falls under the responsibility of the Minister for Development Co-operation. The usefulness of this dual approach should be looked at further.

Involvement of beneficiaries: The extent to which Belgium ensures adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of its humanitarian activities, and how it does so, is unclear. The government should elaborate further on measures to ensure beneficiaries' involvement and develop operational approaches to address environmental and social (including gender-related) aspects of humanitarian aid in implementation.

Policy coherence

Civilian and military interaction: Civilian and military co-operation in humanitarian action raises major concerns regarding impartiality, effectiveness and security. In situations where military capacity and assets are used to support humanitarian action, Belgium must strive to ensure that such use conforms to International Humanitarian Law (IHL) and humanitarian principles and must recognise the leading role of humanitarian organisations. A new policy should make explicit reference to guidelines on the use of military and civilian assets and should recognise the primary position of civilian organisations in implementing humanitarian action.

Untying status of emergency food aid: Belgium has a policy of untied food aid, which also applies to emergency food aid. The Belgian position is that whatever form food aid takes it should be provided as a gift to the beneficiary countries, and preference is given to local and regional purchases.

Emergency food aid policies are appropriate and should be reflected in the new humanitarian aid policy.

Organisation and management

Humanitarian aid architecture

Belgium's organisational approach to humanitarian aid is scattered. Political responsibility is shared between the Minister for Foreign Affairs and the Minister for Development Co-operation. Humanitarian aid is administered primarily by two departments in the Directorate-General for Development Co-operation (DGDC), namely the Department for Special Programmes (D2) and the Department for Multilateral and European Programmes (D4).

Since the last Peer Review there have been two important changes in management of humanitarian aid. In 2004 responsibility for humanitarian action was transferred to the minister for Foreign Affairs. With further changes in 2005, responsibility for humanitarian action in partner countries is now shared between the minister for Foreign affairs and the minister for Development co-operation. Moving responsibility for humanitarian aid to the minister for Foreign affairs has partially removed humanitarian aid from the DGDC's purview towards that of the Directorate-General for Multilateral affairs and Globalisation (DGM). A small portion of the humanitarian aid budget is also managed through the Directorate-General for Consular Affairs (DGC). It can be argued that this strengthens co-ordination between approaches to humanitarian and development assistance. Nonetheless it also creates an unnecessary administrative constraint that slows response times and diminishes flexibility.

The administration of humanitarian aid is primarily located in two divisions within the department of Special Programmes in the Directorate-General for Development Co-operation (DGDC).

- a) Emergency Aid, Rehabilitation and Food Aid (D2.1), responsible for financing, planning and monitoring of programmes related to disaster prevention, emergency response, and short-term rehabilitation following armed conflicts or natural disasters. Humanitarian aid programmes may also take the form of long-term food aid programmes.
- b) Social Development (D2.3), which finances projects and programmes related to peace building, primarily focused on the existing partner countries of Belgian development co-operation. The division is also responsible for field monitoring of programmes.

Also within the department of Special Programmes is the Belgian Survival Fund (D2.2), which is exclusively focused on food security programmes in Africa and is not involved in financing or administration of humanitarian aid programmes.

The United Nations Division (D4.3) within the Multilateral and European Programmes Department (D4) administers annual core grants to multilateral support and international organisations involved with humanitarian aid (OCHA, UNCHR and ICRC/IFRC).

It is unclear where the responsibility for policy development and co-ordination of humanitarian aid is located and managed and to what extent humanitarian aid is represented in the department of Policy Support (D0.1). And it should be noted that the responsibility for the monitoring GHD is shared between two departments, (D2.1 and D4.3). The extent to which humanitarian aid relates to the Directorate of Non-Governmental Programmes (D3) is also unclear.

Management structures and procedures for administering humanitarian action continue to be complex, placing high demands on co-ordination and additional weight on limited resources. At 12, the staffing level for managing humanitarian aid is critically low. The organisational management structure outlined above betrays a lack of clarity that is likely to have a negative effect on delivery. Belgium should explore ways to consolidate and concentrate management of humanitarian aid while ensuring its independence in accordance with humanitarian principles. The organisational structure of other DAC donors, such as Switzerland, might be of interest here.

The national response mechanism – The Belgian First Aid & Support Team (B-FAST)

In November 2000, at the proposal of the minister for Foreign affairs, the minister for Home affairs and the minister for Defence, the Federal Council of ministers authorised the creation of a rapid response structure with the mandate to dispatch emergency aid teams to countries affected by man-made or natural disasters. This interdepartmental structure groups the Office of the Prime Minister and the federal ministries of Foreign affairs, Foreign trade and Development co-operation, Public Health & Environment, Home affairs, Budget and Defence all under the co-ordination of the minister for Foreign affairs. In 2004 it operated with an annual budget of EUR 24 million.

Once a decision is made by the B-FAST's executive body, the Coordination Council, chaired by the minister for Foreign affairs, Belgian emergency teams can be mobilised within 12 hours and they will remain in the field, in principle, for 10 days. During and after the operation, the team reports to a Planning Committee, responsible for the strategic phases, and to an Advisory Committee, which includes national experts and NGO representatives. Three conditions must be met to trigger a B-FAST response: i) the problem must be too big for the emergency services in the country in question to cope with and human lives or health must be at risk; ii) the authorities in the country affected must request assistance from Belgium, or at least from the international community; iii) there must be no armed conflict under way in the country requesting assistance.

At the international level, Belgium has also contributed to the establishment of the European coordination mechanism. B-FAST is involved in many projects such as those of INSARAG (International Search & Rescue Advisory Group) under the auspices of the OCHA/UN.

Country operations

Embassies are not delegated any humanitarian decisions or funds. Embassies have an advisory role, but cannot make commitments. Co-operation Attachés in embassies handle all issues concerning development co-operation policy but their role in relation to humanitarian aid remains ill defined. Belgium should consider strengthening its field representation with humanitarian specialists where situations call for closer monitoring. This would also strengthen approaches to transition from humanitarian to development support.

To promote the implementation of the Good Humanitarian Donorship agenda, Belgium, together with the USA, took the lead in an approach aimed at improving the UN Consolidated Appeal Process (CAP) and rallying donors to a Common Humanitarian Action Plan (CHAP) in the Democratic Republic of Congo (Box 13).

Box 13. Taking GHD to the field

Improving the Common Humanitarian Action Plan in the DRC

Context: The armed conflict in the Democratic Republic of Congo (DRC) remains one of the deadliest conflicts since World War II and has resulted in the loss of nearly 4 million lives since 1998. The recent war originated after the 1994 Rwandan genocide. When groups responsible for the genocide took refuge in eastern Congo, Rwanda and Uganda backed a rebellion in the Congo in 1997 which installed Laurent Kabila. Following Kabila's attempts to remove ethnic groups in the government, Rwanda intervened again in 1998. With assistance from Zimbabwe, Angola and Namibia, Kabila managed to avoid this second invasion but the conflict spiralled into large scale-war. Despite a ceasefire in 1999 and deployment of a UN peacekeeping mission (MONUC) in 2000, the violence continued. In 2001, Kabila was assassinated and replaced by his son, Joseph Kabila. Peace negotiations continued and a power-sharing unity government was set up in 2003. Meanwhile, regional conflicts over land and mineral wealth in eastern Congo escalated into widespread inter-ethnic violence and massacres during 2002-03. An EU mission was launched in 2003 which improved security and a strengthened UN mission (MONUC II) was deployed in 2003. The conflicts in the eastern region of the country (North and South Kivu and Ituri) have had dramatic humanitarian consequences. Observers claim that an estimated 1 000 people are dying daily as a result of hunger and disease caused by war. The humanitarian community has attempted to respond to increased humanitarian needs without the benefit of a comprehensive assessment, further hampered by the lack of operational capacity, financial resources and humanitarian access. Given the enormous needs, successful humanitarian action depends on increased funding and the flexibility of all actors to respond given the unpredictable operating environment. The goal of the humanitarian community in the DRC is threefold: a) to save lives; b) to reduce vulnerability in the affected communities; and c) to optimise coordination mechanisms and to facilitate the transition from humanitarian assistance to development.

The GHD Pilot Exercise: The DRC was selected for pilot implementation of GHD for the period 2003–05. The purpose of the approach was to strengthen the UN Consolidated Appeal (CAP) and seek ways to harmonise donor practices around the Common Humanitarian Action Plan (CHAP). The pilot exercise aimed to encompass all of the GHD principles/practices through the elaboration of fourteen impact indicators to measure donor behaviour in the DRC. Emphasis was given to working within established UN processes to avoid overlap or duplication and to promote the role of the UN in providing leadership and coordination of international humanitarian action. Leadership for the pilot was shared between Belgium and the USA, which set out to enlist major donors (Canada, France, Japan, Netherlands, Sweden, Switzerland and the UK), UN agencies and representatives from NGO community. Belgium and the USA undertook missions to the DRC to discuss the GHD initiative with field-based partners and participated in the UN CAP/CHAP workshop to prioritise humanitarian action for 2005. A "peer review mechanism" was elaborated to improve project selection for the CAP. This was an important step in determining whether donors have the basis for further harmonisation of practice in line with the GHD principles in a country-specific context.

Outcomes: Donor participation in elaborating a humanitarian strategy for the DRC helped to clarify their intentions and also served to improve prioritisation within the CAP and the CHAP. As the 2005 UN-CHAP for the DRC reflected a clearer hierarchy of needs, it raised expectations that donors would provide increased funding in support of the agreed strategy. The 2005 Consolidated Appeal for the DRC amounted to USD 200 million but six months after its launch funding levels only amounted to 35% of the total request. Funding decisions based on a solid assessment of need is a cornerstone of GHD. However, little progress was made in using common needs assessment formats or in tracking or analysing data from existing needs assessments. Future work in relation to GHD should focus on how to systematise the use of needs assessments and to derive a common framework for analysis. Donors involved in this pilot agreed on the need to better define targets and indicators including monitoring of OCHA's performance in the field and to measure work on protection. The pilot also aimed at improving the process of linking humanitarian and development partners and activities. Bilateral development partners participated and specific activities/program areas were highlighted during the process as being important to humanitarian work but more appropriate for development actors. An evaluation of donor behaviour planned for 2005 will see to what extent donor funding addresses highest priority needs. The participants in the pilot exercise also agreed that consideration should be given to identifying a "neutral forum", such as the DAC, to pursue future activities.

Belgian perspectives on the pilot exercise: Humanitarian aid constitutes 10% of Belgium's ODA to the DRC. In 2004 Belgium provided 8% of the funding to the DRC CAP making it the fourth biggest donor. Belgium remains concerned over the quality of needs assessments and calls for further improvements regarding the content of the CAP. In its view, OCHA's role must be strengthened, the CAP focused on humanitarian components only and UN agencies must refrain from using the CAP as a general fund raising vehicle. As NGOs are the main implementing partners of bilateral donors and the UN alike, donors should support the Humanitarian Coordinator in ensuring that NGOs are equal partners in all processes. Belgium would also like to see a more active involvement of the EC-ECHO.

Promoting learning and accountability

Evaluation systems. The Department of Follow-up, Evaluation and Statistics (D0.2) is responsible for measuring and monitoring the performance of the co-operation programmes financed by the DGDC. Its involvement and the resources it employs in evaluating humanitarian aid could be better defined and strengthened. Learning across departments and other arms of government in relation

to humanitarian action could also prove difficult with the present management of humanitarian aid. If a new or updated policy or strategy is to be adopted it should be closely monitored.

Accountability and transparency. Belgium's reporting systems for humanitarian aid could be further refined and it could benefit from a more detailed format. Belgium should follow and adjust its reporting capacity to the work under way within DAC and the UN Financial Tracking System. Belgium should also consider making information on its humanitarian aid disbursements more transparent and detailed in its annual reports on development co-operation.

Future considerations

Policy

- Belgium should finalise and implement as soon as possible its policy document for humanitarian action covering all aspects of humanitarian actions, including natural disaster response (especially in relation to prevention and preparedness), to ensure consistency with the endorsed principles and good practice of humanitarian donorship. The policy document should also address issues related to beneficiaries' involvement, environment and rights perspectives, especially gender.
- Belgium could strengthen its procedures, including those for safe access to humanitarian help, to ensure they respect the 1994 *Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief* and the 2003 *Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies*.

Funding levels and principles

- Within a growing ODA budget, Belgium should also consider further increasing its allocations to humanitarian aid, including prevention and preparedness, emergency response and recovery and reconstruction in line with GHD and a needs-based approach.
- Measures could be taken to further improve the transparency of funding decisions and the predictability of long-term funding arrangements for protracted emergency situations. In addition, more flexibility in using such funds could be granted to partners implementing humanitarian activities.

Management

- Belgium should consider concentrating and consolidating its approaches to humanitarian aid by establishing a separate unit within its organisation responsible for humanitarian aid and to facilitate transition to reconstruction and long-term development.
- Belgium should further develop its systems for intra- and inter-ministerial co-operation in order to optimise its humanitarian response and decision-making for funding humanitarian action.

Annex D

Belgium's assistance programme in the DRC

Introduction

As part of the peer review of Belgium, a DAC team consisting of representatives from Austria, Portugal and the secretariat visited the Democratic Republic of Congo from 17 to 27 March 2005. It met with Belgian development co-operation officials and representatives of the DRC government and civil society, as well as representatives of bilateral and multilateral agencies. In addition to its discussions in Kinshasa, it also visited the Lower Congo as well as South Kivu. This report conveys the team's impressions about Belgian assistance to the DRC.

With a population of 54 million, comprising more than 200 ethnic groups, and a vast territory (2.34 million km²) endowed with great natural resources, the DRC is a fragile state, gradually emerging from a five-year conflict that partitioned the country and cost many lives. Conflict-related deaths since 1998 are estimated at 3.8 million.¹⁴ Coming in the wake of the 32-year reign of President Mobutu, which was marked by the collapse of the government apparatus and by bad economic management, the war led to a general impoverishment of the country. In 2004 the DRC ranked 168 out of 177 countries in terms of human development, and its index has declined steadily since 1975. Life expectancy at birth is falling (41.8 years in 2000-05 versus 45.8 years in 1970-75) and malnutrition is rising (75% of the population in 1990-01, compared to 31% in 1990-92), as is the prevalence of HIV/AIDS, estimated at 4.2% in 2003 among the adult population, and up to 8% among women in conflict zones. The International Monetary Fund (IMF) estimates that GDP per capita fell from USD 286 in 1960 to USD 99 in 2002. It was only in 2002 that the DRC began to grow again. Weak institutions and poor governance have meant serious shortcomings, both quantitative and qualitative, in public services. The swollen civil service is incapable of performing its functions, primarily because of very low salary levels. The security situation, both military and criminal, is still alarming in the eastern part of the country (provinces of North and South Kivu and district of Ituri), where the civilian population is subject to constant violence at the hands of heavily militarised fighting factions. This insecurity, which requires the presence of a massive humanitarian aid programme to assist some 2.4 million displaced persons, poses an obstacle to development efforts and is hindering the transition process.

The DRC entered a transition phase with signature of the global and inclusive Pretoria Accord in December 2002, following the peace accords of Lusaka (1999). A transitional government was appointed on 30 June 2003. In contrast to the crisis of the 1990s, when international assistance to the DRC declined abruptly and was restricted to humanitarian aid until the beginning of the present decade, the transition process has received strong diplomatic and financial support from the international community. This has included the deployment of a multilateral force (MONUC) to supervise the cease-fire and to oversee voluntary disarmament by combatants and the withdrawal of foreign forces; the establishment of an international committee to support the transition; and the

14. Source: *Fourth International Rescue Committee Mortality Survey, DRC, July 2004* and Human Development Report 2004, UNDP.

financing of programmes that are key to the transition, in particular elections and reforms to the social security system (SSR), and the disarmament, demobilisation and reintegration of former combatants (DDR). The DRC is heavily aid-dependent: ODA, which amounted to USD 1.094 billion in 2004, represents 20% of GNP and nearly 60% of the central government budget. During the third meeting of the Consultative Group in November 2004, donors committed themselves to provide USD 1.15 billion in 2005, and to finance virtually all of the Minimum Partnership Programme for Transition and Recovery (PMPTR), for a total of about USD 5.7 billion over three to four years. This programme serves as a strategic frame of reference, while awaiting completion of a PRSP, expected in August 2005. The international community has also agreed to a major debt relief exercise for the DRC.¹⁵

Implementation of the transition programme has been delayed, however, and there remain many obstacles to the country's effective reunification under a single administration. The elections initially scheduled for 30 June 2005 were postponed, but they must be held within the two additional six-month periods allowed in the Pretoria accord. There are a number of dangers to the transition and peace process: the transition government's lack of authority; governance and operational deficiencies among the security forces, particularly in the national army and police; the MONUC's inadequate strength and mandate (which were however reinforced in early 2005); arms trafficking, and the unabated incursions of foreign armies across uncontrolled borders; and the ineffective efforts to demobilise and disarm private militias. At the Geneva meeting on 7-8 October 2004, the DAC experts set forth the following challenges: i) improve security to create the conditions for political reform and socioeconomic development, and for effective and co-ordinated implementation of SSR/DDR programmes; ii) strengthen governance through local empowerment from the bottom-up; iii) raise levels of human welfare by increasing household incomes and providing basic infrastructures and banking services; iv) improve natural resource management on a decentralised basis, using locally appropriate development strategies; and v) promote regional integration and co-operation, recognising the regional dimension of the challenges (OECD/DAC, 2004b).

Strategic thrusts and delivery channels for Belgian co-operation in the DRC.

The DRC is the flagship for Belgian co-operation: it receives the largest flow of Belgian assistance, in amounts that have been rising steadily since 2002. Having decided to continue and augment its support for this fragile country, Belgium now seeks to position itself as a leader among bilateral donors, in terms of both the volume of its aid and the level of political dialogue with the Congolese authorities, which is facilitated by the historical bonds that exist between the two countries. Other bilateral donors active in the DRC include the United States, France, Canada, Sweden, the Netherlands, Germany and the United Kingdom, which has revived its co-operation with the country. The World Bank and the European Commission are essential multilateral donors, as is the United Nations, which is playing a key role in the transition process and in the provision of humanitarian assistance.

The objective of Belgian co-operation policy in the DRC are to support stabilisation of the country, consolidation of the peace, and poverty reduction. Like other donors, Belgium was long obliged to take a dual approach, whether intervening in areas under government control, where security and development prospects were better, or active in the eastern part of the country, characterised by the absence of institutional partners and a persistent humanitarian crisis. While the project thrust still dominates, Belgium is now trying to shift towards a more structural approach that

15. The DRC's external debt stood at USD 14.3 billion at the end of 2001. In 2002 the country signed an agreement with the IMF to cancel USD 4.64 billion in debt and to reschedule USD 4.34 billion. A second agreement was reached in November 2003 (following achievement of the HIPC decision point in July 2003), whereby 90% of maturities from 1 July 2003 to 30 June 2005 were cancelled.

will help reinforce national institutions. In this complex situation, all of the instruments of Belgian co-operation are represented in the DRC.

Box 14. The main thrusts of Belgian co-operation in the DRC

"In the short-term, and within the context of the Partnership for Peace, Belgium's co-operation strategy with the DRC focuses on the following themes:

- Continuing and broadening the field of humanitarian activities to include those groups most heavily victimised by the crisis (especially women and children), and more particularly in the territories ravaged by war, in order to facilitate access to conflict zones and to symbolise the territorial integrity of the DRC; support for implementing the various aspects of the Lusaka, Luanda and Pretoria peace accords, and consolidation of the peace, including specific support for civil society (...).
- Establishment of a workable, transparent and accountable state apparatus, respect for human rights, support for economic recovery, employment generation, and fiscal reform.
- Strengthening co-operation in the social sectors and combating poverty (health, education, agriculture etc.), especially with respect to social challenges such as DDRRR (disarmament, demobilisation, repatriation, reintegration and resettlement) and the problem of child soldiers, demining, and social reintegration for victims. Rehabilitation of the health system, support for agricultural production and rural development, revival of the education system (...).
- Support for local or community development initiatives to stimulate efforts to revitalise the socioeconomic fabric and thereby contribute to poverty reduction.

As part of a longer-term strategy of co-operation when peace is established, Belgium intends to work within sectoral programmes proposed by the IDC, in its priority areas of co-operation. These priorities will also be defined by the interim PRSP: they relate primarily to improving living conditions, reducing poverty, promoting peace and good governance, stabilisation and pro-poor growth, and community cohesion."

Source: 2003 strategy paper.

In 2004, the EUR 72.5 million of Belgian assistance to the DRC¹⁶ flowed through four main channels: i) direct bilateral co-operation, which has risen significantly since it was reinstated in 1999, and in 2004 represented nearly 30% of the global envelope; ii) indirect bilateral co-operation, through cofinancing of NGO projects, representing 22% of Belgian assistance; iii) financing for projects sponsored by international organisations (several of them on a regional basis), which accounts for 18% of aid; and iv) special interventions, which represent about a third of aid volume and cover emergency and rehabilitation assistance, conflict prevention, preventive diplomacy, and food aid. To these channels may be added specific allocation mechanisms such as the Belgian Survival Fund (4%) and direct financing for local NGOs (1.16%), as well as the co-operation provided by the Walloon Region, which accounts for 0.02% of overall aid, and twinning arrangements instituted by Belgian communes.

Direct bilateral co-operation, which is provided under agreements negotiated between the two governments, is based on: i) poverty reduction (the interim PRSP); ii) Belgium's action plan for peace and stability in central Africa; and iii) the strategy paper for the DRC, which was submitted to parliament in March 2003. Sixteen projects are under way within this framework, dealing with health, education, basic infrastructure, food security, and social development. Projects are implemented by the CTB, which has a field office in the country staffed by seven expatriates and 17 local employees (four of them at Kisangani), in addition to 21 technical assistants assigned to projects. A new strategy paper, on which the PIC will be based, is now being prepared. The decision to complete that strategy paper after the PRSP appears is important, for it will **ensure the PIC's complete integration in the national strategy**.

16. Excludes debt relief, which at USD 616 million was exceptionally high in 2003-04.

Indirect co-operation is provided primarily through NGO projects, financed 85% by the Belgian government. More than 150 actions involving 35 NGOs are currently underway in the Congo, in the concentration sectors listed earlier. These projects are part of a five-year programme (2003-07), under which the 2003 action plan amounted to some EUR 13 million. In the education field, indirect Belgian assistance is handled primarily through partnership with the universities through their co-ordination bodies, the VLIR and the CIUF, as well as with the APEFE. The Institute of Tropical Medicine (IMT) has committed EUR 324 000 to the DRC and has been working since 1998 with the National Institute of Biomedical Research and with the National AIDS Laboratory, and is providing training to reinforce capacities in the health sector.

Belgian co-operation provides project finance support to **multilateral partners** active in the DRC or in the Great Lakes region. Such co-operation is especially important with the FAO, at the national level (an urban and peri-urban horticulture programme) and at the regional level (ongoing financial support for FAO work in the Great Lakes region). Belgium also supports UNESCO and is assisting a major programme sponsored jointly by UNFPA, UNICEF, and the Office of the High Commissioner for Human Rights (OHCHR) to combat sexual violence against women and children.

Belgian also provides significant **humanitarian aid**, through multilateral organisations and NGOs. Its contributions to the Consolidated Appeal for the DRC exceeded USD 9 million in 2004, and represented 8% of its total funding. Using multilateral channels and NGOs gives Belgium operational flexibility, facilitating linkages between emergency and development assistance. Belgium volunteered, along with United States, to organise monitoring in the DRC of the principles of Good Humanitarian Donorship in fragile states. The first donors' meeting on the subject was held in March 2005 (Annex C).

Since 2003 Belgium, along with the World Bank, has been supporting the work of preparing the PRSP. It is also contributing through **trust funds**: it is participating in the election preparations trust fund managed by UNDP, as well as in that agency's community support programme and in the World Bank's water and sanitation programme. Since December 2001 it has been a donor to the World Bank-managed trust fund for the Multi-Country Demobilisation and Reintegration Programme (MDRP), which covers seven crisis-afflicted countries of Central Africa. It also contributes significantly to financing the programme for demobilising armed groups (EUR 10 million and a two-expert team working with the SSR programmes in the DRC and Burundi) and the emergency programme for Congolese people (EUR 4 million) sponsored by the United Nations. As well, the UNDP is financing a community reintegration and light arms-control programme in Eastern DRC. As part of the HIPC initiative, Belgian has disbursed EUR 3 million to cover a portion of DRC arrears.

The **Belgian Survival Fund** (FBS) which receives EUR 3 million a year, is working with United Nations agencies, with two Belgian NGOs, and with the CTB. It supports projects such as the Urban Social Fund (FSU) in Kinshasa, run by the CTB, and the UNICEF-led project for the social and economic advancement of women in the province of Katanga, the programme for development of Inongo territories run by the NGO TRIAS, and the food security project for the Kananga district run by Caritas. Cofinancing programmes with IFAD are now in preparation.

Analysis of the Belgian approach to assistance in the DRC

The multiplicity of aid channels: pros and cons

The multiplicity of aid channels has allowed Belgian to provide assistance at difficult times and in difficult places. It gives the programme flexibility and makes for complementarity between direct

and indirect bilateral assistance. Once the conditions are in place, however, it will be important to align intervention strategies with a view to reinforcing national structures.

On the other hand, the multiplicity of channels diminishes Belgian aid's manoeuvring room in Kinshasa and could undermine its coherence and hence its impact. Direct bilateral co-operation in fact accounts for only 30% of Belgian ODA in the DRC. This low percentage is no doubt explained by the special interventions and indirect co-operation necessitated by the political context¹⁷ and the humanitarian crisis, but the co-operation office at the Belgian embassy in Kinshasa should have a firmer hand on the various tools of co-operation.

The embassy's co-operation office in fact has little control over **indirect co-operation**, for which the DGDC is the direct point of contact. Thus, the co-operation office does not have accurate and complete information on all the NGOs present in the DRC. Since official co-operation was reinstated and the co-operation office was opened in Kinshasa, there have been few contracts with Belgian NGOs. With the strengthening of the office's staff, such contracts should become more frequent and sustained. A desire to move in this direction was expressed by the DGDC and by the co-operation office at the embassy in Kinshasa, as well as by NGOs. A meeting is planned for spring 2005 to organise consultation with Belgian NGOs during preparation of the new strategy paper. Having in place a more formal framework for discussion with NGOs in Kinshasa could strengthen relations and the exchange of information with NGOs, and would also spark greater synergy between projects and programmes. In time, decentralisation could allow for a more strategic approach to indirect co-operation. This is important, given the weight of NGO activities in the DRC, particularly in the health field,¹⁸ and the valuable contribution that Belgian French-speaking universities are making through training for national managers. **Multilateral co-operation** for the most part falls outside the purview of the embassy's co-operation office, and projects are negotiated and monitored directly between the DGDC and the headquarters of multilateral agencies. For institutional reasons, the same is true with co-operation from the **federated authorities**. Wallonia-Brussels has a representative in Kinshasa, and the French Community and the Walloon Region have signed a co-operation agreement with the DRC authorities. While the programme is currently of modest scope, it would be timely to develop greater co-ordination between federal and subnational representatives, along the lines of the co-ordination that now exists with APEFE, given in particular the historic weight of relations between Wallonia and the DRC.

Programme dispersal dissipates impact

Belgium's aid programme is dispersed, both in geographic terms (all provinces receive Belgian assistance in one form or another) and in sectoral terms (with five sectors and three cross-cutting themes). This of course gives Belgium a presence in all areas and allows the use of varied approaches (humanitarian assistance, community development, institutional support), but it tends to diminish their impact. As Belgium moves to increase its assistance to the DRC, it would be well advised to focus additional amounts on two or three key sectors, such as public health, where Belgium has a real comparative advantage. The strategic approach should be applied geographically as well.

17. During the 1990s, Belgian NGOs were the only Belgian co-operation players still active in the DRC.

18. For example, the Katana health district of South Kivu, which serves 300 000 people and has a 400-bed hospital that handles 2 000 childbirths a year, is managed in effect by *Louvain Développement*.

Country ownership and national capacity building

Greater geographic and sectoral concentration would facilitate the transition to the programme approach, which is essential even if the DRC's isolation during the 1990s and its persistent institutional weaknesses may argue for a continued project focus. Belgium should stick with and reinforce its resolve to promote country ownership and to give greater priority to institutional support and capacity building, as it has done for the Studies and Planning Division of the Health Ministry and for the Planning Ministry in formulating the PRSP. The SMCLs (Joint Structures for Local Co-ordination), which regularly bring a project's national partners together with the embassy co-operation office and the CTB, encourage such ownership and are a good tool for monitoring and adapting projects. On the other hand, it is best to avoid creating external units for managing projects, as was done with the project to support the national AIDS prevention programme (PNLS). Given the national context, Belgium maintains full control over projects and does not share it through co-management, as it does in most other countries. For example, tendering procedures are done in accordance with Belgian law. This sometimes causes great delays and can even pose an obstacle to standardising procedures, which would be necessary for example to strengthen the central drugs purchasing system (FEDECAM, the Federation of Essential Drugs Procurement Centres), now financed by donors using various procurement procedures. In the current transition phase, it would be a good idea to work with other donors to strengthen public procurement capacities and to ensure that the local market is used for sourcing whenever possible.

Aid and project sustainability remain important questions. The payment of "incentives" or "performance bonuses" is something all donors do and is necessary to keep people on the job, recognising that salaries paid by the government - when they are paid at all - fall short of basic needs (the average monthly salary in the civil service is USD 15). This raises the question of sustainability and makes it all the more urgent to give joint consideration to harmonising bonuses (as a short-term response) and to reforming the civil service (the long-term response). Given the need for long-term support, it would be desirable to reinforce the trend to longer programme horizons (four or five years instead of three years) so as to make aid more predictable while continuing to focus on capacity building. This long-term approach requires steps to resolve the tension inherent in the expectation, expressed both by the DGDC and by national partners, that funds can be disbursed rapidly and will produce immediately visible results.

The **crosscutting issues** mentioned in the country strategy note (gender equality, HIV/AIDS, environment) are not receiving sufficient attention. Some projects may include gender objectives, but even then the means for achieving them are inadequate (for example, there is no gender training budget). When it comes to HIV/AIDS, the approach is still focused on the health dimension alone, and little thought has been given to integrating the HIV campaign into other sectors. Other topics, in particular human rights and conflict prevention, which are especially pertinent in the case of the DRC, also deserve greater consideration in the programme.

Towards greater decentralisation of responsibilities

Greater decentralisation of responsibilities would strengthen the position of the DGDC representative in dialogue with the national authorities and with development partners. In terms of direct bilateral co-operation, there is very little delegation of authority, for reasons of budgetary procedure. More intense consultations should also be initiated between the DGDC and the embassy co-operation office (co-operation attachés). At the same time, it would be useful for the DGDC to provide greater support by sending in-house or external experts on short-term missions, especially during the preparation of the strategy paper and the PIC. This is especially important now, since the programme approach requires greater analytical capacity and expertise than does project aid.

Nor is there any co-ordination among Belgian representatives in the various countries of the region: each embassy deals only with Brussels. Given the essential nature of the regional approach, such horizontal collaboration could be very useful.

Harmonisation and alignment in the context of a fragile state

Belgium is investing a significant portion of its development assistance in the DRC. Yet it has relatively limited means available, and it tries to offset this fact by seeking complementarity with other donors and by serving as a **catalyst**, a role that is all the more important because there are still few donors ready to undertake major programmes in the DRC. Belgium also tries to share information and to promote **co-ordination**, and is seeking, more broadly, to stimulate thinking about aid harmonisation and alignment in a fragile setting.

Thus, Belgium organised four roundtables in 2004, in conjunction with national partners, dealing respectively with: i) agriculture and food security; ii) health; iii) education; and iv) basic infrastructure. All development stakeholders participated in these roundtables, which were chaired by the responsible ministries. Each of these roundtables produced a final declaration expressing the concrete commitments of all parties, as well as a follow-up committee. For agriculture, the recommendations dealt with the definition of national agriculture strategies, reorganisation of the agriculture sector, and taxation. The FAO is co-ordinating assistance in this sector, and Belgium has fielded two experts, one with the FAO and the other with the Ministry of Agriculture, to support these efforts. Contact groups consisting of donors and representatives of the agriculture, environment, and scientific research ministries have been established in three areas: seeds, fisheries, and agricultural taxation and investment. These roundtables have been praised as very useful by all partners. They represent a first step towards a sectoral approach (Box 15).

Box 15. Harmonisation and alignment in the DRC

Country ownership is difficult in the current context of transition, and government leadership in the field of co-operation remains weak. The International Committee in Support of the Transition (CIAT), chaired by the MONUC, has established regular dialogue among donors and with the government, dealing with key issues of the transition such as the coming elections. Other contributions to this dialogue include the international conference on the Great Lakes (IC/GRL), sponsored by a group of donors headed by Canada, and the Consultative Group process led by the Ministry of Finance and the World Bank. In addition, the Planning Minister decided, in the wake of the last Consultative Group meeting, to create a follow-up unit to strengthen the capacity to absorb external resources, in co-operation with the World Bank.

The PRSP, which is expected to be published in August 2005, could offer a sound framework for donor harmonisation, allowing each donor to insert its programme into a common framework and facilitating the necessary complementarity among donors, who finance more than 50% of the central government budget. However, the lack of a common roadmap and of a national strategy embracing security and political aspects, as well as economic and social development, makes it difficult to work towards a common vision. In a country as vast and complex as the DRC, with its tremendous needs, a clear strategic and programming tool and effective ways of using it are essential for promoting long-term development. Moreover, there is a lack of co-ordination and consistency in donor policies at the regional level: most donors are organised to address problems country-by-country. For reasons that have to do with failed governance, very few donors are committed to budgetary support for the DRC (African Development Bank, World Bank, IMF).

The World Bank and the UNDP are hosting regular (roughly quarterly) donor co-ordination meetings. In addition, there are 12 thematic groups, leadership of which is distributed among the various agencies represented. Thus, Belgium has the lead on education, in co-ordination with UNESCO, while the IMF heads the budgetary framework groups, and the UNDP leads the one on capacity building. There is also an inter-donor mechanism for recording all aid flows in a common database, something that is important for the budget framework, given the weight of foreign assistance in the national budget.

While all bilateral and multilateral partners see co-ordination as essential in the DRC context, some question the efficacy of existing mechanisms when issues go beyond the sharing of information and involve taking decisions. Thus, all partners agree on the need to reduce transaction costs, but it is still difficult to harmonise working procedures and approaches, whether they relate to procurement or to salary top-ups. Similarly, the partners failed to reach agreement on March 2005 on a common approach to the important issue of how to pay bonuses to demobilised soldiers.

Belgium is also striving to foster **complementarity** with development partners, bilateral or multilateral, as can be seen in the work that has been done on the key issue of civil service reform, where support is shared among donors thereby ensuring complementarity and proper sequencing of activities (Belgium is to support inventory taking, staffing reductions, the reform of certain key ministries, and preparation of a training plan, while France has the payroll system, and the World Bank the retirement system). As indicated earlier, Belgium is also participating in several trust funds and has been a catalyst in getting various UN agencies to work together to combat sexual violence. The fact that the CTB can implement projects on behalf of international donors such as the European Union or the World Bank gives it an additional lever to strengthen the impact of its co-operation and to facilitate harmonisation. For example, the Lower Congo health project, which CTB implemented entirely, was financed in part by Belgian co-operation and in part by the World Bank.

The strategic positioning of Belgian co-operation in a complex environment

Many levers for asserting leadership

Donors in the DRC are working in a particularly difficult environment. Stability is not yet assured, and indeed the transition period threatens to drag on, with the postponement of elections. There can be no doubt that Belgium has a special role to play in these circumstances, given its historical ties and the network of relationships it has forged over the years, and this is recognised by the international community represented in Kinshasa. It is an important player, particularly on the diplomatic front, but also in terms of development co-operation.

Belgium would seem well placed and well equipped to play this role. It has a solid familiarity with the setting and with individuals and, in the co-operation office at its embassy in Kinshasa, it has a motivated and competent team of six co-operation attachés and four locally engaged assistants. The decision to maintain attachés with a sectoral specialisation in the DRC means that Belgium has the analytic and technical capacities to act. In addition to its consular section, the embassy has a political section, an economic section, a trade section, and a military section. NGOs have proven themselves very useful as supplementary channels, particularly in difficult zones or where government-to-government co-operation is impossible. Belgium's capacities in this regard are recognised nationally and internationally, a fact that reinforces Belgium's privileged position as an interlocutor with the DRC government. It is represented in the CIAT and is also active in the Consultative Group and in reform and integration of the Army, and it is pursuing intensive bilateral diplomatic activity resulting in many ministerial visits. Belgium is seen as a reliable partner of the DRC and it is active in all the key transition issues (elections, DDR, civil service reform etc.). This trust is also a responsibility, and is accepted as such.

Towards a more strategic approach

In terms of development co-operation, preparation of the new strategy paper for 2006-09, planned for publication by the end of 2005, offers an opportunity to make the approach more consistent. That approach would benefit from greater linkages and consistency among all the components - diplomatic, military and economic - of Belgium's presence in the DRC, and from efforts to place the Belgian response more thoroughly within a subregional context. Looking forward to the post-election period, and on the basis of the new PRSP, Belgium could propose greater sectoral and geographic targeting and reinforcement of the programme approach and of institutional support, while bearing in mind the negative impact of corruption and its consequences on the way Belgian aide is delivered. For all these reasons, enlisting outside expertise, such as through consultation with Belgian NGOs in preparing the strategy paper and the indicative co-operation programme, would be a welcome move.

With respect to **policy dialogue**, Belgium could reinforce its comparative advantage by using its high-level contacts to relay the international community's concerns and to bring diplomatic pressure on the government to respect the rule of law and its transition obligations. It could also strengthen its position within the CIAT by making its message clearer, in particular by spelling out its interests and reinforcing the consistency and the strategic targeting of its interventions. Finally, Belgium should continue its efforts to keep the DRC prominently on the agenda internationally (Paris Club, European Union etc.) and in its own domestic debates. The DGDC should also continue to relay the DRC perspective in the governing bodies of the multilateral organisations where it is represented.

Consistency in the various components of Belgium's approach

The special situation in the DRC demands an integrated approach and close co-ordination between diplomatic, defence and co-operation efforts. In fact, each of these aspects is involved in the transition, in complementary ways. Thus the CIAT and the peacekeeping operation are creating particular circumstances in the DRC that have repercussions on diplomatic work and that intensify the burden on the Belgian embassy. They also entail moving beyond the traditional lines of demarcation between defence, diplomacy and co-operation. In particular, co-operation under the DDR programme, which is supposed to unfold in parallel with the SSR programme, demands consistency in the sequencing of operations and thus close co-ordination between co-operation and defence activities. This calls for people from different institutional cultures to make some adjustments. To this end, co-ordination mechanisms have been instituted. In Brussels, a weekly meeting of cabinet ministers oversees internal co-ordination among diplomatic, military and co-operation activities. In Kinshasa, where co-location facilitates co-ordination, the ambassador has instituted weekly interdepartmental meetings.

The dialogue between policy and co-operation is becoming more intense. But there is still a need for further integration of security, emergency and development dimensions. Security, of course, is essential for stability and development. While the military and the political sections manage to work together, there are still barriers to collaboration with the co-operation office. Integration could be achieved on the basis of a more explicit strategic view of Belgium's overall activities in the DRC. The weekly meetings could then become a true forum for strategic co-ordination that goes beyond the management of day-to-day affairs and the exchange of information.

Moreover, Belgium's interests in the DRC are many and varied. They stem first from the historic bonds that unite the two countries. There is also an ethical imperative to help when the humanitarian situation so demands. A further aspect is that Belgium's pre-eminent role in the DRC gives it a higher profile on the international diplomatic stage. Finally, in economic terms, while Belgium's weight in the DRC declined considerably after the big Belgian firms withdrew in the 1970s, Belgium is still a key trading partner for the DRC (number one in terms of DRC exports) and major Belgian companies have local subsidiaries or hold interests in Congolese companies.

These aspects relating to Belgium's economic interests could be further clarified and integrated into the overall approach. This would serve to strengthen Belgium's credibility vis-à-vis other donors. Such clarification could start with the link between private Belgian investments and economic development in the DRC. Indeed, Belgium is seeking to promote foreign investment as a factor in the DRC's development: it has sponsored visits by Belgian firms to encourage them to invest in the DRC and it hosted a conference in Brussels on investment in Central Africa. It would be useful, then, to highlight more clearly the contribution these investments are making to development and to poverty reduction.

Belgium should also step up its surveillance over the behaviour of Belgian firms with interests in the DRC, and over imports from the DRC, which are of strategic interest because Belgium, thanks to diamonds and coltan, is the Congo's most important customer. There is a demonstrated link between illegal resource exploitation and trade and arms trafficking, and to with the continuation of conflicts in the DRC. Belgium should pursue its efforts to counter such practices: efforts to date have included, in the DRC, joint steps by donors to identify those involved in the lumber business, to verify their behaviour, and to support adoption of a forestry code and, in Belgium, instituting the Kimberley process for tracing diamonds more readily.

Annex E

Belgium's assistance programme in Morocco

Introduction¹⁹

As part of the peer review of Belgium, a DAC team consisting of representatives from Austria, Portugal and the secretariat visited Morocco from 18 to 21 April 2005. It met with Belgian development co-operation officials and representatives of the Moroccan government and civil society, as well as representatives of bilateral and multilateral agencies. In addition to its discussions in Rabat, it also visited the Agadir region. This report conveys the team's impressions about Belgian assistance to Morocco.

With a population of 30 million, Morocco falls in the lower bracket of middle-income countries (LMICs). Although economic growth revived in 1996, the employment situation is of concern and there has been insufficient progress on the social front. Pockets of extreme poverty persist and the incidence of absolute poverty rose during the 1990s, reaching 19% of the population in 2000 compared with 13% in 1992. While the Human Development Index (HDI) has risen steadily (in 2002 Morocco ranked 125 out of 177 countries, with an HDI of 0.620), its position relative to other Arab countries has retreated. Improving the status of women is a priority and a key issue in achieving the Millennium Development Goals (MDG). There are still great inequalities between men and women in terms of access to education (with literacy rates of 63% and 38% respectively), particularly in rural areas, where the girls/boys ratio in primary education is 0.79 compared with 0.93 in the cities.

ODA represents less than 3% of Morocco's current expenditure budget. This aid, however, is heavily concentrated in sectors that are of strategic importance to the country's development, in particular infrastructure (transportation, water supply, housing), and in some of these sectors it represents a much more important share (up to 12% of the capital budget). The European Commission is the largest source of ODA for Morocco, contributing nearly half of such assistance (49%), followed by France (22%).

Belgium is the sixth-largest bilateral donor, but accounts for only 1.7% of Morocco's total ODA receipts, and is thus not a major player. Nevertheless, Belgium's development relationship with Morocco is of long standing: the co-operation programme, with an average annual budget of EUR 7 million, has been in place without interruption since 1965. Morocco therefore regards Belgium as a reliable partner that has been able to adapt to the country's changing needs, moving from a policy of assistance to one of partnership, which has translated into a sharp reduction in technical assistance²⁰ and the adoption of co-management procedures. Preparations are underway for the 17th meeting of the

19. Sources: Development Co-operation in Morocco, 2003 Report, UNDP; National Millennium Development Report, Kingdom of Morocco, December 2003; 2004 Human Development Report, UNDP.

20. Co-operation with the Agricultural Veterinarian Institute illustrates this trend: the focus has shifted from training graduate students in Belgium to supporting the institution of graduate training in Rabat, and now to the provision of continuous training.

Joint Commission, to be held in autumn 2005. The presence in Belgium of a large Moroccan community (300 000 to 500 000 strong) is one of the factors explaining why Morocco is among the 18 countries of aid concentration. On the other hand, commercial relations between the two countries are limited.

Strategic thrusts and delivery channels for Belgian co-operation in Morocco

Direct bilateral assistance

Net flows of Belgian ODA to Morocco amounted to EUR 8.7 million in 2003. Direct bilateral assistance, which accounts for 80% of these flows, was the subject of the 16th Joint Commission on Co-operation between Belgium and Morocco in April 2000. A three-year indicative co-operation programme (PIC) was established at that time for the period 2001-03, with an envelope of some EUR 26 million. The region of Souss-Massa-Draa was selected as the area of geographic concentration, and the targeting of assistance on basic infrastructure, and more specifically on water and sanitation, was confirmed, with nearly 60% of the envelope earmarked for this sector. The four other areas of concentration in the PIC are: i) health; ii) agriculture and rural development; iii) education and vocational training; and iv) equal opportunity.

Belgian co-operation also embraces other direct co-operation programmes not included in the PIC. These include a programme of "micro interventions" involving modest amounts (EUR 87 000 in 2004), the scholarships programme (EUR 186 000 in 2004), direct financial support for civil society (EUR 400 000 in 2004), and emergency assistance and rehabilitation, to which EUR 2 million was earmarked following the Al Hoceima earthquake in February 2004. In addition, EUR 6.4 million was provided outside the PIC in the form of grants, one for sanitation in the city of Ouarzazate (EUR 5.2 million) and another for countering the effects of the drought (EUR 1.2 million).

Indirect bilateral assistance

The amounts involved here are relatively low, representing about 15% of the overall envelope. Very few Belgian NGOs are active in Morocco, and most indirect co-operation occurs through APEFE and the Belgian universities, represented by the CIUF. Projects are essentially confined to education and training.²¹

Multilateral co-operation

Aid volumes are limited but are focused on key Moroccan sectors. From 1996 to 2004 Belgium supported the UN Habitat programme under Agenda 21. It is cofinancing the UNDP programme for parliamentary reform and it contributes financially to the programme of the International Labour Office (ILO) to abolish child labour (ILO/IPEC). It is also contributing to the economic development support programmes of the ILO and the International Finance Corporation (IFC).

Other financing channels

These channels represent only a minimal portion of Belgium's overall ODA budget for Morocco. They involve agreements between the Belgian ministries of employment and of mobility and transport to provide co-operation in these sectors, and the financing of individual projects under the budget line "Preventive Diplomacy and Human Rights", managed by the Ministry of Foreign Affairs.

21. It should also be noted that BIO, which has invested EUR 5 million in the AfricInvest Investment Fund, has an equity interest in two industrial firms in Morocco.

A co-operation agreement was signed in 1999 between the Wallonia-Brussels French Community and the Government of Morocco, and the second session of the Wallonia-Brussels/Morocco Joint Commission was held in January 2003. The three-year programme for 2005-08, with an average annual budget of EUR 500 000, focuses on three areas instead of the preceding five. These are education, training, and the environment. Thirty projects have been implemented, 12 of them by APEFE. These projects are managed directly by the Community and the Belgian Regions concerned and do not follow Moroccan procedures, in contrast to direct bilateral co-operation projects. The Flemish government launched a co-operation programme in 2001 in the area of education, with financing of EUR 240 000 per year.

Analysis of the Belgian approach to assistance in Morocco

Geographic and sectoral concentration is appropriate

Belgian assistance is heavily concentrated, in geographic terms, on the Souss-Massa-Draa region, a semiarid area with a widely scattered rural population and major difficulties with water supply. Belgium is one of the few donors to have targeted its efforts in the south of the country: most donors have favoured the northern region. Moreover, Belgium concentrates its support on "rural water and sanitation", which accounts for more than 65% of current commitments. This targeting is appropriate and reflects the needs of the concentration area. It also fits with the priorities of the Moroccan government, and programmes are implemented in co-operation with national agencies such as the National Drinking Water Office (ONEP).

This dual geographic and sectoral targeting means that Belgium is having a real impact in the zones and sectors where it operates and it has developed a comparative advantage *vis-à-vis* other donors, despite its relatively modest co-operation programme. It will be important to maintain this targeting during preparation of the new PIC. It would be useful to take as the guiding theme for co-operation the issue of water, which is one of Morocco's four strategic priorities, and to strengthen consistency and synergy between projects and programmes.

Paying greater attention to crosscutting issues

The crosscutting issues defined in the Belgian co-operation law are the focus of specific projects: support for the national AIDS prevention programme (PNLS); sanitation and combating drought, in the environment area; and, in the gender area, a pilot project to establish a multifunctional women's centre in Ouarzazate, support for women's associations through micro projects and direct financing for civil society, and support for the United Nations Development Fund for Women (UNIFEM) on gender-sensitive budgeting. Nevertheless, even gender and environment issues, which are particularly pertinent in the case of Morocco, are not systematically addressed in every programme (Chapter 3, Box 3). This would require specific support from DGDC in the form of expertise for developing the appropriate tools, or perhaps additional financing to acquire that expertise, given that DGDC has few experts in these areas on staff.

From project co-management to a more programmatic approach

Belgium's co-operation programme is implemented by means of projects, reflecting primarily the national context. Yet Belgium could adopt a more strategic approach, reinforcing its financial concentration by reducing the number of projects, especially in the area of water and sanitation. This could open the way to a more programmatic approach in this sector of concentration. As well, increasing attention should be paid to institutional strengthening.

The choice of co-management in project implementation is positive in terms of ownership and strengthening Moroccan capacities. Direct bilateral assistance, which is totally untied, flows almost entirely through government channels: 73% of it is recorded in the Moroccan budget, and 90% of projects use Moroccan procurement procedures. As well, the widespread use of Moroccan project contractors translates into the employment of local resources. In fact, however, co-management makes project implementation complicated, and the next meeting of the Joint Commission will try to work out a way to remove bottlenecks while maintaining the principle. A useful precedent in this respect could be that of the European Union, which has negotiated a "green light" for streamlining procedures while still relying on national procedures. Oversight bodies could also be revised to make them more operational and to introduce results-based management. At the present time, the limited decision-making powers of the partnership committee (which is chaired by the Ministry of Foreign Affairs and Co-operation and meets every four months to assess overall co-operation) and, at the project level, those of the SMCLs (Joint Structures for Local Co-ordination) mean that they are unable to fulfil their role effectively. Moreover, beneficiaries often have little input to the SMCLs.

The move towards programme assistance and institutional strengthening as well as the adoption of co-management are welcome developments that should be encouraged. A useful way of supporting this move could be to conduct evaluations that go beyond a single project to cover an entire sector or theme in which Belgium is heavily involved. This would make it possible to draw lessons from experience and to identify potential levers and stumbling blocks so that a more programmatic approach can be taken to the sectors selected. New paths are also being explored as Belgium considers the potential for triangular co-operation projects that could have greater impact in terms of capacity building and harmonisation. Discussions are now underway with the Moroccan agency for international co-operation to mount a triangular project in education, a particularly relevant area given that Morocco hosts 6 500 students from sub-Saharan Africa every year (Chapter 6).

Ensuring coherence in interventions

Mechanisms have been instituted to ensure consistency and complementarity in Belgium's interventions in Morocco. In the first place, there is a weekly co-ordination meeting chaired by the ambassador and bringing together all components of the embassy: consular affairs, diplomatic affairs, the Wallonia-Brussels delegation, the CTB, development co-operation, police, and military attachés. Then there is a quarterly meeting between the embassy's co-operation office and the Wallonia-Brussels French Community that strives for synergy and complementarity. All sides are also involved in the joint commissions and in the exchange of information on the PIC. Yet the choices that are made betray the limits of consistency: the Wallonia-Brussels French Community targets its projects in the northern part of the country, and excludes the water and sanitation sector. Moreover, there is currently no connection between the activities of BIO and those of DGDC, despite the potential synergies with private-sector support projects (microfinance, apprenticeship training, vehicle repairs).

Linkages between the co-operation office and other embassy units are close. This integration, which does not prevent individual specialisation, is positive, and could be further pursued, for example by conducting joint diplomatic/co-operation missions. This would allow for a more strategic approach to Belgium's overall positioning in Morocco, on the basis of an agenda that involves all components of the embassy.

The fact that 80% of financing is provided through direct bilateral co-operation is an asset in terms of consistency. The use of multiple channels can undermine coherence and dissipate the impact of aid. This risk is exacerbated by the fact that information on indirect and multilateral co-operation projects, which are decided and monitored from headquarters, is not sufficiently available: for

example, the embassy co-operation office learned only after the fact that UNIFEM was receiving financing from Belgium. Donor-driven projects constitute another risk. In the education field, indirect co-operation projects are focused essentially on higher education, reflecting the interests of Belgian participants (for the most part universities), but this does not necessarily accord with Morocco's primary interests.

The multiplicity of players also imposes a cost. In development co-operation there are four bodies, each with its own logistics and specific personnel managing a fairly modest budget. Staffing levels in the embassy co-operation office and in the CTB (two attachés, an assistant attaché and a secretary at the embassy, and six expatriate officers and five technical assistants for the CTB) are certainly reasonable given their mandate and the volume of aid they dispense, yet the Wallonia-Brussels office also has a delegate and a staff of eight, while APEFE, which shares its premises, employs seven development experts in addition to its resident representative.

Bilateral aid management: clarifying the functions of DGDC and CTB and promoting decentralisation

There is good operational co-operation between the embassy co-operation office and the local CTB office, and their respective roles are clear to the development partners. Both have committed and competent staff. The hiring of a local assistant in the co-operation office has improved understanding of the country and of national institutions and also facilitates continuity, given the periodic rotation of expatriate personnel. Yet the exchange of information between the co-operation office and the CTB office could be made more systematic, and their respective responsibilities could be clarified (Chapter 6).

Greater delegation to the field would appear desirable, particularly in light of the Paris Declaration on Aid Effectiveness (March 2005). The culture of communication and evaluation that has now been instilled at headquarters is helping to empower local offices, and should be encouraged. Decentralisation should be accompanied by greater access to sectoral or thematic expertise, and by better training for field personnel so that they can engage more effectively in policy dialogue, analysis and programming. Partial decentralisation of the review committees for smaller projects could be considered, in order to shorten the time this process now consumes.

Active support for harmonisation and alignment, reinforced by greater aid predictability

Belgium is making efforts to promote ownership and alignment, both through the PIC negotiation process, which reflects Moroccan sectoral policies, and through its adoption of the co-management procedure for project implementation (in contrast to other bilateral donors, which maintain full control over projects). It should be noted, however, that the current device of the joint commission does not provide for true predictability of aid. In effect, the meetings of these commissions, which are supposed to take place every three years, are frequently postponed. The current PIC, designed to cover the period 2001-03, has been extended to 2004 and 2005: because the next joint commission is scheduled for autumn 2005, commitments for the two additional years had to be made outside the PIC. This calls into question the continued utility of the mechanism, which is cumbersome and costly in terms of human resources. The usefulness of the Strategy Paper should also be reconsidered in the context of harmonisation, recognising that each partner tends to conduct a similar exercise. This paper is not yet finalised, for it has not been endorsed by the Belgian parliament. It will be transmitted to the European Union and to member States without being negotiated with the partner.

In response to the Paris Declaration on Aid Effectiveness, Belgium is seeking actively to promote harmonisation and co-ordination among bilateral and multilateral donors (Box 12, Chapter 6).

Communique by the DAC Chair

Belgium called upon to maximise the benefit of its increased aid

In 2004, Belgium was in ninth position among the DAC countries in terms of the percentage of Gross National Income (GNI) allocated to official development assistance (ODA), with a ratio of 0.41%. At USD 1.46 billion in 2004, its aid volume was appreciably up on the period 2000-04, but has fluctuated under the impact of debt forgiveness programmes.

The DAC congratulated Belgium on its commitment to reach 0.7% by 2010, which is backed by the introduction of a legal and budgetary mechanism providing for an increase of 0.05% per year until 2010. The ratio of 0.45% is likely to be attained in 2005. The DAC also congratulated Belgium on the strong geographical concentration of its aid, which facilitates increased impact, and on its commitment vis-à-vis the least developed countries and, in particular, the fragile states of Central Africa.

The DAC appreciated the considerable progress that Belgium has achieved since 2001 and, in particular, the efforts made to adapt its development co-operation structures and procedures. Belgium could consolidate this by further rationalising the architecture of existing instruments and developing a more strategic approach on the part of all those involved in its development co-operation. Belgium will also have to strengthen the technical and human capacities of its institutions and improve the links between the Directorate-General for Development Co-operation (DGDC) and Belgian Technical Co-operation (BTC), to manage aid volumes set to double between 2004 and 2010.

Belgium seeks to promote aid effectiveness, as is illustrated by the co-management of projects that it supports and its active involvement in co-ordination measures taken in its partner countries. Its commitment in the Democratic Republic of the Congo as leader of the pilot exercise on implementing the Principles for Good International Engagement in Fragile States is indicative of its engagement. The system of programming and implementing Belgian aid could nevertheless be reviewed with the object of responding better to the requirements for harmonisation and alignment, as formulated in the Paris Declaration. The DAC also invited Belgium to strengthen the sectoral concentration of its aid, as part of its commitment to achieving the Millennium Development Goals (MDGs).

In this respect, an important challenge for the coming years will be to bolster policy coherence by better structuring of interministerial co-ordination mechanisms at the different levels of authority and by developing long-term, cross-cutting strategic thinking.

Where humanitarian aid is concerned, the DAC recommended finalising as soon as possible guidelines based on the *Principles and Good Practice of Humanitarian Donorship* to which Belgium has subscribed, and also consolidating its humanitarian aid management system.

The DAC Peer Review of the Development Co-operation Policies and Programmes of Belgium took place on 26 October 2005. The discussion was led by the DAC Chair, Mr. Richard Manning. The Belgian Delegation was headed by Mr. A. De Decker, Belgium's Minister for Development Co-operation. The examiners for the Peer Review were Austria and Portugal.

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 (OR RESTRUCTURING): 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.

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