

## Nordic Exceptionalism in Development Assistance? Aid Policies and the Major Donors: The Nordic Countries

Hilde Selbervik  
with Knut Nygaard

**R 2006: 8**



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# Contents

<b>ACKNOWLEDGEMENTS .....</b>	<b>V</b>
<b>ABBREVIATIONS.....</b>	<b>VI</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>VII</b>
<b>CHAPTER 1: INTRODUCTION.....</b>	<b>1</b>
THE RESEARCH TOPIC: NORDIC EXCEPTIONALISM IN DEVELOPMENT ASSISTANCE?.....	1
ELABORATION OF THE RESEARCH TOPIC: UNDERSTANDING NORDIC DEVELOPMENT ASSISTANCE .....	2
METHODOLOGY AND SOURCES.....	3
REPORT OUTLINE.....	4
<b>CHAPTER 2: NORDIC DEVELOPMENT ASSISTANCE: THE DOMESTIC ARENA .....</b>	<b>5</b>
INTRODUCTION.....	5
SOLIDARITY AND HUMANITARIANISM AS JOINT NORMATIVE PLATFORMS .....	5
THE MAIN POLICY MAKERS: PARLIAMENTS, THE MINISTRY OF FOREIGN AFFAIRS, THE DEVELOPMENT DIRECTORATES, AND THE EMBASSIES .....	7
THE MAIN LOBBY GROUPS: .....	16
SUMMING UP .....	19
<b>CHAPTER 3: AID PATTERNS: NORDIC CHARACTERISTICS .....</b>	<b>20</b>
INTRODUCTION.....	20
BILATERAL VS. MULTILATERAL AID: STRONG MULTILATERAL SUPPORTERS, BUT BILATERAL SHARES ON THE INCREASE .....	20
MULTILATERAL AID: THE UN THE GREATEST RECEIVER .....	21
BILATERAL AID: A STRONG AFRICA FOCUS .....	22
BROAD PATTERNS OF NORDIC AID TO ASIA: NOT ONLY THE POOREST ONES.....	23
OTHER NORDIC CHARACTERISTICS .....	24
CONCLUSION.....	28
<b>CHAPTER 4: ON COHERENCE, HARMONISATION AND THE NEW AID MODALITIES: FEELING THE WAY? .....</b>	<b>29</b>
INTRODUCTION.....	29
ON COHERENCE: AMBITIOUS POLICIES, BUT IS PRACTICE LACKING BEHIND? .....	29
REDUCING TRANSACTION COSTS .....	34
PUBLIC OPINION AND THE ‘NEW AID REGIME’: A PERFECT MATCH? .....	38
SUMMING UP .....	39
<b>CHAPTER 5: COUNTRY LEVEL OPERATIONS UNDER THE NEW AID REGIME – THE CASE OF TANZANIA .....</b>	<b>40</b>
INTRODUCTION.....	40
BACKGROUND AND HISTORICAL TRENDS .....	40
AID ORGANISATION AND MANAGEMENT .....	42
PRIORITY AREAS AND COUNTRY OWNERSHIP .....	45
AID MODALITIES .....	47
POLICY COHERENCE.....	49
DONOR LED CO-ORDINATION AND HARMONISATION .....	49
THE NORDIC FOUR: A RADICAL FORCE, STILL? .....	50
<b>CHAPTER 6: IS NORDIC EXCEPTIONALISM UNDER STRESS? .....</b>	<b>51</b>
INTERVIEWEES .....	53
LITERATURE.....	55

**ANNOTATED STATISTICAL APPENDIX OF TRENDS IN NORDIC AID ALLOCATIONS..... 57**

- ORGANISATION ..... 58
- DATA ON OFFICIAL DEVELOPMENT ASSISTANCE (ODA)..... 64
- TOTAL ODA ..... 64
- BILATERAL ODA ..... 70
- BILATERAL ODA TO LDCs..... 73
- PUBLIC OPINION ..... 83
- COMPARING GOVERNMENT EXPENDITURE ON DEFENCE, HEALTH, EDUCATION AND ODA ..... 86
- DEVELOPMENT FINANCE ORGANISATIONS..... 88
- INTERNATIONAL TRADE AND INVESTMENT RELATIONS ..... 90

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Bergen, December 2005  
Hilde Selbervik  
Chr. Michelsen Institute

## Abbreviations

BITS	Swedish Agency for International Technical and Economic Co-operation
CGD	Centre for Global Development
DAC	Development Assistance Committee
DMFA	Danish Ministry of Foreign Affairs
DPC	Development Policy Committee
DPG	Development Partners Group
EC	European Commission
EU	European Union
FMFA	Finnish Ministry of Foreign Affairs
GBS	General Budget Support
GDP	Gross Domestic Product
GNI	Gross National Income
HIP	Harmonisation in Practice
IFU	Fund for Industrialisation in Developing Countries
JAS	Joint Assistance Strategy
JPA	Joint Plan of Action
LDC	Least Developed Countries
MDG	Millennium Development Goals
MoU	Memorandum of Understanding
NHO	Confederation of Norwegian Business and Industry
NORAD	Norwegian Agency for Development Cooperation
NMFA	Norwegian Ministry of Foreign Affairs
ODA	Official Development Assistance
PGD	Policy for Global Development
PRS	Poverty Reduction Strategy
SAREC	Swedish Agency for Research Co-operation
Sida	Swedish International Development Authority
SMFA	Swedish Ministry of Foreign Affairs
SWEDCORP	Swedish International Enterprise Development Co-operation
TA	Technical Assistance
TAS	Tanzania Assistance Strategy
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
WHO	World Health Organisation
WTO	World Trade Organisation



## Executive summary

1. The terms of reference of this study are wide-ranging. Within the scope of this study it has only been possible to do a broad-brush presentation that might function as a point of departure for possible follow-up studies.
2. The Nordic countries are often praised for their efforts in development assistance and commended for their generosity. Over the last few decades the Nordic countries have consistently been the most generous donors in relative terms. Their aid levels have been well above the UN target of 0.7 % of Gross National Income and comfortably above the average of the members of the Development Assistance Committee.
3. Finland has traditionally been the “odd man out” among the four. It has generally not managed to match the Scandinavian “frontrunners”, except in the “heyday” of Finnish aid in the 1980s. In 1991 the Finnish aid level peaked at 0.80 % of GNI. Finland has never managed to reach that level again.
4. Despite regular changes in Nordic aid policies it is continuity that is the salient feature.
5. Donor interests are often linked to domestic private interests, or security or geo-political interests. The Nordic countries are often referred to as a group of donors that are hardly driven by such considerations, instead being motivated mainly by altruism and the needs of the recipients. In addition, their development assistance has been a prolongation of the social democratic project – a means of selling their social model.
6. However, both in Finland and Denmark private interests have to a greater extent had an impact on and been a more important motivation for their aid programmes than has generally been the case in Norway and Sweden.
7. An interesting trend that becomes more visible in the 1990s in all the Nordic countries is the emphasis on compatibility and interdependency between donor interests and recipient needs. In contrast to earlier periods where donors’ interests were defined more narrowly, poverty reduction is today viewed as part of a global strategy to achieve a more just and secure world.
8. Besides government and parliament, the most important actors in Nordic development assistance are the Ministry of Foreign Affairs and the embassies. In Norway and Sweden the Development Directorates also have a key role. Other important actors and stakeholders are NGOs and the private sector.
9. There have been and still are general annual debates in the Nordic parliaments about development assistance. Still it seems justified to argue that the parliamentary influences has in practice been limited, at least according to studies of the Danish and Norwegian cases. Most of the policy papers – which are often vaguely defined and based on compromises - are often only rubberstamped by the parliamentarians. Despite a few notable exceptions Nordic aid is marked by broad parliamentary support, even if there have been major shifts in its implementation. At least in Scandinavia, a broad majority of the parliamentarians have found it expedient to maintain a high level of aid because this has become an important and integrated part of their international image. In Finland the situation is different.
10. Despite periods of decline, the volume of Scandinavian aid has seldom been seriously challenged. The aid budget has more or less been a protected item in the preparation of the national budgets of the Nordic countries, making development assistance resistant to both economic and political challenges. A definite decency limit is the UN target. This limit does not seem to exist in Finland, which may explain why Finland has not managed to reach the UN target again after the peak in 1991.

11. Even if researchers are arguing that there has been an increasing commercialisation of Danish aid in particular, the business sector does not constitute a group that is seriously challenging official aid policy.
12. The NGOs are very important actors in Nordic development assistance as they receive a large share of official aid. Currently all the sources employed for this study suggest that the NGOs, generally speaking, largely act as strong supporters of the official aid policies rather than as correctives.
13. The Nordic donors have many common characteristics compared to the DAC average. Traditionally, they have disbursed a larger share of their aid through multilateral channels than the average donor country. Currently, it is only Denmark and Finland that disburse a considerably higher share of their aid multilaterally. All the Nordics have a strong preference for the UN agencies relative to other multilateral organisations. Most of their allocable bilateral aid is channelled to Africa, even though it is in Asia that Nordic business interests are more active. More than other countries, the Nordics are in practice giving priority to the poorest countries and those with the best human rights records. Generally speaking, during the past decade the Nordic countries with the exception of Denmark have disbursed a gradually larger share of their aid to health, education, good governance, and civil society. Despite the fact that all of the Nordic countries attach great importance to private sector development Denmark is in reality the only country among the four that through its sector support strongly emphasises economic infrastructure.
14. The Millennium declaration of September 2000, the International Conference on Financing for Development in Monterrey and the Johannesburg World Summit in 2002, the Roma declaration of 2003, and the Paris Declaration of March 2005 were among several events that spurred an ongoing process of rethinking the whole relationship between the developed countries in the north and the developing countries in the south.
15. However, as early as in 1977 a Swedish parliamentary commission on development co-operation suggested a more coherent Swedish aid policy. During the 1990s, also the other Nordic countries produced White Papers and strategies on aid that put an emphasis on coherence. For example, in 1996 the Norwegian parliament agreed that development aid must be addressed in a broader North-South context. While coherence has been a policy objective of the Nordic countries for some time, the issue has been put higher on their political agendas in the course of the last few years, strongly spurred by above mentioned international events.
16. In this context, coherence has two broad meanings. Firstly, it means that the aid policy of a donor must be consistent. The second meaning of the concept refers to a kind of coherence that embraces all policy areas of the donor country that may have an impact on the partner country.
17. Despite the Nordics' strong emphasis on coherence, so far only Sweden has developed a special policy document on the subject. Sweden has by far the most ambitious approach to coherence. Its work has been characterised as pioneering.
18. A majority of the informants claim that work on coherence has stranded at the policy level. It has not reached the stage of operationalisation, they assert. Of course, implementing coherence is a long-term process and not something that is likely to happen over night. Within all the Nordic countries, though, there seem to be strong personalities striving to move this agenda further.
19. How has policy coherence for development been received in the Nordic countries? The agenda is very ambitious and may lead to opposition from affected domestic groups and from government departments and ministries whose primary responsibility is not necessarily that of poverty reduction. So far, based on interviews with aid bureaucrats in the Nordic countries, there is reportedly little resistance towards the new way of thinking, even if not every key stakeholder is equally enthusiastic. All the Nordic countries apparently acknowledge that there are some areas that will be difficult, not to say impossible, to make

- coherent. This will, for example, involve measures that may threaten the jobs of Nordic workers.
20. Even if not all the major DAC members are convinced, internationally there is a growing recognition that moving towards more sector programmes in general and budget support in particular at the expense of project aid will make aid more effective and produce better results. All the Nordic countries have in recent policy documents given strong support to this view. In light of their strong political declarations, their actual achievements are rather modest.
  21. Issues such as alignment and harmonisation are far less controversial than budget support and have generally been broadly backed in the Nordic countries, even if budget support all the same is a key instrument for alignment and harmonisation. In all of the Nordic countries the modes and ways of dealing with aid are in the process of undergoing substantial changes, both in terms of how they organise their activities and how aid is delivered. At the same time, bureaucrats within all the Nordic countries fear the huge knowledge gap that exists with regard to the new aid modalities, both among the public and among politicians.
  22. Tanzania is one of the Nordic partner countries in which harmonisation, alignment, and the use of new aid modalities has come the furthest. It is therefore an interesting case in which to investigate how the Nordics have responded to the changes in the aid regime.
  23. Informants at all the Nordic embassies report having especially cordial and trusting relations with Tanzanian authorities. One reason for the good relationship between Tanzania and the Nordic countries is that they were among the first donors in Tanzania, and also that they have been there throughout.
  24. Aid makes up approximately 45% of the Tanzanian budget. The Tanzanian government has stated that general budget support (GBS) is the preferred aid modality. How have the Nordic donors responded to this request?
  25. According to embassy staff 18% of Danish aid to Tanzania is allocated as GBS, despite the general scepticism to this aid modality at the political level in Denmark. Currently, Finland allocates 10-15% of its bilateral aid to Tanzania as GBS; 25% through sector initiatives, and the rest as project aid. Currently, Norwegian aid to Tanzania is evenly divided among the categories: project aid, sector support, and general budget support. GBS makes up 20% of total Swedish bilateral aid to Tanzania. With the transition from project to programme aid, embassy staff has experienced a marked strengthening of the dialogue and coordination with other donors.
  26. The issue of coherence appears rather abstract to both personnel in the field or aid bureaucrats that are involved in country operations at headquarters. In practice it is still an issue that only concerns them to a small extent, which also is illustrated in our case-study of Tanzania.
  27. Previously, particularly in the 1970s and 1980s, there was a strong degree of coordination and a special feeling of companionship among Nordic aid officials and agencies in Tanzania. The Nordic countries no longer function as a useful sub-group, nor are the Nordics regarded as a clique by the rest of the donor community in Tanzania.
  28. Despite many similarities among the Nordics there are also differences. Most significantly, Denmark is more focused on being able to link technical sector involvement and finance than the other Nordic donors. They are also less in favour of silent partnerships, and feel that Norway and Sweden are moving too fast on GBS. In contrast, Norway and Sweden are very closely aligned both on harmonisation and the new aid modalities, and cooperate extensively to achieve increased efficiency. As Finland has not yet decentralised authority to its embassy in Tanzania, it is slower to move on new initiatives than the other Nordics.



*“A tradition of leadership in development co-operation”<sup>1</sup> (Sweden)*

*“Norway is setting an example for the DAC”<sup>2</sup>*

*“Maintaining the momentum of development co-operation leadership”<sup>3</sup> (Denmark)*

*“Keeping up with other Nordic countries and enhancing Nordic co-operation is an important underlying theme for Finland”<sup>4</sup>*

## Chapter 1: Introduction

### The research topic: Nordic exceptionalism in development assistance?

The Nordic countries are often praised for their efforts in development assistance and commended for their generosity. Over the last few decades the Nordic countries and the Netherlands have consistently been among the most generous donors. They have not always been so generous. When they first involved themselves in aid in the 1950s and 1960s, their efforts were meagre. Their dramatic increase in aid started in the 1970s. Until recently, the Nordic countries have competed amongst themselves for the position of most generous donor. Their aid levels have been well above the United Nations (UN) target of 0.7% of Gross National Income (GNI) and comfortably above the average of the members of the Development Assistance Committee (DAC). However, the Nordic countries are not only praised for their munificence. Nordic development assistance also has a good reputation for being less tied to narrow economic or strategic interests than has been the case for many other donors (Stokke 1989). This is also reflected by the fact that they have been channelling a large share of their Official Development Assistance (ODA) as multilateral aid. All their ODA is essentially disbursed as grants. Moreover, the Nordic countries in general and Sweden in particular have a reputation for being innovative and flexible donors, willing to adapt their aid policies to the very best practices at hand.

Finland has traditionally been the “odd man out” among the four. It has generally not managed to match the Scandinavian<sup>5</sup> “frontrunners”, except in the “heyday” of Finnish aid in the 1980s (Koponen 2005). In 1991 the Finnish aid level peaked at 0.80 % of its GNI. Finland has never managed to reach that level again, but strives to match the Scandinavian countries and has declared that the UN target shall be reached by 2010 (OECD 2003: 12).

Even if Finland has not matched the other Scandinavians in terms of aid volume, the Nordics still share many common characteristics. Despite regular changes in their aid policies it is continuity that is the salient feature. Moreover, compared to the DAC average their aid has generally been more poverty oriented in the sense that a larger share has been channelled to the Least Developed Countries (LDCs). The Nordic countries have a strong Africa focus in their aid. They have disbursed the majority of their allocable bilateral aid there, despite the fact that they have few historical ties and weak commercial links with Africa. Donors are often criticised for not living up to their aid commitments. Nordic countries have a reputation for honouring their commitments. Another salient feature of these four countries is that public support for aid has been high even in times of economic recession. How can this be? To many outsiders it may appear puzzling. Anybody

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<sup>1</sup> OECD 2005: 11.

<sup>2</sup> OECD 2005: 10.

<sup>3</sup> OECD 2003: 11.

<sup>4</sup> OECD 2003: 17.

<sup>5</sup> Scandinavia consists of Norway, Sweden and Denmark, while the Nordic countries comprise of Iceland and Finland in addition to the Scandinavian countries. For the sake of simplicity, in this report the phrase “the Nordic countries” refers to Finland, Sweden, Norway and Denmark if nothing else is specified.

within the realist tradition would probably immediately call for hidden agendas. From a “small state” perspective it seems rational for small and vulnerable states with open economies to opt for strong multilateral organisations and poverty alleviation as part of their extended security considerations (Donnelly 1993). The small state argument may provide some explanation. The fact that all four countries are among the wealthiest in the world, and can thus afford to go “soft”, may also be part of the explanation. Nevertheless, not all small, rich states are as generous as the Nordic ones.

This study aims to understand and explain the Nordic countries’ aid policies and practices. What is it that makes them more generous and seemingly less selfish than most other donor countries? What is the explanation for what may be termed a kind of Nordic exceptionalism in development assistance? Aid policy declarations and highly aggregated outcomes do not necessarily tell us much about what is going on at the operational level. How do the Nordic countries actually operate? Are they so much more altruistic than most other donors? Doing a comprehensive analysis is beyond the scope of this project. Here, the focus will be to elaborate on the main underpinnings of their aid policies, how they are shaped and how they have transformed into practice at the more general level. The study will focus on recent and current developments, but will also briefly give an outline of the historical background. We will also present a short field report from the Nordic countries’ operations in Tanzania, which will provide some insights into their operations at the country level. This is important because all four countries have given such strong emphasis to decentralisation in their aid operations. We have chosen Tanzania since it has been among the most important recipients – if not the most important recipient of Nordic aid. It should be underscored that an assessment of whether their aid efforts are more efficient than those of other donors is beyond the scope of this study.

## Elaboration of the research topic: Understanding Nordic development assistance

During the last decade, at least at the level of political rhetoric, there have been a gradual convergence and a process towards increasing consensus in the international aid community (Selbervik 2003). In the 1980s clear fronts existed between liberalist views associated with the World Bank, the USA and the UK among others and more state-centred views associated with the UN and, for example, the Nordic countries. Currently, “all” major donors are seemingly gathered under the same banner and adhere to the same rhetoric (Selbervik 2003). All the DAC countries now talk about poverty reduction, coherence, harmonisation, partnership and ownership. In this study we will look at how the Nordic countries have adjusted to the new aid discourse and the new aid modalities.

However, whether the seeming consensus is more than a rhetorical shift is beyond the scope of this study. Whether it is the “rest of the world” that has become similar to the Scandinavian countries or the other way around cannot be fully dealt with in this report. The answer to that question is nevertheless probably somewhere in between. However, if the lofty political declarations of the donor community at large transform into practice, the Nordic donors may not be as exceptional anymore.

As mentioned above, many similarities do indeed exist in terms of aid policies and practices among the Nordic countries. This fact probably does partly explain why there are so few comparative studies of the Nordic countries. There are also few studies comparing the Nordic countries with other bilateral donors (King and McGrath 2004). However, some studies do exist of the so-called like-minded countries comprising the Scandinavian countries together with Canada and the Netherlands (Stokke 1989). These countries are often referred to as humane internationalists, due to a strong moral bent to their foreign policies. In some respects it seems justified to argue that the so-called like-minded group may traditionally have pursued more similar aid policies than the Scandinavian countries and Finland. Moreover, today there are several

countries that might be characterised as belonging to an extended group of like-minded countries. These are countries that, among other things, are pushing to implement the new aid modalities. These countries, which we may term “soft donors”, are referred to as the Nordic plus group, which includes the four Nordic countries under scrutiny plus, the UK, the Netherlands, and Canada. On other aid issues this group occurs as an extended Nordic Plus group and includes Germany and Ireland as well.<sup>6</sup>

In recent years it seems fair to argue that Finland has become more like Norway and Sweden. However, even traditionally, some kind of companionship among the Nordic countries in the area of aid seems to have existed. Moreover, there are many similarities among the Nordic countries when it comes to general objectives, motivations and domestic conditions for their aid involvement. Although objectives have changed, their overall objective has been to improve the livelihood of poor people in poor countries. In the course of the last few years, the Nordic countries, together with the donor community at large, have been giving even stronger emphasis to poverty reduction as *the* main goal and have generally linked their aid strategies to the fulfilment of the Millennium Goals.

The predominance of a moral motivation for providing aid is also a salient feature of the Nordic countries. Other motives such as political concerns have also been prevalent all along, but moral considerations and motives linked to international solidarity have been the most important justifications for aid. There has been a broad political consensus when it comes to their aid operations. Even if political forces on the far right have regularly been arguing for cuts in the aid budgets, these forces have been rather isolated politically. However, as we shall see in Denmark the political consensus on aid was seriously challenged when rightist parties became represented in government in 2001, which in turn led to quite substantial aid cuts. This illustrates the fact that there are limits to the political “peace” when it comes to aid in the Nordic countries.

There are also profound differences among the Nordic countries that will be further explored in this report. Historically, Denmark and Finland have tied their aid more closely to the interests of their private sectors than has been the case in Norway and Sweden. Furthermore, technical assistance has constituted a much larger share of their aid. It has been suggested that Denmark has in practice moved further away from Sweden and Norway and has become more of a hard-liner demanding value for money and by more explicitly linking development assistance with its overall foreign policy. Whether this is the case will be explored. In the post Cold War period there have been important changes in the external conditions for aid, as well as in the modalities and modes of aid thinking. How has this impacted on the Nordic countries as donors? Moreover, the political consensus that has surrounded development assistance in the Nordic countries has been seriously challenged, particularly in Denmark. Are there particular domestic challenges that indicate that the Nordic four have lowered their aspirations as frontrunners in aid? These are some of the issues that will be analysed in the report.

## Methodology and sources

This report rests on a wide range of sources. The literature on development assistance is particularly valuable when depicting the historical backcloth and in providing us with critical background information (for a complete list of references, see the bibliography). A second category of sources is white papers, implementation plans, strategy papers and so on. These give us the official picture. However, white papers and policy papers are outcomes of policy processes and include compromises; a third significant category of sources is therefore interviews with key actors that can provide insights into the policy processes. Moreover, in the written material you are always faced with a time-lag and the informants help to fill some of the gaps. In order to grasp the underlying

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<sup>6</sup> The Utstein group has also been an important group of countries in this respect. It comprises of Germany, the UK, Norway and the Netherlands and was formed by four female Ministers of Development Co-operation representing these four countries.

dynamics of policy making we also need some inside information; the informants have given us some of that.

With few exceptions we have mainly conducted interviews with aid bureaucrats within the aid administrations located at the headquarters in the four Nordic capitals and at the four Nordic embassies in Dar es Salaam. We have tried to single out informants that have been involved in the aid business for some time. However, we have also interviewed some “newcomers” for supplementary insights. Ideally, we would have complemented the list of informants with other key stakeholders. However, within the scope of this study that has not been feasible. Instead, the influence of other stakeholders in development aid, such as private businesses and NGOs, has been extracted from the written material.

A fourth category of sources is public opinion polls on development aid. Having generous aid budgets depends to some extent on strong public support for aid (Olsen 2001). This has largely been the case in Norway (Selbervik 2003). Consistent and timely surveys have been performed by the Eurobarometer for members of the European Union (EU) from 1996 onwards. Norway is not a member of the EU, and hence has not been included in these surveys. However, the statistical bureaux of the Nordic countries conduct regular opinion polls. Statistics Norway and Statistics Sweden have conducted opinion polls on aid since the early 1970s. The data from the Eurobarometer is supplemented with these data. It should be stressed, however, that the national surveys on aid in the Nordic countries are undertaken at different times and questions are phrased differently. Hence, data from these polls are not directly comparable.

A fifth category of sources is the DAC statistics, which provide us with comparative data over a long time span: on volume, aid channels, sector allocations, and on geographical distributions. Doing a thorough analysis of the relationships among aid, trade, and investments is not feasible within the time frame of this study. However, we will do a broad-brush investigation of possible linkages among the three. The last categories of sources are data from the Nordic investments funds, trade statistics, and investments statistics.

## Report outline

Chapter 2 is sketching the underlying philosophy, main motivations and the rationale for Nordic development assistance. The chapter is mapping the main actors involved in development assistance in the four Nordic countries. Their functions are briefly explored. Moreover, it tries to grasp the dynamics of the policy formulation processes within the area of aid.

Chapter 3 focuses on broad patterns in Nordic aid allocations. The Chapter traces differences and similarities. It illustrates trends in aid volumes, sector allocations and geographical distributions.

Recently many changes within the international aid community have taken place. Chapter 4 explores how the Nordic countries are responding to the new aid modalities, i.e., how are they dealing with the new challenges, such as coherence and harmonisation?

Chapter 5, which is the last substantial chapter, looks at the Nordic countries' operations in Tanzania. The main focus is on how the embassies are tackling and dealing with the new aid modalities. Are the Nordic countries frontrunners in the field?

The final and concluding chapter asks – is Nordic exceptionalism under stress? In accordance with the terms of reference, it is followed by an annotated statistical appendix on various aspects of Nordic aid allocations.



## Chapter 2: Nordic development assistance: The domestic arena

### Introduction

Besides cabinet and parliament, the most important actors in development assistance are the Ministry of Foreign Affairs and the embassies. In Norway and Sweden the Development Directorates also have a key role. Other important actors and stakeholders are NGOs, the private sector, and public opinion, which to varying degrees play distinctive and significant roles in both the shaping and the implementation of the aid policies of the Nordic countries.

It is a common view that a country's domestic policies are shaped in the intersection between international and national concerns and pressures (Putnam 1988; Evans 1993). Nordic development policy is no exception (Selbervik 2003). However, this chapter will be focussing primarily on the role of the domestic actors in the domestic arenas. It should be underscored that within the scope of this project it is not possible to make a comprehensive analysis of the dynamics of domestic aid policy making in all four Nordic countries. Nonetheless, we will offer a brief presentation of the overall picture and explore how one might understand the shaping of Nordic aid policies.

It needs to be stressed, though, that the new challenges facing development assistance, such as the need for greater coherence, new aid modalities, and trends towards increasing harmonisation and alignment, have led to major reorganisations of the aid administrations of the Nordic countries. Many of these reorganisations are so recent that making any definite assessment of their effects will be premature. How the Nordic countries are coping with the new challenges in aid will be dealt with in Chapter 4.

Firstly, this chapter will offer a description of the normative platform of Nordic aid. Secondly, it will give a presentation of the role and functions of the respective ministries of foreign affairs, the development directorates, and the embassies. Thereafter the main lobby groups, such as the NGOs and the private sector, will be dealt with. The role of public opinion will also be explored. A main argument in this chapter is that the aid policy processes in the Nordic countries have, to a great extent, been top-down processes.

### Solidarity and humanitarianism as joint normative platforms

What have been the main motivations and the rationale for Nordic aid? Academic and political discussions on the very motivations for aid often end in a battle between the interests of the donor on the one hand and the needs of the recipient on the other. Donor interests are often linked to domestic private interests, or security or geo-political interests. The Nordic countries are often referred to as a group of donors that are less driven by such considerations, instead being more strongly motivated mainly by altruism and the needs of the recipients (Stokke 2005; Selbervik 2003; Olsen 2005; Danielson 2005). In a comparative perspective they have to a greater extent been driven by moral obligations and humanitarian concerns with assisting the poor and needy. In addition, their development assistance has been a prolongation of the social democratic project – a means of selling their social model. This description has often been applied to Swedish aid but also to Norwegian aid.

In the case of Finland, on the other hand, Juhani Koponen maintains that even if Finnish aid rests on what he terms a 'developmentalist' platform, it has predominantly been motivated by 'instrumentalist' concerns, such as political and commercial interests (Koponen 2005). The extent

to which other interests have challenged more altruistic motivations has varied over the years and also differs among the Scandinavian countries. And even if the rhetoric may suggest otherwise, it seems as if these 'other interests' such as political, diplomatic and security interests are on the increase in all the Nordic countries.

Both in Finland and Denmark the interests of the donor have to a greater extent had an impact on and been a more important motivation for their aid programmes than has generally been the case in Norway and Sweden. In Denmark there has been a substantial business interest involved in aid, which can be illustrated by the Danish position on aid untying. Aid untying has been strongly opposed not only by the business community itself, but also by the government and the aid community in Denmark (Olsen 2005). As is documented in the appendix, Denmark and Finland have traditionally had more tied aid than Norway and Sweden. Previously, Denmark officially declared that a certain percentage of Danish ODA should be returned to Denmark – the so-called 'return percentage'. In practice the return percentage should be as high as possible. The very rationale behind this policy was that since the level of Danish aid was so high, as much as possible of it should benefit Danish interests and citizens. Today, the return percentage does not play an important role, although the figures are still accounted for. It does not appear in official documents, but is reported to the board of Danida.<sup>7</sup>

In Norway, it has even been difficult to gather parliamentary acceptance for endeavours to promote economic interests to any large extent. Economic self-interest has been perceived to be at variance with humanitarian concerns, and there has been an explicitly expressed fear that this could tarnish Norway's reputation in important circles in poor countries (Selbervik 2003). On the part of Norway some interesting recent changes in its main motivations have been documented. By perusing parliamentary debates from 1952 to 1998 the political scientist Anne Maurits van der Veen analysed changing motivations for Norwegian aid. Humanitarianism has been among the most important motivations from the outset and remained so in the 1980s and 1990s (Van der Veen 2000). However, she reveals an interesting shift in the 1980s. In the period 1980-1992, besides humanitarianism, power and prestige became the two most important motivations of Norwegian aid. In the period 1995 to 1998, however, the importance of prestige diminished and was replaced by what van der Veen termed enlightened self-interest, which was related to Norway's involvement in the Middle East.<sup>8</sup> Motivations linked to enlightened self-interest have also been strongly emphasised under the current Danish government and is strongly elaborated upon in the latest policy documents and in the 2005 Africa Strategy (see e.g. Government of Denmark 2005). For example Denmark's involvement in the Iraq war and its recent Arab initiative, seeking to promote democracy in Arab countries reflect that the present Danish government prioritise alignment with American foreign policy.

Another interesting trend that becomes more and more visible in the 1990s in all the Nordic countries is the emphasis on compatibility and interdependency between donor interests and recipient needs. However, this was not something new. For example in the case of Sweden the interdependency perspective was expressed already in the Government Bill of 1962, but in contrast to earlier periods where donors' interests were defined somewhat more narrowly, poverty reduction is today viewed as part of a global strategy, which is to achieve a more just and secure world that is

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<sup>7</sup> Based on interviews with Danish aid bureaucrats.

<sup>8</sup> However, van der Veen holds that the distinctions between the various motives may be blurred. The power motive reflects the ambition of pursuing greater international influence more generally, but also more specifically to gain influence within international institutions. The power motive is also linked to prestige, e.g. taking leadership and being an example for others to follow. Prestige motives are, according to van der Veen, related more to identity in respect of foreign aid, 'beginning with reputation and glory' (Van der Veen 2000: 119). Humanitarian motives refer to personal obligations to improve the well-being of people in despair and to international solidarity. Human rights are also categorised as a humanitarian argument. Enlightened self-interest is largely linked to conventional interpretations of self-interest, i.e., security interests (Van der Veen 2000: 111-131).

beneficial to both donors and recipients. It is underscored that development assistance is only one tool among several. But before we discuss these issues in more detail, who are the actors?

## The main policy makers: parliaments, the Ministry of Foreign Affairs, the development directorates, and the embassies

All four countries have a tradition of frequently reorganising their aid administrations. Sometimes it may be difficult to grasp the rationale for this. In the case of Sweden, Anders Danielson and Lennart Wohlgenuth hold that “When problems of effectiveness and poverty alleviation become too great, it seems as if the frustration is focussed on the donor administrative machinery rather on trying to accomplish a true dialogue with the development partners” (Danielson 2005: 533).

There are many similarities but also some distinct differences as to how the Nordic countries organise and manage their aid programmes. In all four countries, the Ministry of Foreign Affairs has been involved all along, while some of them have periodically been operating with separate Ministries for development aid. Previously, all of them had a more or less autonomous development agency in charge of ODA. Today it is only Sweden that still has a separate directorate in charge of the implementation of governmental aid. In recent years, as a result of increasing centralisation and as part of an effort to make aid management more efficient, development issues have been integrated into their respective Ministries of Foreign Affairs. Currently, all the Nordic countries have a separate Minister dealing with development assistance. Organisational maps of the Ministries of Foreign Affairs and the development directorates are shown in the appendix. In the following, a brief introduction will be given to the official actors in the four Nordic countries.

### Sweden

In 1962, the first Swedish government aid agency was established. In 1965, the Swedish International Development Authority (Sida)<sup>9</sup> was launched. Sida, on the other hand, has kept its initial functions and has from the onset had a far more autonomous role than its sister organisations in the other Nordic countries. This fact can partly be explained by the tradition of having strong governmental agencies in Sweden. Sida’s dominant position in all fields of development co-operation was increasingly questioned in the 1960s and 1970s. At the same time, new fields of development co-operation were launched partly as a result of lobbying from various interests groups in Sweden. It was trusted that those new fields could be more effectively handled in separate authorities, and hence the Swedish Agency for Research Co-operation (SAREC) was launched followed by several other aid entities: Swedfund and the Swedish Agency for International Technical and Economic Co-operation (BITS). Most recently, the Swedish International Enterprise Development Cooperation (SWEDCORP) was formed in 1991. The increasing number of agencies led to duplication and unclear roles. In addition, changes in the external conditions for aid after 1990 called for more coherence and the agencies merged back to one. As a result, in 1995, Sida was more or less back to its original structure, but was now named the ‘new Sida’. Sida is in charge of bilateral aid and some multilateral aid implementation. The Swedish Ministry of Foreign Affairs (SMFA) is in charge of development policy and most of the multilateral co-operation. Sida is responsible to the SMFA and reports to Government via the SMFA.

The role of the embassies has also changed over the years. For many years Swedish embassies had a stronger position than those of the other Nordic countries, but they have always been under the Ministry of Foreign Affairs. Nonetheless, the embassies report both to the Sida headquarter and to the SMFA. Swedish aid bureaucrats claim that they are struggling with a duplication of work between the Sida and the SMFA parts of the embassies. Several measures have been effected to streamline the work of the embassies, but bureaucrats maintain that the problems

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<sup>9</sup> Before 1995, ‘the old Sida’ was abbreviated with capital letters, whereas ‘the new Sida’ was not.

have not been sufficiently solved. As long as Sida exists as a separate implementing body, some duplication may be inevitable.

## Norway

As a result of the Norwegian Government's *Action Plan for Combating Poverty in the South towards 2015* it was decided to undertake a major evaluation to assess the efficiency of Norwegian aid administration and to adjust it to the new challenges facing aid. The Norwegian Government wanted to adopt a holistic approach towards poverty eradication. Norwegian Agency for Development Cooperation (NORAD) was established in 1968. Until 2004 NORAD was the main implementing aid agency, while the Norwegian Ministry of Foreign Affairs (NMFA) functioned as the policy maker. All the same, the NMFA was in charge of implementation with respect to multilateral and humanitarian aid. The share of Norwegian aid disbursed as humanitarian assistance was growing rapidly in the 1990s, so its role as an implementing agency was increasing (see figures in the appendix).

The evaluation team finalised its work in 2003 and came up with two main suggestions: NORAD should either be given a more autonomous role – similar to the Swedish model – or NORAD should be integrated into the Ministry of Foreign Affairs, as in Finland and Denmark. The head of administration, the Secretary General of the NMFA argued for the first alternative. Nonetheless, the Government did not go for either of the two suggestions. Instead, an intermediate solution was chosen. NORAD is now a technical advisory directorate and quality controller under the NMFA. The NMFA is in charge of both policy and implementation. NORAD's role has been substantially reduced, but it is still in charge of aid channelled to Norwegian NGOs and of various support schemes to the private sector.

The NMFA has two ministers still, one for Foreign Affairs and one for International Development. The Ministry has 10 departments, all of which report to both Ministers. At the same time as the new organisational set-up is finding its form, another reorganisation process is ongoing: a process of decentralising authority to the field. This is not only a Norwegian trend, but is more of a general pattern and a way of trying to make aid delivery more efficient. All the Nordic countries have carried out extensive decentralisation reforms in recent years, with the exception of Finland, which has just started this process (more on this in Chapter 4). The idea behind these reforms is to give the embassies more of a strategic role and to improve co-ordination and coherence between bilateral and multilateral aid. Because the embassies are located in the recipient countries, they will be in a better position to take important country specific decisions.

## Finland

The Finnish Ministry of Foreign Affairs (FMFA) is the key actor in development co-operation in Finland. As in Denmark, Finland has an integrated aid organisation. On the other hand, the FMFA currently has three different Ministers, of whom one is the Minister of External Trade and Development Co-operation. Many reorganisations have taken place over the years in Finland, too. More recently, the FMFA has become more integrated to meet the new global challenges for development assistance. The integration process has been going on for some years, but culminated with the centre-left government's White Paper, *Development Policy*, of 2004. The FMFA has gone far in its integration efforts. There is now only one department within the Ministry that deals solely with development co-operation, namely the 'Department for Development Policy'. Due to the tight integration of trade, aid, culture, and political affairs, it is difficult to say how the Ministry's resources are channelled towards development co-operation. Recently, there has been a strengthening of the geographical department that is in charge of a holistic approach vis-à-vis Finnish partner countries, where development co-operation only forms one part. Some academics are critical of these changes. They insinuate that development co-operation in practice has been

downgraded. This demotion of aid has met only insignificant resistance within the Ministry itself and has resulted in little critical debate in the media, they claim (Koponen 2005).

Finland has approximately 50 missions abroad involved in development assistance. The main tasks of the embassies with regard to development assistance are: 1) partaking in project identification; 2) negotiation of agreements; and 3) monitoring and reporting to the Ministry in Helsinki. Finland is by far the most centralised and hierarchical aid organisation among the four Nordics, hence the embassies in the field have little autonomy or authority. Most decisions need consultation and clearance from Helsinki. However, the embassies maintain some independence and can in theory act more or less autonomously, in local co-ordination meetings, for example. A new embassy instrument has also recently been launched – the Local Co-operation Fund. The fund finances local NGOs within specific areas to the amount of 7000 to 1 EUR million per country. The embassy works out an annual plan, but this rests upon approval by the Ministry. However, when approved, the funds are disbursed independently by the embassy.

Staff at both the embassy level and at headquarters feel that they are greatly understaffed. However, according to the DAC Review undertaken in 2003, compared to other DAC countries the number of staff in Finland is approximately average (OECD 2003: 46). On the other hand, the degree of centralisation and the high degree of dispersion of a relatively small aid budget may lead to unnecessarily high workloads, according to the DAC. Moreover, the fact that the Ministry mainly recruits generalists and few with special competence may also add to the problem.

Although the most important actor in Finnish aid is the Ministry of Foreign Affairs, the Finnish Ministry of Finance also has a role in development assistance. As in Sweden, the Finnish Ministry of Finance works with the FMFA on the joint Nordic-Baltic instructions to the World Bank Board. Compared to Sweden, Denmark, and Norway, however, Finland has played a rather minor role in this co-ordination work (Selbervik 2003: 302).

Nonetheless, compared to the other countries the Finnish Ministry of Finance seems to have more of a say over the level of development assistance, and has contributed to keeping the level of Finnish aid low even under favourable economic conditions (Koponen 2005). The Central Banks of the Nordic countries also play a marginal role in aid. They are in charge of co-ordinating the Nordic positions at the IMF board. This has, in practice, often led to diverging positions between the Nordic countries' bilateral and multilateral aid policies. The Finnish Central Bank in particular is perceived as representing very conservative viewpoints.<sup>10</sup>

## Denmark

The 2001 Danish elections had implications for the organisation and management of Danish aid. The many changes were largely made under the banner of increasing efficiency and included measures such as the abolition of several advisory committees that were viewed as superfluous and a more general reshaping of the aid administration. The posts of Minister of Foreign Affairs and Minister of Development Co-operation were merged. Nonetheless, in 2004 the post of Minister of Development Co-operation reappeared and the Minister for Integration, Refugees and Immigration, Bertil Haarder, was also handed responsibility for development assistance. In 2005, a separate Minister for Development Co-operation was again appointed, but then the post was given to Ulla Tørnes. These changes seem mainly to be related to internal power struggles within the government (Libak 2005).

The Danish aid administration is largely centralised and compact. One out of three departments within the Ministry of Foreign Affairs deals with all development co-operation matters. This unit is called the South group, but is more commonly known as Danida. It is chaired by a civil servant who reports to the Minister.

In the new government's review of development co-operation in 2002, it was stressed that the process of delegation of authorities to the embassies should be speeded up and become more

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<sup>10</sup> Interviews with Nordic aid bureaucrats.

extensive. Despite the many reorganisations and the focus on streamlining and efficiency, Denmark has kept the board of Danida, which in several respects represents an anachronism. The Danida board consists of nine representatives. Currently, three of the members are recruited from NGOs, three come from the private sector, while the remaining three are recruited from the research community. However, board members do not represent the groups they are appointed from. The three mentioned groups have always been represented on the board, but in 2005 the 3 + 3 + 3 model was formalised.<sup>11</sup> The chair of the board is always recruited from the research community. The board has an advisory function with respect to the implementation of aid policy vis-à-vis the Minister of Development Co-operation, but not on the policy itself. The board makes its comments on issues such as country strategies and sector programmes. The board also has a granting authority for programmes and projects. The very existence of such an institution with a formal granting authority is unique. To what extent the board has a real function is somewhat disputed, and it was probably more influential previously than today. Changes in the organisation of aid delivery and the process of decentralisation may have given the board a new and important function in co-ordinating and keeping a more general overview of Danida's activities. Aid bureaucrats report that statements and signals from the board are taken very seriously by the staff.

### The role of parliaments

At the end of the day it is the respective parliaments that give their stamps of approval on the countries' aid policies. They also make directives on various issues. There have been and still are general annual debates in parliaments about development assistance. These have often resulted in new goals being added and new themes, such as gender, the environment, human rights and so on, being put on the agenda. Still it seems justified to argue that the influence of the parliaments and parliamentarians has in practice been limited, at least according to studies of the Danish and Norwegian cases (Olsen 2005: 203; Selbervik 2003).

However, Knut Erik Svendsen shows that in Denmark the influence of politicians was different prior to 1990. At that time there was a small but active group of parliamentarians that took a keen interest in development issues (Svendsen 1989). Olsen holds that this changed in the 1990s; even the politicians on the left now seem to be more in line with the voters "in downgrading the significance of development aid" (Olsen 2005: 203). The same tendencies seem to have been present in Sweden and Finland. Juhani Koponen even argues that "in Finland the formulation of policies may be seen as a particularly striking example of the Finnish consensus-based way of policy-thinking" (Koponen 2005: 221). Very different governments end up with very similar aid policies, he maintains. Most of the policy papers – which are often vaguely defined, based on compromises – are often only rubberstamped by the parliamentarians. In the case of Sweden, Danielson and Wohlgemuth argue that Swedish aid is marked by continuity and broad parliamentary support of the long lines in Swedish aid, even if there have been major shifts in its implementation (Danielson 2005).

There are two types of issue that have often have led to debate, however: recipient country selections and aid levels. The extreme focus on aid levels will be dealt with in more depth below. The discussion on country selection will be outlined in the following chapter, since this area has been more or less depoliticised in recent years. Currently, country selection is largely driven by external conditions. The point I want to make here is that, at least in Scandinavia, a broad majority of the parliamentarians have found it expedient to maintain a high level of aid, because this has become an important and integrated part of the Scandinavian countries' international image.

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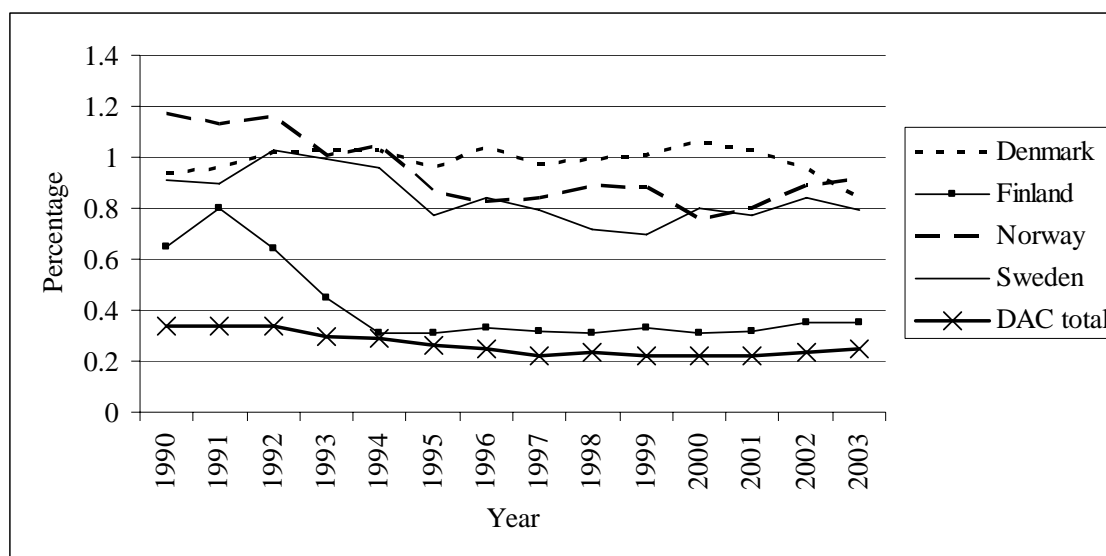
<sup>11</sup> Interview with chair of the Danida board, Holger Bernt Hansen.

## Is it all about volume and image?

For decades the Scandinavian countries have been among the most generous providers of aid measured as a percentage of their GNIs. Their aid levels have in relative terms been far above the average DAC member country, which has been somewhere above 0.2% but has never reached 0.4%. In other words, the average DAC member country has a long way to go in order to meet the agreed UN target of 0.7% of GNI.

For the Scandinavians the situation is different. Their aid levels have been far above 0.7% of GNI.<sup>12</sup> In the 1990s, Denmark most frequently won the “most-generous-donor” competition among the Scandinavians. Norway tended to be second, while Sweden has often been number three. Figure 1 below shows the ODA net disbursements as a percentage of GNI for the Nordic countries and the DAC total in the period 1990 to 2003. Figure 2 illustrates ODA net disbursements in the same period, but in real numbers. These figures are added in order to give a more nuanced picture, because even in times of declining aid levels measured as a percentage of GNI, growing GNIs have often contributed to sustaining and even increasing the volume of aid in real terms. Nevertheless, at times in the 1990s Sweden and Finland in particular experienced declining aid levels in real terms.

**Figure 1:**  
ODA net disbursements<sup>13</sup> (in million USD at constant 2003 prices) as a percentage of GNI, Nordic countries and the DAC total, 1990 to 2003

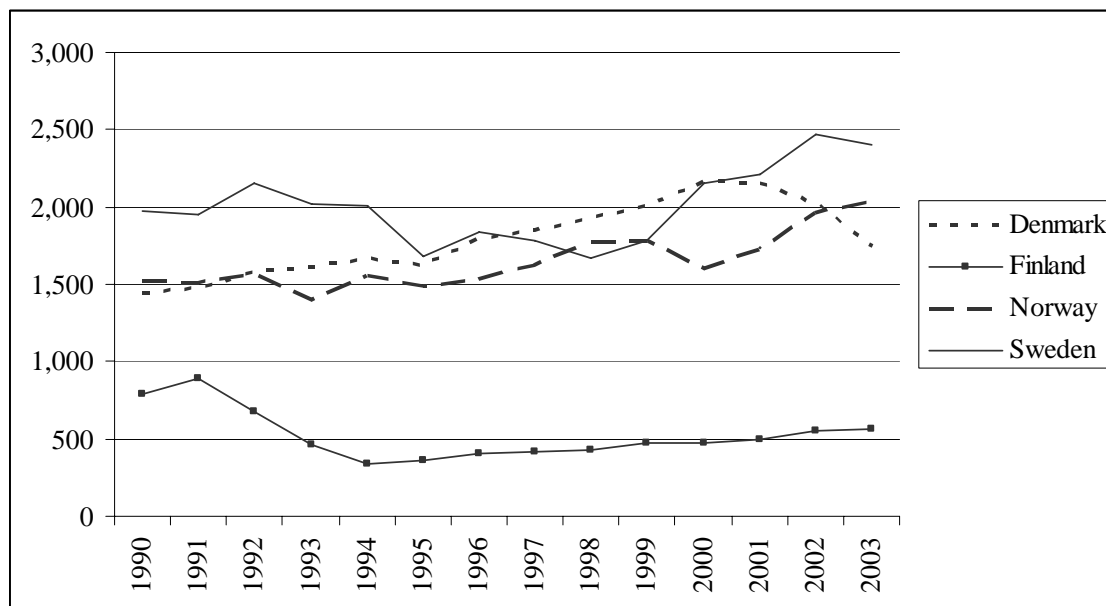


Source: OECD IDS database

<sup>12</sup> GNI is the income earned by a country's residents regardless of where in the world it originates from. In comparison, Gross Domestic Product (GDP) is the income earned from economic activity within the domestic territory only.

<sup>13</sup> Net disbursement is the sum of grants and loans extended, minus repayments by recipients.

**Figure 2:**  
**ODA net disbursements (mill USD, constant 2003 prices),**  
**The Nordic countries, 1990-2003**



Source: OECD IDS database

Figure 1 shows that all the Nordic countries have an ODA/GNI ratio far above the DAC average. However, substantial variations among the Nordic countries can be observed.

Denmark had an ODA/GNI ratio of around 1%. In 1985, the Danish Parliament agreed on an official target of 1%, which was met in 1992. The establishment of a 1.5% target was discussed, but was never officially agreed upon. Denmark's ODA disbursements increased gradually and peaked in 2000 at 2,170 million 2003-USD. Since 2001, the level of aid has been falling and constituted 0.8% of Denmark's GNI in 2003. The new government declared that Denmark should no longer work towards fixed targets. Nonetheless, since the dramatic reduction of Danish aid in the period 2001 to 2005, the government has declared that the aid level shall not be lower than 0.8 % (Danish Ministry of Foreign Affairs 2005).

After the level of Finnish aid had increased steadily in the 1980s and reached a historic peak of 0.8% in 1991, Finland's aid decreased dramatically and constituted only 0.3% in 1994. From 1991 to 1994 Finnish aid was more than halved. Finnish ODA has since then been increasing little by little and reached 558 million USD in 2003, which was still far below the peak of 1991. In terms of the ODA/GNI ratio the level of Finnish aid has not increased significantly in recent years in spite of the current government's ambition to reach the UN's 0.7 target by 2010. However, in actual numbers the rise has been more significant due to a fast growing GNI. As it appears in the appendix, aid funds in Finland have risen more than what has been the case in the other Nordic countries.

As early as 1973 the Norwegian parliament set 1% of GNP as a target for Norwegian development assistance. This target was reached a few years later. In the 1980s, the ODA share stayed at roughly that level (Stokke 2005). In 1990, Norway had an ODA percentage of GNI of 1.2%, which steadily declined to below 0.8% in 2000. After 2000 it increased again and reached 0.9% in 2003. Nonetheless, Norwegian real ODA disbursements increased gradually from 1,520



million 2003-USD in 1990 to 2,042 million USD in 2003, due to a rapidly increasing GNI. Since 2000, a significant increase in the level of Norwegian aid has occurred.

Prior to the 1990s, Sweden used to be the engine among the Nordic donors in terms of keeping up a high aid volume. However, from 1% in 1992, Sweden's ODA/GNI ratio fell to 0.7% in 1999, after which it increased and has since then been somewhere around 0.8%. Sweden has generally been the largest donor among the Nordics in terms of ODA disbursements, except for a period in the mid-1990s. After that, the Swedish ODA again started to increase in real figures and reached 2,400 million USD in 2003, which is above the level of other Nordic countries.

The end of the Cold War and the economic recession affecting many Northern countries led to decreasing aid at the global level in the 1990s. Widespread aid fatigue among western aid bureaucracies was also a factor. From 1992 to 1996 ODA from the DAC countries fell by 16% in real terms (Selbervik 2003: 306), and reached a historically low level. Scholars were talking about a serious crisis facing development assistance. Then the level of aid started to rise again little by little and in 2003 the global aid level had surpassed the level of 1992.

Finland, Sweden and Norway have more or less followed this general pattern. Domestic economic problems also challenged their aid budgets. This was most dramatic in Finland. Finland's economy ran into very serious economic problems after the end of the Cold War. Harsh economic liberalisation of the financial markets combined with the collapse of the Soviet Union which made an end to lucrative bilateral trade with the Soviets had serious consequences for Finnish economy. As a result, the level of Finnish aid plummeted. Sweden too faced domestic economic problems in this period, which were followed by general cuts in public expenditure that affected the aid budget. In addition, Norway experienced some economic decline, and deviated from earlier declared ambitions to sustain an aid level above 1% of GNI. Only Denmark managed to keep its aid level at around 1% during the 1990s.

Why this focus on volume and percentage? The reason we have spent so much time elaborating on aid volumes, not only in real terms, but also in relative terms, is simply because one salient feature of Nordic aid is the focus on volume. Some academics even claim that this focus on volume may have suppressed real discussion on the content of development assistance. Have they been driven by some kind of 'GNI ideology'? Despite periods of decline, the volume of Scandinavian aid has seldom been seriously challenged. How can this be explained? The answer is complex. Compared to many other countries, the aid budgets have to some extent been treated as a protected area. It must be underscored that the situation in Finland is somewhat different, and also to some extent in Denmark, for reasons that will be explored below.

The pressure to keep up a high aid volume is partly due to a humanitarian and moralistic drive to help the poor. However, this cannot be the whole story, because it seems rather unlikely that the Scandinavian countries should be more concerned with improving the livelihood of poor people than other countries are. Inter-party rivalry among aid-friendly parties has also driven up the aid volumes at times. The historian Rolf Tamnes holds that this was the case in Norway (Tamnes 1997). A more or less explicitly expressed competition among the Nordic countries has also played a role in at least sustaining a high aid volume.

Denmark has also been concerned with the actual volume of its aid, but traditionally the Danish attitude has been 'yes, we want to be among the most generous donors, but then it is only fair that as much as possible is returned to Denmark'. This view can be discerned in the Danish position on tied aid.<sup>14</sup> Aid cynics may argue that that this has also been the case in Norway and Sweden. Nonetheless, even if one can trace such tendencies in these countries, it has been less prevalent than in Denmark.

In the Scandinavian countries a broad political consensus on development assistance has developed over the years: the level of aid must and shall be above a certain level. Hence, the aid budget has more or less been a protected item in the preparation of their national budgets, making

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<sup>14</sup> However, due to international pressure and EC legislation Denmark has changed its position in the last two years.

development assistance resistant to both economic and political challenges. In order to illustrate this point, one example from Sweden can be given. In the 1990s Sweden was facing serious economic problems. Hence, the social democratic government, which succeeded the conservatives in 1994, had to make drastic cuts in public expenditure. Still, the level of Swedish aid never fell below the UN target. One prominent Swedish aid bureaucrat explains: “we fought tooth and nail for the aid budget. In Sweden we talked about the decency and pain limit of aid”.<sup>15</sup> A definite decency limit is the UN target. She adds that only under extraordinary conditions will the level of aid in the Scandinavian countries be less than 0.7% of their GNIs.

The situation in Finland is different. Finnish aid bureaucrats claim that there is no such thing as a decent level of aid. Moreover, the political consensus on keeping aid at a high level is also absent in Finland, it is claimed. In spite of the current government’s promise to increase the level of aid and its commitment to reaching the UN target by 2010, little is done to meet this goal. At the end of the day there does not seem to be sufficient political will to carry this policy through. Domestic issues are given priority in budget preparations, even under favourable economic conditions. But is this about to change?

There is one recent event that deserves mentioning. In the spring of 2005, a group of 102 members of parliament proposed a motion for a vote of no confidence in the government’s policy on the volume of the aid budget. In the government’s long term plan for the period 2006 to 2009 the aid ratio was only 0.41% of GNI, making it unlikely that the government would reach the 0.7% goal by 2010. Moreover, the government even added a clause saying that the level of the aid budget would depend on the overall economic situation. In addition, as new elections will be held in 2007 the government was in reality leaving the bill for the subsequent government. The opposition had therefore no confidence in the government’s aid policy. However, during the formal vote the opposition lost, and the whole issue seems to have been buried. ‘Nobody’ believes that the 0.7 goal will be reached. Nonetheless, the case is most interesting, especially in light of the fact that aid in general plays much less of a role in Finland than in the other Nordic countries. To the author’s knowledge, it seems unprecedented that there has been a formal vote on a motion of no confidence in the aid budget. Currently one is faced with a peculiar situation where it is the opposition that is pushing to implement the government’s own aid policy. If there is ever to be a time when the Finnish government is able to raise the aid level back to its heyday, it should be in the present political and economic situation. Why is it still not feasible? Koponen claims that even if it is parliament that endorses the annual aid budget, in reality the Ministry of Finance exerts great influence on the budget. The Ministry of Finance had been a key actor in keeping the aid budget low in the 1990s, even after the economy recovered. In Finland the aid budget is not a protected area. Instead, the aid budget is more of a balancing item. Even if there are some pro-aid fractions within all the major parties, they tend to be in a minority (Koponen 2005).

Political events in 2001 in Denmark challenged the “rock solid” aid budget. Prior to the 2001 elections some political parties campaigned for a dramatic decrease of the aid budget. Funds from the aid budget should instead be spent on sick and elderly people in Denmark, they argued. After the election the aid-sceptical parties took office. For the first time the parliament had a more or less ‘aid-sceptical’ majority. The two ruling parties had to rely on a clearly anti-aid party in parliament. The former parliamentary consensus on keeping a high aid budget was challenged. The centre of gravity in parliament on aid issues had moved considerably to the right and in a less aid friendly direction. The Danish aid budget was reduced by 1.5 billion DK (cf. figure above).

Danish aid bureaucrats report that despite some protests from aid organisations, no real outcry was made. This came as a great surprise to more aid-friendly circles and the South group within the Ministry of Foreign Affairs. Nonetheless, in practice, the new government’s policy led to less severe changes in development co-operation than critics might have feared. It is also too early to assess whether in the long run this will represent a more fundamental break with the past. The new government has strengthened the focus on control or effectiveness that is the government’s

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<sup>15</sup> Swedish prominent aid bureaucrat quoted in Selbervik 2003: 306.

preferred euphemism. In this respect Denmark does differ somewhat from Sweden and Norway. Some bureaucrats relate this to bureaucratic traditions and the experience of some serious aid scandals in the early 1990s. Nevertheless, in 2005 the new government declared that the Danish aid level should not be below 0.8%. All in all, there may be reason to think that the recent upheavals in Danish aid have only been ripples on the surface.

It was not conscious from the outset, but gradually it dawned on the Nordic countries that a high aid volume in itself could give these small states a strong international standing. Aid could be an area where they could be more than small states in international arenas. This acknowledgement seems to have contributed to protecting the level of the aid budgets, as illustrated by a statement made by the former Norwegian Prime Minister, Kåre Willoch, in 1987: "None of the parties in the [foreign affairs] committee wants Norway to relinquish its position among the world leaders where development aid is concerned" (Selbervik 2003: 1). Having a fairly large aid budget became an integrated part of the states' self-image and self perception. This may have contributed to sustaining a high degree of consensus on aid issues (Stokke 2005).

Some researchers have suggested that Norway got the Winter Olympics at Lillehammer in 1994 because of its position as a donor. From the 1980s onwards, it gradually dawned on the Nordic countries that their positions as donors could give them extra leverage in international negotiations. Going through policy documents, one finds repeated references to statements that the Nordic countries are 'punching far beyond their weight in international arenas'. However, to what extent that really has been the case is difficult to assess. Studies of the role of the Nordic countries on the World Bank board have demonstrated that these countries did have a special impact in the 1980s due to their international standing as aid donors. However, in the 1990s they lost this, due to diverging viewpoints among the four (Selbervik 2003).

Some of the Danish informants claim that the main reason for the current Danish government's decision to assure that the aid budget does not fall below 0.8 % of GNI has largely to do with its concern for the Danish image. After the drastic decline of the Danish aid budget the government felt that the Danish image had been tarnished and that Denmark had lost credibility. However, another informant claimed that this policy change was a strategic move to please young female voters.

Finnish aid bureaucrats hold that image does not play the same important role as in the other Nordic countries. There is therefore no strong pressure to raise the level of the Finnish aid budget.<sup>16</sup> Nonetheless, image has also played an important part in Finland's identity and self-perception, according to Juhani Koponen. The explanation for this is to be found in Finland's history. Particularly in the 1970s and 1980s, having a large aid budget became part of a strategy of distancing itself from Eastern Europe and the former Soviet Union in particular. Constructing strong links with the other Nordic countries was a part of a strategy of 'Westernisation'. A way of getting a ticket into the Nordic club was to keep up with them in the area of development co-operation. However, Koponen argues that this 'need' and hence the rationale for having a large aid budget disappeared after 1995 when Finland became a member of the EU. After 1995 Finland became more oriented towards Europe. With regard to aid volume, it was no longer the aid level of the Scandinavians that was important, but the EU average (Koponen 2005).<sup>17</sup> The reason why Finland all the same decided to opt for the UN target again after 1995 may be interpreted as 'showing off'. All the international events that have taken place recently have made it politically expedient to state such an ambition, but domestically there is not enough will to reach that target and other domestic pressure groups do not seem to challenge the government's position.

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<sup>16</sup> Interviews with Finnish aid bureaucrats.

<sup>17</sup> This view is also confirmed by Finnish informants.

## The main lobby groups:

### The role of the business community

Nordic aid policies have largely been underpinned by moralism and idealism. There were few commercial links when they first got involved in aid. In the case of Denmark it is even argued that, for example, the Federation of Industries had to be persuaded to take a seat on the Board of Danida when it was established (Holm 1982). That changed gradually, however, and there has been an increasing commercialisation of Danish aid, according to Gorm Rye Olsen (Olsen 2005). The business community is now regularly consulted. Moreover, an interesting shift has taken place in Denmark recently, Olsen argues:

Danish business interests have shifted from being only about the sale of Danish products towards an increasing focus on establishing co-operative relations and forming strategic alliances. In this context, the Fund for Industrialisation in Developing Countries (IFU) has proved to be a useful instrument, since it allowed investments in the more wealthy developing countries (Olsen 2005: 207).

Olsen holds that the most recent changes towards the establishing of more co-operative relations have decreased the levels of conflict between Danida and the business sector.

In Denmark the argument has been that if the business sector is not getting its share, it will be difficult to justify such a high aid budget. In Norway the general attitude has been the opposite, even if Norway has also had several schemes for the private sector that have been linked solely to Norwegian commercial interests.

The Norwegian incentive schemes for the private sector are now untied. The current Norwegian emphasis is not so much on how Norwegian private interests can benefit, but more on new modes of co-operation and on how Norwegian industry and trade can contribute to poverty reduction. Norwegian entrepreneurs have been critical of the untying of all the private sector support schemes. The Confederation of Norwegian Business and Industry (NHO) claims that if private investors are not compensated, they will invest their funds elsewhere (OECD 2005). Nonetheless, it is unlikely that they will be tied in the present international mood. It is more likely that Sweden and Finland, which have kept some of their tied private sector investment schemes, will untie theirs in the near future.<sup>18</sup>

EU regulations – requiring that domestic consultants not be favoured - and a move away from the old fashioned way of doing projects have also had consequences, especially for Denmark and Finland, which have employed the largest numbers of consultants among the four. From the start the main bulk of their projects were run by large consultancy firms and with maximum delivery from the donor countries. Parallel structures were established and constituted small independent islands within the recipient countries. This proved not to be very sustainable.

Today the projects are less driven by external consultants and less implemented through parallel structures. Furthermore, even if project aid is still the dominant aid modality the projects are better integrated into the recipients' own structures. Finland has among 15-20 consulting companies which are involved in development co-operation (OECD 2003). As a result of the aim to decrease project aid, reduced tying of aid, and tougher competition from international companies, Finnish consulting companies are evidently critical of the new trends in aid cooperation. Nonetheless, as Koponen asserts, the government is trying to satisfy business interests and in the process of bidding for contracts Finnish consultants have met little competition (Koponen 2005). This is also confirmed by Finnish aid bureaucrats.

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<sup>18</sup> Interviews with Nordic aid bureaucrats.

Much more could be added here to give a more nuanced picture. However, this would probably not change the main conclusion, namely that the interests of the business sector do not constitute groups that are seriously challenging official aid policy, but are rather supporting it.

## The role of NGOs

What is the role of NGOs in the Nordic countries? The NGOs are very important actors in Nordic development assistance as they receive a large share of official aid. Currently all the sources employed for this study suggest that the NGOs, generally speaking, largely act as strong supporters of the official aid policies rather than as correctives.

Olsen claims that Danish NGOs had some impact on Danish aid policy prior to the 1990s (Olsen 2005). Thereafter their impact diminished. According to the latest DAC Peer Review of Denmark of 2003, Danish NGOs are allegedly less influential than NGOs in other DAC countries. However, it was not until the 1990s that their percentage of Danish aid started to increase dramatically. Terje Tvedt has documented the same tendency in Norway. In Denmark and Norway studies have found that the NGOs have become so involved with the Ministries of Foreign Affairs and rely so heavily on government funds that several researchers argue that they have more or less been co-opted (Olsen 2005; Tvedt 1998; Jørgensen 1993). As a result, the NGOs have become very similar to the state agency in many respects and also less critical.

In the late 1990s, support to NGOs constituted 17% of Danish ODA. In 2003 Sweden channelled 18% to NGOs, while the percentage for Norway was more than 20 in 2003. Traditionally, the share of Finnish NGOs has been somewhat smaller than has been the case in Scandinavia. Nonetheless, Finnish support to NGOs has increased dramatically in more recent years. According to the latest policy documents, it has been decided that this share shall constitute 14%.

Olsen argues that in the Danish case this increase is not only a result of clever lobbying, but also due to the fact that NGOs have constituted important outlets for the growing aid budget (Olsen 2005: 204). This also seems to apply to the other Nordic countries. Finnish aid bureaucrats claim that increasing the aid channelled to and through NGOs has been a purely political decision. However, they claim the contribution to the NGO sector has reached its limit, because of the lack of capacity and competence within this sector in Finland.

It is mainly two types of organisations that receive development assistance: 1) A few big organisations that are given core funding and are involved in more 'regular forms' of development co-operation; and 2) smaller, more activist oriented organisations that receive more scattered project-oriented financing.

To what extent the NGOs have to raise funds from their own budgets to receive support varies among the Nordic countries. Denmark is the only country where no such requirements exist until now. However, co-financing requirements will be applied as from 2006. Previously, NGOs had to make a 10% contribution, but this requirement was abolished in 1993. In the other three countries this figure varies from 10-15%. In Norway the figure is 10%, with the exception of humanitarian interventions.

To what extent does the NGO sector constitute an important lobby group on issues other than additional funding? Does the NGO sector in any of the Nordic countries constitute some kind of corrective vis-à-vis the official aid authorities? Finnish aid bureaucrats claim that the NGOs, generally speaking, are not very active in initiating public debate and that the sector in itself does not have any significant impact on the formation of Finnish development policy. Swedish aid bureaucrats also claim that the NGO sector is not very influential when it comes to shaping Swedish aid policy. It is believed that these groups were more influential previously, whereas today the NGOs and the governmental aid agency have largely common interests. Due to the large funds many of these organisations receive from the government, some kind of silent understanding has developed that these organisations shall not overtly criticise the government. Hence, the lack of criticism can also be based on a more or less unfounded fear of losing governmental funds. A third

explanation of the lack of criticism and activism on the part of NGOs can of course also be that few disagreements do actually exist, partly because they have become very similar to the governments and agencies. If that is the case, one may question their very existence. Should not the NGOs have other roles than the state aid actors? Even if many NGOs have common interests with the government agencies, they do also have some distinct functions that differ from them. This was for example visible under the Jubilee 2000 campaign on debt relief. However, they also have many joint functions. In 2000 this issue was widely discussed and assessed in Denmark. According to interviews with Danish bureaucrats it was concluded that the NGOs should have different functions from those of the governmental aid agencies, such as supporting civil society or having more of an advocacy role. Nonetheless, this is not sufficient evidence to draw any definite conclusions on whether any changes in policy towards the NGOs have taken place yet and to what extent this has contributed to altering their roles.

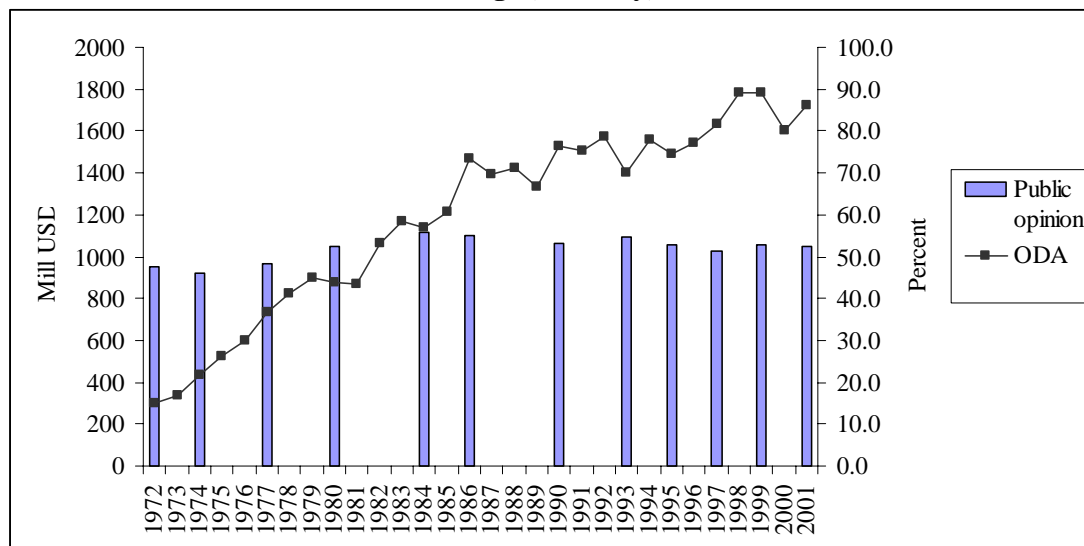
A question that has been raised in all the Nordic countries is how to make sure that the NGOs are spending their resources in accordance with the governments' policies and priorities and how to make sure that this is an effective channel. At least Sweden, Denmark, and Finland have been strengthening their accounting and result requirements vis-à-vis the NGOs. Another pertinent issue in light of the current changes in the aid regime in the direction of more alignment, harmonisation, and coherence is: where do the NGOs fit in? What are their comparative advantages? What place the NGOs will have under the current regime is too early to assess.

### Public opinion

As is illustrated in the appendix, there are no comparative statistics on public opinion with regard to aid in the four Nordic countries (for more elaboration and figures, the appendix should be consulted). While several surveys exist, they have been undertaken at different points in time and the questions are phrased differently from survey to survey. However, what can be said, based on the surveys which do exist, is that generally there is a high and a sustained support for development assistance. A recent Swedish survey of 2004, before the Tsunami, found, for example, that eight out of ten believed that development assistance is important.

Somewhat paradoxically, in the case of Norway a large majority of the respondents think that the current aid level at any given time is adequate. Only a minority thinks that it should increase. Nevertheless, the aid budget has been increasing, as illustrated in the figure below.

**Figure 3:**  
**Comparing total ODA (gross disbursements, constant 2003 prices, mill USD) and share of surveyed population who report current level of ODA is about right, Norway, 1972 to 2001**



Source: DAC IDA database and Statistics Norway

Danish bureaucrats state that similar results have been found in Denmark.<sup>19</sup> The explanation for this high and sustained support for development assistance is probably a mixed one. Some have suggested that their public awareness programmes have contributed to this success, since the Nordic countries are spending more money on public awareness building than are other countries. Sida's budget for this category accounted for as much as USD 30 million in 2004. However, the bureaucrats that were interviewed for this study believed that the explanation is to be found elsewhere and is linked to deeper historical roots.

Nonetheless, even if the public is positive towards development assistance, in periods of dramatic aid decline there has been little public outcry. Even when Finland's aid budget plummeted in the 1990s, hardly any opposition was heard, according to Koponen (Koponen 2005). Studies have also shown that when the respondents are asked to rank the importance of various policy areas, development assistance is ranked low.

## Summing up

This chapter has demonstrated that, despite many similarities, major divergences exist among the Nordic countries. Previously, pressure groups played a more significant role in the shaping of Nordic aid policies. Currently, based on the broad domestic consensus, the shaping of the aid policy is to a smaller extent influenced by domestic events. As consensus on the general policy is not disturbed, aid policy is mainly an area driven by the aid bureaucrats and the political leadership in the Ministry of Foreign Affairs. However, in Denmark the political parties and their relative powers also seem to play a role. These actors are again heavily influenced by international trends and the World Bank in particular.

The previously strong ties among the Nordic countries within the area of aid are not that important anymore. Finland is more oriented towards the EU than the Scandinavian countries. In the following chapter we shall mainly be leaving the domestic arena and present an overview of where the Nordic countries are disbursing their funds.

<sup>19</sup> Interviews with Danish aid bureaucrats.

## Chapter 3: Aid Patterns: Nordic Characteristics

### Introduction

The aid policies of the Nordic countries probably had more distinct features previously than is the case today. Particularly since 1990, there has been broad convergence about goals and means among the major donors. Danielson and Wohlgemuth hold that while earlier it was possible to talk about a distinct Swedish aid profile, the 1990s “[...] has placed Sweden more in the mainstream” (Danielson 2005: 520).

Currently, all the major donors have made poverty reduction the overall goal of their development assistance. Ownership, harmonisation, and alignment are on everybody’s lips. Northern political leaders have been making statements about more aid to Africa, more aid to the LDCs, more aid on grant terms, etc. The Nordic countries have also been endorsing all these politically correct goals and means. Nonetheless, the proof of the pudding lies in the eating. This chapter will investigate to whom the Nordic countries are disbursing their aid, through which channels and why.<sup>20</sup> The chapter will try to identify possible characteristics of Nordic aid patterns.

### Bilateral vs. multilateral aid: strong multilateral supporters, but bilateral shares on the increase

The Nordic countries have traditionally been strong supporters of multilateral aid, and have disbursed a larger share of their aid multilaterally than most other donors. Several arguments have been important. As part of their general foreign policy and positions as small states, the Nordic countries have favoured strong multilateral organisations and solutions. The multilateral channels have also been perceived as being flexible, and possessing comparative advantages in areas that the Nordic countries have given special priority to. Moreover, the multilateral channel has been a way of easing the burden on the bilateral aid bureaucracies. This has been particularly important in periods of steady increase in the aid volume. The relevance of these arguments has varied over time, and does differ among the Nordic countries. The latter argument was particularly important in the 1970s and 1980s. Today this argument seems most relevant to Finland, which is by far the smallest donor among the four.

Denmark and Norway have more or less officially had a policy indicating a 50-50 split between bilateral and multilateral aid. As early as 1969 Norway developed a guideline suggesting that ODA should be equally divided between the two channels. This guideline was formalised in 1972 (Stokke 2005). However, practice has differed among the Nordic countries, and generally bilateral aid has been given preference. In the course of the 1990s we observe a weakening of the position of multilateral aid in Sweden and Norway, while Finland and Denmark are keeping up their multilateral shares (see in the appendix for more details). Nonetheless, in the course of recent decades there has been a downward trend in the Danish contributions to multilateral organisations as well. A main reason for this trend is the desire to link aid interventions to general foreign policies and to raise national flags.

In 2003 Finland was the Nordic country that gave by far the highest share to multilateral institutions, which is partly related to the argument referred to above. The Finnish share constituted 44.6% of total aid. The figures for Denmark, Norway, and Sweden were 37.9%, 28.3%, and 25.9%

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<sup>20</sup> The aid patterns of the Nordic countries are compared with the DAC average. The DAC average includes the Nordic countries.



respectively, placing Norway and Sweden close to the DAC average of 24.4% in 2003. The DAC average has been more or less constant since 1990. Internationally, there has been a tendency towards the bilateralisation of multilateral aid. This has also been a trend among the Nordic countries. Bilateralisation of multilateral aid means that the donors earmark the use of their funds channelled through multilateral organisations. In practice, it gives the multilateral agencies less flexibility to spend their resources and may also decrease aid effectiveness. This tendency has therefore been criticised by the organisations themselves and by researchers.

Nonetheless, despite a downward trend in multilateral aid all the Nordic governments have made fairly strong statements about their desire to strengthen this channel in order to meet the Millennium Development Goals. According to the current Swedish government and its Policy for Global Development, which strongly underscores the importance of multilateral organisations, it is likely that the funds channelled to the UN in particular will increase in the coming years. Still, Sweden has not yet developed a multilateral aid policy or a strategy on how to meet the challenges that are outlined in the Policy for Global Development. It should be stressed that neither Finland nor Norway has developed multilateral aid strategies. In light of the great emphasis the Nordic countries give to the multilateral organisations, the lack of overall multilateral policies is striking, but exceptions do exist.<sup>21</sup>

In 1996 Denmark launched a multilateral aid policy termed “active multilateralism”. This policy prescribed that Denmark should concentrate its efforts on a few organisations in order to increase Danish leverage and impact. There was also a call for better mechanisms to ensure the effectiveness of multilateral organisations’ aid operations. Moreover, together with the other Nordic countries, Denmark tried to build a network of like-minded partners for monitoring and evaluating the multilaterals. According to the DAC Peer Review of Denmark from 2003 active multilateralism has resulted in a more pro-active Danish approach. However, researchers are more sceptical about what has actually been achieved (Olsen 2005).

## Multilateral aid: the UN the greatest receiver

To which organisations are the Nordic countries channelling their aid? One clear trend can be discerned. The Nordic countries have a strong preference for the UN agencies. In 2003 their contributions to the UN ranged from Sweden’s 14.4% of total multilateral aid to Norway’s 17.6% of total aid. The DAC average constituted 5.9% only. However, during the past decade a slight decline in the Nordic countries’ contributions to UN agencies can be observed. It is Sweden and Denmark that have effected the largest cut in their allocations to the UN. Danish aid bureaucrats point to the fact that several studies and evaluations have concluded that UN agencies are not very effective. This has resulted in a kind of UN scepticism among the political leadership and in the aid administration more generally, and partly explains the decline in the level of funds channelled to the UNDP, which has repeatedly been blamed for inefficiency.

The second largest receiver of Danish and Finnish multilateral aid is the European Commission (EC). This finding may support the argument presented in the previous chapter, where it was indicated that since 1995 Finland has become more oriented towards the EU (cf. Chapter 2). In 2003 the EC received 13.9% of Finland’s multilateral aid. The corresponding figures for Denmark and Sweden were 7.7% and 5.1% respectively. Norway is not a member of the EU, and therefore does not provide aid through the EC.

Norway’s second largest multilateral receiver is the World Bank group, which received 6% of Norwegian multilateral aid in 2003. The second largest recipient of Swedish aid in 2003 was the Regional Development Banks. The figure here was 5.5% of total multilateral aid in 2003.<sup>22</sup> Sweden

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<sup>21</sup> Interviews with Nordic aid bureaucrats.

<sup>22</sup> Sweden did not disburse aid to the World Bank group in 2003, but they received as much as 17.8% of Swedish aid in 2002. The blank columns for 2001 and 2003 are linked to technical and organisational issues and were doubled the subsequent years. See table under section 3.2 in the appendix.

has been channelling large funds to the African Development Bank in particular. This is due to its focus on LDCs, and as part of a strategy to strengthen regional actors and to promote African ownership (OECD 2005).

## Bilateral aid: a strong Africa focus

From the onset Nordic bilateral aid has largely been channelled to Africa. The Nordic countries have directed a much higher share of their aid to Africa than have other bilateral donors. This has been the case even though Africa was hardly known to the Nordics before the aid epoch. Except for a few Swedish families that were involved in some limited trade with West Africa in the sixteenth century, a Danish ‘colony’ on the gold coast in the mid-1850s, some Norwegian whalers, and a group of missionaries, Africa as such represented a faraway mystery to the Nordics (Tostensen 2002; Wohlgemuth 2002). Today it is development assistance that is the main link between Africa and the Nordic countries. Many Nordic diplomatic missions in African countries were only established after the aid agencies were located there.

So why this focus on Africa? The answer is as complex as the question is simple. A basic principle for Nordic development assistance has been to provide support to the ‘poorest people in the poorest countries’. There are many poor people in Africa, but that is also the case in Asia. The explanation is therefore partly accidental. But when they first ended up in Africa, why did they concentrate their aid in a particular group of countries? That English was the language that was spoken by the elite was another important criterion for their involvement. The main bulk of their long-term development partners have therefore been located in Eastern and Southern Africa where English is the most common foreign language. Far fewer Nordic aid bureaucrats and politicians had a command of French, Portuguese, or Spanish. Engaging in huge aid programmes would therefore have been much more complicated in many West African countries, for example. In addition, several East and Southern African countries had housed Nordic missionaries. In the early 1960s Tanzania had as many as 50 Nordic missionaries, who also functioned as aid lobbyists (Koponen 2002). It was the Scandinavian countries that first got involved in Africa, while Finland was more of a latecomer. For Finland, it was natural to become involved in many of the same countries as the Scandinavians (cf. Chapter 2).

The Nordic Africa focus has been maintained over the years, and at a much higher level than the DAC average. In the period 1990 to 2003, Sweden, Norway, and Denmark channelled on average approximately 50% or more of their allocable bilateral aid to Sub-Saharan Africa. The figure for Finland is 44.5%. The DAC average in the same period is only 28.9%.

Nevertheless, over the last few years we observe a downward trend in the Nordic countries’ aid allocations to Sub-Saharan Africa. While Denmark in 1990 disbursed 59.2% of its allocable bilateral aid to Africa, the share had fallen to 51.5% in 2003. If we are looking at the figures for Sweden the share going to Sub-Saharan Africa has decreased even more. While Sub-Saharan Africa received as much as 61.7% of total Swedish allocable bilateral aid in 1990, this figure had dropped to 53.6% in 2003. The share of Finnish allocable bilateral aid going to Sub-Saharan Africa was 58.2% in 1990, but declined throughout the 1990s and accounted for 48.2% of total allocable bilateral aid in 2003. In Norway the share of total allocable bilateral aid going to Sub-Saharan Africa constituted as much as 65% in 1990. This share was down to 47.7% in 2003.

Why the decline in Nordic aid to Africa in the 1990s and onwards? The downward trend in the share going to Africa in the 1990s has several causes. Firstly, the cuts were related to the general aid cuts resulting from economic problems in the Nordic countries. In addition, after the lost decade of the 1980s, the Nordic aid bureaucrats and politicians were disillusioned with African leaderships. Among other issues, several cases of grand corruption contributed to this. Furthermore, in the 1990s aid became a more integrated part of the Nordic countries’ foreign policy. Traditional foreign policy issues such as security were linked to development assistance. In addition, humanitarian aid grew in

importance, and many of these operations were not located in Africa. As a result Nordic aid became both more politicised and more widely spread geographically.

Nonetheless, more recent events, such as the G8 meeting in Gleneagles, have put Africa high on the agenda of the major donors. Nordic political leaders have renewed their strong commitment to Africa, where development co-operation constitutes the most important part so far. The same Danish government that a few years ago decided to phase out three main partner countries in Africa launched a new Africa strategy in 2005. This strategy declares that as much as two-thirds of Danish aid will go to Africa. The Danish government is currently in the process of picking a new long-term partner country on the continent. Due to the rise in the Danish GNI and the commitment not to let the share of ODA/GNI fall below 0.8% a new partner is needed. The new long-term partner country will be revealed in the autumn of 2005.

Sweden launched a new Africa strategy as early as the late 1990s, signalling the need for a new approach in light of the many challenges facing the continent. The Swedish strategy integrated the emerging view on ownership for sustainable changes to take place. A major message was that aid must go hand in hand with other means, such as trade and investment. Despite their strong focus on Africa, Finland and Norway have never developed comprehensive strategies for their involvement.

## Broad patterns of Nordic aid to Asia: not only the poorest ones

While the links between the Nordic countries and Africa over the last fifty years have mainly been related to development assistance, their relationships with Asia are more complex. However, in terms of aid volume Asia plays a less important role. In this sense the Nordic countries differ from most other donors. If, for example, we look at the DAC average and lump together aid to South, Central and Far East Asia, contributions to these regions constituted on average 33.5% in the period 1990 to 2003. Looking at figures for the Nordic countries in the same period, they are 24.3% for Sweden; 22.6% for Norway; 29.9% for Finland; and 28.9% for Denmark. As we can observe, the relative share of Finland's and Denmark's aid to Asia is somewhat higher than for Sweden and Norway.

Only Sweden among the Nordics has developed an explicit Asia policy. The first, launched in 1999, was called "*Our Future with Asia, A Swedish Asia strategy for 2000 and beyond*" (Government of Sweden 1999). This strategy is in the process of being updated in light of their Policy for Global Development.

While the number of people living on less than one dollar a day has been dramatically reduced since 1990 in Asia, the number of poor people living in Africa is increasing (Government of Norway 2003: 24). Still, two-thirds of the world's extreme poor people live in Asia, more than half of them in India and China. At the same time several Asian countries are experiencing economic growth at a speed and level widely outpacing Africa. Many of these expanding markets are of great interest to the Nordic countries. The other side of the coin is that many of the prospering countries suffer great environmental damage and human rights violations are common. The continent harbours extremely volatile conflicts as well.

Currently, Norway is left with two main partner countries in Asia, namely Bangladesh and Nepal. Other partner countries in this region are Afghanistan, Indonesia, China, Pakistan, Sri Lanka, Vietnam, East Timor and the Palestinian areas. Sweden has five main partner countries in Asia: Bangladesh, Sri Lanka, Cambodia, Vietnam and Laos. Other partner countries are Afghanistan, India, Thailand, Mongolia, the Philippines, China, and Indonesia. Denmark has four main partner countries in Asia: Bangladesh, Bhutan, Nepal, and Vietnam. Other partner countries are Afghanistan, Sri Lanka, and India.<sup>23</sup> Finland's aid efforts are more concentrated and have been reduced to only two main partner countries in Asia, Nepal and Vietnam, while only Afghanistan has the status of a partner country (Government of Finland 2005). It can be mentioned that with regard

<sup>23</sup> Interviews with aid bureaucrats in Sweden, Denmark, and Norway.

to Vietnam Sweden and Finland were the only Western donors that stayed behind from the late 1970s onwards. The decisions to sustain the aid relationships with Vietnam were controversial and much discussed in both countries, especially in Sweden.

Even if the main and overall goal of their involvements in Asia is poverty reduction, other interests and concerns are more visible in this region than in Africa. Very simply, it seems justifiable to state that in terms of development assistance the Nordic countries have a two-fold strategy in Asia. In their long-term relationships with the poorest countries, mainly located in South Asia, their main goal is related to poverty reduction. This includes countries such as Bangladesh, Nepal, Bhutan, and Cambodia. All the Nordic countries have development partnerships with Vietnam, Sweden being the first Western country initiating bilateral aid with the then North-Vietnam in 1970. Vietnam is soon to graduate to middle-income country status and the Nordics are therefore preparing for a transit or an exit strategy.

While long-term relationships with engagements in several sectors characterise the Nordic countries' aid efforts in South Asia, aid efforts in South-East Asia are concentrated on a few chosen sectors, based on strategic considerations. All the Nordic countries emphasise the environment, security, human rights and good governance, as well as private sector involvement.

## Other Nordic characteristics

As has been illustrated in this study, there are certainly distinct differences among the Nordic donors. Nonetheless, their aid patterns have many common features, which will be discussed in more detail below.

### Strong poverty orientation

The Nordic countries disburse a higher share of their aid to so-called low income countries (LDCs)<sup>24</sup> than the DAC average. In the period 1990-2003 the Scandinavian countries allocated on average around 50% of their bilateral aid to LDCs, compared to a DAC average of 25.8%. The figure for Finland in the same period is 42%. As is illustrated in the appendix, Finland is less poverty-oriented than the Scandinavian countries. The sources do not explain this divergence, but one possible explanation might be, as was argued above, that Finland in general is less driven by 'developmentalist' concerns than the Scandinavians. It is still clear that the Nordics are considerably more poverty-oriented than most other donors. A downward trend in the LDC shares can be observed over recent years. The decreases are partly linked to the fact that more has been channelled to conflict and transition countries in the Balkans and to the Palestinian areas. In the case of Norway, this reorientation is particularly evident. Among the top six recipients of Norwegian aid in 2003, three of them were not on the list of LDC countries: Iraq, Palestinian administrative areas, and Serbia- Montenegro. In 1990, on the other hand, the top six countries were all LDC countries that were also among the main partner countries.

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<sup>24</sup>According to the Economic and Social Council of the United Nations, three criteria must be fulfilled to be classified as a LDC country. In 2003 these were: 1) "a low-income criterion, based on a three-year average estimate of the gross national income (GNI) per capita (under \$750 for inclusion, above \$900 for graduation)"; 2) "a human resource weakness criterion, involving a composite Human Assets Index (HAI) based on indicators of: (a) nutrition; (b) health; (c) education; and (d) adult literacy"; and 3) "an economic vulnerability criterion, involving a composite Economic Vulnerability Index (EVI) based on indicators of: (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration; and (e) the handicap of economic smallness (as measured through the population in logarithm); and the percentage of population displaced by natural disasters" (<http://www.un.org/special-rep/ohrlls/ldc/ldc%20criteria.htm>).

## Sector preferences: the soft ones

In the 1970s and 1980s, soft sector issues were not that high on the agenda of the Nordic countries. This changed from the late 1980s onwards, spurred by the documented negative social effects of the structural adjustment programmes of the IMF and the World Bank and the 20-20 initiative launched at the 1995 Social Summit in Copenhagen. In 2003, Norway, Finland and Denmark channelled more than 40% of their bilateral aid to 'Social Infrastructure and Social Services' which include the following sectors: education, health, water, sanitation, good governance and civil society (for more numbers and details consult the appendix). The figure for Sweden is somewhat lower than for the other Nordic countries, but still higher than the DAC average of 31.4%. Norway and Finland in particular have dramatically increased their support to these areas. In 1990, the figure for Finland was 12.4%, but this share rose dramatically over the next decade and constituted 46.9% in 2003. In 1990, Norway disbursed 17.6% of total aid to this sector. This share had risen to 60.2% in 2002.

The Danish allocation to 'Social Infrastructure and Social Services' did not increase from 1990 to 2003. While the Danish share constituted 45.1% in 1990, in 2003 the figure was 43.1%. In the course of the 1990s there have been great fluctuations in Danish spending on this sector. While the percentage was more than 50% in 1999, the figure was only 22.3% in 2000. Such fluctuations can be related to the fact that the DAC database at the sector level only captures commitments; actual disbursements cannot be traced. The figures at the sector level can therefore only be used to discover trends over longer time spans. It should be noted however, that under the current aid regime (cf. Chapter 4) donors' sector allocations may tell less about donor preferences than was the case previously. As a matter of principle, under the current regime the donors are only to be involved in a very limited number of sectors, aligned with the priorities of the recipient and harmonised with the activities of other donors. According to the DAC, Denmark did not enter the education sector in Tanzania first and foremost because there were already too many donors in that particular sector (OECD 2003).

Generally, education has been a minor sector to Denmark. A most important sector for Danish interventions has been the water and sanitation sector, but the commitments to this sector have decreased over the last four years. Instead, there has been an increase in the commitments to support good governance and civil society. Nonetheless, with regard to sector preferences, Denmark differs considerably from the other Nordic countries in one respect and that is the relatively large allocations to economic infrastructure and the productive sectors. This preference underscores the importance Denmark assigns to economic growth as an imperative in order to achieve poverty reduction.

In Finland there is one very significant development over the last thirteen years. Previously, Finland had a strong preference for the productive sectors such as forestry and industry. Their commitments to these sectors have decreased dramatically. Instead, their involvement in the education sector and in good governance and civil society has experienced massive growth. For Norway, a dwindling involvement in economic infrastructure and an increasing concern for the education sector, good governance, and civil society services are the most pronounced patterns. On the part of Sweden, it is the decrease in their commitment to the productive sectors that is most striking. While this sector represented 27% of total aid in 1990, the share had dwindled to 2.9% in 2003 (for more details on sector allocations, see the appendix).

## On grant terms

Another characteristic of Nordic aid is that their aid is basically provided on grant terms. While the non-grant share of bilateral aid for the average DAC country in the period 1990-2003 was 22.3%, the figures for the four Nordic countries were: 2.8% for Denmark; 4.1% for Finland; 1.0% for Norway; and 0.8% for Sweden. The non-grant shares for Norway and Sweden are generally a little lower than those of Denmark and Finland. The figures have been more or less stable over the last thirteen years, except for some sporadic fluctuations. With respect to the DAC average we observe a

considerable decrease from 27.5% in 1990 to 15.3% in 2003. The reason for this significant drop is partly related to the international focus on the negative aspects of non-grant aid over recent years.

### Favouring good governments

The Nordic countries were among the pioneers in linking development aid and human rights. Supporting democracy and human rights has been a principal objective of Swedish development assistance since its very inception in the early 1960s, even though it was initially not given much emphasis in practice (Dunér 1991). In the mid-1970s, Norway brought human rights considerations into the aid debate, and issued a special White Paper on the subject. Nevertheless, it took more than a decade before these considerations evolved into more direct linkages between development aid and human rights (Selbervik 1997). In 1986, Norway made human rights an objective of development assistance and was followed by Denmark in 1987 (Krab-Johansen 1995). Here too, Finland was a latecomer and did not join the Scandinavians until the 1990s. But in the 1980s the focus was more on *protection* than *promotion* and on how to react to grave human rights violations by applying negative conditionality. In the late 1980s the donors increasingly started to focus on direct support and on fostering human rights and democratisation by supporting human rights organisations, law societies and so on. Instead of directly penalising the bad reformers by cutting or reducing the level of aid, except in cases of deliberate, systematic and gross human rights violations, the Nordic countries declared that they would favour good governments instead (see e.g. Government of Norway, 1995; Government of Norway 2000 ). But did they do that in practice?

Recently a study addressed that specific question. The analysis employs a data set covering the period 1980 to 1999 and as many as 91 recipient countries. The study concludes that the Nordic countries' aid allocations do in fact diverge considerably from the patterns of other bilateral donors. The Nordic countries disburse more funds to democratic countries and also to some extent favour good human rights records. Moreover, the study found that, unlike most other bilateral donors, the Nordics are rarely motivated by strategic concerns. The Nordic countries do not give preference to their political allies in terms of extra funds (Gates 2004).

### Long-term aid relationships

Another characteristic of Nordic aid is an emphasis on long-term partner countries. This has often been viewed as a strength. It has allowed them to build capacity and expertise within their own aid administrations. At the same time, they have built trust and credibility among government officials and stakeholders within the partner countries. For many years they had 10 to 20 long-term partners, which received the main bulk of their bilateral aid. There is a remarkable stability and continuity in the long term partners of the Nordic countries. Despite some temporary ruptures, countries such as Tanzania, Zambia, Uganda, Kenya, and Mozambique have been important receivers of Nordic aid for decades.

As mentioned in the previous chapter, besides the debate on volume, there has been one other issue that has caused great discussion in the Nordic countries; namely, the selection of recipients. At an early stage the various Nordic countries developed criteria for country selection. The formulation and emphasis on various criteria have varied among the Nordic countries. Nonetheless, the criteria for selecting partner countries have involved the following: the recipient shall be among the poorest countries; its government shall be development-oriented; and pursue a socially just policy. In 1976 Norway added respect for human rights to the list of criteria (Stokke 2005: 473). But, as Olav Stokke maintains, most of the countries were selected prior to the formulation of criteria.

It is probably Denmark which has developed the most comprehensive list of criteria. These were developed by parliament in 1989 and are still used as a means of screening new recipients. These criteria include: 1) recipients' needs and the quality of their development planning; 2) the recipients' capacity to absorb foreign aid; 3) the potential to promote sustainable development; 4)

the potential for promoting human rights; 5) the potential for promoting gender equality; 6) previous Danish experiences in the country; 7) if all other criteria are fulfilled: the possibility of promoting Danish business interests and employment. It should be underscored that the DAC has strongly advised the Danish parliament to delete the last criterion (DAC 2003: 27).

The country selection process was highly politicised in the 1970s and 1980s. Aid to countries such as Cuba and Nicaragua caused great debate both inside and outside the parliaments of the Nordic countries. Today, aid interventions are mainly driven by external conditions and even the country selections are more or less 'above political debate'. Zimbabwe may constitute a more recent exception to this trend, but only because the political situation became extreme. One might argue that country selection criteria are still ideological. In the 1990s, the poverty criteria were retained, but increased emphasis was given to good governance and commitment and willingness to reform. Some scholars and critics claim that the content of such commitment is ideological and strongly linked to a certain view associated with the International Financial Institutions in Washington.

The Nordic countries were still emphasising long-term partnerships, but in the 1990s the so-called long-term partners were receiving a progressively smaller share of total bilateral aid. Their aid operations became more widely spread. This development took place under the heading of advancing more flexible aid policies. A more urgent and different type of assistance, humanitarian assistance, constituted an increasing share of their aid. The Nordic countries expanded their operations to countries like Afghanistan, Kosovo, East Timor, Iraq, Bosnia-Herzegovina and the Middle East. In the 1990s, even a small donor such as Finland was involved in more than 100 countries.

Numerous evaluations and DAC reviews have strongly urged the Nordic countries to concentrate their aid efforts so as to make their intervention more efficient and effective. Currently, their officially declared policy is to follow this advice and have fewer long-term partners and, more generally, concentrate their aid operations in fewer countries. According to the Finnish government 60% of its total bilateral aid shall be disbursed to long-term partner countries (Government of Finland 2005). Even if Finland has managed to reduce the number of long-term partners to eight, in practice this has been a difficult process as the government wants to keep the political flexibility that will be lost if a larger share of Finnish aid is tied up with long-term partners. Swedish aid bureaucrats claim that on the issue of concentration, Sweden has not come very far despite the fact that the parliament has signalled that the number of countries should be reduced.<sup>25</sup> Sweden is still heavily involved in 45-50 countries. Country selection is not an area for Sida, but is purely a political matter. Sweden used to have approximately 20 long-term partners. In 2003 Sweden had 30 so-called long-term and substantial recipients and Sweden was involved in 111 countries in total (OECD 2005: 26).

Denmark has recently reduced the number of long-term partners from 20 to 15. However, despite great efforts to concentrate its aid, more than 30% is allocated to around 70 non-priority recipients, whereas another 30% is not country specific. The latest DAC review of Norway claims that despite ambitions to concentrate its aid Norway's bilateral aid is still dispersed and Norway is currently involved in as many as 120 countries, thus making Norway the donor that is involved in the largest number of recipients. Still, the number of main partners is only seven and all of them are LDCs. The number was reduced from eleven to seven in 2001, but the main partners are not yet receiving an increasing share of bilateral ODA (OECD 2005: 22).

### Weak links between aid, private investment and trade

While many donors such as the US, Japan, and France are allocating the bulk of their aid to countries where they have important trade and investment interests, the overall picture is somewhat different for the Nordic countries (World Bank 1998). All in all there are weak links among their

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<sup>25</sup> Interviews with Swedish aid bureaucrats.

aid allocations and their trade and investment patterns. There are few differences among the Nordic countries in this regard. As is documented in the Appendix, the Nordic countries trade almost solely with Europe and North America. While the Nordic countries disburse approximately 50% of their total aid to sub-Saharan Africa, both their imports from and exports to this region are less than 1% of their total imports and exports. For Asia the figures are higher. The Nordics do import and export more to Asian countries than to African countries. The figure for Denmark in 2003 was approximately 10% for both imports and exports, for the other Nordics the figures were somewhat lower.

Looking at the figures on foreign direct investment, the picture is similar (cf. the appendix). Europe is the region that receives by far the largest share of Nordic direct investment. In general, markets in sub-Saharan Africa have not been very attractive for Nordic private investors, despite the fact that various tools have been developed as a means of stimulating Nordic investors. In 2002, 0.11% of Swedish direct investments were in Africa, while the figure for Denmark in the same year was 0.3%. For Asia the figures are higher. Parts of Asia are becoming important markets for private investors, but not first and foremost the LDC countries. The figures for Norwegian and Finnish direct investment in Asia in 2002 were 5.6% and 2.0% respectively of their total direct investment. The expanding markets in Asia are of far greater interest to Nordic investors. In Far East Asia (e.g. countries such as China, Malaysia and Indonesia) the links between development assistance and more commercial interests are visible. It is likely that there will be a continuous and strong increase in the share of investments in the more advanced Asian economies in the years to come. If African economies become more developed and conditions more favourable to private investors, it is likely that a similar trend will be visible there.

In the donor community in general and the Nordic countries in particular private investment and trade are being given increasing attention. Until at least the late 1980s the private sector was largely treated as something that was at variance with the development objectives of the Nordic countries. Today this is different and it is treated as a key sector. Denmark in particular has been a driving force in stimulating private sector development in developing countries. It is now widely acknowledged that a vibrant private sector is of fundamental importance for a country's economic and social development.

The Nordic countries' approach to private sector development is twofold. On the one hand, they try to promote relations between private companies in the donor country.<sup>26</sup> On the other hand, and allegedly more importantly, they try to improve conditions for the private sector in the partner countries. The fact that the latter was strongly neglected for decades had to do with the strong ideological basis of the Nordic countries' aid involvements.

## Conclusion

This chapter has demonstrated the broader features of Nordic aid patterns over the last 10-15 years. It has shown that, in spite of differences, the Nordic donors have many common characteristics compared to the DAC average. Denmark and Finland in particular disburse a larger share of their aid through multilateral channels than the average donor community. All the Nordic countries have a strong preference for the UN agencies relative to other multilateral organisations. Most of their allocable bilateral aid is channelled to Africa, even though it is in Asia that Nordic business interests are more active. Generally speaking, during the past decade the Nordic countries have disbursed a gradually larger share of their aid to health, education, good governance, and civil society, with the exception of Denmark, where the figures have been more stable. Denmark is in reality the only country among the four that through its sector support strongly emphasises economic infrastructure, despite the fact that all of the Nordic countries attach great importance to private sector development. More than other countries, the Nordics are in practice giving priority to the poorest countries and those with the best human rights records.

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<sup>26</sup> See the appendix on the Nordic countries' private sector development funds.



## Chapter 4: On coherence, harmonisation and the new aid modalities: feeling the way?

### Introduction

The Millennium declaration of September 2000, the International Conference on Financing for Development in Monterrey and the Johannesburg World Summit in 2002, the Roma declaration of 2003, and the Paris Declaration of March 2005 were among several events which spurred an ongoing process of rethinking the whole relationship among the developed countries in the north and the developing countries in the south. Taking the content of these declarations literally: a new aid architecture was emerging.

Even though many of the ideas had been around for some time, the approach was now more coherent and given an official stamp of approval by the donor community as well as their partners in the south. The main messages emanating from the above mentioned international events is that not only should the recipient countries show commitment and make their national policies coherent in the pursuit of poverty reduction, but so should the donors. In addition, donors should harmonise their activities, an increasing share of donor funds should be general budget support, and donors' policies and activities should be aligned with the wishes of the recipient country. In other words: the strategy is ambitious. It is expected that ownership will be strengthened at the receiving end, transaction costs will be reduced and aid delivery will be more effective. The partners, donor and recipient countries, have agreed to go for one overall goal: poverty reduction.

At a general level, the content of the new aid architecture has hardly been contested. In official documents and policy statements most donors embrace it. But applauding these initiatives is one thing; integrating them into national aid policies and implementing them in practice something else. This chapter will briefly outline the policies of the Nordic countries on issues such as coherence, harmonisation, and the new aid modalities. It should be underscored that many of these issues have not been or are in the process of being implemented. Making any definite assessments is therefore premature. In addition, many of these issues are broad and complex and can not be dealt with within the scope of this project. What we can do is to summarise the main approaches of the Nordic countries and point at similarities and differences, as well as discuss some of the problems and dilemmas which arise in the first stage of implementation.

### On coherence: ambitious policies, but is practice lacking behind?

Coherence is currently most profoundly linked to Millennium Development Goals (MDG) number 8: to 'develop a global partnership for development.' Coherence is in this context seen as imperative for poverty reduction. However, policy coherence for development is not something new. In the context of development assistance the term stems from a high level meeting at the DAC in 1991, where it was acknowledged that policies towards developing countries ought to be made more coherent so as to make aid more effective. The essence of the concept was captured in the term 'policy coherence for development' (OECD 2003). And, as usual, it did not take long before the concept of coherence was integrated into the aid policies of the Nordics.

In the 1990s, the Nordic countries, especially the Scandinavians, produced White Papers and strategies on aid that put an emphasis on coherence. For example, as early as 1996, the Norwegian parliament agreed that development aid must be addressed in a broader North-South context. It was underscored that policies for coherence should not only have consequences for development assistance: "it must have consequences for what we are doing in foreign policy and

trade policy” Recommendation to parliament No. 229, 1996: 7–8 quoted from Stokke 2005). Coherence has also been an underlying theme for Swedish and Danish development assistance (Danielson 2005; Olsen 2005; Government of Sweden 2003). The need for greater coherence was particularly stressed in Danida’s strategy document ‘Partnership 2000’ and in the ‘World of Difference of 2003’ (Danish Ministry of Foreign Affairs 2003). Coherence has also been a theme of Finnish aid policy, but was not properly defined until the White Paper of 2004 (Ministry of Foreign Affairs of Finland 2004). Furthermore, while coherence has been a policy objective of the Nordic countries for some time, the issue of coherence has been put higher on their political agendas in the course of the last few years, strongly spurred by international events.

Why coherence? The issue rests on a basic premise that better policy coherence will improve poverty reduction. OECD has developed a check-list, which the member countries are recommended to employ in order to reveal inconsistencies across various policy areas. It has also signalled that, along with its regular Peer Reviews of the member countries, the DAC will investigate whether member countries are making efforts towards achieving coherence. This implies that the member countries must obtain information about coherence and assess what can be done to make real improvements in practice.

What does ‘policy coherence for development’ mean? In this context, coherence has two broad meanings. Firstly, it means that the aid policy of a donor must be consistent. The donor should, for instance, speak with one voice multilaterally as well as bilaterally. The second meaning of the concept refers to a kind of coherence that embraces all policy areas of the donor country that may have an impact on the partner country. The Norwegian Ministry of Foreign Affairs expresses it in the following way:

[it] means that both developed and developing countries should ensure that the relevant policies do not have side effects that undermine the fight against poverty. Relevant policies in this context are those in the fields of trade, environmental protection, both local and global, migration (e.g. in connection with remittances, brain drain and brain gain), technology transfer, knowledge development and capacity building, security issues, investment and development assistance (Government of Norway 2005: 5).

In other words, the essence of the concept is that all policy areas should be made to contribute towards poverty reduction. Areas such as trade, investment, health, education, agriculture, the environment, and development co-operation ought to be coherent as well as consistent with the aim of reaching the internationally agreed development goals, the OECD claims. The DAC member countries have approved this stance; policy coherence should be the common denominator of all donor governments’ policies (OECD 2002). Despite the approval of the member countries, DAC explicitly acknowledges that practising coherence may involve great challenges, because it will conflict with the domestic interests of the donor countries in some areas.

How are the Nordic countries approaching policy coherence for development? Perusing policy documents and strategies, it is difficult to grasp how the policy of coherence is going to be put into practice. Clearly, operationalised strategies seem to be lacking. The issue of coherence is referred to in rather general terms, but the content of it is ambitious. The Norwegian government formulates it this way: “Coherence is critical, both in the North and in the South. And the burden here is first and foremost on us, the rich countries of the world. This means taking a hard look at our own policies, and making sure that they reflect the commitments we have made. This means having sufficient capacity to sustain a national debate not only on the effects of particular policies, but also on how they can be adjusted and changed” (Government of Norway 2005: 4). Despite the Nordics’ strong emphasis on coherence, so far only Sweden has developed a special policy document on the subject (Government of Sweden 2003). The policy has been approved by the Swedish parliament.

Sweden has by far the most ambitious approach to coherence. Its work has been characterised as pioneering.<sup>27</sup> Work on a policy for global development was a process that started in 1996/97 with the appointment of the Commission on Swedish Policy for Global Development (*Globkom*). The *Globkom* presented its report to parliament and to the government in 2002. This report was used as the point of departure in the writing of a pioneering government bill to parliament, called *Shared Responsibility: Sweden's Policy for Global Development* (Swedish Government 2003). This bill is now referred to as the Policy for Global Development (PGD), or, in Swedish, PGU. The PGD was voted upon by the Swedish parliament, but it does not have legal status as a law. It has status as a guiding directive vis-à-vis the government. Nonetheless, Sweden became the first country in the whole DAC group to approve and put into practice an integrated policy for global development. PGD insists that all policy areas shall be coherent with the principles of equitable and sustainable global development (Government of Sweden 2003). Looking at the process more closely, it appears that work on coherence in Sweden greatly benefited from and adopted many of the ideas that were addressed internationally in that period (some of these were referred to in the introduction of this chapter). However, at the time, Swedes holding key international positions were pushing the coherence agenda in Sweden, as well as internationally.

What has been achieved so far? This is an issue that is difficult to assess as of now and is clearly an area that requires more research. Nonetheless, based on the material employed for this study, a few very tentative answers can be provided. A majority of the informants claim that work on coherence has become stranded at the policy level. It has not reached the stage of operationalisation, they claim. One reason for this disappointing result is the fact that so far the focus has been on coherence with respect to aid. Aid bureaucrats claim that the main reason why the PGU has not got off the ground in Sweden is that the Swedish Prime Minister is not strong enough and not keen enough to make it a key government issue.

Nevertheless, is it possible to trace any specific achievements resulting from the 'policy coherence for development'? The informants respond rather vaguely. Swedish and Finnish aid bureaucrats mention achievements within areas such as the environment and good governance. Danish bureaucrats refer to areas such as the untying of aid. Whereas Denmark scored rather poorly until two years ago on the issue of tying (see table in the appendix), they are now in the forefront of encouraging the untying of development assistance. Denmark has even made a commitment to fully untie food aid over the next four year period: "[...] all parts of Denmark's bilateral and multilateral development assistance will now be untied" (Danish Ministry of Foreign Affairs 2005: 12). One achievement that is being singled out by a Norwegian aid bureaucrat is the launching of a new global health project. This project has allegedly been pushed by the Norwegian Ministry of Foreign Affairs, which has managed to pool and direct resources for health research in developing countries. Even if the funds contributed are still small, it is an important move in the right direction. The Nordic countries are also working to increase the number of Executive Directors from developing countries on the World Bank and IMF boards.

Nonetheless, implementing coherence is a long-term process and not something that is likely to happen over night. Within all the Nordic countries, though, there seem to be strong personalities striving to move this agenda further. According to the high-ranking Swedish aid bureaucrat Ruth Jacoby, this process may consist of at least three stages: 1) increasing the knowledge of the fact that domestic policies in donor countries may affect poor countries positively or negatively; 2) identification of these effects; 3) identification of areas of conflict and where real interests diverge. She admits that there is a long way to go, but claims that Sweden has just entered the second stage.<sup>28</sup> Moreover, in addition to sufficient political will effecting coherence does requires in-depth knowledge about the donor countries' policies, referred to as stage two. Several of the Nordic countries are in the process of collecting more information on this topic. Norway, for

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<sup>27</sup> One may claim that it should not come as a surprise that it was Sweden that launched the most ambitious strategy on coherence, given its record as an innovative donor and its liberal tradition in areas such as trade.

<sup>28</sup> Interview with Ruth Jacoby, Swedish aid bureaucrat.

example, is awaiting the result of a pilot study on the effects of Norwegian policy on some selected areas in Pakistan, South Africa, Uganda, and Vietnam. One particular aim of the study is to identify which positions Norway has taken in international forums and negotiations.<sup>29</sup> Sweden is also currently funding several studies on the issue.

Which specific measures have been taken to make the Nordic countries' policies more coherent? As underscored above, coherence goes far beyond narrow aid issues, and also beyond more traditional foreign affair issues, such as security. It captures, among other things, finance via involvement in the IMF and World Bank, health and education through involvement in the World Health Organisation (WHO) and the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and so on. Sweden, Norway and Finland have departments within their Ministries of Foreign Affairs dealing with coherence. Denmark, the only country among the Nordics that does not have a department co-ordinating its policy on coherence, has a department co-ordinating Danish policy vis-à-vis the EU.<sup>30</sup>

In March 2002, the Norwegian government decided that various ministries should be engaged in a dialogue on areas of their policies that could negatively affect poverty reduction in developing countries. Currently, four ministries are involved in such a dialogue, and the idea is to include more. There is a plan to work out a relevant checklist for the various ministries on poverty reduction and coherence. It is also intended to establish a network consisting of key persons dealing with coherence in the relevant ministries (Government of Norway 2005).

So far, several units have been created to improve coherence within more limited areas such as trade policy, natural resources, and environmental affairs. In addition, a unit for trade and private sector development has been set up. However, as is stated by the DAC, "Inter-ministerial policy coherence was mainly established through informal consultative meetings. This continues to be the rule and no separate unit for monitoring PCD has been or will be set up" (Government of Norway 2005: 46).

On 30 October 2003, the Finnish government appointed the Development Policy Committee (DPC), chaired by Director Gunvor Kronman. This is an expert group that consists of members from broad sections of Finnish society, such as NGOs, academics, political parties, and so on. Moreover, experts appointed from twelve different ministries are on the Committee. The DPC is an integrated part of the Finnish administrative set-up, but coherence is its main task. The Committee is an advisory body without any operational function of decision-making authority. In February 2005, the DPC delivered its first yearly statement: 'State of Finland's Development Policy' to the Government. The mandate of the Committee is to stimulate an operational culture that favours consistency across different policy areas (Government of Finland 2004: 147). In addition, as part of the coherence agenda, the Finnish Ministry of Foreign Affairs has tried to increase co-operation between authorities and interest groups. According to the Ministry of Finance, coherence is also advanced by ministerial visits to developing countries (Government of Finland 2004).

Sweden has undertaken several organisational changes in order to facilitate coherence: for example, it is currently in the process of establishing a citizens' forum: 'Forum for Global Development'. This Forum will have an independent secretariat and a budget to undertake six tasks: 1) Promote broad dialogues within Swedish society; 2) Stimulate discussion of the diverse objectives as well as the annual PGD report; 3) Stimulate public debate on broad development and coherence issues; 4) Stimulate co-operation and co-ordination; 5) Encourage mutual learning; 6) Contribute with concrete suggestions and ideas on PGD implementation (OECD 2005: 23). The forum will be broadly assembled, with representatives from parliament, researchers, the private sector, NGOs, and so on (Government of Sweden 2005).

Denmark seems to be the Nordic country that has undertaken the fewest organisational changes for coherence. It should be mentioned though, that Denmark has by far the most compact and integrated organisation. Trade and security issues have been tightly integrated with aid policy

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<sup>29</sup> Interview with Norwegian aid bureaucrat.

<sup>30</sup> Interviews with Danish aid bureaucrats.

for more than a decade. In the Danish context, the fusion of Danida into the Ministry of Foreign Affairs in 1991 was a significant move towards greater policy coherence. Nonetheless, coherence with regard to the Danish European Union policy is probably better embedded organisationally than its policy towards the developing countries. In its EU policy, coherence is secured through a co-ordination mechanism concerning government agencies, civil society, and the private sector.

How has policy coherence for development been received in the Nordic countries? As mentioned above, the policy on coherence is very ambitious and may lead to opposition from affected domestic groups and from government departments and ministries whose primary responsibility is not necessarily that of poverty reduction. So far, based on interviews with aid bureaucrats in the Nordic countries, there is reportedly little resistance towards this new and ambitious way of thinking, even if not every key stakeholder is equally enthusiastic. It is claimed that in Denmark there has been little public debate on coherence.<sup>31</sup> In Norway the Ministry has ostensibly been facing few problems in “selling” coherence to the parliament.<sup>32</sup> In Finland, it is claimed that the policy has been widely supported by large segments of society, but bureaucrats admit that it is rather difficult to implement it. However, when there is more active implementation of coherence, more direct resistance may occur. Interestingly, in Sweden there have been some critical voices from NGOs and some segments of society.<sup>33</sup> However, it does not seem to be a strong and influential opposition yet, and whether such arguments will carry any weight will only be known when real conflicts of interest are brought to the fore.

What have been the main dilemmas and challenges in dealing with the policy of coherence? Aid bureaucrats at a lower level express confusion about how to deal with coherence in practice. In addition, interpretations of the definition of coherence seem to vary (Government of Finland 2005). All the Nordic countries apparently acknowledge that there are some areas that will be difficult, not to say impossible, to make coherent. This will, for example, involve measures that may threaten the jobs of Nordic workers. Subsidies to Norwegian farmers are a hard nut to crack in the light of coherence and so are arms exports in a Swedish context. All countries have their difficult areas.

How are the Nordic countries doing with regard to coherence? So far, it is difficult to assess this, as there are too few reports to rely on. The Nordic countries produce annual progress reports on MDG 8, but these reports are not meant to function as critical examinations. Sweden is currently in the process of establishing an independent evaluation agency, mandated by the PGD. The agency will be provided with funds from the Ministry of Foreign Affairs, but there are no strings attached. The agency is to identify and execute its own evaluations, but the Ministry may ask for evaluations when needed. It will have an advisory function vis-à-vis the Ministry. One may argue that the fact that the agency will only evaluate development co-operation issues is a weakness.<sup>34</sup> If coherence is to be taken seriously the agency ought to have a broader mandate. Sweden and Norway have been pushing the OECD to take on board the issue of coherence monitoring, as they believe the organisation is in the best position to assess member countries’ policies. Nonetheless, the present leadership of the OECD has not been willing to assume this mantle, as this subject is viewed as too sensitive and political. Nevertheless, Norway and Sweden hope that the issue can be brought up again under the new leadership of the DAC.

The Center for Global Development (CGD) has since 2003 made an index on ‘commitment to development’ which is regarded as a measure of coherence. CGD weighs various criteria related to 7 main areas: aid; trade; investment; migration; environment; security; and technology.<sup>35</sup> All the Scandinavians get top scores with respect to the first dimension, which is partly related to aid

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<sup>31</sup> Interviews with Danish aid bureaucrats.

<sup>32</sup> Interviews with Norwegian aid bureaucrats.

<sup>33</sup> Interviews with Swedish aid bureaucrats.

<sup>34</sup> Interviews with Swedish aid bureaucrats.

<sup>35</sup> For more information, confer <http://www.cgdev.org/>

volume, but also to selectivity.<sup>36</sup> In 2005, Denmark was ranked as number 1, Sweden as number 3, Norway as number 5, and Finland as number 7. While Denmark and Sweden are doing rather well in many areas, Norway has a really low score in the area of trade, due to the protection of agricultural commodities and large subsidies to the agricultural sector.<sup>37</sup> Norway also scores relatively low on the environment and rather average on other indicators. Finland, on the other hand, gets its lowest scores on aid and migration, but does quite well on the other topics. It should be noted that this index is somewhat disputed, but it is the only current comparative source on coherence.

Summing up: On the issue of coherence, the Nordic countries seem to be way ahead of many other donors. There is still a great gap between policy and practice. In the long run, their credibility rests on real achievements in practice.

To reach the stage of implementation a number of conditions must be present. Firstly, it requires that the whole government takes ownership in the content of coherence. Secondly, institutions and mechanisms must be in place so as to co-ordinate various ministries. Thirdly, practicing coherence may lead to many conflicts of interests and a body dealing with coherence ought to be given enough political weight to be able to give preference to coherence. Such a body should therefore probably be placed under the Prime Minister's office. So far, many of these requirements seem to be lacking in the Nordic countries. In all of them coherence has in practice largely been an issue with respect to aid, and the bodies trying to co-ordinate policies to achieve coherence are located mainly in the Ministries of Foreign Affairs. Still, ministries and departments dealing with trade and security have to some extent taken real interest and ownership in the coherence agenda in all the Nordic countries.<sup>38</sup>

What can be done to improve their policies on coherence? To single out the key areas is a great challenge to all the Nordic countries. The latest DAC Peer Review of Norway suggests that the parliament's Standing Committee on Foreign Affairs could cover possible impacts of policies enacted by other ministries on poverty reduction as well as aid. Moreover, it suggests that the committee's examination of the bills could be broadened by taking into account other committees which have a significant impact on developing countries (Government of Norway 2003).

## Reducing transaction costs

### On new aid modalities

Internationally, there is a common recognition of the fact that moving towards more sector programmes and budget support in particular at the expense of project aid will make aid more effective and produce better results. This is also agreed upon as part of the Paris Declaration as of March 2005. The goal is to provide as much as 66% of DAC members' aid flows "in the context of programme-based approaches" (DAC 2005). All the Nordic countries have in recent policy documents given strong support to this view (Danish Ministry of Foreign Affairs 2005; Government of Finland 2005; Government of Sweden 2003; Government of Norway 2005).

What is sector and budget support? How do these aid modalities reduce transaction costs? Various kinds of budget and sector support exist. In practice, definitions and distinctions are somewhat blurred. Here it suffices to give the broad and general meanings. Budget support is

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<sup>36</sup> That the Nordic countries are scoring much higher on selectivity than other donors has recently been confirmed in a new study (cf. Chapter 3).

<sup>37</sup> Some Norwegian informants claimed that the ranking did not give an accurate picture of Norway. They believed that the ranking gave Norway unfair low scores on some areas. For example, one informant asserted that the ranking did not take into account that some subsidies had been removed (interviews with Norwegian bureaucrats).

<sup>38</sup> Interviews with Nordic aid bureaucrats.

defined by the fact that donor funds are merged with the recipient's own resources and are utilised as part of the recipient's public expenditure system. The aim of budget support is to finance the public budget. The funds are spent through the partner country's own financial management systems and are administered through the partner country's own financial procedures. The donor country can provide both general budget support and more specific budget support where the support is earmarked for a specific sector.

Nonetheless, budget support is not provided unconditionally. All the Nordic countries have developed guidelines for budget support. There are slight differences among them, but a quote from the Swedish Globcom may capture the general and joint content: "A condition for budget support is that the country has an *open and transparent budget* and budget process. It is also required that the country respects human rights and promotes a democratic form of governance. The existence of good governance in the form of an effective, open public administration system is also key in the assessment of whether a country can be considered for support" (Government of Sweden 2004: 225-226). A strict definition of these conditions suggests few aspiring candidates.

In the course of the 1990s, many donors, including the Nordics, were gradually starting the move from project aid to sector programmes.<sup>39</sup> This meant that support to one sector was organised within an overall framework, instead of having islands of separate projects. Sector programmes may take many forms and donors often operate with diffuse definitions. Nonetheless, there seems to be general agreement on the fact that in order to characterise aid as sector support there must at least be some kind of pooling of resources among the partners.

Sector programmes in general and budget support in particular are perceived to be strengthening and promoting ownership in the partner countries, and will thus in the long run give more value for money. By providing aid as budget support, the recipient will have a better chance of being in the driver's seat: "An advantage of development assistance in the form of budget support is that development assistance funds are then subordinated to the parliament of the recipient country, which can then decide on their use" (Government of Sweden 2004: 369). It is also considerably more efficient, since parallel structures are avoided. However, there are some more strings attached: in combination with budget support, the donor attaches a capacity building component. The idea is to ensure quality of financial management tools and generally to ensure economic good governance. The DAC chair shall allegedly recently have noted that increased focus on budget support has led to that all donors now are insisting on 'getting involved in everything'. Some observers doubt therefore that budget support really has lowered transactions costs.

What is the share of the Nordic countries' disbursements to these aid modalities? The DAC data-base does not give us much assistance here, since there are no separate categories capturing these types of assistance. The figures and information presented here draw therefore on written and oral information collected at the headquarters in the Nordic countries.

Norway provides some kind of budget support to all its main co-operation partners in Africa, with the exception of Zambia, but does not provide budget support to its two main co-operating partners in Asia. The government of Bangladesh is less interested in budget support as long as it presupposes policy dialogue. The political situation excludes Nepal from the list of potential receivers. According to sources in the Ministry of Foreign Affairs, Norwegian budget support accounts for 6% of total bilateral aid. In the African countries that actually receive budget support, the figures are reported to be between 20 and 25% of the total Norwegian aid to these countries. The figures for sector assistance are higher.<sup>40</sup>

In 2004, Denmark provided budget support to four countries: Tanzania, Benin, Mozambique, and Burkina Faso. According to Danida's annual report, Denmark channelled approximately 1.9% of total Danish bilateral aid in the form of programme assistance, which most

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<sup>39</sup> It should be noted that in the late 1970s and early 1980s all the Nordic countries, but Sweden and Norway in particular channelled a much larger share of their aid as programme aid, in the form of import support and budgets support than what is the case today.

<sup>40</sup> Interviews with Norwegian aid bureaucrats.

often comes in the form of budget support (Government of Denmark 2005: 54). It is difficult to depict exactly how much is provided as sector aid. However, the figure for this category is allegedly much higher than for budget support. Danish informants go so far as to claim that 'it is Denmark that has revolutionised sector aid' (cf. Chapter 4). So-called sector wide approaches (SWAPs) constitute the backbone of modern Danish development co-operation.

In 2004 Finland provided budgetary support to 3 countries: Tanzania, Mozambique, and Nicaragua. It has been difficult to trace the exact figures for budget and sector aid, but according to sources in the Finnish Ministry of Foreign Affairs, the combined total being disbursed as sector aid and budget support constituted 9.17% of Finnish bilateral aid in 2004.

Currently, Sweden provides budget support to approximately 10 countries. According to sources in Sida, the percentage of sector and budget support amounted to approximately 8% and 5% respectively in 2004.<sup>41</sup>

In the light of their strong political declarations about increasing the share of the new aid modalities, their actual contributions are rather modest. Why do actual disbursements not match official policies? There are several reasons for this fact. As mentioned above, a number of criteria must be fulfilled before budget support, for example, will even be assessed as a possible aid modality. In reality, the number of possible candidates is limited. In addition, it is only in the course of the last few years that all the Nordic countries have finalised their general guidelines for budget support, and new guidelines and somewhat revisited criteria are in the process of being assessed as part of the Paris agenda.

Furthermore, in spite of strong public statements in favour of the new aid modalities scepticism is voiced in private in all the Nordic countries, even within some of the governments. According to Danish informants, Denmark is probably the country that is least likely to increase its share of budget support in the near future, especially under the current government. Parts of the Danida board, the political leadership of Danida, as well as many bureaucrats within Danida are unconvinced, they claim. Widespread scepticism is also present in Finland, but it seems somewhat less prevalent than in Denmark. In Sweden and Norway the situation is different. The political leadership is very positive when it comes to the new aid modalities. Generally, in Norway and Sweden there also seems to be a much stronger backing for the new aid modalities within the aid administrations, even though you still find sceptics and people with strong preferences for more 'old-fashioned' aid modalities.

Why the scepticism? A common argument held by the critics is that control over the funds is not good enough, particularly with respect to budget aid. A common perception is that, by providing budget support, funds are being disbursed into some kind of big black hole, quite possibly ending in the pockets of corrupt leaders. Many aid bureaucrats and parts of the political leaderships are fully aware that the so-called fungibility problem relates to project aid as well. Still, it has still been difficult to 'sell' the new aid modalities to some of the key stakeholders, particularly in Denmark. Danish aid bureaucrats claim that 'for the time being budget aid has to be sold as sector support'.<sup>42</sup> Denmark has not expressed a clear ambition on how it will increase its budget support. 'Only a sceptical limit exists', Danish aid bureaucrats hold.<sup>43</sup> Nonetheless, some Danish informants claim that, even if Denmark at the present stage is not quite ready for budget support yet, 'that will come, but we do not want to be forced from the outside'.<sup>44</sup> When the Danish Prime Minister has visited Africa he has expressed great enthusiasm for project aid. This may also partly explain why many Danish bureaucrats are hesitant on the issue of budget support.

Norwegian aid bureaucrats, on the other hand, claim that in Norway the official position is that instead of formulating too many strict conditions, one ought to use the financial management systems of the recipients at a much earlier stage than is 'ideal'. The argument is that one should

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<sup>41</sup> Interviews with Swedish aid bureaucrats.

<sup>42</sup> Interviews with Danish aid bureaucrats.

<sup>43</sup> Interviews with Danish aid bureaucrats.

<sup>44</sup> Interviews with Danish aid bureaucrats.



make use of budget support when the quality of the systems is acceptable, even if not quite satisfactory, they claim.<sup>45</sup> Hence, Norway appears to have taken a much softer approach than the other donors. Moreover, on the issue of relying on and making use of the recipient countries' institutions and mechanisms, both Norway and Sweden appear to be radical actors willing to take greater risks.

### On aid alignment and harmonisation

Issues such as alignment and harmonisation are far less controversial, at least as a matter of principle, than budget support and have generally been broadly backed in the Nordic countries. All the Nordic countries are members of the so-called Nordic Plus group, which, in addition to the Nordics, includes the UK, the Netherlands, and Ireland. The Nordic Plus group appears to be a driving force for harmonisation and alignment – both as part of the Paris agenda and in the field. Of the Nordic countries, Sweden, Norway and sometimes Finland appear to be the most active countries among the Nordics.

Many initiatives have been taken, of which only a few will be mentioned here. For instance, in Zambia, Norway has taken an active part in working out a plan for donor harmonisation. However, the harmonisation process in Zambia has also been heavily influenced by Sweden, the UK, and the Netherlands. In an effort to spur this process, the Nordic Plus countries developed a joint plan of action (JPA) in 2003 (OECD 2005). This was later submitted to the DAC Task Team on Harmonisation and Alignment. This is a very ambitious plan and included joint programming and evaluation as well as the pooling of technical assistance (TA). Currently, an evaluation of the Harmonisation in Practice (HIP) is about to be undertaken in Zambia, which in essence will be an assessment of the Nordic Plus countries. However, some actors within the Nordic group are somewhat sceptical towards the Nordic Plus co-operation, claiming that, in practice, the Nordic plus group often appears to be some kind of an elite group – 'the most clever ones on aid'. It would be more effective to establish broader alliances, Finnish informants claim. Others maintain that, in order to reach the MDGs and in order to really get the Paris Declaration off the ground, the Nordic Plus locomotive is needed.

The Nordic countries are also trying out new ways of harmonising their activities. Both Sweden and Norway practice so-called silent partnerships or delegated partnerships, which quite substantially reduce administrative costs. Sweden has such arrangements with Norway in Malawi and the Netherlands in Mali. In addition to Malawi, Norway practices silent partnerships in Zambia with the Netherlands. Silent partnership means that a donor pools funds with another donor, which is the active part of implementation, reporting, and monitoring. Delegated partnerships mean that a donor delegates authority to another donor, which may involve particular appraisals, a complete sector or a country programme. The lead donor will have the authority to disburse funds and/or perform the policy dialogue (NORAD 2002). Denmark and Finland are currently not practicing either silent or delegated partnerships.

However, because the harmonisation and alignment agenda is strongly driven by the Nordic Plus group, the pace and form of implementation will vary greatly from country to country. In addition, conditions in the partner countries in the south will differ. In reality, the Paris agenda seems presently more relevant to aid dependent countries in Africa than to many Asian countries, Nordic aid bureaucrats claim. Even if the Nordics are also trying to push this agenda in Asia, the group of pro-harmonisation donors is smaller, most of the countries are less aid dependent, and due to the fact that many donors in Asia do have strong strategic or economic interests in the region, many donors want to keep a strong bilateral link with partner countries.

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<sup>45</sup> Interviews with Norwegian aid bureaucrats.

## Public opinion and the 'new aid regime': a perfect match?

As mentioned above, you are also faced with the problems of fungibility with regard to project aid. Nonetheless, there is this perception that each donor is able to directly trace and report how its funds are spent. Projects can also be designed so as to satisfy interest groups in the donor country. This makes it easier to explain and justify aid to the public at home. The new aid regime involves more donor co-ordination, alignment with partner priorities and a move towards programme aid. Could the transition towards this new regime, where each donor's contribution is not so easily identifiable, pose a public opinion challenge for donors?

As discussed above, the Danish parliament is allegedly sceptical towards general budget support and so is part of the government. Nonetheless, according to informants at the Danish embassy in Dar es Salaam, when the Danish Minister for Development Co-operation visited Tanzania in 2004, he was sympathetic to Danish co-financing of sectoral basket funds. However, a large group of Danish journalists that visited the embassy was reportedly very sceptical to less direct control over Danish funds, and especially critical of budget support. Several aid bureaucrats saw a clear pedagogical problem in sustaining public support for aid when moving away from projects. In addition, many bureaucrats claim that there is a huge gap between praxis and rhetoric when it comes to the "new aid policy thinking". This does in itself constitute a public opinion challenge, they claim. There seems to be a general perception among aid bureaucrats in Denmark that the public has little knowledge of the new forms of aid deliveries. It is therefore viewed as a great challenge to the aid bureaucracy to teach and enlighten the public and to sufficiently justify the new approach. It is feared that if this is not taken seriously, public support for aid may decrease. Danida is therefore genuinely discussing how this can be done in the best way possible.<sup>46</sup>

Nonetheless, Finnish bureaucrats also saw it as a challenge to simultaneously move towards budget support and sustain the support of the Finnish public. As in Denmark, there has been great scepticism towards the new aid modalities. The Office of the Auditor General (AG) has also taken a more keen interest in aid issues, and as formulated by Finnish informants "it is more against budget support than for". In addition, Finnish aid bureaucrats fear that a new big aid scandal may hamper the process towards more budget support. Moreover, they saw the "knowledge gap" as a great challenge. As one informant formulated it, "99% of Finns probably think that Finnish aid goes to projects". There needs to be a focus on the advances made through the use of budget support, they claim, including an acceptable attention to corruption and an assurance that funds are allocated by recipient priorities through the PRS. Some Finnish aid bureaucrats maintain that they are seriously discussing how to deal with the issue of teaching the public about the new aid modalities.<sup>47</sup>

Many Norwegian informants also saw it as a great pedagogical challenge to teach the public about the new aid modalities. And as one informant commented when the issue of budget support was brought up: "there are so many horror stories on corruption and mismanagement of funds" from developing countries. Another Norwegian informant claimed that it is not clear "...how far one should take the public on these technical matters as long as the transition to the new aid regime has the support of the Norwegian parliament". Generally, Norwegian aid bureaucrats were less concerned about how the public would respond with regard to the implementation of the new aid modalities. However, the Norwegian parliament has given its strong support to the new approach.<sup>48</sup>

Most Swedish aid bureaucrats were even more relaxed than the Norwegians about the new aid modalities and public support for aid. Sida representatives at the embassy in Dar es Salaam did not see public support for the transition to the new aid regime as a big problem. In fact, one Sida

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<sup>46</sup> This section is based on interviews with Danish aid bureaucrats at the headquarters in Copenhagen and at the embassy in Dar es Salaam.

<sup>47</sup> This section is based on interviews with aid bureaucrats at the embassy in Dar es Salaam and at the headquarters in Helsinki.

<sup>48</sup> This section is based on interviews with aid bureaucrats at the embassy in Dar es Salaam and at the headquarters in Oslo.

representative argued that there is no strong pressure for Swedish development co-operation to be accountable to the Swedish public. Moreover, the new modalities and harmonisation strategies have broad political backing in Sweden, he claimed. Another bureaucrat was more nuanced and saw a huge challenge ahead in educating the Swedish public on these issues. We should try to convey the fact that, through project aid, we have seen the problems developing countries have in dealing with multiple donors and reporting mechanisms, and that the new aid regime is a response to these lessons, he maintained.<sup>49</sup>

## Summing up

Different and somewhat contradictory currents can be discerned under the present aid regime. On the one hand, you have a trend towards increasing harmonisation and more sector programmes and budget support, at least at the level of policy. At the same time, there is a push towards proving results and real achievements to policymakers and the public. The donors are lowering their flag on some arenas, while they are raising it on others.

However, important differences do exist among the Nordic countries. In Denmark there is a far stronger urge to control aid funds and less political will to give up 'donorship'. At the end of the day, giving up donorship is a prerequisite in order to implement the objectives spelled out in the Paris declaration and the Millennium goals. Similar tendencies exist in Finland. In Norway and Sweden, the political climate is far more conducive regarding the new aid architecture. Nonetheless, both within the bureaucracy and at the political level you will find groupings that are more sceptical towards general budget support in particular, as well as the new approach in general.

In all the Nordic countries, the modes and ways of dealing with aid are in the process of undergoing substantial changes, both in terms of how the donors organise their activities and how aid is delivered. At the same time, bureaucrats within all the Nordic countries do express some degree of worry. They fear the huge knowledge gap that exists with regard to the new aid modalities both among the public and among politicians. In Sweden and Norway, the bureaucrats appear more relaxed. Even if a grand scandal were to be revealed, there is a widely held perception that support for development aid would still be rock-solid.

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<sup>49</sup> This section is based on interviews with aid bureaucrats at the embassy in Dar es Salaam and at the headquarters in Stockholm.

## Chapter 5: Country level operations under the new aid regime – the case of Tanzania

### Introduction

For many of the donors present in the country, Tanzania is a major partner. According to informants at the Nordic embassies, this encourages donors to post highly qualified staff to their Tanzanian delegations. This in turn creates an environment where donors are more comfortable with handling sensitive issues and therefore more confident in experimenting with new ways of structuring their aid activities, they claim.<sup>50</sup> Tanzania is one of the Nordic partner countries in which harmonisation, alignment, and the use of new aid modalities has come the farthest. It is therefore an interesting case with which to investigate how the Nordics have responded to the changes in the aid regime.

Firstly, this chapter will give a background to the Nordic countries engagement in Tanzania, as well as an overview of trends in their levels of aid. Secondly, how the Nordic countries organise their aid activities at the country level is presented. The following sections deal with issues related to the new architecture of aid, such as the new aid modalities, the reduction of transaction costs, policy coherence, harmonisation, alignment, and ownership. How these issues are dealt with and perceived by the field organisations will be explored. Before the conclusion, we ask whether it is still the case that the Nordic Four make a joint radical force in development assistance in Tanzania.

### Background and historical trends

Norway and Sweden were among the first bilateral donors in Tanzania.<sup>51</sup> Their first reported aid disbursements were in 1962. Denmark reports its first ODA disbursement to Tanzania in 1965 and Finland in 1971. Table 1 gives the bilateral ODA (net) disbursement<sup>52</sup> allocated to Tanzania from the Nordic countries and the total for DAC countries in the period 1980-2003.<sup>53</sup> In 1980, Sweden was the largest Nordic donor, followed by Norway, Denmark, and then Finland. This relative ranking remained unchanged until 1986. From 1987 to 1995 there was no consistency in the ranking of the Nordic countries in terms of their contributions to Tanzania, except for the fact that Finland remained the smallest contributor of the four. From 1996 onwards, Denmark was the largest Nordic donor in Tanzania, followed by Norway, Sweden, and Finland.<sup>54</sup>

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<sup>50</sup> This chapter is largely based on interviews conducted with Nordic aid bureaucrats located at their respective embassies in Dar es Salaam, as well as with staff from the headquarters. See the bibliography for a list of interviewees.

<sup>51</sup> The DAC IDS database on aid disbursements currently covers the period 1960-2003. According to this database, only the United States and the United Kingdom reported ODA disbursements to Tanzania in 1960. These two bilateral donors were joined by Germany and Canada in 1961. By 1962, there were seven bilateral donors reporting disbursements to Tanzania: Austria; Canada; Germany; Norway; Sweden; the United Kingdom; and the United States.

<sup>52</sup> Net disbursement of ODA is the sum of grants and loans extended, minus repayments by the recipient.

<sup>53</sup> There are 22 countries in DAC. Of these 22 countries, only Portugal does not report ODA disbursements to Tanzania in the DAC IDS database.

<sup>54</sup> Except for the years 2000- 2002, when Sweden was a larger donor to Tanzanian than was Norway.

**Table 1: Bilateral ODA (net disbursements, million USD in 2002 constant prices) to Tanzania: 1980 to 2003, Nordic countries and DAC total**

Year	Denmark	Finland	Norway	Sweden	Nordic % DAC	DAC
1980	53	26	69	91	29.7	808
1981	61	25	64	97	31.1	798
1982	79	24	85	108	35.4	836
1983	81	32	95	112	42.4	757
1984	68	36	85	90	36.6	760
1985	77	28	84	78	38.8	686
1986	84	38	115	131	50.1	735
1987	61	37	103	80	32.1	874
1988	92	64	100	99	40.2	882
1989	96	51	73	84	38.5	789
1990	78	39	114	117	42.5	820
1991	89	33	96	107	43.9	738
1992	87	31	89	66	35.7	763
1993	79	17	83	84	40.9	642
1994	72	22	60	46	37.1	540
1995	48	7	55	36	29.9	490
1996	75	7	56	49	35.4	528
1997	58	9	56	40	30.5	536
1998	64	11	52	52	24.2	737
1999	76	10	57	41	31.1	591
2000	73	13	39	62	24.1	775
2001	71	14	39	51	17.7	983
2002	70	13	47	61	21.1	903
2003	70	11	59	54	23.0	840

Source: DAC IDS database

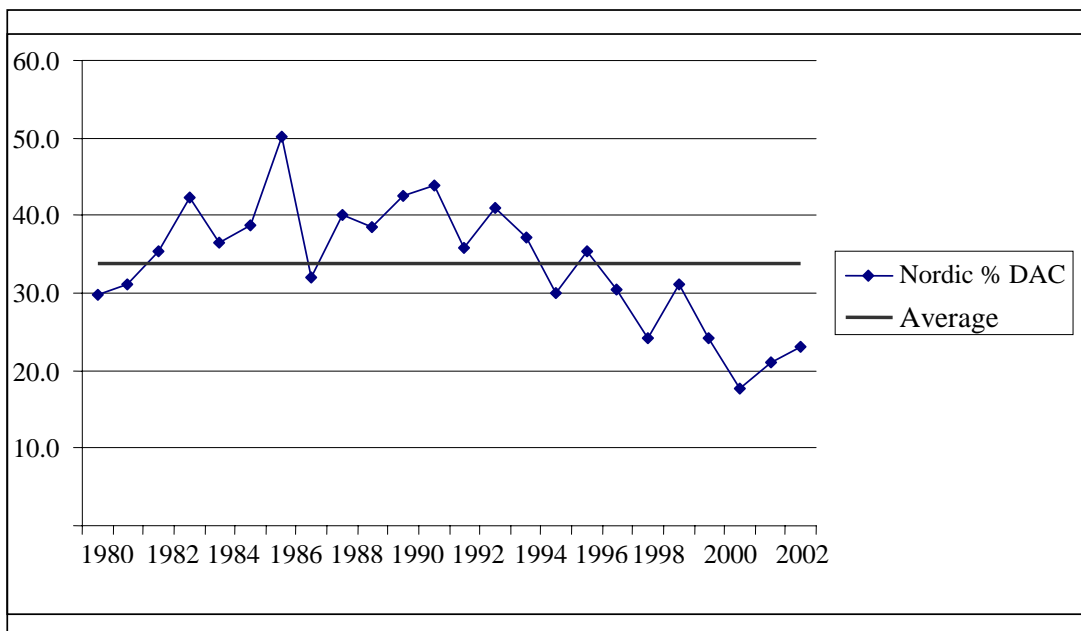
Table 1 also gives the ratio of the Nordic countries' disbursements to the DAC total. This indicator of the relative significance of the Nordic donors in Tanzania is also depicted in figure 4. Over the period 1980 to 2003, the combined annual Nordic disbursement corresponded to 34% of the DAC total to Tanzania, on average. Figure 4 shows that the Nordic contribution was largely above this average until 1996, and below it thereafter. In 1986, the Nordic countries contributed 50% of the DAC total ODA disbursements to Tanzania. The Nordic share was down to 18% by 2001, but increased to 23% in 2003. The table above shows that in term of financial muscles the Nordics are 'loosing' their relatively dominant position in Tanzania.

Informants at all the Nordic embassies report of having especially cordial and trusting relations with the Tanzanian authorities. One reason for the good relationship between Tanzania and the Nordic countries is that they were among the first donors in Tanzania, and also that they have been there throughout. As some donors pulled out during the crisis of the mid-1980s, the Nordic countries continued their ODA disbursements (Selbervik 1999:35-36). In fact, and as is evident from table 1, all the Nordic countries increased their level of ODA from 1985 to 1986.

Another explanation for these good relations is related to a perception of the Nordics as not having any hidden agendas. In addition, the Nordics have no colonial past in Tanzania. The Nordic countries do not have any strategic interests in Tanzania, and their aid activities are clearly perceived as being driven mainly by humanitarian motives. This special trust relationship makes the Nordic countries an effective channel for sensitive issues, the Nordic informants claim. Some informants hold, therefore, that it is easier for the Nordics to raise human rights issues as part of the

aid dialogue than it is for many other donors.<sup>55</sup> The Nordic countries are the main contributors to human rights organisations in Tanzania.

**Figure 4:**  
**Nordic countries bilateral ODA (net disbursements, million USD, 2002 constant prices) to Tanzania 1980-2003, as percentage of the DAC total**



Source: DAC IDS database

A final explanation highlighted by the Nordic informants is that the Nordic countries have been supporting higher education, especially scholarships, for Tanzanians at Nordic universities. Many Tanzanians educated in a Nordic country are presently in high-level positions within the Tanzanian government and feel some kind of companionship with Nordic aid bureaucrats.

### Aid organisation and management

As an integrated and important part of establishing the new ‘aid architecture’, the Nordic countries are in the process of decentralising authority to their embassies. Informants at the Nordic embassies in Tanzania clearly saw this process as a means of increasing ownership, strengthening donor harmonisation, and making a more efficient use of resources. In Tanzania, the Nordic countries are at different stages in the decentralisation process, too, and have had different experiences with the process so far.

Sweden is the largest of the four Nordic embassies in Tanzania, with 34 staff. The Danish embassy has 31 staff, followed by Norway at 28, and Finland at 16. Table 2 gives details of the respective embassies’ staff composition.

<sup>55</sup> However, as pointed out by a Swedish informant, when it comes to discussing economic sanctions, the EU and the USA will have more of an impact.

**Table 2: Staff composition at the Nordic embassies in Tanzania**

Country	Professional staff <sup>56</sup>	Administrative staff	Total staff
Denmark	<b>15 staff:</b> 1 Ambassador 1 Minister Counsellor 5 Counsellors 1 First secretary (macro-economy) 1 Programme co-ordinator 5 Programme Officers 1 Danish trainee	<b>16 staff:</b> 1 Administrative officer 2 Attachés 3 Administration 3 Secretary/receptionist 7 Drivers/gardener/security	31
Finland	<b>7 staff:</b> 1 Ambassador 1 Counsellor/Deputy head of mission 2 Counsellors 1 Second secretary (politics & dev.) 1 Poverty reduction advisor 1 Programme Officer	<b>9 staff:</b> 1 Administrative officer 2 Attachés 2 Secretaries 4 Receptionist/drivers	16
Norway	<b>12 staff:</b> 1 Ambassador 1 Minister Counsellor 5 First/Second secretaries 1 Financial management expert 3 Advisors 1 Norwegian trainee	<b>16 staff:</b> 1 Administrative officer 9 Administration/consular affairs 6 Receptionist/drivers/gardeners	28
Sweden	<b>15 staff:</b> 1 Ambassador 1 Counsellor/Deputy head of mission 1 First secretary (politics & trade) 1 Economist 5 (Senior) programme officers 2 Programme assistant officers 4 Senior advisors/Focal point	<b>19 staff:</b> 1 Head of administration 1 Information officer 1 Assistant to counsellor 1 ICT Project manager 7 Administrative/consular affairs 8 Receptionists/drivers/messenger	34

Source: Interviews at the Nordic embassies June 2005; Nordic embassies' web-sites.

Since 2003, Danida has undergone major decentralisation reform. Previously, contact with the home office was mainly on aid issues, but is now primarily on political matters. Nevertheless, the Danish country strategy is still formally produced in Copenhagen, though the embassy is asked for input. Every second year, Denmark has high level consultations with Tanzania,<sup>57</sup> which in practice functions as a replacement for the previous annual consultations. Denmark has more or less completed its decentralisation process. One common problem that is mentioned by aid bureaucrats in all the Nordic countries is linked to the recruitment of personnel to the field missions. It is claimed that they are not equipped with enough experienced and qualified staff. Informants state that a number of case officers were inexperienced and the number of very junior staff running large sector programmes or are involved in policy dialogue at a high level is considerable. However, this is an issue that is being looked into by all the Nordic countries.<sup>58</sup> According to a recent Danish evaluation of the decentralisation process, the conclusion is that the benefits of the process by far

<sup>56</sup> Professional staff does not distinguish between diplomatic staff and local employees.

<sup>57</sup> In the intervening years, the embassy informed headquarters on recent events via video conferences.

<sup>58</sup> Interviews with Nordic aid officials at the headquarters.

outweigh the disadvantages. Nonetheless, given that the Nordic staff is inexperienced and replaced every 2-3 years, in reality they have only one option, namely to be following the lead of the World Bank. Decentralisation may thus lead to a less distinct Nordic profile, for better or worse.

As seen from tables 1 and 2 above, Finland is both the smallest aid contributor and has the lowest number of embassy staff among the Nordic countries. While the other Nordic countries have to a large extent decentralised authority to their embassies in Tanzania, Finland has only started to effect its decentralisation process, as from September 2005. It will be implemented in two stages and in the first round the embassy will have far less authority than those of the other Nordic countries. The many reasons why Finland has lagged behind the other Nordics include bureaucratic traditions and legal obstacles that had to be removed.<sup>59</sup> Up till now, the Finnish embassy did not have the mandate to authorise the spending of any amount; everything had to be approved by the home office in Helsinki. Details of how the new organisation will operate (for instance staffing issues) are not clear. However, informants at the embassy have received signals from Helsinki that they will move to outcome-based management. In this set-up, each embassy will sign an annual agreement with the home office, listing the results they are to achieve. It is foreseen that the indicators included in these agreements will concern the aggregate level, i.e. measuring the general trend in the partner country's development. The small number of staff is largely seen as a constraint on their local operations. At the same time it is also viewed as an advantage. Finnish informants indicate that their limited capacity helps them to focus on the important issues and facilitates internal co-ordination.

Like Denmark, Finland no longer has annual bilateral aid consultations with the Tanzanian authorities. Such consultations put great burdens on the Tanzanian partner. In 2001, Finland and Tanzania agreed that annual consultations were no longer needed. Leading up to the annual consultations, the Tanzania desk at the home office used to prepare the "Background Memorandum". This memorandum was discussed and finally approved by the Finnish Development Policy Committee, a semi-parliamentarian committee. The Background Memorandum is a very comprehensive document, covering all aspects of Finnish relations with Tanzania. Finnish development co-operation is still guided by this memorandum, and Finland does not produce separate country strategies. The idea is to make use of Tanzanian strategies and policy documents.

As part of the re-organisation of the Norwegian Ministry of Foreign Affairs and NORAD in 2004, further decentralisation of authority to the embassies was effected. For instance, the embassies are now fully responsible for the implementation of development programmes, and have a central role in improving the co-ordination of bilateral and multilateral efforts (OECD 2005:53). In Tanzania, this decentralisation initiative has coincided with greater political engagement in development co-operation from the Tanzanian authorities. Informants at the Norwegian embassy report that, as a result of these two changes, the embassy has clearly become the more political and strategic actor in the country envisaged in White Paper no 35 (Government of Norway 2003)

The reorganisation and decentralisation of authority requires other and more specialised competencies at the embassy than the more general administrative project management skills that were needed before. Two new postings have been assigned to the embassy: one financial management expert and one political reporting position. However, embassy staff feels that there have, so far, been too few personnel changes in response to the new challenges. The embassy therefore currently relies on the resource base at the home office.

Nonetheless, the decentralisation process has clearly empowered the ambassador. From 1 April 2004 he is assigned the authority to approve all projects as long as they are within the allocated budget and annual activity plan (OECD 2005:72). Norway no longer undertakes annual bilateral negotiations, and will no longer develop country strategies, but instead will rely on and align with Tanzanian policies. However, Norwegian development co-operation is still embedded in a so-called Memorandum of Understanding (MoU) which draws up the main priorities and goals of the co-operation between the partners. The MoU is signed by both parties. The current MoU covers

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<sup>59</sup> Interviews with aid bureaucrats at the Ministry of Foreign Affairs in Helsinki.



five years and expires 31 December 2005. One informant at the embassy saw it as problematic that the move away from annual bilateral negotiations renders it difficult for people below the top management at the embassy to track changes in priorities.

Swedish development co-operation is still guided by country strategies, and according to informants at the headquarters in Sweden, there is currently no plan to drop them.<sup>60</sup> The embassy became delegated in 2000. The whole country allocation through Sida is delegated to the Swedish embassy. Up to 2004 budget support was excluded, but budget support is now included in the country allocation. However, the embassies' financial authority is still limited to 50 million SEK. For support above 50 million SEK the embassy has to get acceptance from the 'project committee' at the Sida headquarter. The project committee consists of representatives from various departments. Its main task is to ensure that projects/programmes are consistent with the development objectives. As in the case of Norway, Sweden does no longer require regular annual bilateral negotiations.

Sweden has come far in its delegation process and has several delegated missions in Africa. Tanzania is one of them, but because Sida and the SMFA are not integrated, they report to both. Informants at the embassy indicated that the reporting of diplomatic staff and Sida staff differs somewhat. Sida staff in Stockholm claim that this leads to duplication of work, unclear signals, and unnecessary bureaucracy.<sup>61</sup>

## Priority areas and country ownership

Through the Rome and Paris declarations, the donors have made a commitment to make aid delivery more effective. One way of doing that is to concentrate their efforts in fewer sectors and to align their efforts with the priorities set out by the partner country. Since mid 2004, the Tanzanian government has led the process of a Tanzanian Joint Assistance Strategy (JAS), which grew out of the work on the Tanzania Assistance Strategy (TAS) initiated in 2002. The JAS aims to "...specify all modalities and arrangements of development support to Tanzania and replace individual country assistance strategies" (Government of Tanzania 2005:1). The Tanzanian authorities have now presented a preliminary JAS, where they suggest the areas in which the donors should be involved. On the issue of ownership and alignment, the test will be whether the donors take their own commitments seriously and obediently align with priorities spelled out by the government. Nonetheless, the interviews for this study were conducted prior to the start of the negotiation process, and the results are not clear yet. The following discussion is based on the donors' sector priorities prior to the conclusion of the JAS process.

Denmark's priority sectors in Tanzania are currently health, agriculture, roads and industry/private sector. In addition, Denmark manages a relatively large and traditional project portfolio. The stated goal for Danish development co-operation is to reduce the number of priority sectors to between three and five and also to move away from project aid. However, in the case of Tanzania, most of the current projects will not be finalised until 2009/2010. This significantly reduces the embassy's immediate ability to fulfil these intentions.

Informants at the embassy assume that a transition from projects to sector aid and budget support will take place, at least in the main partner countries.<sup>62</sup> However, as we saw in the previous chapter, aid bureaucrats at headquarters in Copenhagen held that any increase in the use of, for example, budget aid is highly difficult in the present political situation. Even though the stated goal is to move away from traditional projects and align initiatives with partner country priorities, a recent initiative from the home office ran contrary to this policy. Copenhagen suddenly requested the embassy to start a refugee project in Tanzania. Political representatives at the embassy had to explain to the home office that they would first like to consult Tanzanian authorities as to whether

<sup>60</sup> The present country strategy for Tanzania covers the period 1 January 2001 to 31 December 2005

<sup>61</sup> Interviews with Sida staff in Stockholm.

<sup>62</sup> This section is based on interviews with embassy staff and Danida staff in Copenhagen.

they would be interested in such an initiative. It turned out that Tanzania was very happy about this initiative, as they felt that the international community had not done enough to help shoulder the burden of refugees from the neighbouring conflict areas. However, it is a traditional project in which the embassy funds the local operations of a UN agency in four specific regions. In addition, it is not consistent with the new way of thinking and illustrates the fact that, even if many aid bureaucrats work hard to implement the 'new way' approach, fresh political directives can in practice wipe out previous policies.

Norwegian development co-operation in Tanzania now focuses on three sectors: education, good governance, and natural resource management. These priorities are aligned with the Tanzanian PRS. The choice of these three sectors was heavily guided by the home office: a result of historical links; Norwegian interests; and comparative advantage compared to other donors. Formally, sector involvement is decided by the Norwegian parliament and may in practice hamper the commitment to align with the priorities set by the recipient government. However, the embassy is consulted on sector focus and makes recommendations to the home office. For instance, representatives at the Norwegian embassy claim that Norway's prioritisation of education is sensible, as other sectors are already overcrowded by other donors with a comparative advantage relative to Norway. Norway is planning to follow up a Tanzanian demand for investment in rural roads, as Norway has long been involved in this sector.

Sweden currently has 14 sectors in its portfolio, according to DAC's sector classifications. There is a demand from the home office to reduce their involvement to only three or four sectors. It is assumed that such a focusing of effort will increase Swedish influence in the chosen areas. The sector choices will be guided by the political agenda in Sweden and a comparison with other donors operating in Tanzania, informants at the Swedish embassy claim. They assert that as long as Tanzanian authorities are not specific about their preferences for Swedish involvement, "...there is not much else to go by". Sweden would like to continue contributing to sectors where they have a value added involvement, for instance through technical and sector-specific expertise. There will also be some natural attrition through the completion of projects. Sweden is the largest of the Nordic embassies, and in moving from 14 to four sectors, staff cuts cannot be excluded. The focusing of effort has been very much debated internally at the embassy, and there has been a gradual acceptance of the transition. As was illustrated in the previous chapter, within Sida in Stockholm there is strong resistance to a change in focus, or, phrased differently, there are strong lobbyists for various sectors that make the sector concentration particularly difficult.

Not all Swedish aid goes to the sectors prioritised in the PRS. Since the PRS is a government-led initiative and may not give priority to the same sectors as Sweden, we feel the need to complement the PRS with support to, for example, civil society and the private sector, a Sida representative at the embassy explains. This illustrates the dilemma that the donors face when they try to practice ownership and alignment in situations where the priorities of the recipient and the donors diverge.

Finnish development co-operation in Tanzania focuses on education, forestry, decentralisation, and good governance. Informants at the embassy state that Finland's choice of sectors is largely determined by historic specialisation and driven by Finnish policy.

All the Nordic donors support the JAS initiative.<sup>63</sup> The current individual country strategies of Denmark and Sweden expire at the end of 2005. As mentioned above, Norway and Finland do not have country strategies. Awaiting the final JAS document, the donors have halted work on new strategies. Denmark, Norway and Finland are less impatient than Sweden. Sweden is anxious to have either the final JAS or a new individual country strategy in place before the end of 2005. Even if Finland does not have a specific country strategy, it has the background memorandum which forms the basis of its aid involvement. Finnish staff concedes that Finland is not able to “stray far from [the background memorandum]”. It is therefore not entirely clear how Finland will align with the JAS in practice.

Danish aid comes to Tanzania in four main segments: (i) the main country fund; (ii) environment; (iii) refugees; (iv) private sector programme. The last three are ear-marked for these sectors. If, for instance, the JAS document specifies that Danish engagement is no longer wanted in the areas of environment, refugees or the private sector, these funds will have to go to another country. Informants at the embassy also emphasised that they must see a link between competence, involvement, and finance in their development co-operation.

Finland is very open to the JAS initiative, especially the focus on a division of labour between donors. Informants at the embassy are looking for a more efficient code of conduct, which specifies what is expected of the donors.

The Norwegian embassy is very positive towards the increased influence and assertiveness that the Tanzanian government is aiming for through the JAS. However, the ambassador envisages that if Tanzania, through the JAS, demands that Norway engages in other sectors than those in which they currently operate, “...that would be an interesting discussion”. Norway would then like to hear the arguments for a change in the current setting, and the embassy would also argue that there is an added value to their presence in the sectors they have been involved in so far. However, the home office is informed and prepared for the fact that there may be changes in development co-operation with Tanzania as a result of the JAS.

The Swedish embassy has very high expectations of the JAS. Informants at the embassy see the JAS as constituting a business plan, and the alignment of Swedish priorities with those of the Tanzanian authorities should be through consultation. However, Sida representatives report that it would be “...interesting to see what would happen if Sweden was no longer welcome in the energy sector”.

## Aid modalities

Aid makes up approximately 45% of the Tanzanian budget. The Tanzanian government has stated that general budget support is the preferred aid modality. How have the Nordic donors responded to this request?

According to embassy staff, 18% of Danish aid to Tanzania is allocated as GBS, despite general scepticism towards this aid modality at the political level in Denmark. However, Denmark differs from the other Nordics on the pace at which they wish to increase the share of aid allocated as GBS, the embassy staff maintain. This is partly related to the scepticism mentioned above, and

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<sup>63</sup> However, according to informants at the Nordic embassies and the local UNDP office, there is only a small group driving this process for increased ownership on the Tanzanian side. This group includes a few high ranking officials at the Ministry of Finance, some commissioners, and local academics. These operate and argue for taking leadership in an environment where civil servants are not encouraged to take the initiative. There are several reasons why there is only a small group on the Tanzanian side pushing for more budget support and ownership. Donor informants highlighted in particular the fact that in a shift from basket and sector funding to budget support the Tanzanian line ministries would have to compete with each other and with the MoF for funds, instead of receiving support directly from donors. Furthermore, expressing preferences over each donor’s sector involvements is a sensitive issue that could run the risk of driving some donors away.

partly related to a reported push by strong interest groups operating in Copenhagen that are lobbying for their priority areas.<sup>64</sup> Given Denmark's positive experience with SWAPs and the expertise they have built around this aid modality, they find it difficult to move to other modalities, the embassy staff report. The rationale they give for not moving faster in the direction of budget support diverges somewhat from the interviews conducted with staff at headquarters. The staff in Copenhagen gives more weight to political scepticism, embassy to their positive experiences with SWAPs.

Currently, Finland allocates 10-15% of its bilateral aid to Tanzania as GBS; 25% through sector initiatives and the rest as projects.<sup>65</sup> It is moving relatively slowly towards the new modalities. However, there is a joint vision between the embassy and the home office that a gradual move towards budget support will take place. This shift is partly motivated by the view that project-based involvement undermines the democratic institutions of the partner country, and that sector wide initiatives are in essence large projects. Moreover, as the smallest of the Nordic embassies, Finland feels the strain of being involved in projects, sector initiatives, and GBS. The transition to more GBS will be gradual, for instance through projects coming to their natural completion. With the move towards more GBS, the Finnish embassy recognises that finance does *not* have to follow sector involvements.

Currently, Norwegian aid to Tanzania is approximately one third to each of the categories: projects, sector support, and general budget support.<sup>66</sup> According to an informant at the Norwegian embassy, aid allocated as general budget support alone represents 14% of the same budget. All decisions on the modalities for Norwegian aid to Tanzania are taken in dialogue with the home office. They are moving away from projects, and no new projects will be initiated. There is also a shared vision with the home office to reduce sector involvement and increase budget support. How this will be done in practice and the time frame is not clear at the moment. In Tanzania, Norway is making a faster transition to GBS than the other Nordic donors. Norway believes that budget support is the natural next step from sector support.

Swedish aid to Tanzania is currently split in half between project and programme aid. GBS makes up 20% of total Swedish bilateral aid to Tanzania.<sup>67</sup> Embassy staff holds that the SWAPs were revolutionary when they were introduced. However, through these sector initiatives, the partner line ministries spent a lot of resources applying for funds from donors and reporting on the spending of these funds, duplicating the work of the Ministry of Finance. GBS is therefore the natural next step, and Sweden, along with Norway and the UK, are adopting these aid modalities faster than the other donors in Tanzania. Informants at the Swedish embassy also claim that the move towards GBS can also be seen as a natural response to increases in aid volumes without corresponding increases in funds for the administration of these new funds.

With the transition from project to programme aid, embassy staff has experienced a marked increase in dialogue and co-ordination with other donors. However, one representative at the embassy argued that increased donor co-ordination has been at the expense of contact with the "grass roots". It is feared that an important dimension in development co-operation between donor and partner is lost. Though the home office encourages the embassy staff to go on field trips, there is no reciprocal increase in the embassy's travel budget. The embassy therefore gets some updates from strategic partnerships with local NGOs, and arranges field trips with other donors to reduce costs.

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<sup>64</sup> Interviews at the embassy in Dar es Salaam and at the Ministry of Foreign Affairs in Copenhagen.

<sup>65</sup> These figures are solely based on interviews with embassy staff.

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<sup>67</sup> Figures are based on interviews with embassy staff.

## Policy Coherence

This section will briefly discuss how the Nordic embassies are dealing with the issue of coherence. The Danish embassy puts great emphasis on linking trade and development issues. For instance, the embassy has helped initiate a post-graduate course in trade policy at the University of Dar es Salaam, and finances Tanzanian secondments to the WTO in Geneva. The embassy has not experienced an increased interest in reporting back to home office on the performance of multilateral organisations at country level. Informants at the embassy also question the real impact of such reporting.

The work leading up to each “Background Memorandum”, the guiding document for Finnish development co-operation in each partner country, is highly conducive to policy coherence. The memorandum covers all aspects of bilateral relations between Finland and Tanzania. There is also increased awareness of the need to co-ordinate Finland’s multilateral and bilateral aid activities.

Following the re-organisation of the Norwegian aid administration, the Norwegian embassy has experienced a marked increase in demand for information on how multilateral organisations work in Tanzania. This is reported to the home office and used in the steering committee meetings of these organisations. The embassy has received very positive feedback on these reports. It is claimed that this information gives Norwegian representatives increased influence in multilateral organisations. Since 90% of the work at the Norwegian embassy is related to development, embassy staff feels that the issue of coherence is of less relevance.

All in all, the issue of coherence appears rather abstract to both personnel in the field or aid bureaucrats that are involved in country operations at the headquarters. In practice, it is still an issue that only concerns them to a limited extent.

## Donor led co-ordination and harmonisation

Until recently, donor co-ordination in Tanzania was done through informal meetings in the local DAC group, which included both bilateral and multilateral donors. In response to the Rome declaration (2003) and efforts on the Tanzanian side at increasing ownership, the donors agreed to formalise their own co-ordination effort through the Development Partners Group (DPG), which replaced the local DAC group (see DPG 2003). DPG has two facilitators. The UNDP resident representative is a permanent co-facilitator; the second rotates the other DPG members. Informants at the Nordic embassies view DPG as a very useful forum for discussion and donor co-ordination.

The UNDP has an important role in ensuring that DPG members align with the JAS initiative, and informants at the local UNDP office emphasise the importance of JAS continuing to be a Tanzanian led process. It could prove counter-productive to pressure Tanzania into rushing the process simply because the bilateral donors have their individual time schedules, for when a country strategy needs to be in place, for instance. Moreover, there are a lot of expectations concerning the JAS. In fact, UNDP informants concede that it remains to be seen whether the JAS will be comprehensive enough to replace individual country strategies, as the perceived requirements from donors may be too high. What the UNDP hopes to see is a JAS that is clear on aid modalities and that specifies under what conditions projects are still to be considered as aligned with national processes. It should also include a new perspective on the tying of aid, especially stating the desire for the pooling of technical assistance. As mentioned above, the JAS states that the Tanzanian government will specify each donor’s sector involvement. However, to all donor informants, including the UNDP, it seems more likely that the DPG divides sector involvement among donors through some form of objective comparison of comparative advantages.

## The Nordic four: A radical force, still?

The Nordic countries have been among strong advocates for partnership thinking and donor harmonisation in Tanzania. Several events have been important, starting with the Nordic-Tanzanian high level meeting and the Helleiner initiative of 1994. All four Nordic countries welcome the more recent developments on the Tanzanian side, where the government has officially declared willingness to take more leadership over the development process. According to informants at the UNDP local office, Norway and Sweden, together with the UK and the UNDP, are the most pronounced supporters of the JAS initiative. Denmark and Finland play more marginal roles in this process, which seems partly related to policy and partly related to personalities in the field offices. In addition, for Finland a lack of capacity in the field office is also important.

Previously, particularly in the 1970s and 1980s, there was a strong degree of co-ordination and a special feeling of companionship among Nordic aid officials and agencies in Tanzania. Frequent staff meetings were held. The Nordic countries no longer function as a useful sub-group, nor are the Nordics regarded as a clique by the rest of the donor community in Tanzania. None of the informants at the Nordic embassies sees the need for a special Nordic grouping or co-ordination within, for example, the DPG. The creation of such a sub-group, moreover, would not be in line with the new aid thinking. As a result of donor harmonisation, it is now more useful to work in broader groupings. Bilateral donor co-operation is now less based on cultural ties between the donor countries, and more a result of pragmatic co-ordination of, for instance, a sector basket fund. This is reflected by the fact that Norway and Sweden often feel closer to the UK and the Netherlands, as these countries are implementing policies that are more similar to those of Norway and Sweden than to those of Denmark and Finland. Norway and Sweden in particular feel that Denmark's approach differs in fundamental ways from theirs. Nonetheless, despite the fact that donor sub-grouping may not be in line with the new way of thinking, the so-called Nordic Plus group, as has been mentioned previously, is in many areas a radical and pushy force on aid issues more generally and does also have close co-operation in Tanzania.

As we have seen in this chapter, though the Nordic countries are often referred to as part of the group of like-minded donors, there are also differences among them in their aid activities. Most significantly, Denmark is more focused on being able to link technical sector involvement and finance than the other Nordic donors. They are also less in favour of silent partnerships, and feel that Norway and Sweden are moving too fast on GBS. In contrast, Norway and Sweden are very closely aligned on harmonisation and modalities, and co-operate extensively with the sharing of roles and silent partnerships for increased efficiency. As Finland has not yet decentralised authority to its embassy in Tanzania, they are slower to move on new initiatives than are the other Nordics.

## Chapter 6: Is Nordic exceptionalism under stress?

The Nordic countries are exceptional actors in aid. They do differ from that of most other donors. They often both say and do “the right things”. The MDGs constitute the point of departure of their aid policies. At the policy level they are embracing coherence, harmonisation, and the new aid modalities. In addition, they channel most of their aid to the poorest countries and have a preference for Africa. Generally they have few strings attached to their assistance and give strong support to multilateral organisations. Earlier this year, for example, Denmark was praised for its aid programmes by the CGD and ranked as the best donor in the world. The other Nordics were not that far behind. Nonetheless, a closer look at their practices reveals discrepancies between policy and practice.

Although the Nordic donors are exceptional compared to most other donors, they are probably less exceptional today than previously. An extended group of so-called like-minded donors are adopting more or less the same policies as them. On some issues other donors such as the UK and the Netherlands are far more progressive than the Nordics. One example is the British and the Dutch radical stance on general budget support. In addition, the donor community at large is characterised by a growing consensus.

However, despite the many similarities among the Nordic countries and the emerging international consensus, differences do certainly exist among the four. Broadly speaking one can divide them into two groups; Norway and Sweden on the one hand and Finland and Denmark on the other. The aid policies of Norway and Sweden are so similar that it is difficult to trace the few differences that actually exist. Generally, in a comparative perspective their aid interventions seem to be slightly more steered by altruistic motivations than what is the case for Finland and Denmark. Traditionally commercial interests have played a relatively larger role in the latter two. Nonetheless, on the issue of aid tying for instance, Denmark’s approach has changed completely in the course of the last two years. The Danish government has committed itself to fully untying Danish aid. In Finland as well there has been movement on this subject. Over the last ten years the share of tied Finnish aid has been dramatically reduced.

Another area where there are distinct differences between Norway and Sweden on the one hand and Finland and Denmark on the other is the share of aid that is channelled to and through NGOs. Norway and Sweden rely much more on this channel than the other two. However, it should be noted that Denmark and Finland are also distributing a much large share of their aid via NGOs than the DAC average.

Even if there are many similarities between Finnish and Danish aid, in terms of aid volume Finland is certainly the “odd man out” among the four. As is illustrated by the quote in the introductory chapter, it has been important to Finland to try to keep up with the other Nordics in this regard. Some of the Finnish informants claim that this is still the case to some extent. However, most of the informants hold that Finland view the whole idea of Nordic co-operation - not only in the area of aid, but also more generally - as old-fashioned. Finnish aid bureaucrats assert that Finland is currently more oriented towards Europe than Scandinavia. This view is also supported by the literature.

It is therefore tempting to ask whether the edifice of Nordic-cooperation is crumbling. Based on the findings of this study it is hard to tell. However, it seems justified to argue that the traditional Nordic aid co-operation has faltered somewhat over the last years. That Denmark chose to withdraw from the Nordic Development Fund earlier this year might be a sign of this. Informants in all the Nordic countries claim that they often feel a closer companionship with other donors such as the Netherlands, the UK or the EC than the other Nordic countries. The Nordic Plus group appear as a more important point of reference than the Nordic countries per se. Nonetheless, on several aid issues the Nordic countries are still working closely. The aid evaluation units of the Nordic

countries are having regular meetings and on World Bank issues the Nordic countries are tightly co-ordinating their stance on the board.

On the launching of the new aid architecture and the new aid modalities the Nordic countries have shown vigour and have been active forces in order to move the Paris agenda forward, for example. Here too it seems as if Norway and Sweden have been the most active and pushy countries among the Nordics.

In Tanzania the Nordic countries are also among the most radical donors in terms of adjusting their policies to the new aid regime. They are all disbursing a high share of their aid as budget support and are to a large extent trying to align with the priorities of the Tanzanian government. Except for Finland the Nordics have largely decentralised authority to the field. Norway and Sweden in particular are responding quickly and aptly trying to meet the challenges arising at any given time.

A key issue that some may find puzzling is the robustness of the size of Nordic aid budgets and the continued and strong public support of aid. This robustness appears to be a precondition for behaving in such a flexible and 'politically correct' manner as the Nordic governments do. How can these features be explained? They seem related to complex and deep historical causes. There has been and still is a strong moral imperative underpinning Nordic development aid. These countries have strong humanitarian traditions. Even though not all rich countries are contributing more than the UN aid target of 0.7% of GNI, economic wealth would appear to be a necessary condition for sustaining a high level of aid over time.

Self-interest was only of moderate importance when the Nordic countries first got involved in aid. Over the years experience taught them that high aid levels with few political or strategic strings attached earned them international reputation. It gradually dawned on the aid bureaucracies and the political leaderships that it was in their own self-interest to be World Champions in development assistance. Hence, the Scandinavians started to compete to be ranked at the top of the DAC list. Strong moral and humanitarian backing from the public coupled with a broad political consensus among the main political parties made high aid levels relatively robust to economic decline.

A growing NGO sector in the Nordic countries was in the course of the 1990s to an increasing extent relying on government funds. Over the years these NGOs grew similar to the aid bureaucracies and became dependent on public funds. The interests of the government and the NGO sector converged and the NGOs largely became agents of the status quo rather than alternatives or correctives to the governments' policies. Moreover, in spite of the fact that there have been fewer economic strings attached to Nordic aid compared to many other donor countries, the private sector has seldom seriously challenged Nordic aid policies.

Nonetheless, as we saw in the case of Denmark in 2001 the broad political consensus on development assistance might be challenged. There was no longer backing in parliament for increasing the aid budget and this happened even in times of economic stability and progress. In addition, there was remarkable little outcry among the public or in the media as a result of the dramatic aid cut that followed after the election in 2001. This came as a great surprise to Danida officials. The Danish aid cut was widely criticised internationally. In 2005 the rather 'aid unfriendly' and right wing Danish coalition government concluded that the move was tarnishing Denmark's international image and reputation. It decided that the aid budget should be "protected" and should not be under 0.8% of GNI. This may suggest that the intermezzo in reality produced few real and fundamental changes of Danish aid policy. However, the Danish case may be a reminder to the other Scandinavians that the broad political consensus and the strong public support for aid cannot be taken for granted.



## Interviewees

- Aakesson, Torvald, Ambassador, Swedish embassy, Dar es Salaam, 29/6-2005.
- Antila, Sinikka, Director, Unit for Development Policy and Planning, Department of Development Policy, Finnish Ministry of Foreign Affairs, Helsinki: 15/9-2005.
- Bjerner, Jan, Assistant Director General, Asia Department, Sida, Stockholm: 12/9-2005.
- Bleken, Sidsel, Norwegian Ministry of Foreign Affairs, Oslo: 17/8-2005.
- Dale, Svein Åge, Norwegian Ministry of Foreign Affairs, Oslo: 16/8-2005.
- Degnbol, Tove, Danish Ministry of Foreign Affairs, Copenhagen: 8/9-2005.
- Eidhammer, Asbjørn, Norwegian Ministry of Foreign Affairs, Oslo: 16/8-2005.
- Fladby, Berit, Norwegian Ministry of Foreign Affairs, Oslo: 16/8-2005.
- Flentø, Johnny, Head of Africa Department, Danish Ministry of Foreign Affairs. Copenhagen: 7/9-2005.
- Hansen, Holger Bernt, Chair of Danida's board, Danish Ministry of Foreign Affairs. Copenhagen: 7/9-2005.
- Haug, Tor, Second Secretary, (Economics), Norwegian Embassy, Dar es Salaam: 27/9-2005.
- Hedemark, Karina, Danish Ministry of Foreign Affairs, Copenhagen: 8/9-2005.
- Hendra, John, Resident representative and resident co-ordinator of the UN system, UNDP, Dar es Salaam: 1/7-2005.
- Holmgren, Torgny, Head Secretary, Expert Group on Development Issues, Swedish Ministry of Foreign Affairs, Stockholm: 13/9-2005.
- Homryd, Anna, Senior Economic Adviser, Department for Policy and Methodology, Sida, Stockholm: 12/9-2005.
- Honkanen, Selma, Counsellor, Regional Manager, Unit for Southern Africa, Finnish Ministry of Foreign Affairs, Helsinki: 15/9-2005.
- Jacoby, Ruth, Director General, Swedish Ministry of Foreign Affairs, Stockholm: 13/9-2005.
- Jormanainen, Sari, Poverty Reduction Advisor, Finnish Embassy, Dar es Salaam: 30/6-2005.
- Karlson, Lotta, Regional Manager, Department for Africa and the Middle East Unit for Eastern and Western Africa, Finnish Ministry of Foreign Affairs, Helsinki: 15/9-2005.
- Kjellberg, Lars, Danish Ministry of Foreign Affairs. Copenhagen: 8/9-2005.
- Kranko, Kari, Ambassador, African Crisis Management and Resolution, Finnish Ministry of Foreign Affairs, Helsinki: 15/9-2005.
- Kronlid, Karin, Desk Officer, Department for Global Development, Swedish Ministry for Foreign Affairs, Stockholm: 13/9-2005.
- Langoy, Anne Lise, Second Secretary, (Education), Norwegian Embassy, Dar es Salaam: 27/6-2005.
- Larsson, Karl-Anders, Senior Adviser, Department for Policy and Methodology, Sida, Stockholm: 13/9-2005.
- Maehlum, Jorunn, Ambassador, Norwegian Embassy, Dar es Salaam: 27/6-2005.
- Matafu, Jennifer Programme Officer, (Urban development and HIV/AIDS), Swedish embassy, Dar es Salaam: 29/6-2005.
- Mellbin, Franz-Michael, Danish Ministry of Foreign Affairs. Copenhagen: 8/9-2005.
- Mwalimu, Ummy, Programme Officer, (Governance and refugee host areas), Danish Embassy, Dar es Salaam: 30/6-2005.
- Ofstad, Ingrid, Norwegian Ministry of Foreign Affairs, Oslo: 17/8-2005.
- Olsen, Arne, Senior Adviser, Department for Quality Assurance, NORAD, Oslo: 17/8-2005.
- Persson, Hans, Senior Programme Officer (Education and social sector), Swedish embassy, Dar es Salaam: 29/6-2005.
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## Annotated statistical appendix of trends in Nordic aid allocations

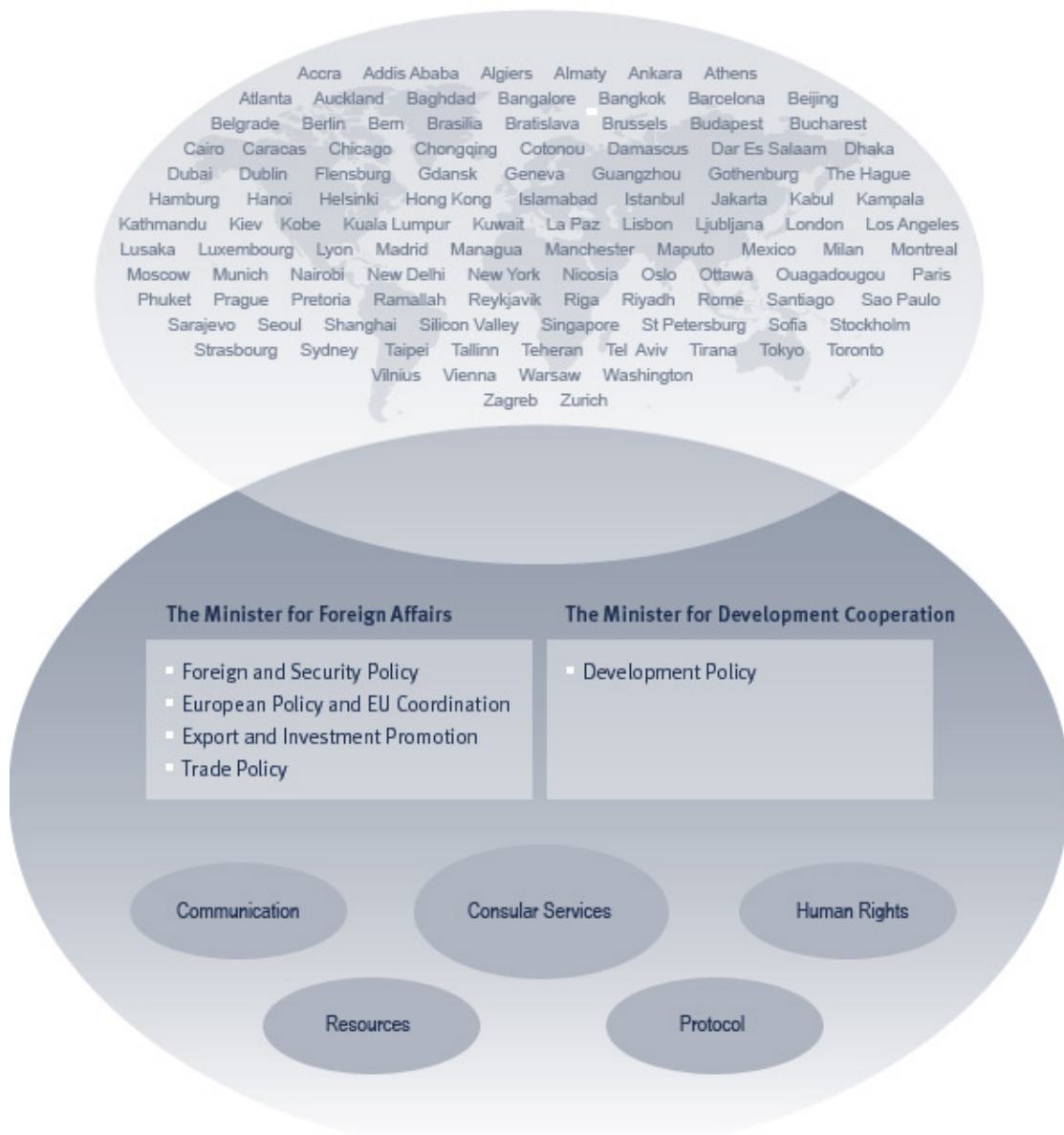
<b>ORGANISATION</b> .....	58
<i>Denmark</i> .....	58
<i>Finland</i> .....	59
<i>Norway</i> .....	59
<i>Sweden</i> .....	62
<b>DATA ON OFFICIAL DEVELOPMENT ASSISTANCE (ODA)</b> .....	64
<b>TOTAL ODA</b> .....	64
<i>Nordic share of DAC total ODA</i> .....	64
<i>Emergency and distress relief</i> .....	65
<i>ODA to and through NGOs</i> .....	66
<i>Bilateral and multilateral ODA</i> .....	66
<i>Multilateral recipients</i> .....	67
<b>BILATERAL ODA</b> .....	70
<i>Bilateral ODA allocated by geographical region</i> .....	70
<b>BILATERAL ODA TO LDCs</b> .....	73
<i>Non-grant component of bilateral ODA</i> .....	73
<i>Tying status of bilateral ODA</i> .....	74
<i>Bilateral ODA by sectors</i> .....	75
<i>Top twenty recipients of bilateral ODA</i> .....	79
<b>PUBLIC OPINION</b> .....	83
<i>Attitudes to development assistance</i> .....	83
<i>Attitudes to the level of development assistance</i> .....	83
<b>COMPARING GOVERNMENT EXPENDITURE ON DEFENCE, HEALTH, EDUCATION AND ODA</b> .....	86
<b>DEVELOPMENT FINANCE ORGANISATIONS</b> .....	88
<b>INTERNATIONAL TRADE AND INVESTMENT RELATIONS</b> .....	90
<i>Trade in goods by geographical region</i> .....	90
<i>Investment abroad by geographical region</i> .....	92

## Organisation

The organisational structures of the development institutions of the four Nordic countries are illustrated below.

### Denmark

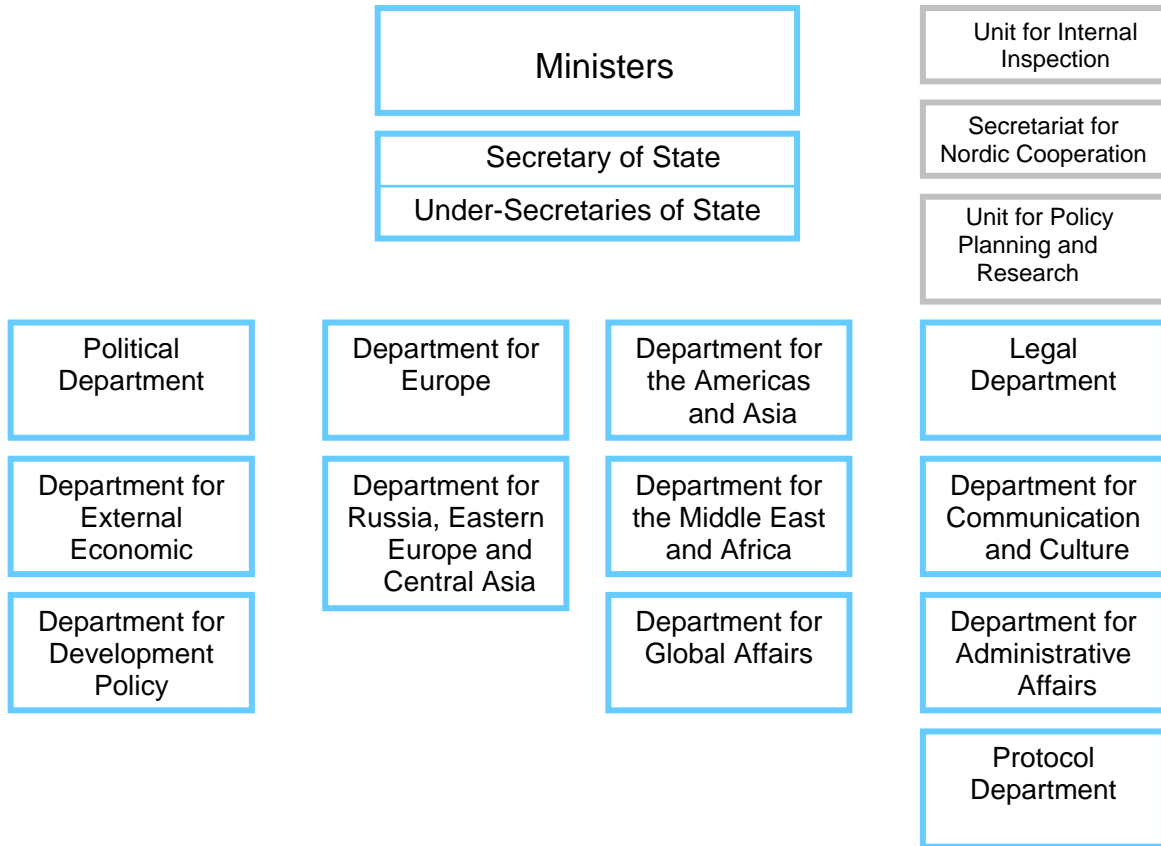
#### Organisation chart of the Danish Ministry of Foreign Affairs



Source: Denmark MFA home page (<http://www.um.dk/en>)

Finland

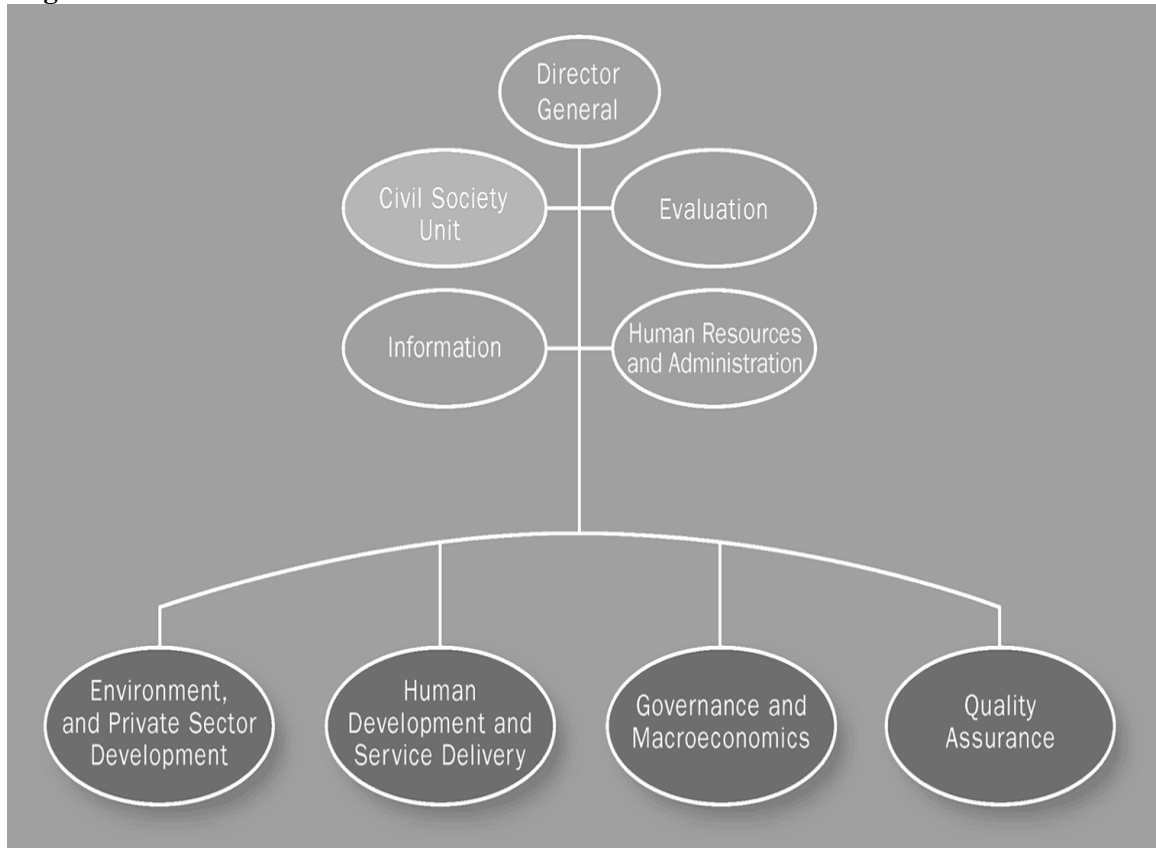
**Organisation chart of the Finnish Ministry of Foreign Affairs**



Source: Finland MFA homepage (<http://formin.finland.fi/english>)

Norway

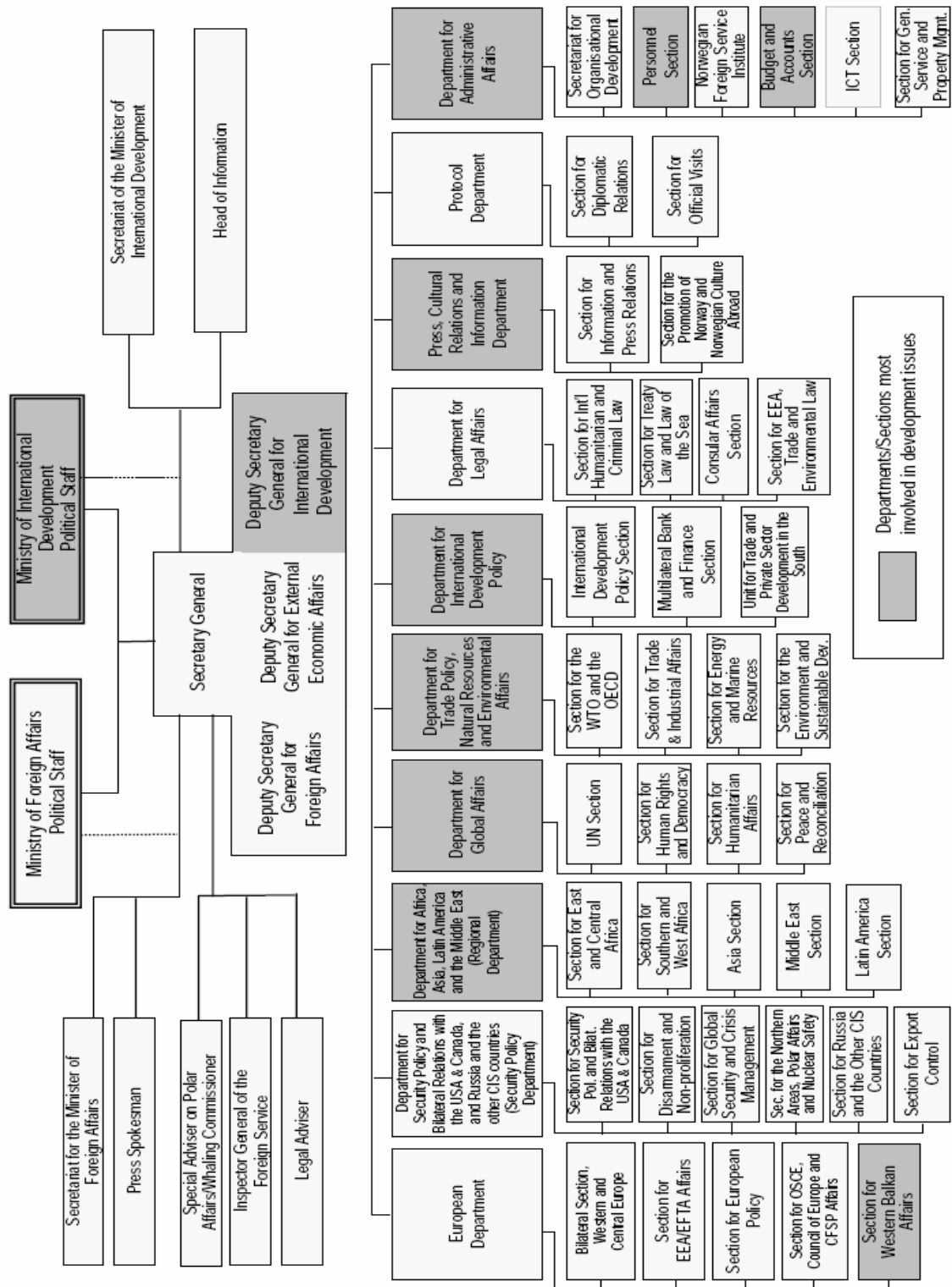
The Norwegian aid administration is divided between the Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (Norad). Norad is a directorate under the MFA.

**Organisation chart of Norad**

Source: Norad's homepage (<http://www.norad.no>)



Organisation chart of the Norwegian Ministry of Foreign Affairs

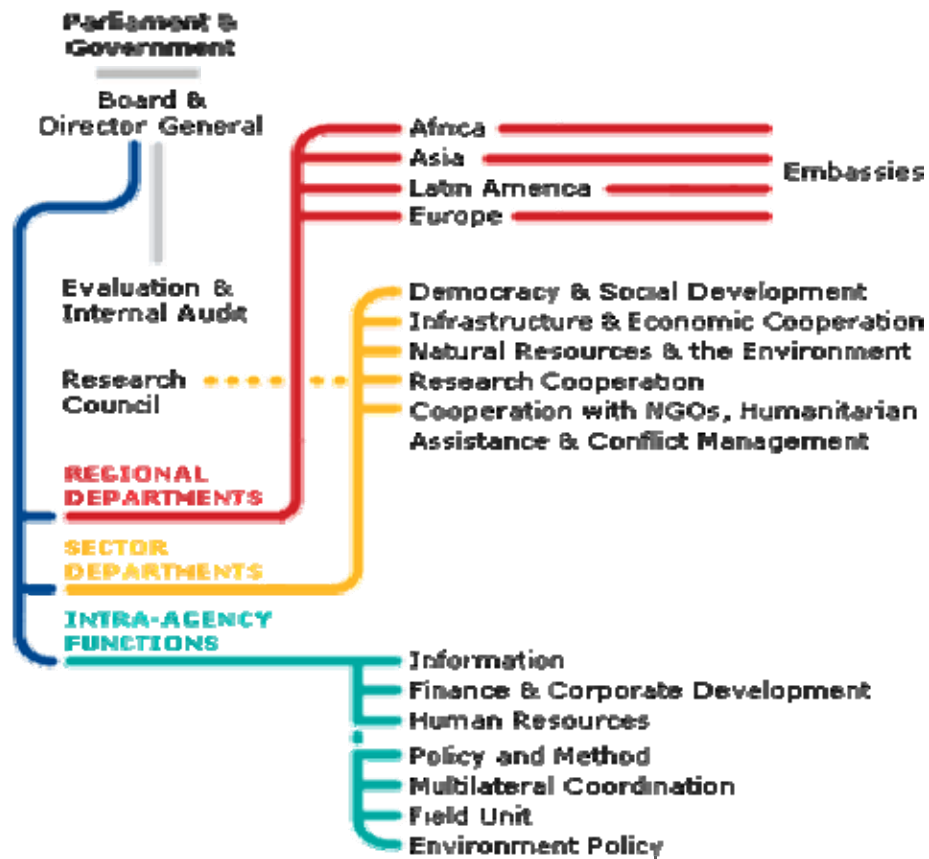


Source: DAC Peer Review - Norway (2005)

Sweden

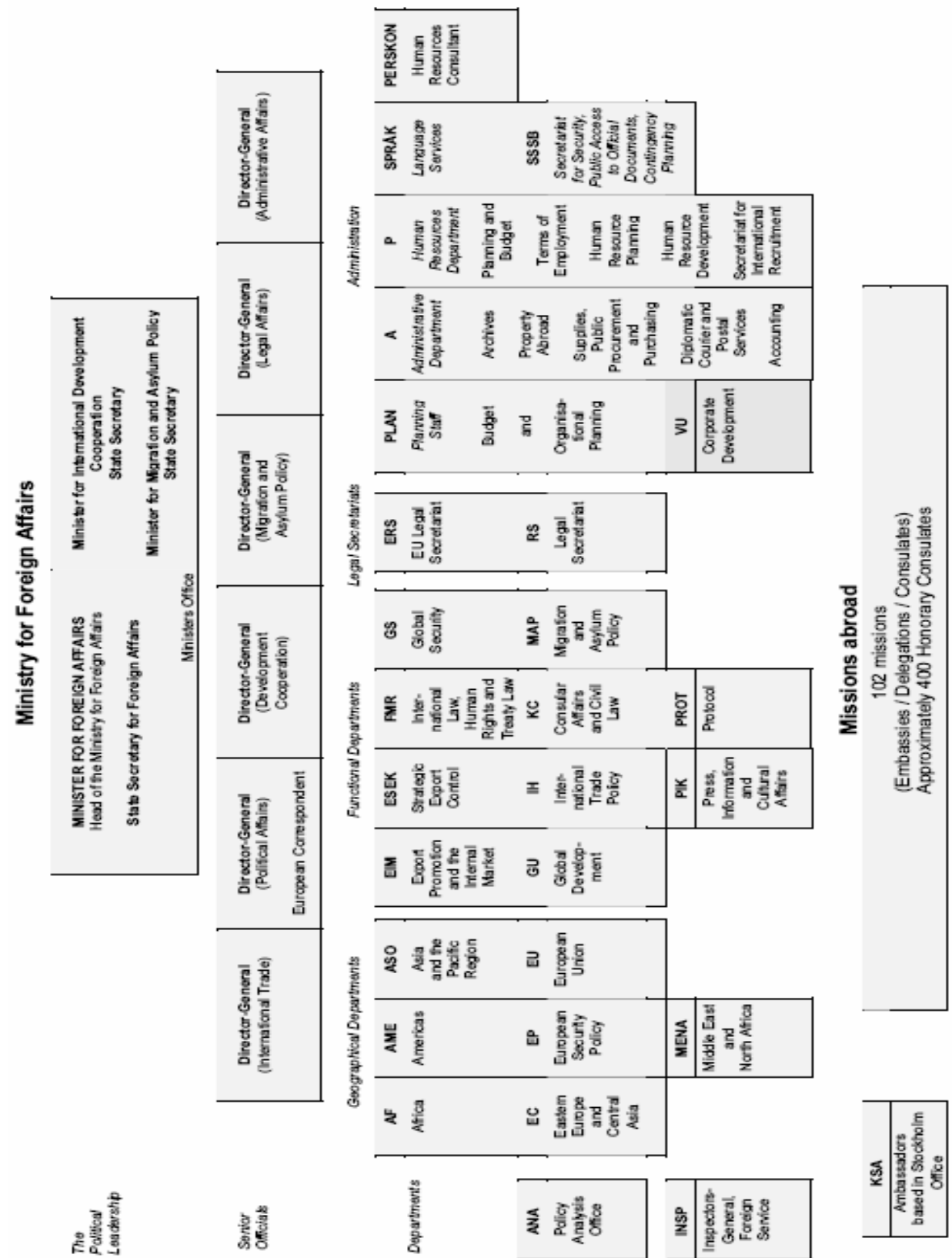
The Swedish donor organisation is divided between the Ministry of Foreign Affairs (MFA) and the Swedish International Development Cooperation Agency (Sida). SIDA is a government agency that reports to the Ministry for Foreign Affairs.

Figure: Organisation chart of SIDA



Source: SIDA homepage (<http://www.sida.se>)

Organisation chart of the Swedish Ministry of Foreign Affairs



Source: Sweden government homepage (<http://www.sweden.gov.se>)

## Data on official development assistance (ODA)

In the following section data on Official Development Assistance (ODA) from the four Nordic countries Denmark, Finland, Norway, and Sweden is presented. The main focus is on the period 1990-2003.

For comparison, the total of the Development Assistance Committee (DAC) members is also included. The DAC figures are calculated from the aggregate funds distributed by DAC countries. As such, this represents a weighted average of allocations made by DAC member countries.

ODA refers to aid allocated to OECD Part 1 recipients, developing countries. The presentation does not include official aid (OA), which is financial assistance to OECD Part 2 recipients, countries in transition.

ODA data are extracted from the OECD international development statistics (IDS) database. In the IDS database, ODA flows are reported as commitments, gross disbursements and net disbursements. In the following the focus is on net disbursements. Net disbursement is the sum of grants and loans extended, minus repayments by recipients. However, some data are only available as commitments, for instance ODA by sector and tying status of allocations. Also, gross disbursements have been used when this is required for consistency with relevant OECD DAC publications, e.g. DAC Peer Reviews. Gross disbursement is the sum of grants and loans extended. Tables and text specify, in each case, what types of ODA flow have been used.

### Total ODA

In this section, total ODA from the Nordic countries and the DAC total are presented.

#### Nordic share of DAC total ODA

The table below shows the ODA (net) disbursements for the four Nordic countries and the DAC total, in million USD at constant 2003 prices, for the period 1990 to 2003. We see that total ODA net disbursements from DAC countries increased gradually from 1990 to 1992, declining thereafter. From 1997 total DAC ODA disbursements have increased gradually, and in 2003 surpassed the 1992 level. Of this DAC total, the Nordic countries made up from 9% to 10% in the period 1990 to 2003.

**ODA net disbursements (mill USD, constant 2003 prices), Nordic countries and the DAC total, 1990-2003**

Year	Denmark	Finland	Norway	Sweden	Nordic % DAC	DAC
1990	1,438	787	1,520	1,972	8.8	64,920
1991	1,482	894	1,506	1,949	8.7	67,335
1992	1,577	674	1,570	2,158	8.8	68,070
1993	1,608	463	1,396	2,014	8.7	62,708
1994	1,674	339	1,558	2,004	8.9	62,803
1995	1,627	363	1,489	1,682	9.1	56,599
1996	1,794	403	1,536	1,833	9.9	56,055
1997	1,846	413	1,629	1,782	10.8	52,451
1998	1,930	430	1,771	1,673	10.1	57,537
1999	2,009	472	1,779	1,786	10.5	57,837
2000	2,170	473	1,598	2,160	10.5	60,917
2001	2,149	495	1,721	2,212	10.6	62,053
2002	2,014	554	1,957	2,473	10.6	66,219
2003	1,748	558	2,042	2,400	9.8	69,094

Source: OECD IDS database

### Emergency and distress relief

The table below gives the percentage shares of total ODA disbursed to emergency and distress relief.<sup>68</sup> It shows that Norway and Sweden have both more than doubled the share of ODA that is allocated to financing humanitarian action over the period 1990 to 2003.

**Emergency and distress relief as a percentage of total ODA (gross disbursements), Nordic countries and the DAC total, 1990 to 2003**

Year	Denmark	Finland	Norway	Sweden	DAC
1990	9.0	8.3	7.3	6.2	1.7
1991	4.3	10.9	6.6	8.6	3.4
1992	7.3	8.8	6.8	13.9	3.8
1993	5.7	5.7	11.1	15.7	4.9
1994	5.2	9.3	15.9	18.4	5.3
1995	3.9	5.4	14.7	15.8	4.6
1996	3.0	9.3	15.1	13.4	4.2
1997	5.6	7.3	14.7	13.5	3.9
1998	5.3	6.4	16.0	13.4	4.7
1999	4.9	11.8	17.8	16.6	7.4
2000	7.4	10.4	16.0	14.7	6.0
2001	6.8	10.2	13.3	14.5	5.6
2002	6.4	8.5	14.8	15.0	5.9
2003	6.2	8.1	17.1	16.1	7.4

Source: OECD IDS database

<sup>68</sup> The OECD IDS database does not include a separate category for humanitarian action. The category 'Emergency and distress relief' is defined in the IDS database as follows: "An 'emergency' is an urgent situation created by an abnormal event which a government cannot meet out of its own resources and which results in human suffering and/or loss of crops or livestock. Such an emergency can result from i) sudden natural or man-made disasters, including wars or severe civil unrest; or ii) food scarcity conditions arising from crop failure owing to drought, pests and diseases. This item also includes support for disaster preparedness."

## ODA to and through NGOs

The table below shows the share of total ODA that was allocated either as support to national/international NGOs or channelled through NGOs. Throughout the period, Norway was allocating the highest share to and through NGOs. Since 1994, more than 20% of the annual ODA (net) disbursements went to or through NGOs.<sup>69</sup>

### Percentage share of total ODA (net disbursements) to or through NGOs, Nordic countries and DAC, 1990-2003

Year	Denmark	Finland	Norway	Sweden	DAC
1990	8.5	4.0	9.0	9.4	2.5
1991	10.1	4.7	8.3	5.5	2.2
1992	12.7	5.3	14.1	5.6	2.9
1993	12.7	7.0	0.8	0.0	2.9
1994	0.5	8.2	21.5	6.5	4.2
1995	9.7	7.1	25.3	6.8	4.8
1996	8.5	0.4	24.1	14.3	4.1
1997	8.4	7.2	23.7	6.3	4.4
1998	9.6	8.1	24.3	6.9	5.0
1999	8.0	8.1	24.5	22.4	5.7
2000	6.4	7.9	22.2	15.7	5.8
2001	9.4	8.2	0.5	14.8	5.4
2002	9.2	8.6	21.8	13.5	6.3
2003	0.7	8.1	21.7	13.4	5.9
<i>Average</i>	<i>8.2</i>	<i>6.6</i>	<i>17.3</i>	<i>10.1</i>	<i>4.4</i>

Source: OECD IDS database

## Bilateral and multilateral ODA

The table below gives bilateral and multilateral ODA as a percentage of the total ODA (gross) disbursements for the period 1990 to 2003. In this period, DAC countries on average allocated 72.6% of the (gross) ODA disbursements as bilateral aid. The Nordic countries were all below this DAC average; Denmark and Finland had a lower share of bilateral aid than Norway and Sweden.

<sup>69</sup> In the years 1991, 1993 and 2001 there are no entries of ODA through NGOs in the DAC IDS database.

**Bilateral and multilateral ODA as a percentage of total ODA (gross disbursements), Nordic countries and the DAC total, 1990-2003**

Year	Bilateral					Multilateral				
	Denmark	Finland	Norway	Sweden	DAC	Denmark	Finland	Norway	Sweden	DAC
1990	60.5	58.9	62.9	68.7	73.9	39.5	41.1	37.1	31.3	26.1
1991	57.9	63.2	62.4	69.8	78.4	42.1	36.8	37.6	30.2	21.6
1992	55.6	68.1	63.7	72.2	71.2	44.4	31.9	36.3	27.8	28.8
1993	57.1	69.9	65.0	75.3	73.4	42.9	30.1	35.0	24.7	26.6
1994	57.8	74.1	72.9	75.5	72.3	42.2	25.9	27.1	24.5	27.7
1995	60.4	59.8	73.0	69.8	71.8	39.6	40.2	27.0	30.2	28.2
1996	60.7	53.8	72.1	69.8	73.2	39.3	46.2	27.9	30.2	26.8
1997	62.6	54.1	70.2	69.8	70.8	37.4	45.9	29.8	30.2	29.2
1998	60.5	54.0	72.0	66.3	70.8	39.5	46.0	28.0	33.7	29.2
1999	59.9	62.2	73.6	70.3	73.2	40.1	37.8	26.4	29.7	26.8
2000	61.9	59.3	74.0	69.0	69.4	38.1	40.7	26.0	31.0	30.6
2001	64.4	58.6	70.0	72.3	69.4	35.6	41.4	30.0	27.7	30.6
2002	64.4	54.9	67.6	63.2	72.4	35.6	45.1	32.4	36.8	27.6
2003	62.1	55.4	71.7	74.1	75.6	37.9	44.6	28.3	25.9	24.4
<i>Average</i>	<i>60.4</i>	<i>60.4</i>	<i>69.4</i>	<i>70.4</i>	<i>72.6</i>	<i>39.6</i>	<i>39.6</i>	<i>30.6</i>	<i>29.6</i>	<i>27.4</i>

Source: OECD IDS database

### Multilateral recipients

The main multilateral recipients are given in the tables below.

**Percentage share of total ODA (gross disbursements, constant 2003 prices, mill USD) for main recipients of multilateral aid, Denmark 1990 to 2003**

Denmark	Gross multilateral ODA	UN agencies	EC	World Bank group	Reg. dev. banks	Other
1990	39.5	18.8	5.7	6.4	2.5	6.1
1991	42.1	19.9	6.8	6.1	-	9.3
1992	44.4	20.2	5.7	5.7	3.9	9.0
1993	42.9	19.4	6.8	6.6	2.3	7.7
1994	42.2	18.1	6.2	5.9	3.4	8.5
1995	39.6	17.8	5.8	6.2	1.5	8.3
1996	39.3	21.0	4.6	4.4	0.6	8.6
1997	37.4	17.5	5.3	1.1	3.3	10.3
1998	39.5	17.3	6.3	5.7	3.1	7.2
1999	40.1	15.9	4.3	7.4	1.2	11.2
2000	38.1	14.9	5.5	4.5	4.1	9.1
2001	35.6	16.1	5.2	3.8	2.1	8.4
2002	35.6	13.6	6.4	3.8	3.7	8.0
2003	37.9	15.4	7.7	4.1	3.0	7.7
<i>Average</i>	<i>39.6</i>	<i>17.6</i>	<i>5.9</i>	<i>5.1</i>	<i>2.7</i>	<i>8.5</i>

Source: OECD IDS database

**Percentage share of total ODA (gross disbursements, constant 2003 prices, mill USD) for main recipients of multilateral aid, Finland 1990 to 2003**

<b>Finland</b>	Gross multilateral ODA	UN agencies	EC	World Bank group	Reg. dev. banks	Other
1990	41.1	23.8	-	5.3	7.9	4.2
1991	36.8	22.2	-	7.1	0.1	7.5
1992	31.9	20.8	-	8.8	2.0	0.4
1993	30.1	14.2	-	10.2	4.7	1.0
1994	25.9	16.2	-	1.3	6.1	2.3
1995	40.2	16.5	10.1	8.4	3.3	1.9
1996	46.2	16.7	11.5	8.3	6.9	2.8
1997	45.9	20.6	12.4	3.5	6.5	2.9
1998	46.0	19.0	15.9	2.4	6.8	1.8
1999	37.8	15.6	12.2	2.8	5.5	1.8
2000	40.7	16.5	13.4	3.6	5.9	1.3
2001	41.4	16.8	13.9	7.7	2.2	0.9
2002	45.1	14.4	13.5	6.7	8.8	1.7
2003	44.6	13.9	19.3	6.3	2.6	2.4
<i>Average</i>	39.6	17.6	13.6	5.9	4.9	2.3

Source: OECD IDS database

**Percentage share of total ODA (gross disbursements, constant 2003 prices, mill USD) for main recipients of multilateral aid, Norway 1990 to 2003**

<b>Norway</b>	Gross multilateral ODA	UN agencies	EC <sup>70</sup>	World Bank group	Reg. dev. banks	Other
1990	37.1	22.4	-	9.1	3.6	2.1
1991	37.6	23.5	-	8.3	4.3	1.4
1992	36.3	22.8	0.0	7.8	4.3	1.3
1993	35.0	20.8	-	9.3	4.2	0.8
1994	27.1	18.4	-	6.9	0.7	1.2
1995	27.0	18.4	-	7.0	1.1	0.5
1996	27.9	18.6	-	5.9	2.3	1.1
1997	29.8	18.2	-	6.2	3.8	1.6
1998	28.0	18.2	-	4.5	3.6	1.7
1999	26.4	16.8	-	4.0	3.0	2.6
2000	26.0	16.3	-	2.6	3.9	3.1
2001	30.0	18.2	-	6.0	3.5	2.4
2002	32.4	17.8	-	6.6	3.7	4.4
2003	28.3	17.6	-	6.0	3.5	1.2
<i>Average</i>	30.6	19.1	0.0	6.4	3.2	1.8

Source: OECD IDS database

<sup>70</sup> In the period 1990 to 2003, Norway reported allocating ODA funds to the EC only in 1992 (0.62 mill USD at constant 2003 prices).



**Percentage share of total ODA (gross disbursements, constant 2003 prices, mill USD) for main recipients of multilateral aid, Sweden 1990 to 2003**

<b>Sweden</b>	Gross multilateral ODA	UN agencies	EC	World Bank group	Reg. dev. banks	Other
1990	31.3	18.3	-	6.2	3.2	3.6
1991	30.2	18.5	-	7.5	1.0	3.2
1992	27.8	17.3	-	6.0	3.6	0.7
1993	24.7	14.1	-	7.2	2.2	1.2
1994	24.5	14.7	-	6.1	1.3	2.5
1995	30.2	15.2	5.8	7.0	1.2	1.0
1996	30.2	13.3	5.3	7.0	2.5	2.1
1997	30.2	12.8	5.4	7.3	3.5	1.3
1998	33.7	13.4	6.1	8.1	5.4	0.6
1999	29.7	13.6	5.5	6.4	4.0	0.2
2000	31.0	13.8	4.6	8.4	3.7	0.5
2001	27.7	16.4	6.8	-	3.6	1.0
2002	36.8	11.2	4.1	17.8	3.5	0.1
2003	25.9	9.6	5.1	-	5.5	5.6
<i>Average</i>	29.6	14.4	5.4	7.9	3.2	1.7

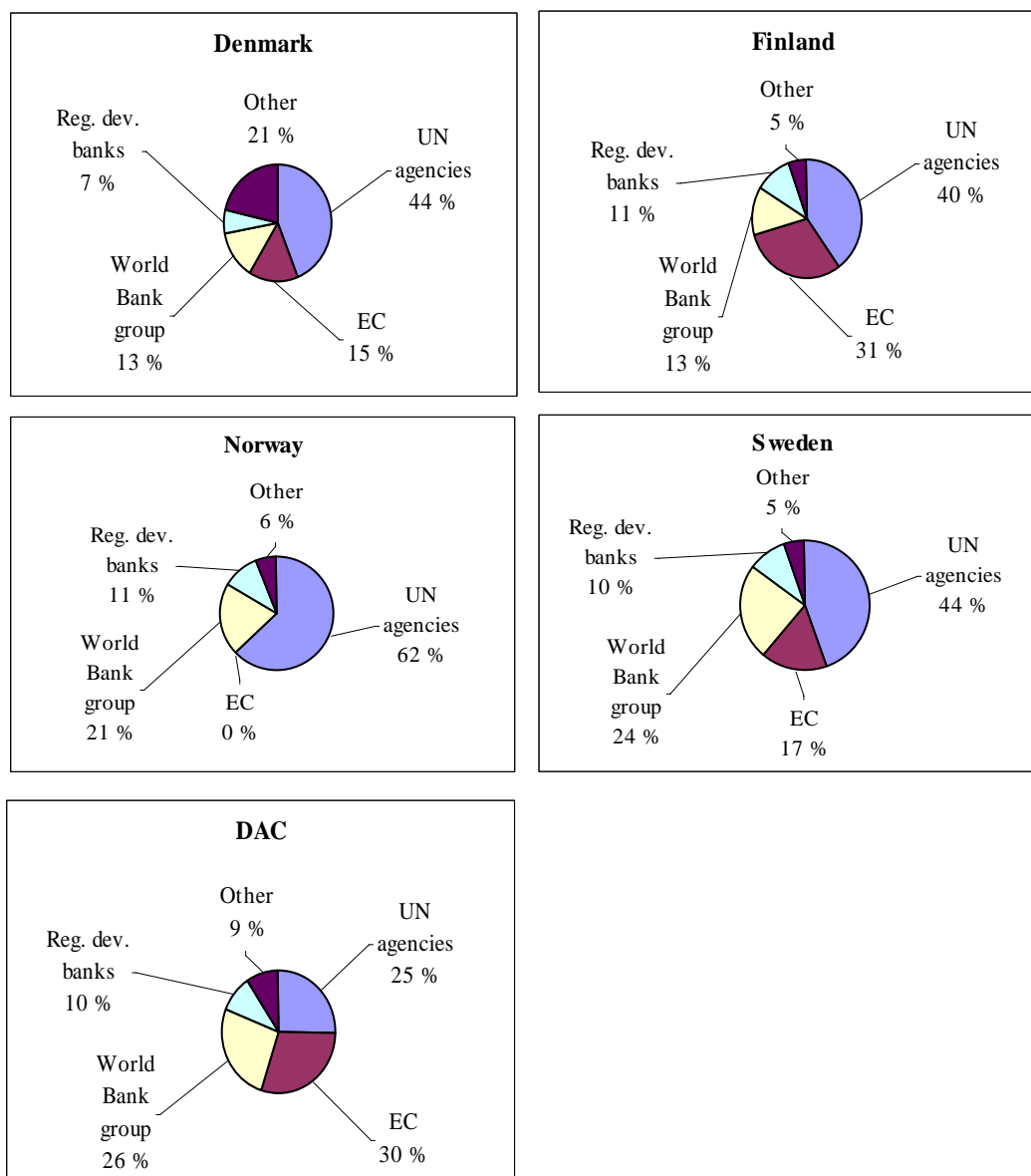
Source: OECD IDS database

**Percentage share of total ODA (gross disbursements, constant 2003 prices, mill USD) for main recipients of multilateral aid, DAC 1990 to 2003**

<b>DAC</b>	Gross multilateral ODA	UN agencies	EC	World Bank group	Reg. dev. banks	Other
1990	26.1	6.6	5.4	8.2	3.9	2.1
1991	21.6	6.0	6.3	6.9	0.8	1.6
1992	28.8	6.9	6.3	10.4	3.5	1.7
1993	26.6	6.5	6.7	8.1	3.6	1.7
1994	27.7	6.8	7.8	7.3	3.7	2.1
1995	28.2	6.8	8.7	8.2	1.7	2.7
1996	26.8	7.1	7.6	7.0	2.6	2.4
1997	29.2	7.1	9.0	7.8	2.7	2.5
1998	29.2	7.3	8.6	7.4	3.2	2.6
1999	26.8	6.2	8.9	5.1	3.1	3.6
2000	30.6	8.6	9.4	6.2	3.5	2.9
2001	30.6	8.9	9.3	6.7	2.5	3.2
2002	27.6	7.1	9.2	5.6	2.8	2.8
2003	24.4	5.9	8.6	4.5	2.2	3.3
<i>Average</i>	27.4	7.0	8.0	7.1	2.9	2.5

Source: OECD IDS database

**Average allocation to the main multilateral agencies over the period 1990 to 2003, Nordic countries and DAC**



Source: OECD IDS database

**Bilateral ODA**

**Bilateral ODA allocated by geographical region**

The tables below show that throughout the period 1990 to 2003 the Nordic countries allocated a higher share of their bilateral ODA to Sub-Saharan Africa than the DAC average.

**Percentage share of allocable bilateral ODA (gross disbursements, constant 2002 prices, mill USD) by geographical region, Denmark 1990-2003**

Denmark	Sub-Saharan Africa	North Africa	South	Far	Middle East	Europe	America	Bilateral allocable	Un-allocated	Total bilateral ODA
			and Central Asia	East Asia			and Oceania			
1990	59.2	6.3	22.3	5.1	2.6	0.0	4.6	512	212	725
1991	56.8	4.2	23.7	5.1	2.5	0.1	7.5	511	194	705
1992	62.0	5.0	17.4	8.1	0.8	0.0	6.8	491	239	730
1993	60.8	5.5	17.6	6.8	1.2	0.0	8.0	518	240	758
1994	54.0	4.1	18.5	17.5	0.5	0.1	5.3	585	243	828
1995	55.9	11.5	14.6	8.4	0.5	0.5	8.5	661	240	901
1996	56.3	4.1	16.1	13.2	0.4	0.3	9.6	663	243	907
1997	54.6	4.3	15.7	15.3	0.8	0.8	8.5	669	289	957
1998	57.0	4.2	17.5	9.5	1.5	1.0	9.3	708	263	971
1999	55.7	5.1	15.3	13.4	1.7	0.3	8.5	738	254	993
2000	55.4	5.9	13.3	9.9	2.2	3.8	9.5	761	339	1,100
2001	52.6	3.2	14.2	15.2	1.1	5.0	8.8	858	296	1,154
2002	49.4	2.0	15.4	15.1	0.7	5.9	11.4	787	309	1,096
2003	51.5	5.0	18.3	13.5	1.2	2.3	8.3	680	282	962
<i>Average</i>	<i>55.8</i>	<i>5.0</i>	<i>17.1</i>	<i>11.1</i>	<i>1.3</i>	<i>1.4</i>	<i>8.2</i>	<i>653</i>	<i>260</i>	<i>913</i>

Source: OECD IDS database

**Percentage share of allocable bilateral ODA (gross disbursements, constant 2002 prices, mill USD) by geographical region, Finland 1990-2003**

Finland	Sub-Saharan Africa	North Africa	South	Far	Middle East	Europe	Other	Bilateral allocable	Un-allocated	Total bilateral ODA
			and Central Asia	East Asia						
1990	58.2	6.9	13.1	11.3	2.6	1.3	6.5	285	100	385
1991	52.6	5.4	13.7	12.2	2.7	4.4	9.1	345	128	473
1992	43.3	18.1	12.2	9.9	1.7	8.7	6.1	327	88	415
1993	38.6	2.7	10.5	22.4	3.9	3.5	18.5	217	70	286
1994	50.7	4.4	13.1	19.7	1.8	5.6	4.8	158	56	214
1995	40.4	2.8	9.1	21.8	3.3	3.9	18.7	151	45	195
1996	44.5	2.5	10.4	23.7	4.1	10.0	4.9	140	45	186
1997	40.5	1.9	10.4	25.4	6.4	8.8	6.7	138	54	192
1998	41.3	1.5	14.0	22.1	5.6	9.0	6.5	148	51	199
1999	39.8	1.3	8.7	16.2	4.9	15.7	13.4	208	65	274
2000	39.1	2.3	11.6	21.2	6.0	12.5	7.2	165	73	237
2001	43.8	2.5	12.4	17.3	3.6	13.4	6.9	172	75	247
2002	42.7	3.2	17.3	13.8	4.7	10.1	8.3	167	90	257
2003	48.2	2.4	13.2	12.5	5.8	8.9	8.8	169	89	258
<i>Average</i>	<i>44.5</i>	<i>4.1</i>	<i>12.1</i>	<i>17.8</i>	<i>4.1</i>	<i>8.3</i>	<i>9.0</i>	<i>199.3</i>	<i>73.5</i>	<i>272.8</i>

Source: OECD IDS database

**Percentage share of allocable bilateral ODA (gross disbursements, constant 2002 prices, mill USD) by geographical region, Norway 1990-2003**

Norway	Sub-Saharan Africa	North Africa	South and Central Asia		Far East Asia	Middle East	Europe	Other	Bilateral allocable	Un-allocated	Total bilateral ODA
			South and Central Asia	Far East Asia							
1990	65.0	0.5	21.2	2.8	0.6	0.3	9.7	638	204	842	
1991	65.3	0.2	19.2	5.2	0.9	0.4	8.9	644	181	825	
1992	64.3	0.1	18.3	7.2	0.7	0.7	8.7	682	195	878	
1993	61.3	0.2	17.8	5.8	0.6	6.9	7.4	613	183	796	
1994	54.1	0.5	14.4	7.1	2.6	14.4	7.0	795	201	996	
1995	52.8	0.2	13.8	8.1	6.8	10.1	8.1	747	207	954	
1996	51.7	0.7	16.0	6.6	8.0	8.8	8.3	766	207	972	
1997	52.4	0.5	13.5	8.2	7.8	8.8	8.8	783	221	1,004	
1998	51.9	0.5	13.2	7.3	8.7	9.7	8.7	802	321	1,123	
1999	42.0	0.3	12.2	7.2	8.4	22.1	7.8	841	311	1,151	
2000	44.8	0.4	12.7	7.7	8.6	18.2	7.7	721	320	1,041	
2001	40.5	0.5	18.2	7.3	9.1	13.1	11.3	726	324	1,050	
2002	45.0	0.5	18.4	6.1	9.8	14.7	5.5	848	303	1,150	
2003	47.7	0.4	16.7	5.0	12.5	11.6	6.0	913	364	1,277	
<i>Average</i>	<i>52.8</i>	<i>0.4</i>	<i>16.1</i>	<i>6.5</i>	<i>6.1</i>	<i>10.0</i>	<i>8.1</i>	<i>751</i>	<i>253</i>	<i>1,004</i>	

Source: OECD IDS database

**Percentage share of allocable bilateral ODA (gross disbursements, constant 2002 prices, mill USD) by geographical region, Sweden 1990-2003**

Sweden	Sub-Saharan Africa	North Africa	South and Central Asia		Far East Asia	Middle East	Europe	Other	Bilateral allocable	Un-allocated	Total bilateral ODA
			South and Central Asia	Far East Asia							
1990	61.7	4.5	12.4	12.9	1.7	0.1	6.9	722	357	1,079	
1991	62.0	1.2	11.6	9.1	4.1	0.8	11.2	791	309	1,100	
1992	49.8	1.9	12.4	13.5	1.8	10.3	10.4	805	447	1,252	
1993	49.6	1.0	12.1	13.1	2.3	12.1	9.8	928	304	1,232	
1994	45.5	1.4	16.9	10.3	3.5	11.3	11.2	831	399	1,230	
1995	45.4	1.5	15.4	10.6	6.8	7.0	13.4	674	279	953	
1996	46.1	1.7	12.4	13.7	7.8	6.8	11.5	744	295	1,038	
1997	46.7	0.5	11.1	13.1	9.1	8.5	11.1	693	315	1,008	
1998	53.7	0.7	11.0	13.6	4.3	5.5	11.1	550	354	904	
1999	45.1	0.7	10.0	10.6	5.5	10.9	17.1	621	399	1,020	
2000	44.5	0.5	10.7	12.6	5.9	8.5	17.3	765	445	1,210	
2001	40.9	0.6	14.1	12.9	3.9	11.8	15.8	768	530	1,298	
2002	45.9	0.5	11.3	11.1	5.5	11.2	14.6	704	568	1,271	
2003	53.6	0.4	11.6	9.7	4.9	9.0	10.8	856	593	1,449	
<i>Average</i>	<i>49.3</i>	<i>1.2</i>	<i>12.4</i>	<i>11.9</i>	<i>4.8</i>	<i>8.1</i>	<i>12.3</i>	<i>746</i>	<i>400</i>	<i>1,146</i>	

Source: OECD IDS database

**Percentage share of allocable bilateral ODA (gross disbursements, constant 2002 prices, mill USD) by geographical region, DAC 1990-2003**

Denmark	South and Far Middle Europe Other							Bilateral allocable	Un-allocated	Total bilateral ODA
	Sub-Saharan Africa	North Africa	Central Asia	East Asia	East	Europe	Other			
1990	33.1	13.3	11.3	18.3	7.2	2.7	14.1	40,081	7,289	47,370
1991	23.7	24.3	10.8	12.9	8.1	3.5	16.8	50,446	7,841	58,287
1992	27.5	12.6	10.8	21.5	8.7	3.8	15.3	39,399	7,781	47,180
1993	28.0	12.1	10.2	19.2	6.2	5.1	19.2	39,506	7,576	47,082
1994	29.5	9.4	12.7	19.1	8.5	3.8	17.1	36,593	7,802	44,395
1995	29.8	7.8	12.7	21.4	5.6	4.4	18.2	32,060	7,918	39,978
1996	26.6	8.3	12.5	19.6	11.9	4.1	17.0	32,785	8,208	40,993
1997	29.9	8.0	13.2	21.6	4.8	4.0	18.7	28,538	8,722	37,260
1998	28.3	8.0	14.4	23.4	4.1	3.8	18.1	31,022	9,368	40,390
1999	25.6	7.0	12.1	27.1	4.2	7.0	16.9	32,194	9,767	41,961
2000	29.3	7.6	13.4	23.7	4.5	7.0	14.5	30,539	10,972	41,511
2001	26.9	7.2	17.2	20.9	4.3	6.0	17.5	32,418	9,951	42,369
2002	30.8	6.2	16.6	18.8	3.7	9.4	14.5	37,280	10,474	47,754
2003	35.2	4.6	16.6	17.2	9.4	4.6	12.3	42,647	11,201	53,848
<i>Average</i>	<i>28.9</i>	<i>9.7</i>	<i>13.2</i>	<i>20.3</i>	<i>6.5</i>	<i>4.9</i>	<i>16.4</i>	<i>36,108</i>	<i>8,919</i>	<i>45,027</i>

Source: OECD IDS database

## Bilateral ODA to LDCs

The table below shows that throughout the period 1990 to 2003 the Nordic countries allocated a higher share of their allocable bilateral ODA to LDCs than the DAC average.

**Percentage share of allocable bilateral ODA (gross disbursements, constant 2002 prices, mill USD) allocated to LDCs, Nordic countries and DAC total 1990-2003**

Year	% of allocable bilateral ODA to LDCs					Allocable bilateral ODA (mill USD)				
	Denmark	Finland	Norway	Sweden	DAC	Denmark	Finland	Norway	Sweden	DAC
1990	61.3	52.7	61.9	57.5	27.9	512	285	638	722	40,081
1991	60.4	46.0	63.1	58.6	21.4	511	345	644	791	50,446
1992	61.4	39.6	63.3	46.6	24.5	491	327	682	805	39,399
1993	59.4	30.7	62.5	43.6	24.7	518	217	613	928	39,506
1994	51.3	46.7	55.1	40.9	27.6	585	158	795	831	36,593
1995	44.5	34.3	52.2	42.4	27.5	661	151	747	674	32,060
1996	50.2	38.3	52.6	41.0	23.2	663	140	766	744	32,785
1997	46.9	35.7	53.2	43.7	27.2	669	138	783	693	28,538
1998	52.5	41.7	53.5	48.5	25.6	708	148	802	550	31,022
1999	53.5	38.8	45.3	41.5	24.0	738	208	841	621	32,194
2000	52.1	42.2	47.8	43.2	28.9	761	165	721	765	30,539
2001	50.2	45.4	48.2	45.7	26.9	858	172	726	768	32,418
2002	47.6	47.0	53.3	49.0	29.7	787	167	848	704	37,280
2003	54.9	48.8	55.0	57.9	35.5	680	169	913	856	42,647
<i>Average</i>	<i>53.3</i>	<i>42.0</i>	<i>54.8</i>	<i>47.2</i>	<i>26.8</i>	<i>653</i>	<i>199</i>	<i>751</i>	<i>746</i>	<i>36,108</i>

Source: OECD IDS database

## Non-grant component of bilateral ODA

The table below shows the non-grant percentage share of bilateral ODA (gross) disbursements for Nordic countries and the DAC total from 1990 to 2003. Over this period the DAC group allocated on average 22.3% of bilateral ODA as non-grants. The Nordic countries were all

well below this level in the same period. Sweden had the lowest average share non-grant allocations, followed by Norway and then Denmark.

**Non-grant share of bilateral ODA (gross disbursements, constant 2002 prices, mill USD), Nordic countries and the DAC total, 1990-2003**

Year	Denmark	Finland	Norway	Sweden	DAC
1990	2.7	8.6	0.5	-	27.5
1991	1.6	3.9	0.8	0.5	33.4
1992	2.9	5.5	0.6	0.6	27.7
1993	1.2	13.8	0.8	-	28.6
1994	0.1	2.6	0.9	0.1	23.7
1995	2.9	3.2	1.0	-	21.4
1996	2.8	3.3	1.3	-	20.2
1997	3.4	3.5	1.3	-	19.9
1998	2.9	1.2	1.2	0.3	21.2
1999	3.2	1.0	1.9	0.3	21.3
2000	2.9	2.1	1.5	1.6	18.8
2001	3.2	1.8	0.7	1.6	17.2
2002	7.0	3.6	0.6	0.7	16.2
2003	2.5	3.2	0.9	1.5	15.3
<i>Average</i>	<i>2.8</i>	<i>4.1</i>	<i>1.0</i>	<i>0.8</i>	<i>22.3</i>

Source: OECD IDS database

### Tying status of bilateral ODA

The table below shows the share of untied bilateral ODA commitments from the Nordic countries and DAC in the period 1990 to 2003.<sup>71</sup>

<sup>71</sup> The remaining share was either partially untied or tied. According to DCD/DAC (2000)10, tied aid is defined as "...grants and loans tied to procurement in the donor country only, [and] official subsidies to domestic exporters that are recorded as ODA". Untied aid is defined as "...loans or grants whose proceeds are fully and freely available to finance procurement from substantially all aid recipient countries and from OECD countries". Partially untied aid is defined as "...loans and grants which are tied contractually or in effect to procurement of goods and services from the donor country and from a restricted number of countries".

**Untied aid as a percentage of bilateral ODA (commitments, current prices, mill USD), Nordic countries and the DAC total, 1990-2003**

Year	Untied bilateral ODA				
	Denmark	Finland	Norway	Sweden	DAC
1990	-	27.4	61.3	78.5	59.4
1991	-	27.8	-	83.7	58.8
1992	-	50.6	81.7	85.4	48.2
1993	-	59.0	81.8	85.0	56.4
1994	-	47.0	85.0	81.7	66.1
1995	61.3	75.8	77.0	93.9	69.6
1996	61.3	60.2	88.4	78.9	71.3
1997	71.6	76.8	91.1	74.5	83.2
1998	81.4	78.6	89.8	79.3	81.4
1999	70.8	84.7	99.1	91.5	85.8
2000	80.5	89.5	97.7	85.4	81.1
2001	93.3	87.5	98.9	86.5	79.4
2002	82.1	82.5	99.1	78.5	84.9
2003	71.5	85.8	99.9	93.6	92.0
<i>Average</i>	<i>74.9</i>	<i>66.6</i>	<i>88.5</i>	<i>84.0</i>	<i>72.7</i>

Source: OECD IDS database

### Bilateral ODA by sectors

The table below shows the percentage distribution of bilateral ODA commitments for the four Nordic countries and the DAC total, over the four sectors as defined by OECD/DAC (table 5): (i) Social infrastructure & services, (ii) Economic infrastructure and services, (iii) Production sectors, and (iv) Multi-sector/ cross-cutting.<sup>72</sup> The Other category here covers commitments not allocated to these sectors.<sup>73</sup>

<sup>72</sup> Note that the four main sectors are in bold. Under each of these main sectors, the biggest sub-sectors are included in percent of the total

<sup>73</sup> These six remaining groups in the DAC IDS Table 5 are: (i) Commodity aid/general programme assistance; (ii) Action relating to debt; (iii) Emergency assistance; (iv) Administrative costs of donors; (v) Support to NGOs; and (vi) Unallocated/unspecified

**Percentage of bilateral ODA by main sector (commitments/gross disbursements, current prices, mill USD), Denmark, 1990 and 1995-2003**

<i>Denmark</i>	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Social infrastructure/services</b>	<b>45.1</b>	<b>33.1</b>	<b>45.1</b>	<b>33.8</b>	<b>25.1</b>	<b>50.6</b>	<b>22.3</b>	<b>34.4</b>	<b>35.6</b>	<b>43.1</b>
Education	1.6	6.0	3.4	9.7	3.9	1.4	8.1	3.0	9.0	4.5
Health	6.4	11.8	20.5	3.6	1.1	15.6	2.6	4.5	6.0	9.8
Water/sanitation	26.9	3.4	14.2	10.0	10.1	22.3	4.7	2.9	3.6	6.9
Gov./civil society	0.2	7.5	4.9	8.5	5.2	9.3	4.0	20.9	9.9	15.8
Other social	10.0	4.3	2.1	2.0	4.9	2.1	2.9	3.1	7.0	6.1
<b>Eco infrastructure/service</b>	<b>10.3</b>	<b>17.3</b>	<b>17.9</b>	<b>14.8</b>	<b>11.7</b>	<b>10.4</b>	<b>35.0</b>	<b>4.1</b>	<b>15.2</b>	<b>24.0</b>
Transp./storage	3.6	11.5	8.5	8.7	2.9	6.9	28.0	1.6	6.5	9.3
Communications	2.1	1.5	1.3	1.6	0.6	0.5	0.1	0.2	0.2	2.3
Energy	4.6	4.0	4.8	4.0	5.2	2.8	6.9	1.5	8.2	3.6
Other economic	0.0	0.4	3.3	0.5	3.0	0.3	0.0	0.8	0.2	8.8
<b>Production sectors</b>	<b>17.1</b>	<b>6.5</b>	<b>12.4</b>	<b>13.0</b>	<b>6.3</b>	<b>14.6</b>	<b>16.3</b>	<b>11.0</b>	<b>10.0</b>	<b>5.7</b>
Agri./forestry/fishing	9.1	4.3	10.5	12.7	4.8	14.6	15.4	5.8	6.3	3.0
Industry/mining/constr.	8.0	2.2	1.9	0.3	1.5	-	0.4	4.7	3.3	2.5
Other production	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.4	0.4	0.2
<b>Cross-cutting</b>	<b>7.9</b>	<b>18.8</b>	<b>4.2</b>	<b>23.4</b>	<b>8.6</b>	<b>11.1</b>	<b>2.4</b>	<b>13.2</b>	<b>7.9</b>	<b>8.8</b>
<b>Other</b>	<b>19.7</b>	<b>24.2</b>	<b>20.3</b>	<b>15.0</b>	<b>48.2</b>	<b>13.3</b>	<b>24.0</b>	<b>37.4</b>	<b>31.4</b>	<b>18.4</b>
<i>Alloc. Bilat. ODA (mill USD)</i>	<i>502</i>	<i>675</i>	<i>1171</i>	<i>798</i>	<i>585</i>	<i>700</i>	<i>926</i>	<i>638</i>	<i>838</i>	<i>818</i>

Source: OECD IDS database

**Percentage of bilateral ODA by main sector (commitments/gross disbursements, current prices, mill USD), Finland, 1990 and 1995-2003**

<i>Finland</i>	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Social infrastructure/service</b>	<b>12.4</b>	<b>21.8</b>	<b>26.9</b>	<b>34.0</b>	<b>39.1</b>	<b>35.5</b>	<b>46.0</b>	<b>42.2</b>	<b>55.0</b>	<b>46.9</b>
Education	1.6	6.7	3.8	8.2	7.3	7.6	9.7	8.9	11.2	10.8
Health	6.0	4.0	5.6	2.7	10.5	6.6	5.5	5.1	12.3	8.2
Water/sanitation	2.8	7.4	11.5	7.3	5.1	4.8	7.1	3.8	7.0	4.5
Gov./civil society	1.0	1.0	3.5	11.6	10.3	8.5	17.3	15.1	16.4	17.2
Other social	1.1	2.8	2.7	4.2	5.9	8.0	6.4	9.2	8.1	6.3
<b>Eco infrastructure/service</b>	<b>11.2</b>	<b>4.1</b>	<b>17.8</b>	<b>4.1</b>	<b>6.5</b>	<b>5.5</b>	<b>1.4</b>	<b>0.9</b>	<b>3.6</b>	<b>7.1</b>
Transp./storage	4.7	0.7	0.3	1.0	0.5	1.0	0.0	0.1	0.1	0.8
Communications	3.9	0.0	0.3	0.0	0.3	0.2	0.5	0.3	0.5	0.9
Energy	2.6	0.9	15.3	2.0	2.2	3.7	0.4	0.1	2.4	3.7
Other economic	0.1	2.4	1.9	1.0	3.5	0.6	0.5	0.4	0.6	1.7
<b>Production sectors</b>	<b>43.6</b>	<b>5.2</b>	<b>14.7</b>	<b>12.7</b>	<b>16.2</b>	<b>5.1</b>	<b>6.2</b>	<b>8.6</b>	<b>9.8</b>	<b>4.1</b>
Agri./forestry/fishing	20.5	3.8	12.9	7.7	13.9	4.0	4.6	8.2	7.1	2.2
Industry/mining/constr.	19.9	1.1	1.1	4.9	1.4	1.0	0.9	0.2	1.7	1.4
Other production	3.2	0.3	0.6	0.1	1.0	0.1	0.8	0.2	1.0	0.5
<b>Cross-cutting</b>	<b>11.0</b>	<b>33.4</b>	<b>11.6</b>	<b>23.1</b>	<b>14.8</b>	<b>8.6</b>	<b>18.6</b>	<b>22.4</b>	<b>9.5</b>	<b>15.7</b>
<b>Other</b>	<b>21.8</b>	<b>35.5</b>	<b>29.0</b>	<b>26.1</b>	<b>23.4</b>	<b>45.3</b>	<b>27.7</b>	<b>25.9</b>	<b>22.2</b>	<b>26.2</b>
<i>Alloc. Bilat. ODA (mill USD)</i>	<i>605</i>	<i>223</i>	<i>199</i>	<i>207</i>	<i>244</i>	<i>254</i>	<i>188</i>	<i>277</i>	<i>301</i>	<i>383</i>

Source: OECD IDS database



**Percentage of bilateral ODA by main sector (commitments/gross disbursements, current prices, mill USD), Norway, 1990 and 1995-2003**

<i>Norway</i>	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Social infrastructure/service</b>	<b>17.6</b>	<b>26.7</b>	<b>30.9</b>	<b>28.0</b>	<b>33.0</b>	<b>45.3</b>	<b>38.8</b>	<b>49.0</b>	<b>60.2</b>	<b>41.9</b>
Education	4.6	3.0	7.0	8.5	5.4	10.7	6.2	7.8	11.7	9.2
Health	3.0	4.6	2.8	4.6	3.8	6.0	2.7	11.8	6.8	6.9
Water/sanitation	5.4	3.4	0.7	1.8	4.3	3.1	2.1	4.6	2.4	1.4
Gov./civil society	0.3	6.5	4.9	6.4	10.4	13.2	18.0	15.1	25.3	15.7
Other social	4.2	9.2	15.5	6.7	9.2	12.3	9.7	9.7	14.1	8.8
<b>Eco infrastructure/service</b>	<b>24.9</b>	<b>23.3</b>	<b>14.6</b>	<b>12.1</b>	<b>10.0</b>	<b>6.7</b>	<b>10.7</b>	<b>15.2</b>	<b>6.9</b>	<b>7.7</b>
Transp./storage	14.2	5.4	2.2	0.5	0.9	0.8	0.8	2.4	0.5	1.4
Communications	0.8	0.6	1.7	1.3	0.0	1.0	0.6	3.0	0.4	0.3
Energy	7.3	15.5	9.1	9.1	7.8	3.2	5.5	7.7	3.5	4.3
Other economic	2.6	1.9	1.5	1.2	1.2	1.8	3.8	2.1	2.5	1.7
<b>Production sectors</b>	<b>14.1</b>	<b>9.0</b>	<b>7.4</b>	<b>5.3</b>	<b>5.1</b>	<b>6.9</b>	<b>7.3</b>	<b>7.7</b>	<b>6.5</b>	<b>4.6</b>
Agri./forestry/fishing	9.3	6.2	4.4	3.7	2.3	5.3	6.1	4.5	5.5	3.9
Industry/mining/constr.	3.9	2.8	2.9	1.4	2.4	1.4	1.0	3.0	0.7	0.1
Other production	0.9	0.1	0.0	0.2	0.3	0.2	0.2	0.2	0.3	0.6
<b>Cross-cutting</b>	<b>4.8</b>	<b>8.6</b>	<b>10.4</b>	<b>12.7</b>	<b>10.0</b>	<b>10.3</b>	<b>5.8</b>	<b>7.8</b>	<b>9.3</b>	<b>9.4</b>
<b>Other</b>	<b>38.5</b>	<b>32.3</b>	<b>36.7</b>	<b>41.9</b>	<b>41.9</b>	<b>30.7</b>	<b>37.4</b>	<b>20.3</b>	<b>17.1</b>	<b>36.4</b>
<i>Alloc. Bilat. ODA (mill USD)</i>	<i>617</i>	<i>909</i>	<i>839</i>	<i>677</i>	<i>680</i>	<i>1120</i>	<i>781</i>	<i>983</i>	<i>1069</i>	<i>1444</i>

Source: OECD IDS database

**Percentage of bilateral ODA by main sector (commitments/gross disbursements, current prices, mill USD), Sweden, 1990 and 1995-2003**

<i>Sweden</i>	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Social infrastructure/service</b>	<b>28.4</b>	<b>35.4</b>	<b>33.8</b>	<b>35.7</b>	<b>33.2</b>	<b>34.5</b>	<b>31.6</b>	<b>33.7</b>	<b>36.8</b>	<b>32.7</b>
Education	6.6	8.5	7.6	9.3	6.0	6.0	4.3	3.8	6.2	5.0
Health	9.3	10.0	9.0	7.0	4.4	4.3	5.9	2.2	4.8	4.4
Water/sanitation	3.3	3.0	3.2	1.6	2.2	3.7	2.2	5.0	2.0	2.2
Gov./civil society	7.2	8.9	11.0	6.0	14.4	10.7	11.5	14.6	13.8	12.2
Other social	2.1	4.9	3.0	11.8	6.3	9.9	7.9	8.2	10.0	8.9
<b>Eco infrastructure/service</b>	<b>18.2</b>	<b>10.9</b>	<b>13.0</b>	<b>15.9</b>	<b>9.5</b>	<b>9.2</b>	<b>8.4</b>	<b>11.1</b>	<b>6.9</b>	<b>9.3</b>
Transp./storage	4.6	2.4	2.2	2.5	2.3	2.4	1.0	5.2	2.0	4.1
Communications	6.5	1.8	3.4	3.5	1.1	1.1	1.2	0.7	0.4	0.5
Energy	4.4	4.7	7.4	6.1	3.2	2.6	3.8	2.7	1.4	2.8
Other economic	2.7	1.9	0.0	3.8	2.9	3.1	2.4	2.5	3.2	1.9
<b>Production sectors</b>	<b>27.5</b>	<b>11.9</b>	<b>10.0</b>	<b>11.1</b>	<b>7.2</b>	<b>3.9</b>	<b>2.5</b>	<b>5.2</b>	<b>3.1</b>	<b>2.9</b>
Agri./forestry/fishing	13.5	10.2	8.0	9.2	6.3	3.2	2.1	4.5	2.2	2.2
Industry/mining/constr.	13.0	1.7	1.8	1.5	0.6	0.1	0.1	0.4	0.7	0.2
Other production	1.0	0.0	0.2	0.4	0.3	0.7	0.3	0.3	0.3	0.4
<b>Cross-cutting</b>	<b>1.7</b>	<b>5.6</b>	<b>8.7</b>	<b>5.7</b>	<b>7.5</b>	<b>6.5</b>	<b>4.6</b>	<b>11.0</b>	<b>11.9</b>	<b>5.8</b>
<b>Other</b>	<b>24.2</b>	<b>36.2</b>	<b>34.4</b>	<b>31.5</b>	<b>42.6</b>	<b>45.9</b>	<b>52.9</b>	<b>39.0</b>	<b>41.2</b>	<b>49.2</b>
<i>Alloc. Bilat. ODA (mill USD)</i>	<i>1127</i>	<i>1187</i>	<i>1395</i>	<i>1205</i>	<i>1002</i>	<i>1123</i>	<i>1062</i>	<i>1065</i>	<i>1258</i>	<i>1675</i>

Source: OECD IDS database

**Percentage of bilateral ODA by main sector (commitments/gross disbursements, current prices, mill USD), DAC total, 1990 and 1995-2003**

<i>DAC</i>	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Social infrastructure/service</b>	<b>23.5</b>	<b>32.5</b>	<b>31.9</b>	<b>30.1</b>	<b>31.3</b>	<b>31.2</b>	<b>33.4</b>	<b>33.3</b>	<b>34.9</b>	<b>31.4</b>
Education	10.2	12.0	11.4	11.4	10.8	11.2	8.2	9.0	9.0	7.9
Health	2.9	4.3	4.9	4.0	3.8	4.2	3.7	4.2	5.0	3.9
Water supply and sanitation	3.3	6.0	7.1	6.5	6.1	4.4	6.7	4.8	2.6	3.3
Gov./civil society	3.1	3.4	3.1	2.6	4.5	4.3	5.2	7.0	8.0	8.7
Other social	3.9	6.8	5.4	5.6	6.1	7.0	9.6	8.3	10.2	7.7
<b>Eco. infrastructure/service</b>	<b>15.0</b>	<b>25.3</b>	<b>24.9</b>	<b>24.6</b>	<b>18.6</b>	<b>18.0</b>	<b>17.4</b>	<b>15.4</b>	<b>12.7</b>	<b>9.4</b>
Transp. and storage	6.6	10.7	13.2	10.0	8.8	8.7	9.1	8.9	5.7	2.6
Communications	2.3	1.6	1.7	1.2	1.3	0.5	1.0	0.5	0.4	0.6
Energy	5.1	10.8	7.6	10.3	6.4	4.6	3.3	3.9	4.4	4.6
Other economic	1.0	2.1	2.3	3.0	2.1	4.2	4.0	2.0	2.2	1.7
<b>Production sectors</b>	<b>12.4</b>	<b>11.3</b>	<b>14.1</b>	<b>11.2</b>	<b>9.6</b>	<b>8.2</b>	<b>7.4</b>	<b>9.0</b>	<b>6.9</b>	<b>5.4</b>
Agri./forestry/fishing	7.9	7.9	10.2	8.3	7.5	5.5	5.4	6.9	4.8	3.1
Industry/mining/constr.	3.5	1.7	2.2	2.4	1.7	2.3	1.8	1.5	1.0	1.9
Other production	1.0	1.8	1.6	0.4	0.4	0.4	0.2	0.7	1.1	0.4
<b>Multisector/ cross-cutting</b>	<b>3.4</b>	<b>5.3</b>	<b>6.2</b>	<b>8.0</b>	<b>7.5</b>	<b>7.7</b>	<b>8.7</b>	<b>7.5</b>	<b>7.5</b>	<b>8.7</b>
<b>Other</b>	<b>45.8</b>	<b>25.6</b>	<b>22.9</b>	<b>26.2</b>	<b>33.1</b>	<b>34.9</b>	<b>33.2</b>	<b>34.8</b>	<b>38.0</b>	<b>45.1</b>
<i>Bilateral ODA (mill USD)</i>	<i>55595</i>	<i>50473</i>	<i>46269</i>	<i>41011</i>	<i>41564</i>	<i>44451</i>	<i>42770</i>	<i>40954</i>	<i>48490</i>	<i>68320</i>

Source: OECD IDS database

## Top twenty recipients of bilateral ODA

Below tables of the top 20 recipients of bilateral ODA (net disbursements) for the years 2003, 1999, 1995 and 1990 are presented.

### Top 20 recipients of aid from the Nordic countries and the DAC, percent of total allocable bilateral ODA (net disbursements, constant 2002 prices, mill USD), 2003

Rank	Recipient	Den	Recipient	Fin	Recipient	Nor	Recipient	Swe	Recipient	DAC
1	Tanzania	12.4	Mozambique	10.9	Afghanistan	6.5	Congo Dem.Rep. (Zaire)	16.3	Congo Dem.Rep. (Zaire)	13.0
2	Viet Nam	10.2	Afghanistan	6.7	Tanzania	6.4	Tanzania	6.3	Iraq	6.0
3	Mozambique	9.7	Tanzania	6.5	Iraq	5.6	Mozambique	5.4	Indonesia	4.4
4	Ghana	8.2	South Africa	4.8	Mozambique	5.2	Afghanistan	4.0	Afghanistan	3.3
5	Uganda	7.7	Namibia	4.7	Palestinian adm.areas	5.1	Nicaragua	3.4	China	3.1
6	Bangladesh	6.6	Ethiopia	4.5	Serbia & Montenegro	4.2	Bosnia-Herzegovina	3.4	Jordan	3.2
7	Egypt	6.0	Viet Nam	4.3	Somalia	3.8	Palestinian adm.areas	3.3	Ethiopia	2.9
8	Nepal	5.8	Nicaragua	3.9	Uganda	3.7	Bangladesh	3.3	Viet Nam	2.6
9	Nicaragua	4.7	Serbia & Montenegro	3.9	Ethiopia	3.5	Serbia & Montenegro	3.3	Tanzania	2.5
10	Zambia	4.4	Bosnia-Herzegovina	3.5	Zambia	3.4	Uganda	3.1	Serbia & Montenegro	2.2
11	Bolivia	4.2	Kenya	2.8	Sudan	3.2	Ethiopia	2.7	Egypt	2.1
12	Burkina Faso	4.0	Nepal	2.6	Sri Lanka	2.7	Kenya	2.4	Colombia	2.2
13	Benin	3.1	Zambia	2.3	Malawi	2.7	South Africa	2.3	Cameroon	1.9
14	South Africa	3.0	Egypt	2.2	Angola	2.3	Bolivia	2.2	Philippines	2.0
15	Afghanistan	2.6	Iraq	2.1	Bosnia-Herzegovina	2.1	Laos	2.2	Mozambique	1.8
16	Bhutan	2.2	Palestinian adm.areas	2.1	Eritrea	2.1	Viet Nam	2.0	Bangladesh	1.8
17	Kenya	1.8	Angola	1.9	Nepal	1.9	Zambia	1.9	Zambia	1.5
18	Eritrea	1.7	Cambodia	1.9	Congo Dem.Rep. (Zaire)	1.6	Cambodia	1.8	Uganda	1.6
19	Sts Ex-Yugo. Unspec.	1.6	Sudan	1.7	South Africa	1.5	India	1.8	Bolivia	1.5
20	Malaysia	1.5	Iran	1.6	Sts Ex-Yugo. Unspec.	1.4	Angola	1.3	Pakistan	1.5
Allocable (mill USD)		564		168		913		856		33,311
Unallocated		282		88		358		593		11,159
Total bil. ODA (net)		846		256		1,271		1,449		44,470

Source: OECD IDS database

**Top 20 recipients of aid from the Nordic countries and the DAC, percent of total allocable bilateral ODA (net disbursements, constant 2002 prices, mill USD), 1999**

Rank	Recipient	Den	Recipient	Fin	Recipient	Nor	Recipient	Swe	Recipient	DAC
1	Tanzania	10.7	Serbia & Montenegro	13.3	Serbia & Montenegro	13.1	Mozambique	7.4	Indonesia	7.1
2	Uganda	7.8	Mozambique	8.8	Tanzania	6.8	Tanzania	6.6	China	6.2
3	Mozambique	6.8	China	7.9	Mozambique	5.0	South Africa	5.9	Egypt	4.9
4	Bangladesh	5.6	Tanzania	6.3	Bangladesh	4.6	Nicaragua	4.8	Viet Nam	3.4
5	Egypt	5.3	Nicaragua	5.7	Bosnia-Herzegovina	4.3	Viet Nam	4.7	Thailand	3.3
6	Viet Nam	5.2	Bosnia-Herzegovina	4.8	Palestinian adm.areas	3.8	Bosnia-Herzegovina	4.4	India	2.8
7	Ghana	5.0	Viet Nam	4.6	Zambia	3.7	Honduras	4.2	Bosnia-Herzegovina	2.6
8	Burkina Faso	4.6	Namibia	4.1	Uganda	3.5	Bangladesh	3.6	Serbia & Montenegro	2.5
9	Thailand	4.0	Ethiopia	3.5	Ethiopia	3.3	Palestinian adm.areas	3.6	Tanzania	2.2
10	Zimbabwe	3.8	Nepal	3.4	Iraq	3.0	Uganda	2.9	Philippines	2.1
11	Malawi	3.8	Thailand	2.8	Angola	2.7	Serbia & Montenegro	2.8	Bangladesh	2.2
12	Zambia	3.4	Kenya	2.4	Nicaragua	2.3	Zimbabwe	2.7	Mozambique	2.2
13	India	3.3	Iraq	2.3	South Africa	2.2	Ethiopia	2.7	Pakistan	1.5
14	Nicaragua	3.2	Zambia	2.2	Sts Ex-Yugo. Unspec.	2.0	Guatemala	2.6	Senegal	1.5
15	Nepal	3.2	Angola	2.2	Sudan	1.9	Angola	2.5	Peru	1.5
16	Bolivia	2.8	Afghanistan	2.1	China	1.9	Zambia	2.2	Bolivia	1.5
17	South Africa	2.3	Palestinian adm.areas	2.0	Sri Lanka	1.9	Sri Lanka	2.0	South Africa	1.4
18	Bhutan	1.8	Iran	2.0	Zimbabwe	1.8	India	1.9	Cote d'Ivoire	1.3
19	Kenya	1.5	South Africa	1.7	Guatemala	1.8	Bolivia	1.9	Uganda	1.3
20	Malaysia	1.5	Egypt	1.6	Malawi	1.7	Rwanda	1.9	Ghana	1.3
Allocable (mill USD)		709		159		837		621		26,333
Unallocated		254		69		308		399		9,627
Total bil. ODA (net)		964		228		1,146		1,020		35,960

Source: OECD IDS database

**Top 20 recipients of aid from the Nordic countries and the DAC, percent of total allocable bilateral ODA (net disbursements, constant 2002 prices, mill USD), 1995**

Rank	Recipient	Den	Recipient	Fin	Recipient	Nor	Recipient	Swe	Recipient	DAC
1	Uganda	10.0	China	10.0	Mozambique	7.4	Mozambique	6.4	China	7.0
2	Tanzania	9.9	Zambia	7.3	Tanzania	7.4	India	6.1	Egypt	5.8
3	Mozambique	7.6	Mozambique	7.3	Bangladesh	5.8	Tanzania	5.4	Indonesia	3.5
4	Ghana	5.9	Viet Nam	6.9	Palestinian adm.areas	5.7	Ethiopia	4.6	India	3.2
5	Bangladesh	5.4	Tanzania	5.7	Zambia	5.0	Bosnia-Herzegovina	4.6	Thailand	2.2
6	Egypt	4.5	Thailand	5.1	Bosnia-Herzegovina	4.6	Viet Nam	4.0	Philippines	2.3
7	Nicaragua	4.5	Namibia	4.9	Sts Ex-Yugo. Unspec.	4.5	Zambia	3.9	Bosnia-Herzegovina	2.3
8	India	4.4	Zimbabwe	4.8	Angola	4.1	Nicaragua	3.8	Bangladesh	2.4
9	Zambia	4.3	Ethiopia	4.7	Nicaragua	3.9	Zimbabwe	3.4	Cote d'Ivoire	2.2
10	Nepal	3.9	Nicaragua	3.9	Ethiopia	3.5	Iraq	3.4	Mozambique	2.4
11	South Africa	3.8	Kenya	3.8	Indonesia	3.0	Angola	3.2	Tanzania	1.9
12	Kenya	3.6	Nepal	3.7	Uganda	2.9	Bangladesh	3.1	Viet Nam	1.6
13	Zimbabwe	3.1	Egypt	3.2	South Africa	2.8	Uganda	3.0	Ethiopia	1.8
14	Burkina Faso	2.7	Bangladesh	2.9	Zimbabwe	2.6	Bolivia	2.7	Bolivia	1.7
15	Thailand	2.5	Sts Ex-Yugo. Unspec.	2.8	Rwanda	2.3	Kenya	2.4	Haiti	2.1
16	Viet Nam	2.3	Iraq	1.9	Sri Lanka	2.0	South Africa	2.3	Nicaragua	1.5
17	Benin	2.2	Peru	1.8	Eritrea	2.0	Palestinian adm.areas	2.1	Kenya	1.4
18	China	1.7	Rwanda	1.7	Cote d'Ivoire	1.7	Afghanistan	1.8	French Polynesia	1.3
19	Bhutan	1.6	Sudan	1.3	Guatemala	1.7	China	1.8	New Caledonia	1.3
20	Namibia	1.4	Iran	1.3	Sudan	1.6	Namibia	1.7	Zambia	1.5
Allocable (mill USD)		487		127		744		674		26,167
Unallocated		240		45		207		279		7,883
Total bilateral ODA (net)		727		172		951		953		34,050

Source: OECD IDS database

**Top 20 recipients of aid from the Nordic countries and the DAC, percent of total allocable bilateral ODA (net disbursements, constant 2002 prices, mill USD), 1990**

Rank	Recipient	Den	Recipient	Fin	Recipient	Nor	Recipient	Swe	Recipient	DAC
1	Tanzania	16.3	Tanzania	13.8	Tanzania	18.0	Tanzania	16.2	Egypt	11.3
2	Bangladesh	11.2	Kenya	8.2	Zambia	9.7	Mozambique	14.8	Indonesia	4.8
3	India	7.7	Mozambique	7.2	Mozambique	9.1	India	6.4	China	4.5
4	Kenya	7.6	Zambia	6.8	Bangladesh	7.7	Viet Nam	5.8	Israel	5.1
5	Uganda	5.3	Egypt	6.7	Nicaragua	6.1	Ethiopia	5.3	Bangladesh	3.6
6	Mozambique	5.0	Somalia	6.1	Ethiopia	4.4	Angola	4.1	Philippines	3.7
7	Egypt	4.1	Ethiopia	5.7	India	4.4	Zambia	4.0	Tanzania	2.4
8	Zambia	3.6	China	4.4	Zimbabwe	4.2	Zimbabwe	3.9	India	2.2
9	Nicaragua	3.0	Viet Nam	4.4	Sri Lanka	3.9	China	3.5	Mozambique	2.2
10	Zimbabwe	3.0	Nepal	4.2	Kenya	3.9	Nicaragua	3.4	Kenya	2.3
11	Sudan	2.8	Sri Lanka	3.7	Botswana	3.8	Kenya	3.4	Thailand	2.3
12	Yemen	2.7	Nicaragua	3.6	Pakistan	2.6	Bangladesh	2.8	Pakistan	2.2
13	Morocco	2.6	Bangladesh	3.4	Mali	1.9	Botswana	2.7	Congo Dem.Rep. (Zaire)	1.8
14	China	2.3	Sudan	3.4	Namibia	1.8	Algeria	2.1	Morocco	1.8
15	Burkina Faso	2.1	Zimbabwe	2.8	Nepal	1.7	Tunisia	2.1	Senegal	1.8
16	Lesotho	1.7	Namibia	1.8	Sudan	1.7	Laos	1.9	Turkey	1.8
17	Nepal	1.6	Chile	1.5	Uganda	1.3	Afghanistan	1.7	Cote d'Ivoire	1.5
18	Niger	1.5	Thailand	1.2	Angola	1.3	Uganda	1.6	Ethiopia	1.5
19	Sri Lanka	1.3	Jordan	1.1	Chile	1.1	Guinea-Bissau	1.4	Malaysia	1.5
20	Malawi	1.3	India	0.8	China	1.0	Sri Lanka	1.1	Jordan	1.4
Allocable (mill USD)		480		284		633		722		33,682
Unallocated		212		100		202		357		7,080
Total bilateral ODA (net)		692		384		835		1,079		40,763

Source: OECD IDS database

## Public opinion

Several surveys measure public support for development aid. Eurobarometer has performed consistent and timely surveys for the EU countries since 1996 (including Denmark, Finland and Sweden). Similar surveys for Norway<sup>74</sup> are undertaken by Statistics Norway and Statistics Sweden.

### Attitudes to development assistance

The table below shows the percentage of the population that is in favour of assistance to developing countries.<sup>75</sup> We see that the citizens in the Nordic countries have become increasingly in favour of development assistance.

#### **Percentage of population in favour of development assistance, Nordic countries and the EU, 1996 - 2004**

Description	1996	1998	2002	2004
Denmark	83.1	83.6	92.5	97.0
Finland	77.2	69.9	91.6	91.0
Norway*	84.0	88.5	88.2	-
Sweden	81.0	83.1	91.9	96.0
EU**	81.7	75.8	82.5	91.0

\* For Norway survey data are from 1996, 1999 and 2001. Data for the 2004 survey are not yet available

\*\* 2004: the EU was enlarged from 15 to 25 members. Norway is not a member of the EU, and hence not part of the EU average

Source: Denmark, Finland, Sweden and EU data from Eurobarometer (various reports). Norway data from Statistics Norway

### Attitudes to the level of development assistance

There are also opinion polls on attitudes to the *level* of development assistance that at given times is being disbursed by their national governments. Below available polls from Norway and Sweden are shown.

In the Norwegian surveys, respondents are first informed about the amount of development aid, the share of the state budget this corresponds to, and how this share relates to other sectors in the budget.<sup>76</sup> They are then asked whether the amount of development aid should increase, is about right, decrease or stop. The table below gives the corresponding percentage share of each answer, including respondents who refused to answer or did not know, from 1972 to 2001.

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<sup>74</sup> Norway is not a member of the EU.

<sup>75</sup> In the Eurobarometer survey (data for Denmark, Finland, Sweden and EU) the tables gives the share of the respective respondents that see it as very or fairly important "...to help people in poor countries in Africa, Latin America, Asia, etc. to develop". In the survey done by Statistics Norway, the table gives the share of the respondents that are in favour of Norway helping developing countries in Africa, Latin America, and Asia.

<sup>76</sup> The Norwegian parliament has for the year (.) allocated (.) million NOK to development aid. This corresponds to (.)% of the state budget, (.) billion NOK in total. In comparison, the defence budget received (.)%, and the social/education sector received (.)%. Do you think the amount of funds allocated to development aid should be increased; is ok; should be decreased; or stopped?

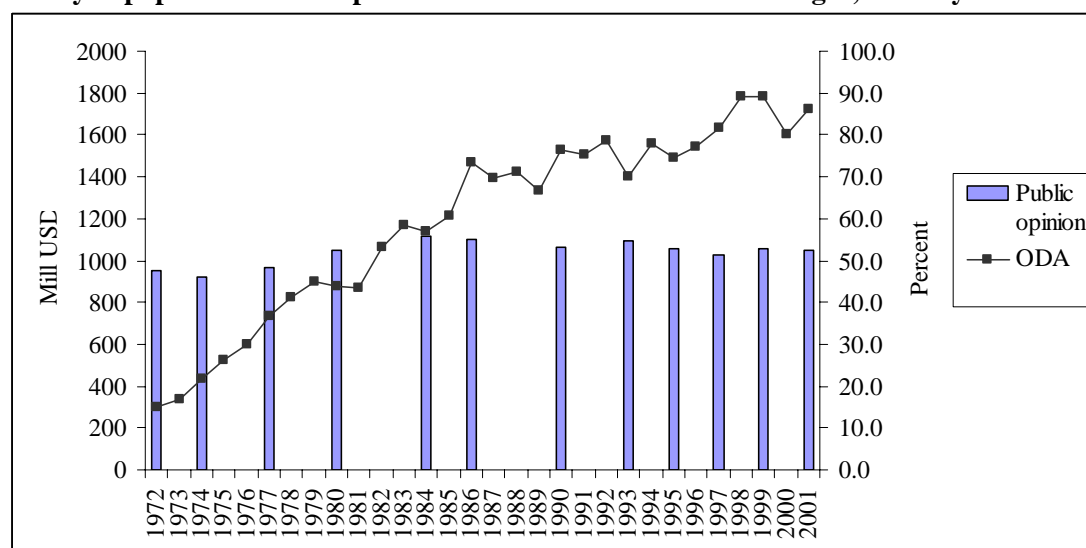
### Attitudes to the amount allocated as development aid through the state budget, Norway, 1972 to 2001

Year	Increase	About right	Decrease	Stop	Refuses to answer	Do not know	Sum respondents	Missing	Total
1972	10.2	47.6	24.3	10.6	-	7.3	2,243	-	2,243
1974	12.5	46.1	25.8	8.9	-	6.7	2,105	-	2,105
1977	10.7	48.1	27.2	6.7	-	7.3	1,965	4	1,969
1980	18.9	52.3	16.3	6.2	-	6.4	1,961	1	1,962
1983	19.5	55.9	14.5	4.7	-	5.3	1,908	2	1,910
1986	24.5	55.2	11.6	2.7	-	6.0	2,170	4	2,174
1990	15.2	53.2	22.3	4.9	-	4.4	2,159	1	2,160
1993	13.7	54.6	26.0	2.4	-	3.2	1,821	1	1,822
1995	8.8	52.9	29.5	4.2	0.2	4.4	1,402	-	1,402
1996	11.7	51.4	30.2	4.9	-	1.8	675	671	1,346
1999	11.3	52.8	30.3	3.3	-	2.3	1,163	380	1,543
2001	14.8	52.6	24.9	4.1	0.5	3.2	1,274	352	1,626

Source: Statistics Norway

An interesting trend is revealed when comparing these opinion polls data with the actual level of ODA disbursed from Norway. The figure shows ODA disbursements (constant 2003 prices) on the left axis. The right axis gives the percentage of the surveyed population who report that the current level of development aid is “about right”. We see that Norwegian ODA disbursements have increased gradually over the period, with an average annual growth rate of 6%.<sup>77</sup> Nevertheless, the share of the surveyed Norwegian population reporting that the amount of development aid is about right has remained stable at more than 50% throughout the period. This may indicate that the majority of the population supported continued increases in Norwegian ODA.

### Comparing total ODA (gross disbursements, constant 2003 prices, mill USD) and share of surveyed population who report current level of ODA is about right, Norway 1972 to 2001



Source: OECD IDS database and Statistics Norway

<sup>77</sup> Total ODA (gross disbursement, constant 2003 prices) 1972: 300.05 mill USD; 2001: 1726.38 mill USD.



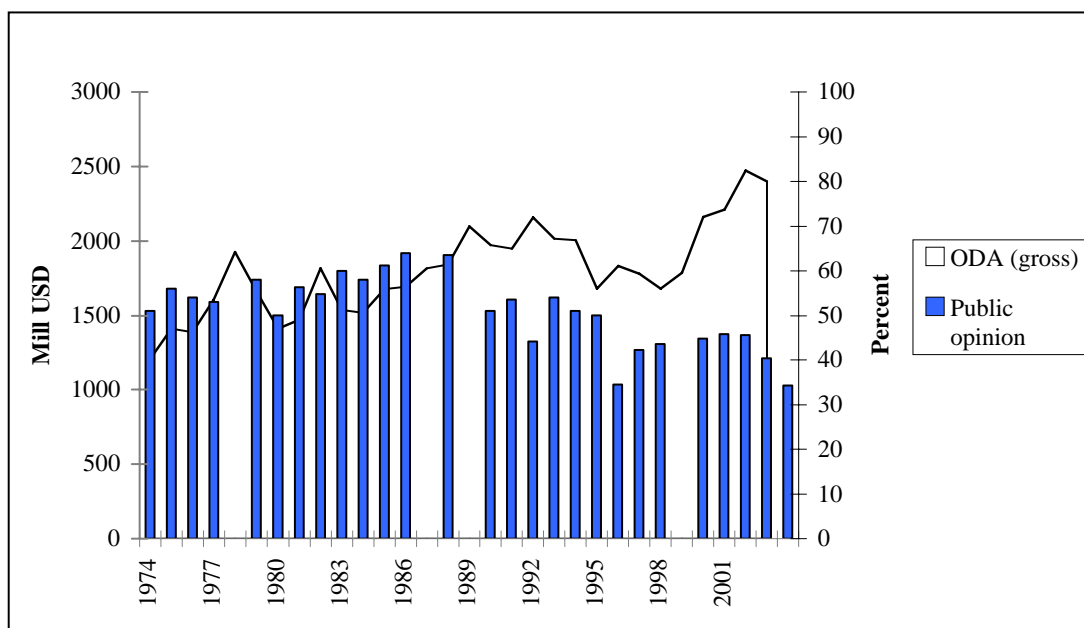
Swedish public opinion polls on the attitudes to ODA have been performed by Statistics Sweden since 1974. They show that the largest group of respondents see the level of ODA as about right. In all years surveyed after 1977, except 1986 and 1988, the share wanting a reduction in aid allocations is larger than the share wanting to see an increase.

**Attitudes to the amount allocated as development aid through the state budget, Sweden, 1974 to 2004**

Year	Increase	About right	Decrease	Stop	Do not know	No answer	Sum respondents	Missing
1974	32.0	51.0	6.0	5.0	7.0	1.0	1200	240
1975	23.0	56.0	7.0	6.0	7.0	1.0	1200	228
1976	26.0	54.0	10.0	5.0	5.0	0.0	1200	252
1977	22.0	53.0	14.0	7.0	3.0	0.0	500	110
1979	15.0	58.0	18.0	5.0	5.0	0.0	835	209
1980	15.0	50.0	24.0	11.0	-	-	1600	-
1981	17.3	56.4	17.0	9.3	-	-	813	130
1982	16.3	54.8	21.7	7.2	-	-	799	-
1983	15.0	60.0	18.0	7.0	-	-	1200	192
1984	16.0	58.0	19.0	8.0	-	-	1200	-
1985	15.7	61.2	18.0	5.1	-	-	1200	152
1986	20.9	64.0	11.2	3.9	-	-	1218	280
1988	20.7	63.5	12.0	3.8	-	-	1209	-
1990	11.4	51.1	25.9	8.4	-	-	1200	-
1991	9.7	53.6	26.7	7.3	-	-	1200	-
1992	8.8	44.1	37.8	7.6	-	-	1200	276
1993	9.0	54.0	28.0	9.0	-	-	1200	-
1994	11.0	51.0	33.0	6.0	-	-	1200	-
1995	9.0	50.0	32.0	9.0	-	-	1200	-
1996	9.8	34.5	29.1	12.7	12.7	-	1200	-
1997	10.7	42.2	28.7	10.4	7.2	-	1200	-
1998	13.4	43.5	25.8	7.4	9.7	-	1200	-
2000	15.2	44.8	23.6	7.8	8.7	-	1984	-
2001	16.2	45.8	22.4	7.5	8.0	-	2000	-
2002	15.4	45.5	19.1	5.4	14.6	-	2000	-
2003	16.1	40.3	23.6	6.4	13.6	-	2000	-
2004	14.8	34.3	26.0	7.0	17.8	-	2000	-

Source: Statistics Sweden

In the graph below the ODA disbursements (constant 2003 prices, mill USD) are plotted on the left axis, and the share of the respondents that saw the level of Swedish ODA as about right on the right axis. From 1995, less than half of the respondents reported the level of Swedish ODA as about right. Interestingly, and as pointed out, the majority of respondents who would like to see a change in the level of ODA wanted a reduction. Nevertheless, the period from 1998 up to 2003 saw a massive increase in the level of ODA.



Source: OECD IDS database and Statistics Sweden

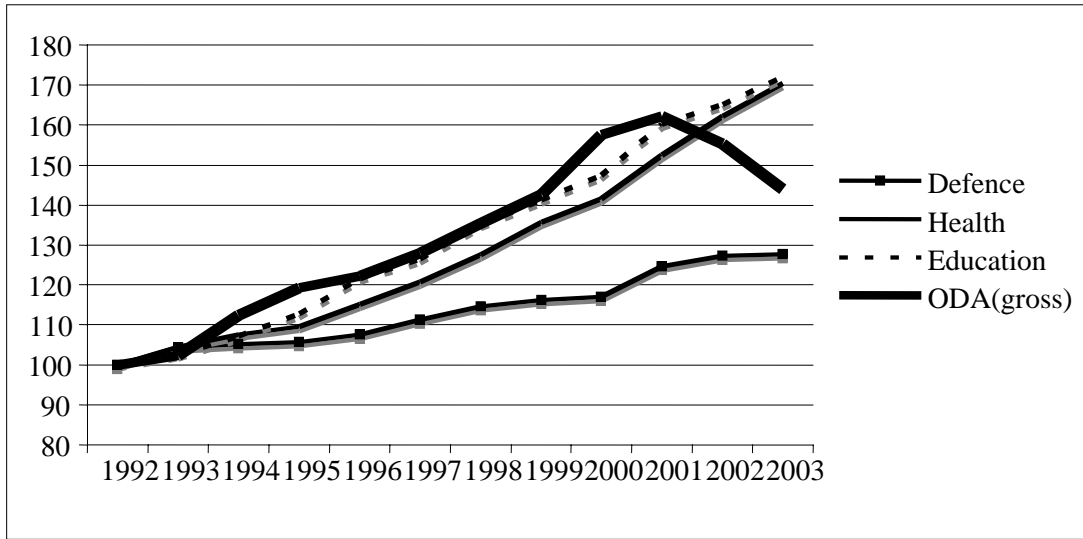
## Comparing government expenditure on defence, health, education and ODA

Data on annual government spending on defence, health and education are extracted from the OECD general government expenditure database.<sup>78</sup> Entries are available from 1992 to 2003 for most OECD member countries. Data on ODA (gross disbursements) are collected from the OECD IDS database. We choose the first year for which data on general government expenditure is available as the base year. OECD data on government expenditure on defence, health and education are available in current local currency. We have therefore also used ODA data in current national currency.

For Denmark, we see that ODA increased at the same rate as education and health expenditures. Defence increased much more slowly. From 2001, however, there has been a drastic decline in ODA allocations, whereas health and education have continued to expand.

<sup>78</sup> <http://www.oecd.org>

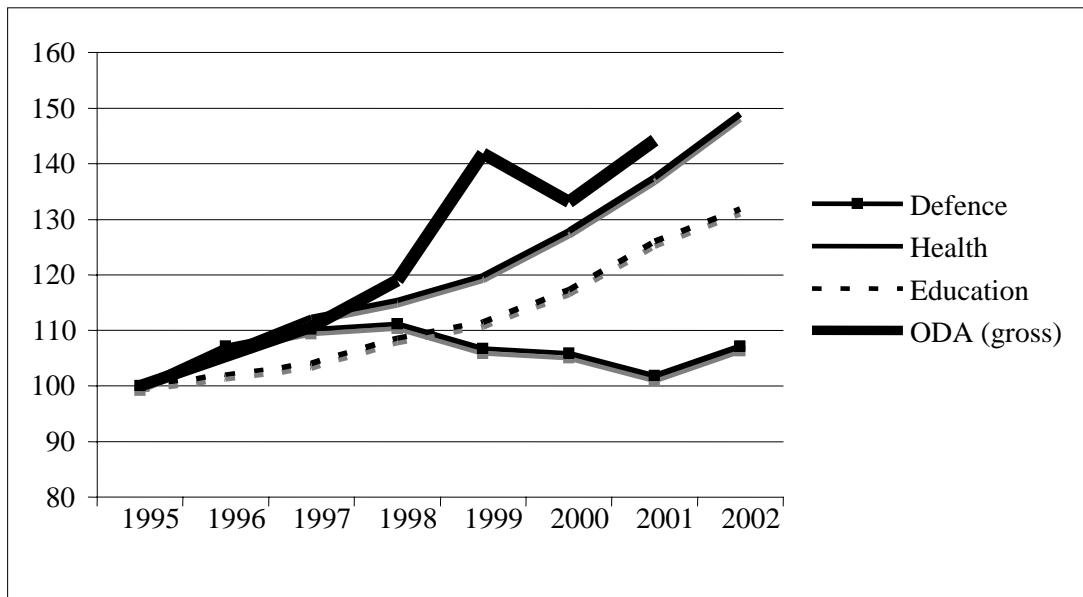
**Comparing government expenditure on defence, health, education and ODA, Denmark 1992 to 2003 (1992=100)**



Source: OECD General Government Account database, and OECD IDS database

As was the case in Denmark, Finnish allocations to ODA either followed or exceeded health and education prior to 2001.<sup>79</sup>

**Comparing government expenditure on defence, health, education and ODA, Finland 1995 to 2002 (1995=100)**

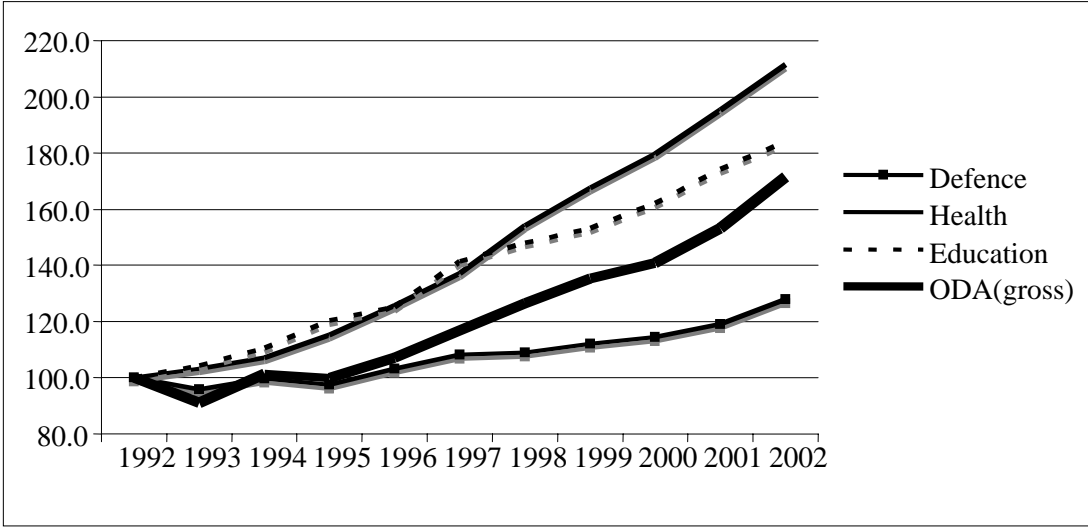


Source: OECD General Government Accounts database, and OECD IDS database

In Norway, ODA disbursements were below or at the 1992 level until 1995. From 1995 ODA increased gradually, but less than health and education.

<sup>79</sup> National currency in 2002 Euros.

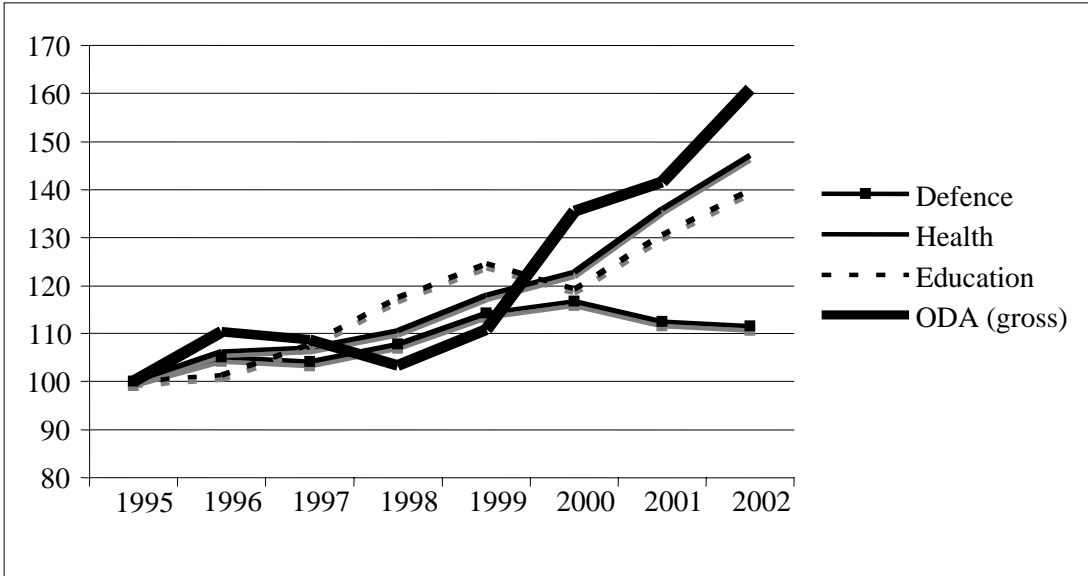
**Comparing government expenditure on defence, health, education and ODA, Norway 1992 to 2002 (1992=100)**



Source: OECD General Government Accounts database, and OECD IDS database

The figures for Sweden are shown in the graph below.

**Comparing government expenditure on defence, health, education and ODA, Sweden 1995 to 2002 (1995=100)**



Source: OECD General Government Accounts database, and OECD IDS database

**Development finance organisations**

This section reviews the development finance organisation of the Nordic countries: IFU/IØ (Denmark), Finnfund (Finland), Norfund (Norway) and Swedfund (Sweden). All four are members of the Association of European Development Finance Institutions (EDFI). EDFI is a fourteen-member group of European bilateral development finance institutions, and was founded in 1992 to foster co-operation among its members and to strengthen links with institutions of the European

Union.<sup>80</sup> It is the shared vision of the EDFI members to provide long-term finance to the private sector in developing countries and reforming economies, thereby bridging the gap between commercial investment agencies and government development aid.

The table below gives details of the regional coverage of four Nordic development investment funds in 2004. We see that the funds differ quite substantially in this respect, especially with the relative share of their portfolio invested in Europe. Whereas IFU/IØ and Swedfund had about a quarter of their portfolio invested in the new EU member countries, Finnfund only had 3% and Norfund no investment projects in these countries.

**Nordic development investment fund portfolios by geographical region, percentage shares, 2004**

Region	IFU/IØ	Finnfund	Norfund	Swedfund
Africa, Caribbean, Pacific and RSA	10	24	26	31
Latin America	5	16	15	7
Asia	23	15	16	13
China	9	10	3	2
New EU member countries	27	3	-	21
Central and Eastern Europe	8	2	10	1
CIS and Russia	10	18	-	24
Mediterranean and Middle East	8	1	1	-
Other	-	11	29	1
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Source: EDFI 2004

The table below shows the Nordic investment funds' portfolio in terms of investment activity in 2004. Whereas more than two-thirds of investments by IFU/IØ, Norfund and Swedfund are equity stakes, Finnfund has an even split between equity and loan.

**Nordic development investment fund portfolios by investment activity, percentage shares, 2004**

Investment activity	IFU/IØ	Finnfund	Norfund	Swedfund
Equity and quasi-equity	68	53	77	71
Loans	31	47	23	24
Guarantees	1	-	-	5
	100	100	100	100

Source: EDFI 2004

**IFU/IØ**

Danish international investment funds are the three funds IFU, IØ and IFV. From 1 January 2004 IFV stopped making new investments, and we will therefore focus on IFU and IØ.

The IFU was established in 1967, and IØ in 1989. The two funds have the same supervisory board and executive board. IFU operates in poor developing countries, and the host countries of investments must be on the OECD's DAC list of development aid recipients with a GNP per capita not exceeding USD 5,295 (in 2005). IØ operates in Central and Eastern Europe and in the Asian part of the former Soviet Union, but it may not initiate projects in EU member countries.

<sup>80</sup> [AWS](#): Austria, [BIO](#): Belgium, [CDC](#): UK, [COFIDES](#): Spain, [Corvinus](#): Hungary, [DEG](#): Germany, [FINNFUND](#): Finland, [FMO](#): The Netherlands, [IFU](#): Denmark, [NORFUND](#): Norway, [PROPARCO](#): France, [SBI-BMI](#): Belgium, [SIMEST](#): Italy, [SWEDFUND](#): Sweden

To be eligible, a project must be financed in part by a Danish business partner, and the project must be evaluated as being commercially viable. Also eligible are green-field projects, expansion of existing projects and privatisation of state-owned enterprises. IFU's policy is to withdraw from a project when it has become self-supporting, usually after 5-10 years.

### ***Finnfund***

Established by law in 1979, Finnfund started its operations in 1980. Though the fund mainly invests in Finnish companies and their partners, Finnfund may also support other projects that make use of Finnish technology or that generate significant environmental or social benefits. Finnfund does not have an explicit cut-off level for the per capita income of its host countries, but aims over the next five years to allocate at least two-thirds of its new commitments to low-income and lower middle-income countries.

### ***Norfund***

Norfund was established in 1997, and commenced its operations in 1998. Contrary to the policy of the other Nordic development funds, Norfund's commitments do not need a Norwegian partner. Any country on the OECD DAC recipient list with a GDP under USD 5,290 per capita is eligible for investments. Norfund can invest in most sectors of the economy as long as the investment offers opportunities for growth, profitability and local development.

### ***Swedfund***

Part of Swedfund's task is to promote Swedish interests. For this reason it cooperates primarily with Swedish companies, investing in a local company to establish or expand their operations. Swedfund is to invest in countries that according to the OECD/DAC definition qualify for development financing. For investments in reforming European countries, the OECD DAC threshold does not apply.

## International trade and investment relations

So far we have look at government-initiated interaction with developing countries. In the following we briefly review each Nordic country's private sector involvement with the rest of the world. More specifically, we will look at trade and investment statistics for all four Nordic countries.

### Trade in goods by geographical region

The tables below show, for each Nordic country, the export and import of goods by geographical region.

### Danish goods exports and imports, percentage share of geographical regions, 2002-2003

Trade in goods by region	Export		Import	
	2002	2003	2002	2003
Europe	79.4	79.8	84.3	83.6
North Africa*	0.5	0.4	0.1	0.0
Sub-Saharan Africa	0.7	0.7	0.4	0.4
North America	7.8	7.5	5.2	4.1
Central and South America	1.5	1.3	1.4	1.4
Asia	9.4	9.4	8.4	10.0
Oceania	0.8	0.9	0.3	0.4
Total classified by country (DEK mill)	441,649	436,138	387,414	376,227
Not classified (DEK mill)	514	501	404	474
Total (DEK mill)	442,163	436,639	387,818	376,700

\* Includes: Algeria, Ceuta, Egypt, Libya, Melilla, Morocco, Tunisia

Source: Statistics Denmark

### Finnish goods exports and imports, percentage share of geographical regions, 2003-2004

Trade in goods by region	Export		Import	
	2003	2004	2003	2004
Europe	72.8	72.8	86.18	85.04
North Africa	0.7	0.8	0.03	0.02
Sub-Saharan Africa	0.9	1.2	0.42	0.72
North America	9.2	7.4	2.80	2.97
Central and South America	1.9	2.0	1.33	1.55
Asia	13.7	14.8	8.49	8.76
Oceania and Polar regions	0.8	1.0	0.75	0.94
Total (mill Euro)	46,586	48,997	35,195	38,486

Source: Central Bank of Finland

### Norwegian goods exports and imports, percentage share of geographical regions, 2002-2004

Trade in goods by region	Export			Import		
	2002	2003	2004	2002	2003	2004
Europe	79.1	80.8	80.5	75.4	75.9	75.9
North-America	12.1	11.8	12.4	8.2	7.2	7.2
Central and South-America	1.8	1.0	1.2	2.4	2.9	2.5
Africa	0.6	0.6	0.4	0.9	0.9	1.1
Asia and Oceania	6.4	5.8	5.4	13.1	13.1	13.3
Total (mill. NOK)	472,662	488,320	557,999	279,760	288,594	332,221

Source: Statistics Norway

**Swedish goods exports and imports, percentage share of geographical regions, 2003-2004**

Trade in goods by region	Export		Import	
	2003	2004	2003	2004
Europe	71.2	72.3	84.8	85.2
North Africa	0.8	0.7	0.1	0.1
Sub-Saharan	1.0	1.1	0.2	0.3
North America	12.8	11.9	4.3	3.8
Central and South America	2.0	2.0	1.2	1.3
Asia	11.0	10.8	9.2	9.1
Oceania and other territories	1.3	1.2	0.3	0.3
Total classified by country (SEK mill)	823,399	900,023	673,419	729,930
Not classified (SEK mill)	550	657		
Total (SEK mill)	823,949	900,680		

Source: Statistics Sweden

Investment abroad by geographical region

We will here briefly investigate the net direct investments abroad from the four Nordic countries. These are acquisitions outside the home country of physical investment assets (e.g. plant and equipment), or of a controlling stake in a company. Figures are presented by geographical region in percent of the total net direct investment abroad for each year. Negative entries signify divestment, i.e. more capital was divested abroad than was invested.

The table below gives Danish net direct investment abroad for the period 1999 to 2004.

**Danish direct investment abroad (net), percentage share of geographical regions, 1999-2004**

Net capital flow by region	1999	2000	2001	2002	2003	2004
Europe	85.9	51.1	93.0	87.7	128.0	240.1
America	7.6	43.3	7.2	12.5	9.3	-39.2
Africa	3.3	0.5	0.1	0.3	2.1	-33.9
Asia	3.2	4.8	-1.2	0.1	-33.6	-65.3
Oceania	0.0	0.3	1.0	-0.6	-4.8	-0.6
<i>Total (mill DEK)</i>	<i>51,291</i>	<i>68,183</i>	<i>67,418</i>	<i>35,798</i>	<i>6,277</i>	<i>-3,267</i>

Source: Central Bank of Denmark

The table below shows Finnish net direct investment abroad from 1995 to 2003.



**Finnish direct investment abroad (net), percentage share of geographical regions, 1995-2003**

Net capital flow by region	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Europe	87.9	102.0	78.5	92.8	73.3	77.9	73.6	115.8	37.6
North America	13.3	-6.3	19.8	6.2	20.5	18.6	15.6	-17.1	51.0
Central and South America	-1.3	5.9	0.9	-0.3	0.6	1.6	5.8	-0.8	2.8
Asia	3.6	2.7	3.9	1.2	3.5	1.3	4.9	2.0	4.9
Africa	0.3	0.2	-0.2	0.0	-0.2	0.1	0.1	0.2	1.2
Oceania and polar regions	0.6	0.6	1.0	-0.1	1.5	0.2	-0.4	-0.7	2.5
Unclassified	-4.4	-5.2	-3.9	0.2	0.8	0.2	0.4	0.5	0.0
<i>Total (mill Euro)</i>	<i>1,100</i>	<i>2,778</i>	<i>4,617</i>	<i>16,759</i>	<i>6,209</i>	<i>26,082</i>	<i>9,354</i>	<i>8,099</i>	<i>-2,294</i>

\* Preliminary

Source: Central Bank of Finland

The table below gives the geographical distribution of Norwegian direct investment abroad.

**Norwegian direct investment abroad (net), percentage share of geographical regions, 1999-2002**

Geographical region	1999	2000	2001	2002
Europe	74.3	69.4	61.4	63.9
Africa	3.4	2.7	2.9	3.2
America	19.0	21.2	26.4	24.4
Asia	3.0	6.4	7.0	5.6
Oceania	0.3	0.3	2.4	2.9
<i>Total (mill. NOK)</i>	<i>334,354</i>	<i>387,501</i>	<i>481,297</i>	<i>474,390</i>

Source: Statistics Norway

The table below gives the Swedish net direct investment abroad.

**Swedish direct investment abroad (net), percentage share of geographical regions, 1998-2004**

Net capital flow by region	1998	1999	2000	2001	2002	2003	2004
Europe	68.23	60.00	81.28	48.99	93.44	119.00	69.11
North America	14.38	23.08	10.43	63.93	8.26	-17.03	-11.71
Central and South America	3.52	5.27	2.50	-3.23	-10.06	-3.22	8.10
Africa	0.34	0.17	0.29	1.15	0.11	0.53	1.79
Asia	2.86	1.47	2.44	3.55	14.94	4.14	6.88
Oceania	0.59	-0.34	-0.26	-2.27	-0.31	-0.44	12.39
Not allocated	10.07	10.34	3.33	-12.13	-6.38	-2.98	13.45
<i>Total (mill SEK)*</i>	<i>149,003</i>	<i>111,502</i>	<i>293,629</i>	<i>44,093</i>	<i>59,965</i>	<i>98,019</i>	<i>31,988</i>

\* Total excludes reinvested earnings, which is not possible to beak down by country.

Source: Central Bank of Sweden

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## SUMMARY

The Nordic countries are often praised for their efforts in development assistance and commended for their generosity. Over the last few decades the Nordic countries and the Netherlands have consistently been among the most generous donors. What is it that makes them more generous and seemingly less selfish than most other donor countries? Are they so much more altruistic than most other donors? In all the Nordic countries, the modes and ways of dealing with aid are in the process of undergoing substantial changes, both in terms of how the donors organise their activities and how aid is delivered. This study aims to understand and explain the Nordic countries' aid policies and practices. It elaborates on the main underpinnings of their aid policies, how they are shaped and how they have transformed into practice at the more general level. The study focuses on recent and current developments, but is also briefly giving an outline of the historical background. A field report from the Nordic countries' operations in Tanzania is also presented, which will provide some insights into their operations at the country level.

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