Western Middle Powers and Global Poverty

The Determinants of the Aid Policies of
Canada, Denmark, the Netherlands,
Norway and Sweden

Edited by
Olav Stokke

The Scandinavian Institute of African Studies, Uppsala
in cooperation with
The Norwegian Institute of International Affairs, Oslo

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Preface

By 1981, the North-South dialogue had come to a virtual stand-still and the prospects for its immediate future seemed bleak. With the governments of the United States and the United Kingdom in their lead, most OECD countries were increasingly hostile to any major reform of the existing international economic order. However, within the OECD, a few governments continued their efforts, begun in the mid 1970s, to win support for structural reforms along the lines of the New International Economic Order (NIEO). However, optimism was at a low ebb, and even tiny reforms seemed to be out of reach.

This was the international setting when the research proposal 'Western Middle Powers and Global Poverty' was launched. Its purpose was to study the North-South policies of some Western middle powers with a view of scrutinizing the foundations on which their policies were based. The idea emerged from the Development Studies Programme of the University of Toronto, Canada. In October 1983, it was presented—in a very tentative form—and further developed at a workshop held at the Development Centre of the OECD in Paris, attended by some 20 scholars from eight middle powers. A research proposal was then developed which for practical and financial reasons focused upon the North-South policies of five of these countries: Canada, Denmark, the Netherlands, Norway and Sweden.

The present volume, which focuses on the aid policies of the five countries, is the result of one of the three sub-projects which emerged. The two other sub-projects are resulting in two volumes, *Internationalism Under Strain: The North-South Policies of Canada, the Netherlands, Norway and Sweden*, edited by Cranford Pratt, to be published by the University of Toronto Press and a second, forthcoming volume, edited by Gerald Helleiner, entitled *The Other Side of International Development Policy: Non-Aid Economic Relations with Developing Countries in Canada, Denmark, the Netherlands, Norway and Sweden*. The project has also produced a fourth volume, *Middle Power Internationalism: Experience, Opportunities and Constraints*, edited by Cranford Pratt, which includes three major thematic studies.

No research and publication project this ambitious could proceed without much help and goodwill. The overall project received, in its initial stage, a grant from the Development Studies Programme of the University of Toronto, financed from its Connaught Development Grant. A major grant from the Donner Canadian Foundation then made it possible to proceed with the project. We acknowledge these generous grants with pleasure and appreciation. We are equally grateful to the OECD Development Centre for hosting the initial meeting and the institutional support which it subsequently extended to the project.

Various institutions have provided the support for the scholars who have been part of this international research effort. These include, for this particular sub-project, the Norman Paterson School of International Affairs of Carleton University, Ottawa (Canada), the Centre for Development Research, Copenhagen (Denmark), the Institute of Social Studies, The Hague (the Netherlands), the Norwegian Institute of International Affairs, Oslo (Norway) and the Swedish International Development Authority, Stockholm (Sweden). We are, in particular, indebted to the Norwegian Institute of International Affairs, which, for obvious reasons, has carried the main burden of the sub-project. This support has been crucially important to the successful completion of this sub-project and to the preparation and publication of this volume.

Oslo and Toronto, August 1988

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The Determinants of Aid Policies: General Introduction

Foreign aid is an integral part of the foreign policy of a nation. Aid for development may be conceived of as a foreign policy objective in its own right or as an instrument to achieve other objectives. As is the case with most foreign policy objectives, the roots are to be found in domestic politics. Aid policy is part of a cluster of domestic policies which emerge from the same or related traditions. Likewise in the foreign policy setting, aid policy is merged into foreign policy traditions and objectives. Aid policy, therefore, is moulded in a setting in which traditions, norms and interests of both the domestic and the external environment influence the outcome. Such determinants vary from one system to another.

The countries selected

This study is focused on the aid policies of Canada, Denmark, the Netherlands, Norway and Sweden, with emphasis on the period after 1975. There are several reasons for selecting precisely these countries. They are all small or medium-sized, Western industrial nations with a marked international orientation. They have actively pursued policies aimed at international peace and economic stability for a variety of reasons—both norms and vested interests. As small or middle powers, they have a vested interest in maintaining peace, which is reflected in their active support for, inter alia, the United Nations peace-keeping operations. Their economies are to a large extent open and vulnerable, hence they also have a vested interest in international arrangements that regulate rights and duties and secure international stability.

Still, the main reason for focusing on just these countries is their relative positions in the field of aid policy. Since the mid-1970s, the four European countries included have, within this area, been described as 'front-runners' among Western industrial nations, on account of the volume of their official development assistance (ODA). Their concern for Third World development has transcended that for providing ODA, as demonstrated by their active involvement, since the mid-1970s and into the early 1980s, in pushing the demands for a new international economic order (NIEO) in international fora, in particular in the United Nations Conference on Trade and Development (UNCTAD) and vis-a-vis the major Western industrial countries.'

Their aid performance and their declared support for the restructuring of an international economic system that they found unfair to the Third World, an arena in which the effects of their efforts have been less conspicuous, have led many individuals and non-governmental organizations (NGOs) interested in the Third World to regard the policies of these countries as a model. This position is based more on their declared ethics than on their economic power. Even so, this makes an investigation into the bases on which their policies are founded of interest, and their aid policies of particular interest. Which factors have determined the aid policies of the five countries and how firm—or elusive—is the basis for their ODA commitments?

The broader North-South perspectives

This study, which is limited to the aid policies of these five nations, is part of a project that focuses on their North-South **relations**.² The project aims at identifying the main features of these relations and the main determinants of the various dimensions of their North-South policies. A core question in this regard is the following: to what extent can these policies be explained with reference to the ideologies and basic values predominant in the countries in question?

The project started out with the assumption that the predominant political philosophy and values of the countries would have a strong bearing on their North-South policies. Basic philosophy and values do not normally change easily. Still, even these adapt to important changes in the external and domestic environment. Since the early 1970s, three changes in particular are assumed to have the potential to influence their political philosophy and basic values with a bearing on their North-South policies: the economic recession in the Western world, which started in the early 1970s; the ideological change as far as political and economic doctrines were concerned, which took place at government level in some major Western powers (United States, United Kingdom) during the late 1970s and early 1980s; and the crises which, during the late 1970s and early 1980s, hit most developing countries more forcefully than ever before—involving their external and internal economy, their ecology and in many cases the very survival of people in exposed regions.

Humane internationalism

The framework selected as a point of departure for our analyses is that of *humane internationalism*.³ The core of humane internationalism is an acceptance of the principle that citizens of the industrial nations have moral obligations towards peoples and events beyond their borders; it implies a sen-

sitivity to cosmopolitan values, such as the obligation to refrain from the use of force in the pursuit of national interests and the respect for human rights.

In the context of the theme of this volume, which focuses on development assistance, this implies a responsiveness to the needs of the Third World as regards social and economic development. The moral thrust of this responsiveness is combined with, and considered to be instrumental for, the promotion of the more long-term, overall interests and values of the rich countries. The responsiveness to Third World development needs represents an extension internationally of the predominant socio-political values at home, as reflected in the five countries' national social welfare policy, broadly defined, although the commitment to Third World needs is less extensive than to their own citizens. We do not suggest, however, that the forces underpinning humane internationalism are the predominant determinants of the foreign policies of these countries, as more traditional determinants—economic, political and strategic concerns—frequently have the upper hand.

Humane internationalism thus defined implies (i) the acceptance of an obligation to alleviate global poverty and to promote social and economic development in the Third World; (ii) a conviction that a more equitable world would be in the best long-term interests of the Western, industrial nations; and (iii) the assumption that meeting these international responsibilities is compatible with the maintenance of a socially responsible national economic and social welfare policy.

Humane internationalism, accordingly, is associated with a set of objectives, viz. to promote economic and social growth and economic, social and political human rights in the Third World and to alleviate human suffering. It is based on humanitarian values and ethics, including respect for the dignity of man, and is motivated, in the first place, by compassion—the moral obligation to alleviate humane suffering and meet humane needs across national, political and cultural borders. However, self-interest is part of the motivation, too; this includes both broader national interests related to objectives of mutual benefit across borders, and narrower interests related to, *inter alia*, employment or an expansion of trade and investment opportunities.

Humane internationalism stands in strong contrast to realist internationalism, which is based on the world view of anarchic international relations, in which states pursue, and should pursue, only their own national interests.

In the 1960s, humane internationalism was reflected in the Pearson Report,⁴ which expressed the view that expanded trade, investments and aid would set off self-generating, social and economic development in the Third World before the turn of the century and that international agreements and institutions would be conducive to the creation of peace, equity and stability.

By the mid-1970s, however, the contours of a different, less optimistic world had emerged, in which the gap between rich and poor countries had grown wider and the prospects for the future much bleaker. Even so, the main

thrust of the NIEO programme—formulated in the mid-1970s and supported, with a few reservations, by the Scandinavian governments and the Dutch government, though to a varying degree—struck an optimistic chord, namely that the industrially developed countries should adapt themselves to the developmental needs of the Third World through structural adjustments. However, very little came out of the NIEO efforts. Since then, the development paradigms of the Western, industrialized countries and their attitudes to cooperation with the Third World have changed dramatically. In the 1980s, the industrial world, including to a large extent even the five countries included in this study, have insisted that the poor countries should adapt their policies to the needs of the rich world.

In response to these developments—a reflection of the increasing predominance of realist internationalism—three clusters of related ideas and attitudes, which had all along been part of humane internationalism, came more distinctly to the fore: reform internationalism, liberal internationalism and radical internationalism.

Both reform internationalism and liberal internationalism tend to be system oriented, concentrating on what the governments and international agencies should achieve in the South. Each acknowledges that rich countries have an obligation to alleviate poverty in the Third World, considers that fair North-South relations are in the best, long-term interest of the North and shares the conviction that the primary obligation of governments is to their own nationals.

Reform internationalism is associated with a set of *objectives* much in line with mainstream humane internationalism, viz. improved equity and social and economic justice, both within and between nations, and the promotion of human rights. Its *basis and motivation*, too, are in line with mainstream humane internationalism, though with an explicit international ethic that goes further: the existing global distribution of resources and incomes is considered morally indefensible and the international economic system is considered unfair to the poor. Hence, like humane internationalism, it supports transfers of resources to promote development in the Third World. But it goes further by asking for reforms—both reforms within Third World countries for the benefit of poor social groups, and reform of the international political and economic system for the benefit of the South. Like humane internationalism, it is not exclusively altruistic, in so far as fair North-South relations are considered to be in the best interests of the rich countries.

In contrast to liberal internationalism, reform internationalism does not consider the market to be the most efficient instrument to determine production priorities or to settle income distribution. Hence, although basically belonging to a liberal tradition, it favours *state and inter-state intervention* in order to pursue the objectives identified. It is gradualist in its approach. It works through the existing aid channels—the multilateral and bilateral *aid* agencies—which are considered to be useful instruments for the correction of

global inequalities. However, it also strives for the improvement of these agencies so that they can do a better job in pursuing the objectives defined. It is in favour of channelling aid through NGOs, too.

Who, then, are the main champions of reform internationalism? They may be differently situated in our five countries, but are generally associated with the Social Democrats and to a large extent also with the Scandinavian Christian Democrats and Liberals.

Liberal internationalism combines the core component of humane internationalism with a strong commitment to an open, multilateral trading system. It shares with realist internationalism the conviction that states should pursue immediate and long-term economic and political self-interest. However, unlike realist internationalism, it acknowledges a responsibility for development in the South. Its objectives include economic growth in the South. This is to be achieved by pursuing genuine common interests between rich and poor countries. Liberal internationalism is motivated by a humanitarian tradition in combination with an enlightened self-interest emerging from the increased North-South interdependence and the new opportunities opened up by the integration of the Third World into the Western market economy.

Liberal internationalism is basically against state and inter-state intervention, although it favours general rules that can create equal opportunities and reduce discriminatory practices and protectionism. Its attitude towards the major channels for aid—the bilateral and international aid agencies—depends on their degree of interference and discrimination. Thus, it is sceptical towards those bilateral aid agencies which give priority to a welfare strategy, implying for instance to improve the public social services, at the cost of a strategy directed towards economic growth, by means of mobilizing, in particular, the private sector to increase production and trade. It is also sceptical towards those agencies which pursue extensive procurement tying, and favours, in particular, the international development finance agencies and also the multilateral aid agencies within the UN system which practise open bidding. Liberal internationalism favours the mobilization of the private sector in development efforts, including the mobilization of industrial and business enterprises of the North, and the use of ODA for this purpose.

Who, then, are the main champions of liberal internationalism? They, too, may be differently distributed in the five countries, depending upon the economic structure of each country, but everywhere competitive transnational corporations would figure prominently.

The core of radical internationalism is, in contrast, an acceptance of the obligation to show solidarity with the poor and oppressed in other countries, even at the sacrifice of narrower interests in one's own country. It is associated with a set of objectives, viz. the attainment of full economic, social and political equity, and increasingly coupled with ecological concerns, too. Ideologically, it confronts the exploitive and oppressive economic and political structures at work within and between states. Radical internationalism is

rooted in ideologies professing equity of man and solidarity within and across national boundaries. It insists that the dire need which prevails in the Third World should be given predominance over narrower self-interests at home, given the differences in terms of economic and social levels, *provided* that aid is directed to meet these needs by creating or supporting structures for self-reliant, sustainable economic and social growth. It considers it to be of crucial importance that the recipient of aid pursues a policy to this end, be it a government or a social movement (NGO). It is sceptical to civilian and military bourgeois elites in control of the majority of Third World countries and reluctant about, if not against, the provision of state-to-state aid to countries ruled by such elites.

Radical internationalism strongly favours *state and inter-state intervention* if such interventions are oriented towards the objectives outlined above. It would be just as strongly against interventions by exploiting or repressive structures, whether a Third World government or an international organization, and the Bretton Woods institutions are included in this category. However, radical internationalism also includes some non-authoritarian, anarchist elements that would be against any strong, intervening state. It prefers to channel aid via non-governmental solidarity movements. It looks upon the major established *aid channels*, the bilateral and multilateral aid agencies, with basic scepticism, but tends to differentiate between them according to their performance vis-a-vis the objectives outlined above and the policy of recipients chosen. In the case of multilateral aid, it is against providing aid through the international development finance agencies, particularly the Bretton Woods institutions, because of their development philosophy and the orientation of their aid. They are not considered instruments for securing genuine advantages for the Third World, but rather as instruments in the service of donor interests, in particular those of the United States. It is more in favour of the global aid agencies (the United Nations system) because Third World governments are ensured a greater influence here (although many Third World governments are pursuing policies deemed contrary to the objectives set out above).

The above represents the main features of the analytical concept. Who are the champions of radical internationalism in the domestic setting of the five countries? A few examples may serve as descriptive illustrations. Some solidarity movements have this orientation. These are, generally speaking, politically to the Left, but in some of the countries they even include organizations belonging to the political centre (especially youth branches) and some Christian NGOs. Other protagonists include movements for an alternative future, environmental activists and political parties to the Left of the Social Democrats, and, for some aspects, even left-wing Social Democrats.

To what extent can the aid policies of the five countries chosen for this study be explained with reference to humane internationalism and its offshoots as sketched above? A brief presentation of some major features of

their aid policy may serve as a basis on which this core question may be further explored and refined.

Major features of aid policies

Several, though not all, dimensions of the aid policies of the five countries are similar. And in most aspects, their policies differ from the mainstream pattern of Western countries. This may be illustrated by their performance in five major policy dimensions: the volume of ODA, the magnitude of the multilateral aid component, the choice of main recipients for bilateral aid, the financial conditions of aid and the degree of tying of aid.

1. *The volume performances* are shown in Table 1. The patterns during the 1960s reflect the low level of their previous relations with Third World countries, except in the case of the Netherlands which was a colonial power. For the rest, the aid activity evolved to a large extent as a result of their active participation in, and strong commitment to, the United Nations (UN). Here, development assistance emerged as an issue during the late 1940s. Third World development increasingly attracted attention as a key question, as the membership structure of the UN drastically changed during the 1950s and early 1960s. By 1970, the four non-colonial countries had caught up with the average aid assistance (as a percentage of GNP) of the member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), which by then had declined from 0.5 per cent in the period 1960–65 to 0.34 per cent. At that point in time, the Netherlands was clearly ahead (0.62 per cent).

By 1975, all five countries had passed the 0.5 per cent of GNP mark, with Sweden and the Netherlands ahead (0.78 and 0.74 per cent) and Norway in a middle position. During the following years, the performances of the five followed different patterns. The Canadian ODA performance stagnated; in the period 1979–83, it even declined below 0.5 per cent of GNP. Danish ODA climbed to the 0.7 per cent level in 1978 and further to 0.89 per cent of GNP in 1986. Dutch aid increased to reach 0.8 per cent in 1976, 0.94 per cent in 1979 and 1.07 per cent in 1981, but declined somewhat during the subsequent years to reach 1.01 per cent in 1986. Norwegian ODA increased to 0.84 per cent in 1977, 0.95 per cent in 1979 and 1.1 per cent in 1983, declined somewhat the following two years and reached the peak level of 1.2 per cent of GNP in 1986. And the Swedish ODA increased to 0.95 per cent in 1977 and—after a decline during the subsequent years—to 1.02 per cent in 1982. Then it declined to 0.8 per cent in 1984, before it increased again somewhat, to 0.85 per cent of GNP in 1986.

During this period, the DAC average—which included the aid given by the five—stagnated, varying around 0.35 per cent of GNP. The performances of the four 'front-runners' were, in relative terms, two to three times that of the

DAC average, and Canada's performance was also clearly above this average.

Another indication of the relative importance of the development assistance is given in Table 2, which shows ODA appropriations as a percentage of the central government budget expenditures. For all the five countries, the level is high, compared with that of the United States. On this account too, the trends in the five countries differ. Canada shows a slightly declining trend, while ODA takes up an increasing share of the budgets of the four others up to 1980, when it stagnates or slightly declines.

2. All five countries are channelling *much development assistance through the multilateral aid agencies*. Different measures of their multilateral commitments are given in Tables 3—4. Their multilateral aid as a percentage of total ODA is given in Table 3, where aid channelled through the European Community (EC) is included for the EC members (Denmark and the Netherlands). The multilateral share is high for all five countries, though both the level and the trends differ. After 1975, Denmark and Norway maintained the largest multilateral component, on average 46 per cent in the case of Denmark and 44 per cent in the case of Norway. The Canadian average was around 40 per cent, the Swedish 33 per cent and the Dutch 29 per cent, while the DAC average was 31 per cent.

This picture is supplemented by the data on multilateral contributions in terms of USD (current prices) and as a share of GNP; the latter indicate the burden-sharing. As shown, the five countries contribute more to the multilateral aid agencies as a percentage of their GNP than the DAC average. Norway, which comes out at the top, has since 1976 contributed almost four times as much as the DAC average, Denmark more than three times, the Netherlands and Sweden on average somewhat less than three times and Canada almost twice the DAC average. Compared with the performance of the United States, their performances are even more distinct—both with regard to the level and the trends.

Another aspect is presented in Table 4, which shows how their multilateral aid is distributed between the international aid agencies. All five countries give strong support to the UN system according to this indicator, in particular the Scandinavian. However, the share is declining. Still, by 1985 the UN agencies received about half—or more than half—of the multilateral aid of the three Scandinavian countries, around 40 per cent of the Canadian and more than 30 per cent of the Dutch. The share of the multilateral finance institutions—the World Bank (mainly the International Development Association (IDA)) and the regional development banks—has been increasing for all five countries, in particular the Netherlands. However, the levels differ, with Canada at the top, followed, in 1985, by the Netherlands and Sweden. Denmark and the Netherlands channelled fairly large shares through the European Community. Even on this account, the profiles of the five countries differ from the DAC average, in which the UN agencies receive a smaller share and the financial aid agencies a larger.

3. A large share of the bilateral aid of the five countries is *concentrated on a few main recipients*, as shown in Table 5, which includes countries that received more than 2 per cent of total ODA in 1970—71, 1982—83 or 1985—86. To a large extent, they have also chosen the same recipients—all have included India, Bangladesh, Tanzania and Kenya among their main recipients; at an early stage, four have also included Pakistan. The regional concentration of bilateral aid to the Indian sub-continent and eastern and southern Africa is also striking. According to this indicator, the trend is towards decreased geographical concentration in the cases of Canada and the Netherlands, increased geographical concentration in the cases of Denmark and Sweden, while Norway has maintained the concentration at the same level. Another trend is the shift from Asia to eastern and southern Africa. The stability in aid relations is manifest for all five countries, although the degrees of stability differ.

4. The generosity with which aid is given is reflected in *the financial terms of the ODA*. Three dimensions of this aspect are shown in Tables 6—8. The proportion provided as grants is the most clear-cut indicator (Table 6). The patterns of the five countries differ, with Norway and Sweden providing aid on the most favourable terms: since 1975, almost all of their ODA has been given as grants. Canada, Denmark and the Netherlands started out at lower grant-loan ratios, and these were improved by 1985 to around 95 per cent in the case of Canada, 90 per cent for the Netherlands and 80 per cent for Denmark. The performances of the five countries were clearly ahead of the DAC average (81 per cent in 1985). A similar picture emerges from Table 7 on the basis of the calculated grant element of aid, although the difference between Norway/Sweden and the other three becomes less, according to this indicator. The grant element of aid to the least developed countries (LLDCs) has been fairly high for all five countries (Table 8).

5. A series of mechanisms have been established with the main purpose of ensuring a high return flow of aid; some of these are formal, others informal. One of these mechanisms is the *tying of aid*. On this account (Table 9), performances differ among the five. Canada consistently ties a large proportion of its total aid. The Canadian figures suggest that tied aid as a proportion of the country's total aid has declined sharply during the last three years. Denmark has been tying its bilateral development credits (about half of the bilateral ODA), but the proportion of tied aid declined after 1975 to 24 per cent in 1986. Dutch tying of aid started at a higher level but later on showed a strongly declining trend, according to DAC data (below 10 per cent after 1985). However, this trend is contested in the study on Dutch aid policy which follows. Norwegian and Swedish ODA has been tied at a relatively low and stable level (largely below 20 per cent). Also on this account, the five countries differ from the DAC average, which varied between 45 and 32 per cent: the three Scandinavian countries and the Netherlands with a lower level of aid-tying, Canada with a much higher level.

This brief survey reveals several common features but also some differences in the aid policies of the five countries. This makes it interesting to explore to what extent the same or similar determinants have been forming the policies. The fact that the aid policies of all five countries—and in particular those of the Netherlands and the Scandinavian countries—differ from the mainstream OECD policies on most dimensions of aid policy makes such a comparison all the more interesting.

The approach and main questions posed

To what extent can these policies be explained with reference to dominant socio-political norms and overarching interests of the countries in question? The five countries chosen for this study share, by and large, basic philosophy and values with most other Western countries. However, important differences in this regard may also be discerned within this community of nations. These differences apply, in some respects, to the five countries chosen vis-à-vis most of the other OECD nations. And the five countries differ among themselves with regard to other aspects, although the similarities are many, in particular between the four European countries.

Internally, the five countries chosen have developed welfare states based on equity and social justice. In Canada, the welfare system has been the product of an ethically responsible liberalism. In the Netherlands and the Scandinavian countries, Social Democrats have been the main architects and pushers, but gradually the welfare state has become the common property of these societies, though not totally uncontested. The state has taken on an active role, in particular in the four European countries. In their mixed economies, which include a large public sector, the state is active in designing and implementing the rules of the game and particularly active as far as the social security system, in a broad interpretation that also includes employment, is concerned. The role of the state is prominent at every step: in the identification of needs, the formulation of aid, the setting of priorities and the detailed planning and implementation of policy. In the four European countries selected, the corporate aspect is an additional major feature, which gives the major, well-organized interest groups a say—often a decisive one—in the policy formulation within their respective areas of interest. Strong non-governmental organizations (NGOs) with idealistic purposes have also emerged and even these have been integrated, as a matter of routine, in the political decision-making within their areas of interest.

The five countries are, as noted, small or middle-sized powers with open economies. Although they have found different foreign policy solutions for their most fundamental needs as far as security and economic cooperation are concerned—Canada, Denmark, the Netherlands and Norway belong to the North Atlantic Treaty Organization (NATO), whereas Sweden is neutral;

Denmark and the Netherlands belong to the European Community, but Norway and Sweden (and, of course, Canada) remain outside — traditionally they all have a strong commitment to international and global cooperation.

The expectation at the onset of this study is that these values and interests will influence aid policy. Their relative impact, however, cannot be assessed beforehand. Their influences will, for some dimensions of aid policy, be working in the same general direction, for others in opposite directions. The outcomes of conflicts will indicate the relative strength of the conflicting values and interests—or clusters of these—as policy determinants within the areas of conflict. Changes in the international or domestic environments will be expected to affect such balances.

The method chosen for this study is, firstly, to establish the general bearing each of the assumed main determinants would have on aid policy if their impact were decisive. An effort to this end is made in this General Introduction. The aid performance of the individual countries—the basic features of their aid policy and changes in these which have taken place during the period under review—will therefore be decisive for the conclusions that can be drawn. The key question will be: to what extent do the outcomes suggested for the various potential determinants correspond with the actual performance? It is assumed that the answers to this question will identify the main determinants.

What, therefore, is the general direction that each of the various potential determinants referred to above could be expected to take aid policy?

1. The dominant socio-political values identified with the welfare state is expected, if decisive, to result in a generous development assistance (a large volume on favourable terms) directed to poor developing countries (mainly to LLDCs and low income countries (LICs)) with political systems which are oriented towards social justice and equity.

The emphasis given to the various components of the welfare-state ideology will be expected to vary both from one country to another and according to the political balance prevailing within each of the five countries. In this respect, the expected Canadian position would be somewhere between liberal internationalism and reform internationalism, with some variations dependent on the political colour of the government of the day. As far as the choice of recipients is concerned, the expected focus would be on poor countries. The expected positions of the Scandinavian countries and the Netherlands would be within the framework of reform internationalism with elements of radical internationalism. With regard to the selection of recipient countries, their focus would be expected to be on the combination of poor countries and a redistributive system. For these countries too, variations dependent on the political colour of the governments of the day would be expected: Conservative governments are expected to move the balance towards the Canadian position, emphasizing poor countries, whereas Social Democrat (majority) governments would move the balance towards the radical position, giving em-

phasis to the system criterion (redistribution, social justice).

2. The opportunities provided by the state for domestic economic interest groups to influence policy decisions which would affect their interests (the corporate aspect of the strong state), which in particular apply to the four European countries, is expected to affect also the aid policy. If decisive, the influence of these interests would lead to an aid policy geared to domestic, economic self-interests (liberal internationalism). This influence is expected to be particularly strong where interests are shared by organized employers and employees, as is often the case. This would lead to aid being provided in ways which ensured a high return flow, affecting, inter *alia*, the balance between multilateral and bilateral aid (an emphasis on bilateral aid), the choice of recipients for bilateral aid (aid partners considered promising from a commercial point of view, rather than poor countries), the forms of aid given (a preference for aid forms controlled by the donor and conducive to commercial interests, such as project aid and commodity aid) and other mechanisms geared towards this purpose, such as procurement tying of aid and mixed credits.

3. A core issue is the classic conflict between more narrow economic self-interests and **altruism**,⁵ the latter being championed by NGOs with idealistic purposes. As already noted, even these NGOs have been integrated in the decision-making process and have actively been seeking to influence aid policy. By and large, their influence is expected to be in the general direction of reform internationalism—or, in some cases, radical internationalism—which would involve generous development assistance (a large volume of aid on favourable terms) oriented towards poor countries and poor social groups, but not necessarily channelled through political structures dedicated to social justice and equality. If they had a decisive impact, the aid programme would include a large multilateral component and bilateral aid would be untied. These NGOs have a tendency to favour relief aid. This is particularly true of the humanitarian NGOs, but less so of other agencies, including those under the auspices of the Church, which may be expected to reflect the dominant socio-economic values of their societies. The tendency to insist on long-term social and economic developmental effects would, accordingly, be expected to be stronger for NGOs in the four European countries than for Canadian NGOs.

4. The strong foreign policy commitment to international and global solutions is championed, in particular, by the administrative structures with a responsibility for foreign affairs. If actors pursuing these objectives had a decisive say, the aid policy would be a mixture of liberal and reform internationalism. Development assistance would be relatively generous (a large volume on favourable terms) and include a large multilateral component. It is also expected that the actors on the domestic scene, identified above, will make efforts to influence multilateral aid in the same direction as they are pushing bilateral aid. This is likely to affect the policy positions of the five governments more than the policies of multilateral aid agencies, although

decisions in these agencies usually rest on consensus.

During the period under review, some major changes have taken place in the domestic and external environments, which have the potential to influence aid policies. Three such changes have been identified above: the ideological reorientation at government level in some major Western countries (in particular, the United States and the United Kingdom), the recession in the international economy, and the further deterioration in the situation of the poorest developing countries in particular. To some extent, the effects of these changes could be expected to be mutually reinforcing. If their impact is decisive, how are changes likely to affect aid policies in the five countries?

(i) The ideological reorientation which, during the late 1970s and early 1980s, took place at government level in the United States and the United Kingdom—also penetrating some regional and international organizations in which these governments exert a strong influence, such as the Bretton Woods institutions and OECD—could be expected to weaken the welfare state. In so far as aid policy rests on the welfare-state values, extended to international society (international solidarity), its very basis becomes threatened by this counter-ideology which gives preponderance to the private sector and tones down the role of the state. If decisive, these influences would lead to an aid policy tuned to realist internationalism with elements of liberal internationalism, involving a declining volume of aid, and increasing bilateralization and directing of aid towards recipient countries seen to be promising from the perspective of the donor country's national interests, both strategic and commercial. The private sector, particularly that of the donor country, would be increasingly involved, and would encourage a commercialization of aid in order to ensure a high return flow (or a multiple return effect). This would affect the forms of aid and other mechanisms which have been outlined above.

(ii) The recession in the international economy, if decisive, is expected to affect aid policy in much the same way and to reinforce the impact of ideological change. Such an impact is likely to have resulted from the loss of faith in continued economic growth in the Western world during this period, almost irrespective of how the recession actually affected the individual countries. However, reality makes its own impact. The economies of the five countries emerged from the crisis in different ways, as indicated in Table 10, which gives selected indicators for their economic development. The main observation that can be made is that all five countries are among the most affluent in the world, and have had a rising GNP in current prices during the period under review, though with variations for the individual countries.

Some of these variations might still result in different policies if they alone were decisive. This may apply to the variations in economic growth, especially if the growth is stagnating or negative. The combination of long-term balance-of-payments deficits and high and rising unemployment rates is expected to have an even stronger impact. In this respect, the conditions have varied even

more among the five countries. Both factors are expected to affect the generosity of aid negatively (reduced ODA volumes on less favourable terms), and lead to a growing bilateral component and increased efforts to ensure a higher return flow of ODA through a greater commercialization of aid.

(iii) The crisis in the Third World, if this alone were decisive, could be expected to lead to more generous aid (increased volume to meet increased needs, and on favourable terms) channelled to the areas (countries, regions) most affected by the crisis and targeted to crisis management rather than to long-term social and economic development, involving, *inter alia*, increased balance-of-payments support, debt rescheduling and similar arrangements to keep the recipient economies afloat.

To what extent, then, have the various potential determinants identified actually influenced the aid policies of the five countries? The answers to this key question are to be derived from the correspondence between the assumed effects of the potential determinants and the actual policies of the five countries.

Some answers can be derived by relating the assumed effects of the various determinants with the chosen countries' overall, macro-level performance within the five dimensions of aid policy given above. This also applies to the impact of the major changes which have taken place in the domestic and external environment of the five countries during the period under review: the assumed effects of the changes identified may be related to trends appearing in the actual aid performance of the five countries. Such an exercise would be premature at this stage and will not be pursued in this introduction. In the five contributions on individual countries which follow, the authors will seek to identify the determinants by examining the broader aspects of aid policies, and will analyse the subject in greater depth.

Although we started out with a common design, the focus varies—as the events and policies best suited to provide a basis for the analysis differ from one country to another. Even if the emphases vary, the contributions which follow each seek to identify and explain the main features of aid policy in terms of such factors as socio-political values, internal policies and international interests.

Since the five contributions address the issue of aid policy within the confines of a single country, some questions are bound to remain unanswered. The key question posed above will therefore also be addressed in a concluding chapter—from a comparative perspective. In seeking for answers, we will also try to examine why the policies of the five countries chosen have been marked by a greater degree of humane internationalism than those of most other OECD countries, and what causes the variations between the policies of the five countries.

Notes

1. See Asbjørn Lavbraek, 'International Reform and the Like-Minded Countries in the North:South Dialogue, 1975—85', in Cranford Pratt (ed.), *Middle Power Internationalism: Experience, Opportunities and Constraints*.
2. The other volumes resulting from this project are Cranford Pratt (ed.), *Internationalism under Strain: The North-South Policies of Canada, the Netherlands, Norway and Sweden*, Gerald Helleiner (ed.), *The Other Side of International Development Policy: Non-Aid Economic Relations with Developing Countries in Canada, Denmark, the Netherlands, Norway and Sweden*, and Cranford Pratt (ed.), *Middle Power Internationalism*, op. cit.
3. See Cranford Pratt, 'Introduction', in C. Pratt (ed.), *Internationalism under Strain*, op. cit.
4. Lester B. Pearson, *Partners in Development. Report of the Commission on International Development*, Praeger, New York 1969.
5. See, *inter alia*, Olav Stokke, 'Norwegian Aid: Policy and Performance', in Olav Stokke, (ed.), *European Development Assistance. Volume I*, EADI Book Series 4, Tilburg (Netherlands) 1984.

Table 1. *Net ODA disbursements by Canada, Denmark, the Netherlands, Norway and Sweden and by some regional groupings, 1960–1986 (percentages of GNP)*

Country	1960	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Canada	0.16	0.19	0.41	0.54	0.46	0.50	0.52	0.48	0.43	0.43	0.41	0.45	0.50	0.49	0.48
Denmark	0.09	0.13	0.37	0.55	0.52	0.56	0.70	0.71	0.74	0.73	0.77	0.73	0.85	0.80	0.89
Netherlands	0.31	0.36	0.62	0.74	0.80	0.81	0.78	0.94	0.97	1.07	1.07	0.91	1.02	0.91	1.01
Norway	0.11	0.16	0.33	0.65	0.71	0.84	0.90	0.95	0.87	0.85	1.03	1.10	1.03	1.01	1.20
Sweden	0.05	0.19	0.35	0.78	0.78	0.95	0.86	0.92	0.78	0.81	1.02	0.84	0.80	0.86	0.85
United States	0.54	0.58	0.32	0.27	0.25	0.24	0.26	0.19	0.27	0.19	0.27	0.24	0.24	0.24	0.23
DAC countries (total)	0.51	0.48	0.34	0.35	0.33	0.33	0.35	0.35	0.37	0.35	0.38	0.36	0.36	0.35	0.35
OPEC countries (total)"			0.80	2.92	2.30	1.91	2.39	1.76	1.84	1.51	0.99	0.87	0.83	0.65	0.95
CMEA countries (total)"	n.a.	n.a.	0.15	0.14	n.a.	n.a.	n.a.	0.12	0.18	0.22	0.22	0.21	0.23	0.23	0.29

Sources: OECD DAC: *Twenty-five years of Development Co-operation, 1985 Report*, and *Development Co-operation*, 1986 and 1987 reports. For the years 1970–84, small differences exist vis-a-vis the annual reports.

^a OECD estimates, 1985 provisional.

Table 2. *ODA appropriations as percentages of central government budget expenditure, 1970–1986*

Country	1970–72	1975–77	1978–80	1981–83	1985–86
Canada	2.8	2.3	2.3	2.1	2.1
Denmark	1.5	1.9	1.9	2.0	2.6
Netherlands	2.6	2.7	3.1	3.0	2.7
Norway	1.4	2.5	2.7	2.4	2.8
Sweden	2.2	2.7	2.5	2.5	2.5
United States	1.2	1.0	1.2	1.0	1.1

Source: OECD DAC, 1985 report, Table III-18, and 1987 report, Table V-2.

Table 4. *The distribution of multilateral ODA to different institutions, 1970–86 (percentages)*

Country	1970	1975	1977	1980	1982	1984	1985	1986
<i>Canada</i>								
UN Agencies	46.9	50.2	30.0	37.4	51.1	39.4	32.0	32.9
IBRD/IDA	44.1	27.3	42.6	36.6	38.6	32.4	40.9	32.0
Reg. Dev. Banks	2.8	14.0	16.6	24.1	1.6	22.0	22.2	28.9
<i>Denmark</i>								
UN Agencies	83.4	75.1	70.7	52.0	58.5	49.1	47.9	50.8
EEC	0	7.8	13.0	16.6	14.5	14.6	15.6	12.6
IBRD/IDA	11.1	13.8	13.3	20.5	15.0	25.2	13.7	15.0
Reg. Dev. Banks	0.9	3.2	2.9	0.5	0	0.4	3.3	7.8
<i>Netherlands</i>								
UN Agencies	57.9	41.4	45.3	43.9	36.8	27.5	32.0	32.5
EEC	28.2	27.7	25.5	29.6	26.0	27.0	26.9	23.9
IBRD/IDA	8.1	14.8	16.9	23.9	26.5	29.3	33.9	33.8
Reg. Dev. Banks	1.2	3.8	4.9	2.1	10.3	13.1	6.2	7.1
<i>Norway</i>								
UN Agencies	61.1	65.7	66.3	64.6	62.2	57.8	56.1	56.1
IBRD/IDA	19.5	21.4	19.9	21.4	20.2	20.8	20.7	18.8
Reg. Dev. Banks	11.3	5.3	5.8	9.5	6.4	6.8	8.1	11.0
<i>Sweden</i>								
UN Agencies	67.9	64.7	51.6	85.4	44.4	63.3	58.1	57.5
IBRD/IDA	27.6	29.9	35.2	0	43.9	35.3	19.6	20.4
Reg. Dev. Banks	0.9	3.0	3.5	10.1	6.5	0	12.7	12.1
<i>United States</i>								
UN Agencies	38.2	32.6	17.9	23.3	20.1	33.0	62.1	32.2
IBRD/IDA	14.8	33.5	54.6	40.1	50.5	44.8	2.5	44.6
Reg. Dev. Banks	44.5	27.9	23.3	26.4	23.5	13.0	18.2	13.1
<i>DAC total</i>								
UN Agencies	32.7	31.7	23.0	23.8	24.3	25.5	31.1	25.7
EEC	14.0	17.8	12.7	17.2	15.6	16.1	18.9	16.1
IBRD/IDA	26.0	31.6	41.6	35.5	39.6	38.0	28.0	37.3
Reg. Dev. Banks	25.3	14.3	17.5	18.0	15.1	15.6	15.8	15.6

Sources: Calculations based on statistics in the OECD DAC annual reports.

Table 3. *ODA to multilateral institutions, 1970–86 (in USD million, % of total ODA and % of GNP)*

Country	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
<i>Canada (USD)</i>		79	268	358	516	412	462	418	443	370	580	586	634	641
In % of ODA	22.9	22.7	30.4	40.4	52.0	38.8	45.1	38.9	37.3	30.9	40.6	36.1	38.9	37.8
In % of GNP		0.10	0.18	0.19	0.26	0.20	0.21	0.17	0.16	0.13	0.18	0.18	0.19	0.18
<i>Denmark (USD)</i>		22	95	97	111	170	201	215	201	200	158	226	211	333
In % of ODA	64.3	36.7	46.0	45.4	43.0	44.6	44.7	44.7	49.9	48.2	40.0	50.3	48.0	47.9
In % of GNP		0.14	0.27	0.25	0.26	0.33	0.34	0.33	0.36	0.37	0.29	0.43	0.39	0.42
<i>Netherlands (USD)</i>		42	239	232	264	284	442	403	367	408	383	389	372	560
In % of ODA	32.5	21.3	39.5	31.9	29.1	26.5	31.5	24.7	24.3	27.7	32.1	30.7	32.8	32.2
In % of GNP		0.13	0.30	0.27	0.25	0.22	0.29	0.25	0.26	0.30	0.29	0.31	0.30	0.32
<i>Norway (USD)</i>		22	82	112	130	163	181	202	202	233	253	236	246	319
In % of ODA	68.6	60.2	44.5	51.4	44.1	45.8	42.1	41.6	43.3	41.7	43.3	43.5	42.8	40.0
In % of GNP		0.19	0.29	0.36	0.37	0.41	0.39	0.35	0.36	0.41	0.46	0.46	0.44	0.47
<i>Sweden (USD)</i>		54	193	206	293	310	337	247	316	401	228	215	260	313
In % of ODA	55.4	46.1	34.1	34.0	37.6	39.6	35.2	25.7	34.4	40.6	30.2	29.0	31.0	28.7
In % of GNP		0.18	0.28	0.28	0.37	0.36	0.33	0.20	0.29	0.41	0.26	0.23	0.27	0.24
<i>United States (USD)</i>		393	1066	1522	1785	2190	608	2772	1465	3341	2499	2254	1221	1962
In % of ODA	4.5	12.9	26.6	34.9	38.1	38.7	13.0	38.8	24.9	40.7	31.3	25.9	13.0	20.5
In % of GNP		0.04	0.07	0.09	0.10	0.10	0.03	0.10	0.05	0.11	0.08	0.06	0.03	0.05
<i>DAC countries (USD)</i>		1124	3770	4443	5642	6863	6461	9157	7345	9297	8930	9018	7512	10450
In % of ODA	7.3	16.5	27.7	31.9	35.9	34.3	28.9	33.6	28.8	33.5	32.5	31.4	25.5	28.5
In % of GNP		0.06	0.10	0.11	0.12	0.12	0.10	0.13	0.10	0.13	0.12	0.11	0.09	0.10

Sources: Calculations based on statistics in the OECD DAC annual reports.

Table 5. *Main bilateral recipients of ODA, 1970–71, 1982–83 and 1985–86* (recipients of 2 per cent of total ODA or more)

Canada	1970-71	1982-83	1985-86
India	29.0	3.3	3.2
Pakistan	11.0	4.0	3.3
Nigeria	2.7	—	—
Bangladesh	—	6.6	4.4
Sri Lanka	1.9	2.6	1.3
Tanzania	1.1	2.6	1.7
Kenya	—	2.3	1.5
Indonesia	—	1.4	2.7
Total above 2 %	42.7	21.4	13.6
Multilateral ODA	22.6	35.8	37.6
Unallocated	8.4	15.0	18.5

Denmark	1970-71	1982-83	1985-86
Tanzania	5.5	9.8	13.8
India	4.7	8.4	5.0
Egypt	4.2	1.0	—
Kenya	3.5	4.6	4.0
Zaire	3.0	—	—
Uganda	2.8	—	—
Zambia	2.4	1.2	1.3
Pakistan	2.0	—	—
Bangladesh	—	5.5	7.6
Sudan	—	2.1	—
China	—	1.7	2.1
Total above 2 %	28.1	30.4	32.5
Multilateral ODA	44.3	43.6	42.2
Unallocated	7.0	6.8	3.7

Netherlands	1970-71	1982-83	1985-86
Indonesia	22.1	6.7	6.0
Suriname	11.9	3.6	—
NL Antilles	11.0	4.8	4.4
India	6.7	5.4	6.5
Bangladesh	—	3.8	2.7
Tanzania	—	3.4	3.3
Kenya	1.3	3.2	2.3
Sudan	—	2.2	2.7
Zambia	—	1.0	2.1
Mozambique	—	1.7	2.0
Total above 2 %	51.7	33.1	32.0
Multilateral ODA	25.3	28.7	31.0
Unallocated	8.3	10.4	9.9

Norway	1970-71	1982-83	1985-86
India	9.4	3.6	3.5
Kenya	7.0	4.0	3.8
Tanzania	5.4	9.3	8.5
Pakistan	4.1	2.2	1.8
Bangladesh	3.3	4.8	4.8
Uganda	2.7	0.7	—
Mozambique	—	3.0	3.9
Zambia	—	2.6	3.3
Sri Lanka	—	2.3	1.6
Total above 2 %	31.9	31.8	30.4
Multilateral ODA	58.5	42.4	41.1
Unallocated	—	8.5	10.6

Sweden	1970-71	1982-83	1985-86	USA	1970-71	1982-83	1985-86
Pakistan	6.9	—	—	India	13.9	1.6	1.5
India	6.5	6.0	6.3	S. Viet Nam	10.5	—	—
Tanzania	6.4	8.2	8.0	Indonesia	7.8	1.4	1.0
Ethiopia	4.9	1.9	3.1	Pakistan	5.0	1.5	2.3
Kenya	2.3	1.7	1.8	South Korea	4.5	—	—
Vietnam	—	6.6	5.2	Brazil	3.6	—	—
Mozambique	—	4.8	5.3	Turkey	3.6	3.6	1.0
Zambia	—	3.3	3.5	Colombia	3.0	—	—
Sri Lanka	—	3.1	3.0	Israel	1.6	12.2	19.1
Bangladesh	—	2.3	2.0	Egypt	—	11.3	12.8
Zimbabwe	—	1.5	2.3	El Salvador	—	2.3	2.6
				Bangladesh	—	2.3	1.6
Total above 2 T	27.0	34.3	38.7	Sudan	—	1.7	2.4
Multilateral ODA	52.6	36.1	29.6				
Unallocated	10.4	13.0	18.2	Total above 2 T	51.9	31.7	39.2
				Multilateral ODA	11.4	33.8	15.7
				Unallocated	11.3	7.8	10.7

DAC total	1970-71	1982-83	1985-86
India	11.5	3.0	3.0
Indonesia	7.2	3.0	2.4
S. Viet Nam	4.8	—	—
Pakistan	4.6	1.5	1.8
South Korea	3.4	—	—
Turkey	2.5	1.7	0.9
Brazil	2.0	0.6	—
Egypt	0.8	4.4	4.8
Israel	1.2	4.4	5.7
Bangladesh	—	2.4	2.1
Philippines	0.8	1.2	2.1
Total above 2 T	36.0	17.2	20.1
Multilateral ODA	12.5	31.2	25.3
Unallocated	9.6	8.3	9.9

Source: OECD DAC: *Twenty-five years of Development Co-operation, 1985 Report*, and *Development Co-operation*, 1987 report and calculations based on these data.

Table 6. *Grants as a share of ODA commitments, 1970–85*

Country	1970	1975	1976	1977	1978	1979	1980	1981	1983	1984	1985
Canada	65	72.7	80.7	76.7	78.0	80.5	86.5	73.6	92.4	85.3	95.6
Denmark	92	74.1	81.0	85.5	73.9	77.0	80.7	74.9	81.6	88.2	80.9
Netherlands	64	83.9	70.6	77.3	82.3	80.6	79.4	87.2	87.4	83.2	90.8
Norway	99	99.6	100	100	100	100	100	100	97.4	99.2	99.6
Sweden	82	95.4	98.4	98.1	99.3	99.6	98.6	99.8	99.6	100	100
United States	64	58.1	58.8	67.8	68.5	75.1	72.6	82.2	85.8	82.5	88.9
DAC countries	63	69.3	69.6	72.1	73.8	76.6	75.2	75.2	80.0	76.8	80.8

Source: DAC statistics.

Table 7. *The grant element of total ODA commitments, 1970–86*

Country	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Canada	96	96.4	97.3	97.5	96.0	97.2	98.0	97.3	98.8	99.3	98.6	99.6	99.9
Denmark	98	96.0	96.6	97.3	94.7	96.7	97.3	95.4	95.7	96.4	98.0	95.8	97.4
Netherlands	85	93.9	87.0	91.1	92.4	92.1	91.6	95.1	93.9	95.1	93.4	96.5	97.6
Norway	99	99.8	100	100	100	100	100	100	99.2	98.1	99.4	99.7	99.4
Sweden	95	99.2	99.9	99.8	99.9	100	99.0	99.9	99.8	99.8	100	100	(99.5)
United States	87	85.4	85.6	88.9	89.5	91.7	90.5	93.4	93.8	94.7	93.7	96.0	96.8
DAC countries	84	88.6	89.3	89.3	89.8	90.9	89.9	89.6	90.5	91.3	90.1	91.4	(93.2)

Source: DAC statistics. DAC norms were (1972) 'at least 84 %' and (1978) 'at least 86 %'

Table 8. *The grant element of ODA to the LLDCs, 1972–86*

Country	1972	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Canada	92.1	94.7	98.3	100	100	100	100	100	100	100	100	100	100
Denmark	92.3	88.6	91.5	94.9	96.4	96.8	96.0	95.1	96.9	99.1	100	98.7	100
Netherlands	62.1	94.3	93.1	97.2	99.1	98.5	98.8	98.1	99.5	99.0	100	97.3	100
Norway	100	100	100	100	100	100	100	100	100	99.9	97.9	99.6	98.7
Sweden	95.8	100	100	100	100	100	100	100	100	100	100	100	100
United States	87.5	92.3	82.7	90.0	92.1	96.5	91.0	96.0	97.8	96.2	97.8	96.8	96.2
DAC countries	95.6	92.1	94.2	93.9	95.7	96.7	96.8	94.4	94.3	94.4	94.5"	(95.3)	(95.5)

Source: DAC statistics. Norm 90 %.

^a Assessment

Table 9. *Tying of total ODA, 1973–86*

Countrv	1973	1975	1976	1977	1978	1979	1980	1981	1982	1983	1985	1986
Canada	58.2	59.7	50.8	48.6	50.4	53.3	63.3	58.3	64.8	54.4	40.7	35.1
Denmark	36.2	32.6	31.5	37.2	22.5	22.4	26.3	21.4	20.1	25.2	23.2	23.8
Netherlands	56.3	39.7	30.3	34.2	29.9	4.0	9.6	16.4	12.9	11.3	7.8	8.2
Norway	22.1	19.0	19.5	20.4	17.3	15.7	17.9	19.0	20.9	19.0	16.6	15.2
Sweden	13.3	21.4	21.4	17.5	12.2	17.2	15.6	13.8	13.3	15.3	19.4	15.3
USA	60.2	58.6	46.4	53.6	37.1	50.7	39.0	49.1	31.5	32.0	45.4	38.0
DAC total	55.3	44.8	39.2	39.0	33.9	34.6	31.8	37.1	n.a.	n.a.	36.2 ^a	n.a.

Sources: Calculations based on data in the OECD DAC annual reports.

^a Assessment.

It should be noted that different DAC sources may provide data that do not coincide with each other. It should also be noted that for several countries, some of the aid is partially tied. This proportion adds to the percentages provided in the table.

For Canada it amounted to 8.8 % in 1973 and 3.9 % in 1986.

For Denmark it amounted, for the years 1973–79, to 4.1, 4.6, 6.6, 7.9, 6.3 and 9.2 % respectively, while the EEC contribution (tied to procurement in the EEC/APC area) amounted to 7.3 and 7.5 % for the years 1982–83, 7.4 % in 1985 and 5.1 % in 1986.

For the Netherlands it amounted to 10.9, 20.5, 18.0, 17.8, 17.4, 27.1, 24.2, 16.6, 19.8, 16.3, 19.6 and 21.2 % respectively, while the EEC contributions for 1982, 1983, 1985 and 1986 amounted to 7.4, 8.3, 8.6 and 7.6 %.

For Sweden it amounted to 1.6, 1.5 and 1.7 % respectively for the years 1975–78.

For the United States it amounted to 17.6, 15.9, 19.1, 19.1, 20.9, 12.2, n.a., 12.1, 12.0, 12.0 and 7.8 % respectively.

The general level of partially tied aid has been quite substantial, as illustrated by the DAC averages: 9.3, 9.9, 12.4, 13.9, 11.6, n.a., 7.1, n.a., n.a. (averaging 7.1 % for 1982–83) and 5.6 %.

It should be noted that partially tied multilateral aid is not included for the years 1981–83.

Table 10. *Selected indicators for the resource situation of Canada, Denmark, the Netherlands, Norway and Sweden*

	1970	1975	1977	1980	1982	1984
<i>Canada</i>						
GNP per capita (USD)	3.700	6.650	8.350	10.180	11.320	13.280
Growth of real GDP at market prices	2.6	1.1	2.2	1.0	-4.3	5.4
Balance-of-payments (mill USD)	1.059	-4.677	-4.076	-953	2.161	1.508
(% of GDP)	1.1	-3.1	-2.2	-0.6	0.4	0.3
Unemployment rates	5.6	6.9	8.0	7.4	10.9	11.2
<i>Denmark</i>						
GNP per capita (USD)	3.190	6.920	9.160	12.010	12.470	11.170
Growth of real GDP at market prices	2.0	-0.7	1.6	-0.4	3.0	3.5
Balance-of-payments (mill USD)	-546	-552	-1.782	-2.453	-2.248	
(% of GDP)	-3.9	-1.5	-4.0	-3.7	-4.2	-3.1
Unemployment rates	1.2	6.0	6.4	7.0	9.8	10.3
<i>The Netherlands</i>						
GNP per capita (USD)	3.190	5.590	7.710	11.010	10.930	9.520
Growth of real GDP at market prices	5.7	-0.1	2.3	0.9	-1.4	1.7
Balance-of-payments (mill USD)	-486	1.987	613	-2.938	3.633	
(% of GDP)	-1.4	2.4	0.7	-1.5	2.8	4.1
Unemployment rates	1.0	5.2	5.3	6.0	11.4	14.0
<i>Norway</i>						
GNP per capita (USD)	2.860	6.540	8.570	12.830	14.280	13.940
Growth of real GDP at market prices	2.0	4.2	3.6	4.2	0.3	3.8
Balance-of-payments (mill USD)	-516	-2.430	-5.036	1.104	627	
(% of GDP)	-2.2	-8.5	-14.0	1.9	1.1	5.9
Unemployment rates	1.6	2.3	1.5	1.7	2.6	3.0
<i>Sweden</i>						
GNP per capita (USD)	4.040	7.880	9.340	13.730	14.040	11.860
Growth of real GDP at market prices	6.5	2.6	-1.6	1.7	0.8	3.4
Balance-of-payments (mill USD)	-264	-354	-2.124	-4.495	-3.569	
(% of GDP)	-0.8	-0.5	-2.6	-3.6	-3.6	0.4
Unemployment rates	1.5	1.6	1.8	2.0	3.1	3.1

Sources: *OECD Economic Outlook*, 39, May 1986 (Tables R1, R5, R13), *IBRD, World Development Report*, various issues, *UN Statistical Yearbook*, 1981, Table 23, and *UN Monthly Bulletin of Statistics*, No. 6, June 1986.

Determinants of Canadian Aid Policy

Introduction

The 2.2 billion dollars which Canada spends annually on foreign aid¹ will not by itself change the course of development in the Third World. But it can, if properly used, have an appreciable impact on those countries or sectors of intervention where it is concentrated, the extent of the impact depending upon the quantity and terms of the aid given and how well it is used.

This paper is an attempt better to understand the nature of Canadian aid policy. Much attention is given to the basic motives and objectives underlying that policy, because there continues to be much debate in Canada about the 'true' objectives of the aid program and the reasons why these have been important. The more general aim of the paper is to identify the main 'determinants' of Canada's aid policy. Aid policy is defined by a number of characteristics, however, including those related to aid volume, terms, choice of recipient countries, modalities, and aid channels. Focusing on the underlying objectives of the aid program allows one to concentrate on a sort of common denominator which is, in turn, a determinant of specific aid policies.

The story is not complete unless those objectives are themselves explained, of course, and there is in addition no reason to suppose that all aid policies respond in some neat and unique way to a particular set of basic objectives. The motives and objectives of the aid program may be considered in this context as a sort of intermediate determinant helping to explain specific policies, but created at the outset by more 'primary' determinants. Some idea of what such 'primary' determinants might include may be gauged from the following classification, which embraces both domestic and international considerations:

- *ideology and social values*, including for instance the attitudes of Canadians regarding the proper role of the state in matters of income distribution, or the sense of community which Canadians feel with regard to the rest of the world and the Third World in particular;
- *political determinants*, including the electoral process by which widespread social values may find their expression in policy, and such obvious factors as political leadership, the influence of special interests, and bureaucratic politics;

- *economic determinants*, such as the health of the domestic economy or the changing needs of developing countries; and
- *international factors*, including pressures applied by recipient countries, and foreign policy considerations such as those associated with international agreements in matters of foreign aid.

Additional complexity can be added to the model in several ways. Aid policies evolve and accumulate over time and cannot therefore be properly analysed in anything other than a historical context. Policies which are created in response to some particular conjuncture of influences or political leadership tend to endure even as circumstances change, while policies also respond to acquired experience and perceptions of policy effectiveness, so that results obtained from one set of policies become determinants of new policies at a subsequent stage. Consider finally that aid policies of various sorts are inter-related one to the other for the sake of coherence and thus become, in a sense, determinants of each other.

The diagram below introduces these additional considerations and specifies some of the determinants which will reappear at different times in this paper.

As noted above, our attention in this paper revolves largely around the motives and objectives underlying Canadian aid. From a behavioural point of view, it is useful to distinguish between the international, national and private objectives which might motivate a donor such as Canada.

International objectives include such categories as the reduction of world poverty, the furthering of world peace and democracy, or the alleviation of the international debt crisis, *inter alia*. These are international public goods which would best be supplied by some sort of world government and taxation authority, if it existed (Hochman and Rodgers, 1969; Russett and Sullivan, 1971; Sandler et al., 1978, 63—67). In the absence of such an international authority, contributions by individual countries are voluntary, and depend on each country's sense of community and shared destiny with the rest of the world, reinforced as this may be by burden-sharing agreements of various

sorts. Relatively large contributors are rewarded with 'prestige', a commodity whose importance should not be discounted since it does tend to accrue disproportionately to the 'foreign policy elite' responsible for designing a donor's aid policy. This does not mean that internationalist ideals are absent from the process—the concept of prestige itself would be meaningless in the absence of moral values—but it does mean that the contributions of individual donors cannot be understood in isolation. One would expect the contributions of each donor to vary at least in part as a function of the efforts being made by the rest of the donor community, and one would expect all donors to be concerned with the notion of 'burden sharing'.

The degree to which internationalist motivations such as the above constitute the main inspiration for giving aid will depend upon a variety of factors, including the extent to which a sense of community exists at the international level, the extent to which donors successfully coordinate their contributions, and the extent to which various international objectives such as poverty alleviation, world peace or the maintenance of Western democracy are seen to reinforce each other. For individual donors, it will depend on each country's commitment to international values and the degree to which the country feels its own contribution will make a difference.

Aid can also be used for strictly national objectives, however, be it for the promotion of the donor country's export industries or the pursuit of other foreign policy objectives important to the national interest. Foreign aid being provided by the national government of the donor country, it would be surprising if such objectives were not pursued to some extent.

Within the donor country, aid can and does also satisfy private objectives. The most obvious of these are economic in nature and accrue to both business and labour involved in providing products and services to foreign countries benefiting from foreign aid. Aid also provides jobs and careers for civil servants and for non-government organizations. This raises the possibility of foreign aid being abused by individuals and firms involved in its implementation, and it is possible likewise for the personal and bureaucratic objectives of aid officials to conflict with the effective implementation of the aid program's broader objectives (Tendler; Wyse).

The true motives behind foreign aid are difficult to separate, since rhetoric and reality may not match. All three types of motivation—international, national and private—are influential to some degree, and the question is that of identifying the balance existing between them. Canadian government pronouncements on foreign aid have consistently given pride of place to the internationalist and humanitarian objective of fostering development in poor countries, but critics have questioned the veracity of such rhetoric.

Carty and Smith put it bluntly, stating that 'a review of the content of Agency programs rather than its press releases shows that the humanitarian aim is in fact close to the bottom of Canada's aid agenda' (p. 39). The more moderate North-South Institute tends to arrive at a similar, though more

nuanced conclusion, suggesting in a preliminary report on its evaluation of Canadian aid to four major recipient countries that development tends to be 'crowded out' by other objectives such as Canada's economic and political interests (May, 1983, p. 4). Similar points of view have been expressed by Pratt (1984b), Freeman (Autumn 1980) and Dupuis (1984), while Dudley and Monmarquette wrote an entire book on the possible motivations behind Canadian aid without ever giving humanitarian or altruistic motives serious consideration (1978, p. 43). Nossal opts for 'organizational maintenance' (which is to say respect for the sovereignty of other states), and 'prestige' as key motivating interests (Jan. 1984), a viewpoint which does not necessarily deny the importance of internationalist values (as we have argued above), though Nossal does not mention the link.

Many social scientists are uncomfortable with explanations of behaviour which depend on appeals to humanitarian motives or a sense of community, and the tendency to look to other forms of explanations as 'primary' is evident in the literature mentioned above. Arguments concerning the non-humanitarian motives of aid encourage readers to be realistic about the expectations which may be held of government institutions, and discussions which encourage skepticism about government rhetoric serve a useful and important purpose. But realism can also stoke the fires of cynicism and it is useful at some point to reconsider the issue.

The second and third sections review first the rhetoric and then the practice of Canadian aid. The second section constitutes a survey of Canadian attitudes and statements about foreign aid, as expressed by the general public, interest groups and the Canadian government. The following section proceeds to survey the major dimensions of the Canadian aid program itself, and the paper concludes, with an attempt to draw together the major points which can be made about the determinants of Canadian aid policy.

Voters, interest groups and political leadership

This section deals with two types of domestic determinants—public opinion and interest group pressure—and proceeds from there to review the role played by key political actors in the recent history of Canadian aid. This last subsection provides a convenient context for reviewing the official rhetoric about Canada's aid objectives and how these have evolved over time.

Perceptions of foreign aid

We begin with the question of how typical Canadians perceive the role of foreign aid. For this, one may look at the results of various opinion polls which have been taken over the years, some of which have been quite com-

prehensive (for a brief survey, see Wyse, 1984, Appendix). The main questions asked relate to the degree of favour expressed for the aid program and the reasons why respondents feel Canada should give foreign aid. It may be asked whether public opinion counts for much in these matters, since it is not 'typical' Canadians who make foreign policy decisions. Public opinion does help to set the agenda, however, and it sets limits to what a government may or may not do (Stairs, 1977—78), all the more so when the ruling government is politically vulnerable (Fleming and Keenleyside, 1983). To what extent is Canadian public opinion consistent with a generous foreign aid program based on internationalist values? That is our question.

A good place to start is a recent opinion survey which has gone beyond the usual questions about foreign aid, to investigate the attitudes of Canadians to foreign policy issues generally. In the context of our previous discussion on different types of motivations for providing aid, it is interesting to note that most Canadians do in fact express sympathy for internationalist values. As the polling agency concluded in its report to the Department of External Affairs:

[the image of] Canada as a moral, humane, peaceable, caring society is a very deeply embedded image, and is a very important aspect of the Canadian identity and one Canadians seem to take pride in. From this perspective, foreign policy initiatives that deal with aid to the Third World, alleviating hunger and poverty, seeking solutions to the nuclear arms race, speaking out against human rights violations are thought of by the majority of Canadians as part of being Canadian, part of the national character, and not associated with any one political party (Decima Research Ltd., 1985, pp. 54—5).

Most Canadians also support the aid program, and they do so for reasons which can be termed 'humanitarian' in nature. Of those who supported foreign aid in a 1980 poll conducted by Adcom Research, almost all did so by virtue of the wealth or income differences between Canada and the Third World, citing either 'humanitarian reasons' (59 per cent) or the fact that 'Canada is rich. . .' (29 per cent). Only 4 per cent volunteered 'trade benefits for Canada' as a basis for aid, even though multiple responses were accepted. Other responses were interesting mainly for the rarity with which they were expressed. These included 'prestige for Canada. . .' (2 per cent), 'the promotion of peace' (2 per cent), and 'the blocking of communism' (1 per cent).

Yet Canadians do not reject the possibility of using aid to promote Canadian economic interests or influence abroad. The Adcom Research poll of 1980 found that 28 per cent of respondents (including both supporters and opponents of aid) thought that the main priority of the aid program should be to build Canadian trade, while 4 per cent thought it should be to increase Canada's influence in the world. These figures might have been less if multiple responses had not been permitted, however (total responses added up to 115 per cent on this question). Most respondents (72 per cent) believed that aid generates benefits for Canada as well as for the Third World (although this

includes those who identify 'moral satisfaction' as a benefit), and there is also a strong feeling that Canada *should* benefit. Many respondents (46 per cent) believed that Canada usually gets too small a business return from its aid, and 53 per cent held that Canadian aid should be tied to the purchase of Canadian products.

However most Canadians in 1985 did not seem willing to sacrifice the developmental effectiveness of aid on the altar of commercial benefits. Asked to choose between directing Canadian aid in such a way as to increase sales of Canadian products and services or removing tying conditions in order to better address Third World needs, 72 per cent of respondents to the Decima Research poll opted in favour of the latter proposition.

The best statement on the degree of Canadian support of the aid program is probably that which can be gauged from opinions on appropriate levels for Canadian aid. On this issue, one usually finds between 75 per cent and 80 per cent of the population to be in favour of current or increased aid levels. Of those expressing an opinion in the Adcom Research poll of 1980, 39 per cent felt that aid should be increased, 39 per cent felt that it should be kept the same, while 22 per cent felt it should be decreased or ended. This result is roughly consistent with those of various Gallup polls taken between 1975 and 1981 which showed about half the Canadian population in support of increased foreign aid. It is also consistent with the result obtained by Buckridian in a 1973 survey of the Ottawa region, where 'increasers' numbered 44 per cent of those expressing an opinion (Buckridian, p. 109).

Results such as these do seem to depend rather delicately upon the phrasing of the question. Many Canadian polls, some going as far back as the 1960s, have asked an almost identical question about support for further growth of the aid program, to which different results were obtained. These polls ask not whether aid should be increased, but simply whether present levels are too low, just about right or too high. Paradoxically, the number who think aid is too low has tended to be much less than the number who think it should be increased. Results indicate that a variable proportion ranging from 11 to 22 per cent believe that aid levels are too low; between 50 and 60 per cent usually believe that they are about right; and a sizable minority, usually about one-third, believe that they are too high.

The paradox can be explained by assuming that many of those who think that aid levels are 'just about right' would nonetheless support a small increase. This interpretation is vindicated by one of the most interesting results to come out of the Buckridian survey. In a follow up question to that of whether or not aid should be increased, Buckridian faced respondents with the fact that such an increase would have to be paid for out of taxes. This should reasonably have yielded a decrease in the number of declared 'increasers', since people would be made more aware of the costs of increasing aid, but this is not what happened. Instead, the number of 'increasers' actually rose, going from 44 per cent to 56 per cent of the respondent population. The reason for

this is apparently that Buckridian allowed respondents to specify limits to how much of a tax increase they would be willing to countenance: 28.4 per cent of respondents opted for less than 1 per cent increase; 23.8 per cent opted for between 1 per cent and 5 per cent; and only 4 per cent opted for more than 5 per cent. Most Canadians thus seem willing to increase aid, but only in incremental amounts.

Turning more specifically now to elite opinion, data are available on two types of elite groups: a broad socio-economic elite of better-educated, higher-income Canadians, and the 'foreign policy elite', a much smaller group which includes those who are directly or indirectly involved in foreign policy making (Byers et al., 1977, pp. 605—7). In those few cases where opinion polls have differentiated between different socio-economic groups, it has generally been found that income and education correlate quite strongly and positively with willingness to extend foreign aid. 'Increaser' in the Buckridian survey numbered 54 per cent of those with post-secondary education who expressed an opinion, but only 33 per cent and 32 per cent respectively in two less-educated groups (Buckridian, 1974, p. 135 and Appendix 5; see also Canada, 1980, p. 65; and O'Manique, 1979, pp. 124—5).

As for the foreign policy elite, it is here that we find the most positive attitudes of all to foreign aid, with fully half of the respondent population (or 61 per cent of those expressing an opinion) favouring not just an increase in aid but a doubling of aid levels in the late 1970s (Lyon and Tomlin, 1979, p. 157). The same survey showed that 76 per cent of respondents expressing an opinion perceived Canadian aid as primarily humanitarian in motivation, while other results indicated a strong preference that it should stay that way (Lyon and Tomlin, 157—9).

Interesting insights into the preoccupations of Canada's foreign policy elite can be derived from the subject matter addressed by respondents having chosen to make presentations to the recent Special Joint Committee of the Senate and the House of Commons on Canada's International Relations. Hearings were held in major cities all across the country, and it is remarkable to what extent the issues addressed were international in focus rather than simply issues of Canadian interest in the international arena. Over three quarters of the written submissions received by the Committee dealt with three broad concerns: human rights in South Africa and Central America (142 responses), peace and arms control (109), and development assistance (73). Only 16 responses dealt with the issues of trade and economic competitiveness, a result which can be partly explained by the fact that separate hearings had recently been held on the issue of Canada-U.S. free trade. Summing up, the Committee's report attributes to the respondents a belief that international co-operation could lead to a better ordered and more equitable world, and a conviction that Canada should work responsibly and actively towards this goal (Canada, *Interdependence and Internationalism*, pp. 7—24).

The sensitivity of opinion poll results to the wording of questions and to the context in which they are posed makes it difficult to study the evolution of public opinion over time. In the absence of solid information proving the contrary, and with some evidence to support the case (data from the 1960s surveyed in Wyse are more or less comparable to those available for the 1980s in the *Goldfarb Report '85*, p. 67), it appears that the number of 'increasers' has remained approximately constant over the last twenty years. Since Canadian aid flows have risen substantially over this period, one could say that general support for aid has in a sense increased.

The largest shift in public opinion regarding foreign aid probably occurred in the 1960s, climaxing in a spurt of voluntary activity at the end of that decade. This was the era in which Miles for Millions marches were born and in which hundreds of thousands of Canadians first exchanged blisters and sore feet for cash contributions to the cause of development.² Many new non-governmental organizations were created at this time, and the number of Canadian NGOs working in international development grew from about 20 in 1963 to over 120 in 1972 (CIDA, *Partners in Tomorrow*, p. 11). Canadian support for NGO activities did not fade in the harsher economic climate of the 1970s and early 1980s, but it did stabilize. Although the number of NGOs continued to grow—there were over 200 receiving funds from CIDA in 1983—there was no growth in the real value of private voluntary assistance between 1970 and 1983 (CIDA, *Partners in Tomorrow*, p. 11; and Sewell *et al.* eds., Table D-6, p. 296). The years 1984 and 1985 witnessed a strong upsurge in voluntary contributions in response to the famine in Africa and the surrounding media publicity. Contributions in real terms rose by 12.6 per cent in 1984 and 21.3 per cent in 1985, and public support for foreign aid has correspondingly increased in recent years.

Interest groups

Private sector organizations with a special interest in foreign aid issues may be divided into two groups: those whose concern is primarily ethical or ideological and whose lobby activities may be perceived as being of a 'general interest' variety; and those with particular or private interest in aid.

General-interest groups are mostly pro-aid and generally advocate a more generous, basic-needs oriented aid program. The exception is Citizens for Foreign Aid Reform (C-FAR), a lobby group of right-wing activists which uses the mass media to draw attention to the weaknesses of the aid program as they perceive them. C-FAR'S views are well illustrated in Fromm and Hull's *Down the Drain? A Critical Re-examination of Canadian Foreign Aid* (1981), and a flavour of the tone and lack of subtlety of their publications can be gained from the title which C-FAR gave to its pamphlet criticizing aid to Tanzania, 'Let Them Eat Nyerere'!

Other groups have likewise been critical of Canadian aid, but almost always with the purpose of advocating reform in a humanitarian and internationalist direction by opposing 'mixed objective' policies such as procurement tying. Examples of this type of critical stance can be found in the work supported by research groups such as the North-South Institute (NSI, 1977, 1980, 1983; Young, 1983; Ehrhardt, 1983; English, 1984; Lavergne forth.), the Latin American Working Group (Carty and Smith, 1981), and Energy Probe.

Other non-governmental institutions such as the churches and NGOs which are directly involved in Third World development have been involved in public education, operating through the churches, the schools and, to a lesser extent, through the mass media. Amounts spent on education and research by these organizations have grown quite steadily since CIDA (the Canadian International Development Agency) established its Public Participation Program in 1971 in order to support public education and awareness activities by NGOs. CIDA disbursements through this channel increased from \$600,000 in 1971 to \$7.8 million in 1984—85, and total NGO disbursements for education purposes are presently in the order of \$10—12 million a year. This is not a lot of money in a country of 25 million people, but it must be kept in mind that these funds do not include the value of voluntary services and serve mainly to supplement resources available to regular teaching staff and clergy in schools and churches. Most NGOs allocate between 5 per cent and 25 per cent of their total budgets for development education (CCIC, 'A Whole New World', p. 11).

Most NGOs are not directly involved in lobby activities, but some organizations do maintain contact with the government. The main body performing such functions is the Canadian Council for International Cooperation (CCIC), founded in 1968, which acts as an umbrella organization for about 110 NGOs. In Quebec, the Association Québécoise des Organismes de Coopération Internationale (AQOCI) performs approximately the same roles as does CCIC in Ottawa. CCIC's objectives include the mobilization of greater Canadian participation in assisting international development, improved coordination and cooperation between NGOs, and improved links between NGOs and the government in aid matters (CCIC Directory, 1978, p. 23). Although its resources are limited, CCIC monitors government policy and provides a mechanism for voicing the collective concerns of its members to the government.

CCIC has limited its advocacy mainly to the presentation of short resolutions and briefs to the government, and these tend to be simple statements of position rather than analytical pieces (Clark, pp. 48—50). This is not to say that they have no influence, since the NGOs do represent a constituency. However, that constituency has itself been perceived by government officials to be limited in size, and one scholar considers CCIC to have 'failed miserably' in its past efforts to influence government policy (Clark, 1985). A large number of NGOs have taken advantage of the opportunity to present

their views to the government in the past two years, through the hearings of three parliamentary committees and subcommittees reviewing Canadian foreign policy: the Special Joint Committee of the Senate and of the House of Commons on Canada's International Relations; the Senate Committee on International Financial Institutions; and the Subcommittee on Overseas Development Assistance of the Standing Committee of External Affairs and International Trade.³

Many authors have considered the commercial interests of Canadian business as being of prime explanatory importance in issues of foreign aid policy (Carty and Smith; Dupuis; Pratt, 1982, 1981 a,b). Evidence of various sorts can be adduced in support of the proposition. The tying of Canadian aid does benefit some branches of Canadian business, as do other measures designed to extract commercial benefits from the use of Canadian aid. And business interests are indeed the principal proponents both of tied aid and of other forms of commercial linkages such as mixed credit. This is clearly evident in the recommendations of the 'Hatch Report' published by a group of businessmen in 1979 (Export Promotion Review Committee, 1979) and in the position taken by business interests in conferences or government consultations touching on aid issues.

As individuals, Canadian businessmen may or may not be less concerned with world poverty than the bulk of Canadian population, but humanitarian concerns are largely irrelevant to the stance which business people and business groups take as representatives of business, since it is in that case their professional responsibility to support the interests of their clients. This is true irrespective of whether the businesses in question are socially or privately owned. The Canadian Wheat Board, or even the federal Department of Agriculture, is no less interested in tied aid than any private business enterprise or organization. Indeed they have been quite active proponents of that policy as reflected in the provision of food aid.

Opportunities for business to make its views known are numerous. They include representations made in the context of regular meetings between senior government officials and the aid committee of the Canadian Business and Industry International Advisory Committee (CBIAC—dissolved in 1984),⁴ ad hoc representations by other business organizations such as the Canadian Chamber of Commerce, the Canadian Manufacturers Association, the Canadian Council of the International Chamber of Commerce, the Canadian Committee of the Pacific Basin Economic Council, the Canadian Association for Latin America, and the Canadian Export Association (which has its own Development Aid Committee), as well as representations made by individual businesses. Nor should one fail to mention the fact that CIDA officers are in almost daily contact with private sector agencies and consultants of one sort or another. It would be surprising indeed if the cumulative effect of these representations and contacts was not to bias the uses which are made of Canadian aid towards those which promise commercial returns.

Individual representation by business may be of special importance in this process. Individual firms sometimes derive a substantial part of their income from aid contracts⁵ and have a strong incentive to use whatever political leverage and influence they have at their disposal by virtue of their economic power. Interventions by individual firms may affect not only the general policy environment on issues such as aid tying, but also decisions on specific projects, contract allocations or project design.

Politicians and government

Turning now to the issue of government leadership, the best approach to follow is probably a historical one, and our focus at this stage will be on the general objectives of Canadian foreign aid rather than the specifics of the aid program itself.

Foreign policy in the Canadian system of government is the prerogative of Cabinet, and it is an area of policy over which the Prime Minister himself exercises decisive influence. Administrative responsibility for most of the aid program devolves to CIDA, the Canadian International Development Agency, whose President is a civil servant appointed by the Prime Minister. CIDA itself lies under the aegis of the Secretary of State for External Affairs, although there is also, since 1984, a junior cabinet position (External Relations) whose Minister is directly responsible for the Agency.

Consultation on matters of aid policy also takes place between government departments, both at the Cabinet level and within the civil service. Under the Liberal government of Pierre Trudeau, who held power for most of 1968–84, aid issues reached Cabinet only after having been filtered through a number of interdepartmental committees composed of senior bureaucrats. The main bodies represented on these committees included CIDA, External Affairs, Finance, Trade, Agriculture, and Treasury Board (Wyse, 1983). Such committees have now been disbanded under the Conservatives, but interdepartmental consultation continues to take place on a regular if less formal basis.

Canadian aid first developed as a distinct element of Canadian foreign policy with the introduction of the Colombo plan in the early 1950s. Canadian internationalism was then in its heyday under Louis St. Laurent as Prime Minister and Lester Pearson as Secretary of State for External Affairs, and this was a period when Canada's political leaders clearly led and helped form Canadian public opinion in international matters (Nossal, 1985, pp. 53–60). Foreign aid was not a central element of Canadian internationalism at this time, in comparison to Cold War issues and the construction of the United Nations system. Foreign aid was of fairly minor proportions, and it was viewed as a temporary phenomenon not dissimilar to the Marshall Plan (Spicer, 1966, pp. 11, 95, 103–5). As Spicer puts it,

Canada launched her development aid programme in 1950 with virtually no policy aim beyond a lively anti-Communist instinct and an exhilarating vision of a free, multi-racial Commonwealth (Spicer, 1966, p. 3).

Spicer considers strictly developmental objectives to have appeared only later. The lag was a short one, however, and humanitarian motives were heavily emphasized as the primary justification for foreign aid as early as the mid-1950s (Spicer, 6, n. 9). Aid flows increased rapidly under Pearson's prime-minister-ship (1963–68) (see Figure 1), and foreign aid came to be recognized as a permanent feature of Canadian foreign policy. The External Aid Office was renamed and given new status as the Canadian International Development Agency in 1968. According to Thornley,

[the change] expressed the widespread feeling in Canada—as shown by Miles For Millions marches and the strong growth of voluntary agencies—that assistance to Third World people should be a major national endeavour. It reflected the high priority given by the government to international co-operation as a main theme in our foreign policy (Thornley, 1979, 27).

When Pierre Trudeau replaced Lester Pearson as Prime Minister in 1969 he reconsidered and challenged Canada's post-war tradition of internationalism in world affairs, arguing that it had led to the neglect of Canadian interests in matters of foreign policy.⁶ One would expect henceforth that a different balance would be sought between Canada's interests and those of the international community. Yet this did not prevent Canada from being responsive to the concerns of Third World countries under Trudeau, and the 1970 policy document entitled *Foreign Policy for Canadians* was remarkable in fact for the serious attention given to aid issues. It also called for substantial increases in the share of ODA going to multilateral institutions. Trudeau himself was sympathetic to Third World demands, and Canadian positions in North-South fora during the 1970s were reflective of this attitude (O'Manique, 1979; Wood, 1981).

Canada's foreign aid objectives as stated in *Foreign Policy for Canadians* were little different, and not much more precise, than those articulated in previous years. The accent remained on economic and social development in developing countries as the primary goal of Canadian aid. The paper also insisted that the aid program be sensitive and relevant to other Canadian objectives, but there was nothing new in this either. Canadian politicians had always insisted that Canada's aid objectives were at once humanitarian, economic and political. And Spicer had already considered this refrain a rather tired one as far back as the 1960s (Spicer, pp. 4–5).

Canada's economic and political objectives did, of course, evolve over time. A relatively new objective which found voice in *Foreign Policy for Canadians* was a desire to project abroad Canada's image as a bilingual and bicultural country and to foster new links with francophone countries. This reflected Quebec's growing affirmation of its own identity and interests within

the Canadian federation in the 1960s. It was both a response to French-Canadian demands and, to some extent, the result of infighting between Quebec and Ottawa for recognition as the legitimate representative of French-Canadian interests abroad. This shift in focus of Canadian foreign policy led to a strong increase in the amount of aid being directed to francophone countries after 1970 (see Figure 15).

Canadian aid had grown rapidly in the second half of the 1960s, and it continued to do so after 1970, following the commitment in *Foreign Policy for Canadians* to move Canada at an unspecified pace toward the official United Nations aid target of 0.7 per cent of GNP. One of the constraints to even faster expansion was CIDA's own ability to disburse funds. When Paul Gerin-Lajoie took over the presidency of CIDA in 1970, expenditures had fallen well behind authorizations, and the backlog represented one of the main criticisms directed towards CIDA at the time (Thornley, p. 28). The speeding up of disbursements was thus one of two main goals set by Gerin-Lajoie upon taking over. The other was to give new priority to reaching those in greatest need.

In 1975, the Canadian government published its most comprehensive policy statement ever on Canadian aid policy, the *Strategy for International Development Cooperation, 1975–1980*. This statement formalized many of the objectives being pursued under Gerin-Lajoie and committed Canada to what was in large part a basic-needs orientation to aid policy.⁷ The *Strategy* did not change the fundamental goals of Canadian aid, but it did elaborate on them and specify concrete policy measures and reforms intended to make Canadian aid more effective as a development tool. These included such measures as a greater degree of untying for procurement in developing countries, increased support for multilateral institutions, greater geographic concentration, more aid to the least developed countries of the Third World, and priority to meeting the basic needs of the population. The *Strategy* also reaffirmed the government's determination to move towards the 0.7 per cent target, though still without specifying any target date.⁸ The general tone of the 1975 *Strategy* was one of increasing generosity and commitment to development objectives.

Subsequent events, however, were to turn in a rather different direction. By 1977, CIDA was showing some of the strains of its rapid expansion in earlier years. Criticism of aid mismanagement was widespread in the Canadian media, and these criticisms were reinforced by a detailed critical report of the Auditor General in 1976. Paul Gerin-Lajoie was replaced as president of CIDA by the less messianic career civil-servant Michel Dupuy, whose mandate it was to put CIDA in order by emphasizing sound financial management and controls. At the same time, it seems that Gerin-Lajoie's activism in aggressively representing the interests of the Third World in interdepartmental committees had been frowned upon by other departments desirous of using aid for other ends, and Prime Minister Trudeau made a point of instructing Dupuy to cooperate with other departments (Wyse, p. 28).

The harsh economic climate of the late 1970s also had implications for the aid program, leading to aid cutbacks in 1978—79, and to an increased emphasis on the economic benefits which Canada might derive from her aid. In a paper titled 'Directions for the Agency', Dupuy established the principle of 'mutual benefits' as a guideline for CIDA, amplifying that

the recent evolution of the Canadian economy as well as its short and medium term prospects require that CIDA strive to ensure that its activities maintain or generate employment and economic benefits in our own country. We must also aim at strengthening mutually beneficial bilateral relationships between our developing partners and Canada. This goal must be achieved while not neglecting our essential mandate which is international development (cited from Wood, 1982, p. 95).

'By mid-1978' writes Pratt, 'the Cabinet had agreed that Canada's primary interests in relations with developing countries were economic and that as far as possible, increased emphasis should be placed on the systematic expansion of Canada's economic relations with a limited number of large and fairly wealthy developing countries' (Pratt, 1984, 46).

One must be careful in interpreting these statements. Canadian trade with some of the faster growing less developed countries increased rapidly during the 1960s and 1970s, and it was to be expected that increased importance should eventually be given to that aspect of Canada's relationship with the Third World. The Cabinet's expression of interest in trade with less developed countries as cited by Pratt was thus quite understandable, though it does not necessarily imply a decision to use foreign aid primarily for the purpose of trade promotion. It is our understanding that Dupuy's emphasis on short-term economic benefits was considered by the Cabinet to be too extreme, and official rhetoric has subsequently tended to play down the concept of 'mutual benefits' in favour of 'mutual interdependence', with greater emphasis on long-term rather than immediate benefits for Canada. These caveats notwithstanding, there is general agreement that the late 1970s witnessed a shift of attention in government thinking away from the strong concern for growth and the increased developmental effectiveness of aid which was evident in the early and mid-1970s towards a more commercially-oriented focus.

In the early 1980s, there were indications that some of the developmental momentum lost in recent years might be regained. In the wake of the Brandt report, Trudeau recovered some of his earlier interest in the Third World, and he emerged briefly as a spokesman for the Third World at the Ottawa summit of 1981 and the Cancun conference in Mexico. Canada continued to express a special commitment towards the poorest countries, and it was instrumental in achieving a consensus among the aid donors to commit 0.15 per cent of GNP to 37 'Least Developed' countries in 1982 (CIDA *Annual Review*, 1981—82, p. 4).

It was at this time also that the Trudeau government finally committed itself to a specific date for meeting the 0.7 per cent aid-to-GNP target established by the United Nations. The target would be met in two stages, reaching 0.5

per cent by 1985 and 0.7 per cent by 1990. The first target was a modest one and has since been met, but harsh economic times and government cutbacks have made a shambles of the latter target. It has been revised and postponed on several occasions and the Mulroney government's February 1986 budget all but buried Canada's commitment to the 0.7 per cent target for the time being. Aid is to remain at 0.5 per cent until 1990, which means that it will grow at the same pace as GNP. It is now scheduled to increase to 0.6 per cent of GNP by 1995 and 0.7 per cent by the year 2000. Despite these cutbacks in projected growth, it should be noted that foreign aid is one of only two budget items—the other being defence—to be growing at all in real terms under the present government's policy of fiscal restraint.

The increased commercial focus of Canadian aid in the late 1970s has remained as a dimension of Canadian aid policy since that time, intensified in the 1980s by the growing pressure of double-digit unemployment.⁹ Government pronouncements reflect this orientation. It is evident for instance in CIDA's *Elements of Canada's Official Development Assistance Strategy, 1984*, which displays substantially more awareness of commercial issues than did the 1975 *Strategy*. It is evident also in the government's retreat from the 1975 commitment to partially untie bilateral aid.

Both the Liberal and Conservative governments have stated a preference for continued tying in the 1980s through the pronouncements of Marcel Masse, President of CIDA between 1980 and 1983, and the current President, Margaret Catley-Carson. Catley-Carson has been a vigorous defender of the aid-trade connection. Her original mandate included instructions to 'sell' the concept of foreign aid to the Canadian public, and like Masse before her, she considers a commercial return for Canada as an important selling point. That point of view was more than shared by Monique Vezina, Minister for External Relations immediately responsible for CIDA during the first two years of Brian Mulroney's Conservative government (September 1984 to June 1986). Vezina had a substantial impact upon the Agency with her views about increasing the role of private business in Canadian aid. Her concerns were not only to secure commercial benefits for Canada but also, and perhaps predominantly, to enhance the positive role which she believed the private sector could play in the development process (*Ottawa Citizen*, 1 February 1986). Vezina was assigned to a more senior cabinet post in June 1986, to be replaced by ex-businesswoman Monique Landry who has, so far, expressed herself in much the same terms as Vezina. One of the notable features of recent reorganizations in CIDA was the creation of a new Business Cooperation Branch in 1984 to manage relations with the private sector in aid-related matters.

Other pronouncements reflecting the desire to use aid for commercial purposes have included the announcement of a new 'Aid-Trade Fund' in the Liberal government's Budget Speech of February 1984. The intent was to divert up to one-half of proposed increases in Canadian aid to a commercial-

ly-responsive facility whose funds would be blended with those of the Export Development Corporation in order to provide concessional financing for Canadian exports. This new concept was later ratified by the new Conservative government, which rechristened it as the 'Trade and Development Facility' in the May 1985 budget. It was subsequently abandoned in February 1986, following cutbacks in proposed growth of the aid budget.

To say that commercial objectives have received increased attention is not to suggest that they have become the *primary* focus of Canadian aid. That is a question better left for later, following detailed review of how the aid program has evolved in practice. However it is worth noting at this point that official statements regarding the objectives of Canadian aid have themselves changed very little over the years, and continue to identify developmental concerns as primary. The statement by Michel Dupuy quoted above stands out by the emphasis given to Canadian commercial interests, but elsewhere, commercial interests receive no more than a passing mention, and allusion to those interests is quite tentative. Here is how the objectives of Canadian aid are presented in the 1986—87 *Estimates* of expenditures presented to Parliament in February, 1986 (Part III, p. 20):

. . .to facilitate the efforts of the people of developing countries to achieve self-sustainable economic and social development in accordance with their needs and environment, by cooperating with them in development activities; and to provide humanitarian assistance; thereby contributing to Canada's political and economic interests abroad in promoting social justice, international stability and long-term economic relationships, for the benefit of the global community.

Internationalist concerns thus remain clearly central and primary in Canada's declared objectives for the aid program. The more elaborate statement of objectives to be found in *Elements of Canada's Official Development Assistance Strategy, 1984* reflects the same general orientation.

Party politics have played a limited role in the evolution of Canadian aid policy. The Liberal government of Pierre Trudeau held power during most of the period under discussion (1968—1984, with a 9-month interregnum in 1980), and it was very much Trudeau, within the government, who set the tone for Canada's foreign policy. The intensity with which internationalist objectives were pursued under Trudeau was itself dependent on the ebb and flow of the Liberal party's political fortune during that time, and one finds periods of political and economic difficulty (1972—74, 1977—79 and 1982—84) to be associated with a decreased focus on development issues in government statements and speeches (Fleming and Keenleyside, 1983, p. 20).

The Conservatives, who took power briefly in 1980 under Joe Clark and who have governed Canada now since September 1984, have retained the internationalist orientation of Canada's foreign policy. Policy thrusts consistent with that orientation have included continued active support for the United Nations, a strong role in the African drought relief effort, and activism within the Commonwealth in the matter of South African sanctions; and the govern-

ment declared in December 1986 that it 'accepts with enthusiasm the theme of active internationalism' (Canada's International Relations, 1986). Canadian aid policy has probably become more commercially-oriented under the Conservatives than it was under the Liberals, but this is more a matter of emphasis than a major qualitative change.

The other major political party on the Canadian scene is the social democratic NDP (New Democratic Party). The NDP has tended to advocate a more generous aid policy for Canada, including rapid movement towards the 0.7 per cent target and greater untying of Canadian aid. The NDP's influence on the government is largest when neither of the two major parties holds a majority of seats in Parliament, but majority government has been the rule by far rather than the exception in the 1970s and 1980s. The party's spokesmen have had some influence through the parliamentary committees and task forces which advise the government on foreign policy matters, as have members of the two larger parties.

Conclusion

The purpose of this section has been to review the expressed attitudes of Canadians and the Canadian government on the subject of foreign aid. It is clear that the vast majority of Canadians support the concept of foreign aid, and that they support it mainly as a response to income disparities between North and South. Most Canadians also seem to favour increased aid flows over time, although there is a strong element of incrementalism evident here. Elite group responses, which are of particular importance, tend to be substantially more generous on such matters than the public at large.

In terms of the classification of objectives introduced in this section, support of foreign aid seems to be based very clearly on internationalist objectives. Canadians perceive foreign aid as an international public good and are prepared to support it on that basis. Many Canadians nonetheless feel that Canada should also derive some national benefit from its aid, and tying is strongly supported by the influential business community.

These various perceptions of foreign aid find an unmistakable echo in Canadian government pronouncements regarding the objectives of Canadian aid. Priority for internationalist objectives, incrementalism, and 'mutual benefits' are all clearly evident in the government statements reviewed in this section. How accurately this rhetoric reflects itself in reality is another question. One must not neglect the possibility that the rhetoric is insincere or that special interests such as Canadian business might be capable of usurping foreign aid for their own ends. How, in practice, has Canadian aid gone about resolving the possible contradiction between its stated internationalist goals and more narrow national goals? What is the evidence, again in practice, of a decline in the internationalist thrust of Canadian aid in the last ten years or so? These are the questions to which we turn in the following section.

The aid program

Aid policy embodies a number of dimensions, including the amount of aid to be provided, the terms on which it is given, the choice of delivery channels, and the choice of recipient countries or institutions. Further choices have to be made within recipient countries with regard to the types of uses to which the aid will be put; and a donor must also provide for an administrative structure to manage all this. All these dimensions together constitute what is called aid policy, and each of these dimensions will be considered to some degree in the present section.

Volume and terms

One of the conclusions to come out of the review of public opinion in the previous section is that Canadians have been reasonably well-disposed towards foreign aid and generally prepared to accept moderate increases in aid flows over time. It should therefore not be surprising that Canadian aid has increased over the years. Figure 1 in the Appendix shows that budgetary appropriations of aid as a share of GNP increased most rapidly during Lester Pearson's prime ministership from 1963—68 and through the first two years of the Trudeau government which followed. The ratio of aid to GNP rose from 0.16 per cent in 1963 to 0.44 per cent in 1970.¹⁰ Aid appropriations subsequently grew much more slowly, however, and certainly much more slowly than government commitments had indicated they would. At one point, between 1977 and 1980, growth actually gave way to decline, so that appropriations fell by about 5 per cent in absolute terms after discounting for inflation. By 1980, the ratio of ODA to GNP had fallen back to 0.425 per cent, a level below that attained in 1970. Following renewed growth in appropriations after 1980, the ratio of ODA to GNP crept back, nonetheless, to a new high of 0.50 in 1985."

Canada today is neither particularly generous nor particularly tight-fisted in its aid allocations. Its ODA/GNP ratio is higher than the weighted average for DAC countries as a group (0.50 compared to the DAC average of 0.36 in the 1984 calendar year), and it ranks eighth out of the 17 donor countries on the same criterion (OECD, 1985, p. 295).

The terms of Canadian aid are very soft, and they are consistent in this respect with the declared humanitarian objectives of the program. As Figure 3 shows, there is a trend for Canada's aid increasingly to take the form of grants. We see there that 90 per cent of Canadian aid was given in grant form in 1983, up from a low of 65 per cent in 1971. The rest is offered under conditions so soft that they are essentially grants anyway. The 'grant element' of Canadian aid has been above 96 per cent every year since 1970 (OECD, *Devel-*

opment Cooperation, various issues). It was announced in 1986 that all Canadian aid will henceforth be given in the form of grants.

Multilateral flows

The split between multilateral and bilateral aid in the Canadian case is about one-third/two-thirds (see Table 1 and Figure 4), the share of multilateral aid being larger than that of most OECD donors (OECD, 1985, p. 147). Support for multilateral aid agencies in Canada reflects a longstanding tradition of support for international institutions generally—both in and out of the aid field. This is a logical policy for a middle power like Canada which is too small to have much of an impact on world affairs when acting alone but large enough to have an influence in how international institutions operate. Canada's middle power status is of obvious relevance to an understanding of its contributions to the various multilateral development banks. As Isbister points out, Canada is large enough to ensure that Canadians sit on the board of directors of all the development banks, but it cannot afford to let its contributions slip if it is to maintain that position (1986, p. 15).

The main recipients of Canadian multilateral aid include the World Bank and the various Regional Development Banks, the United Nations Development Program, and the World Food Program (see Table 1). As Figure 4 shows, the share of Canadian ODA being channeled through such agencies has usually ranged between 35 per cent and 40 per cent since 1975, with some decline becoming apparent after 1978. The largest shift in favour of multilateral aid was made between 1970 and 1976, when the multilateral share of Canadian ODA more than doubled, going from 19.8 per cent to 44.0 per cent of the total (see Figure 4). This increase was consistent with the commitment made to that effect in *Foreign Policy for Canadians* in 1970. Indeed it exceeded those commitments by quite a wide margin. The reasons for this was partly a logistical one, however, since a shift of aid to multilateral agencies was perceived as a convenient and efficient way to increase disbursements at a time when CIDA was finding it difficult to manage the increased appropriations being allocated to it. With aid levels being cut back, and with the increased concern for 'mutual benefits' in the latter quarter of the 1970s, CIDA found itself under Cabinet pressure to reduce the share of multilateral aid in favour of bilateral aid, and multilateral aid disbursements declined in real terms by 14.0 per cent between 1978 and 1984.

Trends in Canadian multilateral contributions cannot be understood exclusively in terms of domestic considerations, however, since contributions to multilateral agencies are multilaterally negotiated among donors. The key concept in such negotiations is that of 'burden sharing', the burden being the loss of national benefits accruing to donors when aid is provided through multilateral rather than bilateral channels. Trends in multilateral aid are thus

best discussed in an international context. It is surely not pure coincidence that the large increase in multilateral flows observed for Canada in the early 1970s occurred in similar fashion for a wide range of donors. For DAC donors as a group, the share of ODA being distributed through multilateral agencies rose from 16.6 per cent to 30.4 per cent between 1970 and 1976, henceforth to stabilize much as it did in Canada (Stokke, p. 34; see also OECD, 1985, pp. 140—4). This was to some extent a response to the 1969 recommendation of the Pearson Commission that multilateral aid should be increased to 30 per cent of total ODA, and it may be noted in this regard that the Pearson report had a special impact on Canadian opinion because of former Prime Minister Lester Pearson's role as Chairman of that Commission. The recommendations of the Pearson Commission were given substance in 1970 when DAC members agreed at a high-level meeting in Tokyo that contributions to multilateral institutions should be increased (OECD, 1985, p. 75), and the increase in Canada's own contributions must be understood in that context. This is not to deny Canada's special interest in the multilateral framework. As noted above, Canada does give a larger than average share of its aid through multilateral channels, and while Canada has been influenced by international agreements, it has also played a leadership role in obtaining such agreements.

The largest recipient of Canadian multilateral aid is the World Bank's soft-loan window, the International Development Agency (IDA), which was created in 1960. Contributions to IDA increased rapidly in the 1960s and continued to do so up to 1978, after which there was a rather substantial decline in real terms, (after discounting for inflation) from \$91 million in 1978 to \$56 million in 1984 (all in 1983 dollars). This decline in fact accounts for virtually all the reduction in the real value of Canadian multilateral contributions since 1978, and it must itself be understood in an international context. Like other donors, Canada is committed to the concept of burden-sharing with regard to international financial institutions such as the World Bank and the regional development banks (Canada, 1986—87 *Estimates*, Part III). Following the 1980 agreement for the sixth IDA replenishment, Canada committed itself to providing an average of just over \$200 million per year to IDA between 1980—81 and 1982—83 (World Bank, *Annual Report* 1980, pp. 11—13). In nominal terms, this represented roughly a 22 per cent increase over the amount provided in 1979—80. In real terms, it meant that contributions after discounting for inflation would remain approximately constant.

This commitment was not realized, however, and IDA contributions have fallen steadily in real terms, to the point where they were 31 per cent lower in 1984 than in 1979. These cutbacks in IDA were the result of cutbacks in U.S. contributions combined with the reluctance of other donors to abandon traditional burden-sharing arrangements. Some special arrangements were nonetheless made to rescue IDA from the financial straits in which it soon found itself. The most important of these was negotiated in 1982 and involved

special contributions by all donors except the United States. Canada's own share (USD 163 million) was the third largest of these special contributions, accounting for 8.6 per cent of the total, or twice the share it had accepted to bear under IDA-6. Canada was part of a group of countries that insisted that the proceeds of their special contribution not be used for procurement in the U.S. (World Bank, *Annual Report 1982*, pp. 15—16 and *Annual Report 1983*, pp. 13—18). Negotiations for IDA-7 in 1983 and 1984 were very difficult in the face of U.S. recalcitrance, and the agreement finally negotiated in 1984 involved further cutbacks in IDA funds (World Bank, *Annual Report 1984*, pp. 15—22). It was expected that additional special contributions' would be made by subgroups of donors. One such agreement, the USD 1.1 billion 'Special Facility for Sub-Saharan Africa', was in fact signed in early 1985, with Canada participating in the amount of USD 75 million.

There are two other main categories of recipients of Canadian multilateral aid. The first is the World Food Program, which has consistently received about 20 per cent of Canada's multilateral contributions since 1966. Those original contributions were motivated in large part by the abundance of wheat stocks at the time (Wyse, p. 13; Williams and Young, p. 337), but considerable importance appears to have been given to the continuity of the relationship since that time. World cereal markets became increasingly tight in the early 1970s, and contributions to the World Food Program declined relative to the peak reached in 1969, but the period was also witness to serious food shortages, and Canada responded to the crisis with a major three-year commitment at the World Food Conference in 1974. As a result, Canadian contributions to the WFP rose from \$15 to \$99 million between 1974 and 1975. Contributions since 1975 have as a result been well above those made in the first half of the 1970s or late 1960s.

The other major category of multilateral recipient is that represented by the various regional development banks. Contributions to the Asian Development Bank began in 1966 and have remained quite significant since that time, accounting for 11.9 per cent of Canadian multilateral assistance between 1980 and 1984. Contributions to the Inter-American Development Bank and the African Development Bank both began in the early 1970s, and they accounted respectively for 4.2 per cent and 6.6 per cent of multilateral assistance between 1980 and 1984. Canada has thus maintained a visible and relatively important presence in each of the major regional development banks.

The growth of non-traditional channels in the 1970s and 1980s

Most Canadian aid is provided through bilateral channels. These have the advantage of keeping control of the funds in Canadian hands and making the source of the funds identifiably Canadian within recipient countries. The

funds can be tied to Canadian procurement, and they can be used in support of foreign policy objectives in recipient countries. Traditional government-to-government aid remains the most important of the various bilateral channels, accounting for 43.7 per cent of Canadian ODA in 1984, but other, more indirect, bilateral channels are increasingly being used, including Non-Government Organizations (9.3 per cent), the International Development Research Centre (3.8 per cent), Petro-Canada International (2.6 per cent) and the Industrial Cooperation program (1.9 per cent). Figures 4 through 6 illustrate how use of these different channels has evolved over the years. They also show the declining share of government-to-government aid in ODA, due first to the rapid growth of disbursements to multilateral institutions in the early and mid-1970s, and later to the growth of other channels such as NGOs and IDRC. Government-to-government aid thus fell from 76 per cent of the total in 1970 to 56 per cent in 1975 and only 44 per cent in 1984.

The most important of the alternatives to government-to-government aid is the NGO mechanism. Official Canadian aid is channeled to the Third World by way of Non-Government Organizations through CIDA's Special Programs Branch, which provides funds to NGOs on a matching grants basis in accordance with private sector and local contributions raised by the NGO. A small part of the ODA flowing through this channel goes through international NGOs—about 10 per cent in 1984—while the rest goes through Canadian organizations. None of this aid is tied, but a part of it goes to organizations whose purpose is to send volunteers overseas, and this may be considered as a form of tying. Most of the funds disbursed through the 'Institutional Cooperation' program (ICDS) fit in this category and ICDS accounts for about a third of the ODA disbursed through NGOs.

Direct participation by CIDA in the management of NGO programs is very limited. For NGOs with a proven track record, small projects are funded via a system of block funding in grant form delegating the choice of projects entirely to the NGO concerned. Block funding has increased in recent years, and only about one-third of the Branch's activities are now carried out in the context of individual projects. Such individual projects need to be approved by CIDA, and the NGO is in this case expected to present periodic reports to the agency, but the amount of information provided to CIDA is quite limited, and CIDA's approach is essentially a non-interventionist one.

The NGO program is a long-standing one going back to 1968 and the groundswell of support for NGOs which accompanied the Miles for Millions marches. Canada is one of the donor countries making the most use of this aid channel, ranking second after Switzerland in 1983 in terms of the share of ODA provided through NGOs.¹² Government pronouncements support the program on a number of grounds, including that of involving Canadians in international development and fostering increased understanding of problems in the developing world. NGOs are seen to play 'a valuable practical role

by undertaking the sort of development projects which governments often ignore, or are not equipped to undertake,' and they are perceived to do so with 'far greater efficiency, flexibility, speed and economy than governments' (Canada, Partners in Tomorrow, p. 10).

Such perceptions of the role of NGOs are widely shared, both in Canada and abroad (OECD, 1981), and it is in large part this perceived effectiveness of the NGO channel which explains its rapid and continued growth over the last decade and a half, as shown in Figure 6. NGOs themselves have, of course, been active in promoting such perceptions of effectiveness, and their lobbying efforts, alluded to in the previous section, have tended to focus to a degree on matters having direct financial implications for the NGO sector (Clark, 1985). Systematic research on the effectiveness of NGOs is lacking, although the North-South country studies on Bangladesh, Haiti and Senegal did tend to confirm conventional perceptions. The North-South Institute is presently involved in a two year program of evaluation whose preliminary results appear to be relatively favourable (North-South News, Fall, 1986).

The growth of IDRC can also be understood primarily in terms of perceived needs in the Third World. IDRC's genesis goes back to the last half of the 1960s and was a response to the personal initiative of Maurice Strong after he became Director-General of the External Aid Office in 1966. Following consultation with a large number of international bodies, a Steering Committee reported in 1968 that there was an urgent international need for additional development research, and that Canada was exceptionally well placed to provide it (Plumtre, 1975, p. 155). IDRC was established in 1970 and is autonomously run by an international Board of Governors of which just over half must be Canadian. It is dedicated to supporting scientific and technical research which is not only located in developing countries and designed for their benefit, but also for the most part initiated and carried out by Third World scientists. The funds themselves are untied. This is not to suggest that IDRC remains totally outside the influence of its funding body, the Canadian government. Manuge (1982) describes some of the lapses in autonomy which have manifested themselves since 1977. The Centre's independence nonetheless remains very high and its development mandate quite unambiguous. IDRC's share of Canadian ODA has tended to increase over time, with some slowdown in growth taking place after 1976 (see Figure 6).

The other channels mentioned above were Petro-Canada International and the Industrial Cooperation program. These channels became significant only in the 1980s and remain fairly small. These two channels reflect a greater commercial orientation than the previous two.

This is most evident for the Industrial Cooperation program, which is designed to provide support for private sector initiatives involving Canadian firms in investment, joint ventures or transfers of technology in Third World markets. The program has existed since 1971 but has recently been given increased importance. Funding for the program was increased by two thirds in

1984. The growth of this program explicitly reflects a desire to use aid for commercial purposes (Canada, *Canadian Business and the Third World*, p. 5), but it also reflects a shift in development ideology among donor agencies favouring greater support for the private sector as an agent of growth in the context of the economic crisis still afflicting much of the Third World (OECD, 1985, p. 64). This ideological focus is quite evident in the World Bank's *Development in Sub-Saharan Africa: an Agenda for Action* and in USAID initiatives undertaken under President Reagan.

The Petro-Canada International Assistance Corporation (PCIAC) is an independently managed subsidiary of Petro-Canada, a Canadian crown corporation, charged with financing and managing aid projects in the oil and gas sector. Aid funds provided through PCIAC are not rigidly tied to Canadian procurement, but PCIAC is nonetheless instructed to make use predominantly of Canadian goods and services. Aid projects funded through Petro-Canada International serve to showcase Canadian oil and gas technology, with possible commercial spin-offs in the long run (PCIAC, *Annual Report*, 1984). At the same time, PCIAC's main goal is the developmental one of helping to increase oil and gas production in oil-importing Third World countries in order thereby to reduce their dependency on energy imports. It was created in 1982 when world oil prices were at historical peak levels and when energy problems in the Third World were most acute. It was introduced as the international component of Canada's National Energy Program, subsequent to the failure of the Canadian-supported initiative to establish an Energy Affiliate to the World Bank.

Geographical distribution of bilateral flows

One of the most revealing dimensions of a country's aid policy is the geographical distribution of disbursements, because one would predict quite different patterns depending on whether aid is given primarily for developmental, commercial or political purposes.

The country selection process for Canadian bilateral aid differs according to each of the different aid channels being used, as do the criteria for allocating disbursements among countries. Special Programs Branch does not, for instance, have a geographical approach, since it is primarily responsive to the initiatives of the NGO community. IDRC also allocates its aid according to non-geographical criteria, and the Centre itself is administered according to areas of research specialization (primarily Agriculture, Health, and Social Sciences). Some effort is made nonetheless to retain a regional balance, and IDRC has regional offices in Bogota, Cairo, Dakar, Nairobi, New Delhi, and Singapore. Petro-Canada International and the Industrial Cooperation Program are similarly guided more by their specific mandates than by any particular geographical focus.

Government-to-government aid, on the other hand, is organized into four regional areas of concentration: Francophone Africa, Anglophone Africa, Asia, and the Americas. Each of these regional branches is organized around a number of country desks, of which there are now 30. Most desks are responsible for one or two of the 31 recipient countries assigned 'core' status by the Agency, along with some of the lower recipient-status countries classified as 'non-core' or 'visible presence' countries. Countries not belonging to these three categories of recipients are classified either as not eligible (Cuba, Laos, Vietnam, Afghanistan, Kampuchea, Iran and Libya) or as non-recipients (a larger group of about 30 higher income LDCs and dependencies located mostly in the Middle East and Europe). The Cabinet has decided that core countries should receive 75 per cent of Canadian bilateral funds, leaving 20 per cent for non-core countries and 5 per cent for the visible presence countries.

Assignment of countries to each category is the prerogative of the Cabinet, as is the assignment of 'Indicative Planning Figures' intended to serve as country-specific budgets over a five-year planning period. A large number of eligibility criteria are considered, including the level of development of the recipient country, its 'commitment to development', its human rights record, and its absorptive capacity, along with various political and commercial considerations of special interest to Canada (Canada, 'Briefing Book for Parliamentarians', p. 46). Some indication of the relative priority of each criterion has been provided by the use of a point system in which 'need' has been allocated 5 points out of 10; 'commitment to development and human rights' 3 points; and diplomatic, cultural and commercial relations with Canada the remaining 2 points (Task Force on Canada's ODA Program, 1986, p. 46).

Continuity in aid relationships with recipients is also an important criterion, though it is less often mentioned explicitly. One finds very few cases of sudden cutbacks in aid to a recipient country. The few examples which come to mind include Uganda under Amin, Cuba after Cuban troops were sent to Angola, India after the explosion of a nuclear device in 1974, and Guatemala following widespread human rights abuses in the 1980s.

The Cabinet decided as far back as 1975 that 80 per cent of Canadian bilateral assistance should go to low-income countries (now defined as countries with per capita incomes of less than USD 625 in 1978). A subtarget of 0.15 per cent of GNP to the Least Developed group of countries (LLDCs) was added to this in 1982 following an international commitment to that effect (Canada, *Elements*, p. 10).

Table 2 in the Appendix identifies the major countries which have received Canadian bilateral aid for each five year period since 1960. Total bilateral flows are shown here under the title 'C-C,' representing the words 'Country-to-Country'. Separate figure are also provided for government-to-government flows for the years 1980—84.

It becomes evident from the long list of countries that Canadian bilateral aid is highly dispersed. A total of 125 countries or groups of countries received Canadian government-to-government assistance between 1980 and 1984. Most of these recipients received fairly small amounts of aid, but this left 36 beneficiaries in receipt of \$20 million or more over the five year period.¹³ The relatively high degree of dispersion which this represents is contrary to the objective of greater resource concentration established in the 1975 *Strategy*, and it undoubtedly involves some loss of developmental effectiveness for the Canadian aid program.

Dispersal of government-to-government aid does have political advantages to offer however. Different groups of Canadians all have countries which they particularly would like to support and others which they would particularly like to avoid. Spreading aid relatively thinly over a large number of countries allows the government to satisfy as large a constituency as possible without unduly antagonizing any one group. In classic Canadian tradition, there is something there for everyone. A dispersed pattern of aid distribution also allows Canada to maintain an aid presence in as many countries as possible, thus avoiding unhappiness among potential recipient countries who might otherwise have to be turned down.

Figures 7 through 17 and Tables 3 to 5 illustrate the distribution of Canadian aid by different groups of countries and the different trends evident since the early years of Canadian assistance to developing countries.

Figures 7 to 10 detail how Canadian bilateral aid has been distributed to various income groups of countries. Countries are grouped here in such a way that the composition of each group remains constant over time, according to each country's per capita income in 1970 (a year for which GNP statistical series were particularly complete). India's per capita income was exactly USD 100 in that year, while the weighted average income for all LDCs was USD 223. Figures 7 to 9 show data on the share of Canadian aid accruing to what may be labeled the lower income group of countries: India, Bangladesh, Pakistan, and other countries with per capita incomes below USD 200 (Bangladesh and Pakistan are shown together in order to maintain a constant time series in spite of the breakup of Pakistan into two countries in 1971). Taking 1980 as a fairly typical year for the recent period, we find that 71 per cent of Canadian aid went to these low-income countries. The figure rises to 88 per cent if one includes those near-average countries in the USD 200—USD 300 dollar range.¹⁴

Using the definition of low-income countries used by CIDA (less than USD 625 per capita in 1978), we find an average 83 per cent of government-to-government aid being directed to low income countries between 1981 and 1985. The objective of targeting 80 per cent of bilateral aid to this group of countries is thus evidently being met.¹⁵ Bilateral aid to LLDCs in 1980 stood at 35 per cent of the total, or 0.13 per cent of GNP once an appropriate share of multilateral assistance is added in, and Canada is thus still falling some-

what short of the 0.15 per cent target established for this group of countries.

Table 3 shows the amount of Canadian bilateral aid received per capita for different income groups of countries. With the notable exception of India, Canadian aid per capita tends to be substantially higher for low-income countries than for higher-income countries. Aid per capita in 1980 was highest for Bangladesh and Pakistan (\$0.86 and \$0.50 respectively) and for countries in the range of \$50—100 per capita (\$0.43). It tended to be much lower for the higher-income LDCs (\$0.21 for the \$300—600 group). However it was only \$0.05 for India, the second largest of the low income countries (after China).

Looking at how the distribution of Canadian aid has evolved over the last twenty years, it is the steady deterioration in India's share which stands out most starkly. Canadian aid to India on a per capita basis in 1983 was less than half what it was in 1970. In constant dollar terms, it was only one eighth as high. Figures 8 to 10 show that the decline in India's share of Canadian aid was matched by an increase in the share of every other recipient group. Most of the redistribution away from India was accomplished in favour of countries which were as poor or poorer than India. Taking 1968 as a base, and comparing with 1983, one finds India's declining share being redistributed 26 per cent in favour of Bangladesh and Pakistan and 33 per cent in favour of countries in the \$50—100 range, for a total of 59 per cent. This is reflected in the growing share of aid going to LDCs which is evident in Figure 11. Another 9.4 per cent went to countries in the \$100—200 range, while the remaining 32 per cent went to countries which were quite a bit better off than India on the criterion of income per capita.

Figure 12 illustrates the effect of these trends on the average income of countries receiving Canadian aid relative to the average income of all developing countries. This ratio increased from a low of 0.57 on average between 1951 and 1959 to a peak of 0.85 in 1970, in response to the diversification of Canadian aid away from South Asia. The average income of recipients declined again after 1970, reaching an average of 0.72 between 1980 and 1983.

In geographical terms, we see aid shifting away from India, mainly towards Africa but also towards Latin America and other Asian countries. These trends are shown in Figure 7 to 8 and 13 to 15. In recent years about 45 per cent of Canadian aid has been directed to Africa, this amount divided in about equal proportion between francophone and anglophone countries. Latin America and the Caribbean have taken up about 12 per cent, and the rest has gone to Asian countries, notably Bangladesh and Pakistan which together have absorbed about 20 per cent of the total.

Why the steady decline in India's share of Canadian foreign aid? Some diversification away from India after the early years of concentration on that country was to be expected, but this does not explain the absolute decline in aid to that country, nor the fact that aid per capita is lower in India than in any other country group. No doubt there are a number of explanatory factors, and these are difficult to disentangle. The tendency for aid per capita to be

low for large recipient countries such as India, Indonesia and the Philippines is a well known phenomenon in the donor community as a whole and does not apply only to Canada (see Dudley and Monmarquette, pp. 62—63 for references; see Burki, p. 140 for 1980 OECD data). Yet there is no *pervasive* bias in Canadian aid policy against large countries. Witness the large amounts of Canadian aid per capita being received by Pakistan and Bangladesh.¹⁶

Notwithstanding the fact that India's exceptionally large size places it in a category of its own—along with China—there are a variety of other factors which help to explain the low and declining amount of aid it has received from Canada. These include the strongly self-reliant approach to development adopted by India, and its own policy after 1966 of reducing its dependence on Western foreign assistance (Morrison, p. 24). As India became securely established as a nation-state after the mid-1960s attention shifted to helping consolidate the newly independent nations of Africa and the Caribbean; and India's growing ability to feed itself following the Green Revolution has also been a factor, shifting food aid away from India towards Africa and Bangladesh in the 1970s and 1980s.

An important event in the history of Canadian aid to India was the explosion of a nuclear device by that country in 1974. Canada had assisted in the development of India's nuclear energy program and India's use of its nuclear capabilities for the development of a nuclear bomb was perceived in Canada as a serious breach of agreement between the two countries. Canada's response was to immediately curtail the aid program to India. Ongoing projects were allowed to continue, but a halt was placed on new interventions. This led to a strong decline in disbursements to India between 1975 and 1978 as shown in Figure 7. Remaining constraints on the aid program were finally removed in 1979, but disbursement levels to India have never fully recovered.

Canadian aid is concentrated not only on poorer developing countries, but also and perhaps especially on those whose growth rates are low. The shares of aid going to low and high growth rate recipients are shown in Figures 16 and 17, and the per capita aid figures are shown in Table 4. One gets much the same type of picture as before, with per capita aid figures being substantially higher in low-growth countries and with the share of all groups increasing over time except for India's. The share going to high-growth countries has increased the least over time, and since 1978 the tendency has been for the share of medium- and high-growth countries to decline relative to the share of low-growth countries.

The trends and patterns reviewed above apply to overall bilateral flows, and some differences do appear for each of the different aid channels which this encompasses (see Table 5). Yet these are not the differences which one would expect. Contrary to expectations if one perceives government-to-government aid as a tool of export policy, one finds this channel even more heavily concentrated on low-income and low-growth countries than the other channels, substantially more so even than the NGO channel. As for Petro-Canada Inter-

national, its distinguishing feature is its very high concentration on low-growth countries, a finding not inconsistent with its mission to assist countries severely affected by dependence on imported oil. Its largest recipients to date have been the hard-pressed countries of Ghana and Senegal. The Industrial Cooperation program is, as one would expect, relatively more concentrated on higher-income and higher-growth countries. So, interestingly, is IDRC, but this is not surprising when one considers that IDRC provides funds mainly for research by Third World scientists. The absorptive capacity of the poorest countries for such research funds is of course relatively limited.

The tendency for the bulk of Canadian aid to be concentrated on poorer, slower-growing countries suggests that countries are not selected primarily with commercial objectives in mind. Statistical analyses confirm this impression. Multivariate econometric studies which have been done on the distribution of Canadian aid have found no significant relationship between Canadian aid and the extent of commercial transactions between Canada and potential recipients, a result which contrasts with that obtained for most other donor countries where a positive relationship is observed (Dudley and Monmarquette, pp. 88—91; similar results in Bencivenga, annex tables).

Statistical analysis does suggest that political objectives are important, however. Dudley and Monmarquette found that recipient-country membership in either the Commonwealth or the francophone communities were the two most important explanatory factors in their regressions in terms both of eligibility for aid and amounts received. An Bencivenga found some correlation between Canadian aid flows and the political legitimacy of the government in the recipient country, as measured by the non-exclusion of opposition parties from domestic politics.¹⁷

East-West tensions also come into play, and it is noteworthy in this regard that most countries in the 'non-eligible' category are those aligned with the communist bloc. Canada is not rigidly ideological in its selection of recipient countries, however. Left-leaning countries such as Mozambique, Ethiopia and Nicaragua are important recipients, as were Michael Manley's Jamaica and Joey Bishop's Grenada in earlier years. Cuba was a recipient for a few years in the mid-1970s, and bilateral aid to China was a modest but not insignificant \$13.5 million in 1984—85. Prime Minister Trudeau emphasized the relatively non-ideological foreign aid stance of the Canadian government at the 1983 Commonwealth meeting in St. Lucia, declaring that:

In our view, states have the right to follow whatever ideological path they choose . . . if they keep their social and humanitarian obligations to their people in the forefront of their actions, they will have Canada's help (cited in Davies, 1986).

The distribution of Canadian aid can of course be political without being nationally self-serving, insofar as it is used to encourage not only economic but also political development in the Third World. Under this category, one finds that Canadian aid has been used to provide a special measure of assistance to

newly independent countries in the early years of nationhood: India, Pakistan and Sri Lanka in the early 1950s, Commonwealth Africa and the Caribbean in the 1960s, Bangladesh in the 1970s, and the somewhat different cases of Zimbabwe and Nicaragua in the 1980s. Bencivenga's finding that Canada has tended to support relatively democratic regimes would likewise be applauded; and it is now a part of official government policy to consider the human rights record of a government in determining the nature of Canadian assistance (CIDA, *Elements*, p. 11). Meanwhile, Canada has also provided support for projects facilitating regional integration in the Caribbean and Africa (Paragg, McBride), including strong support, in recent years, for SADCC, the Southern African Development Coordination Conference (IDAFSA, May, 1985).

The distribution of aid is also influenced by various factors such as a common historical heritage, cultural values, linguistic factors and institutional links which tie some countries relatively more closely to Canada than others, in brief what was referred to above as sense of community. The concentration of Canadian aid in Commonwealth and francophone countries can no doubt be explained largely in these terms.

One way to test for the importance of such considerations is to use the pattern of NGO assistance to different countries as a proxy for community-type links with Canada and to test the explanatory value of this variable against government-to-government flows. Controlling for other possible influences such as a recipient country's national income per capita, its growth rate and its absolute population, we found non-governmental flows to be statistically significant at the 99 per cent level of confidence and to be by far the best predictor of government-to-government flows between 1980 and 1983. The results obtained were found to differ substantially for large and for small countries, however. For 44 countries with populations of less than five million, the NGO variable was the only significant explanatory variable, and its addition to the model had the effect of almost tripling the model's explanatory value, raising the R^2 (the share of variance which is explained) from 0.181 to fully 0.502.¹⁸ For the 58 larger countries in our sample, the NGO variable had a much smaller effect, raising the R^2 only from 0.182 to 0.266. In this case it was found that the per capita income of the recipient country was also statistically significant ($t = -2.25$) and approximately as important in explanatory power as the NGO presence. If we are correct in treating NGO aid flows as a proxy mainly for institutional, cultural and linguistic links, then it would seem that such links are quite important indeed for small countries. They are evidently less important for large countries, displaced from consideration by other variables such as the country's level of per capita income or broader political issues.

Uses of government-to-government aid

Turning now to the ways that Canadian aid has been used within recipient countries, we will restrict our discussion to the government-to-government channel. Two general characteristics stand out: the relatively non-interventionist approach which CIDA takes with regard to recipient country request for aid, and the important effect of aid tying on project selection and design.

CIDA's approach to government-to-government aid involves a variable degree of responsiveness to the priorities of the recipient country government. It is at its most flexible when contributions take the form of 'program' aid given in support of a country's balance of payments. Usually, this involves the provision of Canadian products for sale on local markets. Local currency income from the sale of these products is then used as a source of revenue for development projects. Canadian products are usually delivered to the recipient in the form of food aid or commodity aid, but lines of credit for Canadian equipment are also used. The amount of program aid being supplied has increased substantially in recent years, rising to over 40 per cent of bilateral aid in 1984—85 from 22 to 24 per cent between 1978 and 1980 (Task Force on Canada's ODA program, 1986, p. 53). This increase may be seen as a response to the growing need for this type of assistance under the conditions of economic crisis prevailing in the 1980s; but with program aid being much easier to administer than project aid, it also serves as a partial solution to the difficulties of aid-management under conditions of ever-worsening staff shortages brought upon by staff cutbacks throughout the federal government.

The largest recipients of program aid are in South Asia—particularly Bangladesh and India, where most Canadian aid takes this form. Funds generated from the sale of Canadian products in the recipient country are deposited directly into government coffers or into a 'counterpart fund' from which they can be withdrawn for use in projects under conditions agreed upon between the recipient government and CIDA. Such funds are administered by the recipient country, although CIDA in some African cases maintains substantial control over the uses made of the funds. Use of the funds in other cases has been left essentially to the discretion of the recipient country government (Charlton, 1986).

CIDA has become more concerned with the surrounding 'policy environment' in countries which receive program aid, and it has become somewhat more active in encouraging policy reform. Operating in collaboration with other donors, its approach of 'positive conditionality' has been to provide extra support for countries undertaking reforms, cases in point being Ghana, Tanzania, Kenya and Zambia (Proceedings of the Senate Committee on Foreign Affairs, May 6, 1986, p. 11:27; and Charlton, 1986).

Most government-to-government aid is provided for specific projects, however. Canada's approach to such project aid is a 'responsive' one in which aid

projects are selected either at the initiative of, or in close consultation with, the government of the recipient country. CIDA will indicate a preference for certain sectors of activity, and it may initiate projects, in consultation with the recipient or with other donors. In other cases, project ideas may be reformulated in directions fairly distinct from the relatively vague proposals originally presented by the recipient. CIDA is a more active participant in this relationship today than it was, but under normal circumstances the emphasis remains on the need for a strongly collaborative relationship. CIDA has adopted explicit sectoral priorities in the 1980s (agriculture, energy, and human resources), but these are interpreted quite broadly, with agriculture including forestry and fisheries, for instance, while participation in other sectors is not precluded.

CIDA's relatively 'responsive' approach to project selection can be understood in political terms.¹⁹ It reflects a respect for the sovereignty of recipient countries upon which Canada prides itself as a non-colonial power, and it is also a good way for a middling power like Canada to retain the favour of the recipient country's political elite. A responsive approach also has much to commend it on practical grounds, since projects are most likely to succeed if they are enthusiastically supported by the recipient government as well as by the donor.

A question that arises is whether Canada's political objectives on this issue do not at times conflict with its development objectives. The issue is a complex one, but is certainly conceivable that a responsive approach to the priorities of a country's political elite might lead to suboptimal projects from the point of view of politically weak segments of that same society, in particular the poor and the marginalized. CIDA is not entirely blind to such possibilities, of course, and the notion of responsiveness is a relative one which is selectively applied. How often conflicts of diplomatic and developmental priorities actually occur is an empirical question on which no systematic study has even been done. One study of Canadian aid to Senegal identified some important cases in which political considerations had in fact overridden developmental ones (Lavergne, *forth.*), but political considerations have been more important in Senegal than elsewhere for Canada, and it would be dangerous to generalize from the results of this one study.

The second major determinant of how government-to-government aid is used within recipient countries is the tying of such aid to Canadian procurement of goods and services. Canadian government-to-government aid continues to be approximately 80 per cent tied, a high level of tying by international standards. CIDA has tried to reduce the cost tying by focusing systematically on commodities or sectors where Canada is relatively competitive. As a major grain exporter, Canada is one of the largest suppliers of food aid.²⁰ It also tends to be heavily involved in such sectors as railways and electricity (see Table 6), and Canadian aid in sectors such as agriculture or education tends, likewise, to involve goods and services which can be sup-

plied with the least cost disadvantage. Examples would include the supply of phosphate fertilizers to Bangladesh, the development of highly mechanized wheat farms in Tanzania, and the establishment of an engineering school in Senegal (Ehrhardt; Young; and Lavergne, 1987).

Such choices reduce the immediate cost of aid tying, but they also bias the selection and design of aid projects, and the choices which result may or may not be optimal from a development perspective. Tying warrants against types of involvement which tend to use predominantly domestic resources, and some of the best projects unfortunately fall into this category. These are projects based on intermediate technology, and they are often projects in such sectors as primary health and education whose direct benefits accrue mainly to the poorer segments of society in the recipient country. Tying also influences the design of projects by favouring Canadian inputs over those which could be obtained locally or abroad. Such designs tend to be less than optimal in terms of cost-effectiveness and impose high maintenance costs of various kinds on the recipient country. The import bias of project designs further serves to reinforce the dependence of recipient countries on imported technology. The secular decline of government-to-government aid as a share of ODA has had the effect of reducing the overall level of tying in Canadian aid, since flows through other channels are more likely to be untied. Our calculations indicate that the tied share of Canadian ODA dropped from 71.5 per cent of the total in 1970 to a low of 48.7 per cent in 1978. From there, it rose again to 52.4 per cent in 1984 as a result of the decline in multilateral assistance identified earlier.²¹ OECD data show overall Canadian ODA to have been more heavily tied than any other donor country except Austria in 1982/1983 (OECD, 1984, Table 1.3).

The policy of tying so much of Canadian aid responds to Canadian commercial interests, and commercial aims have been increasingly catered to in recent years by a greater emphasis on parallel financing involving CIDA and Canada's Export Development Corporation (EDC). Although much of the mixed credit provided by Canada since 1981 has been financed exclusively with EDC funds which are not counted as ODA, use has also been made of CIDA funds for this purpose. In three years, between 1981 and 1983, about \$150 million in government-to-government funds were used in parallel financing projects with the EDC. This amounted to only about 3 per cent of Canadian ODA but fully 7 per cent of government-to-government aid flows. Although the use of such parallel financing was foreseen in the 1975 *Strategy* it does not appear to have been initiated until 1978 or to have attained appreciable proportions until 1981.²² Aid funds used in this way are tied to Canadian procurement in a manner that actually involves double or triple tying, in the sense that each aid dollar is tied to the procurement of *several* dollars worth of Canadian goods and services, as part of the overall financial package.

Management policy

What can one say, finally, about Canada's aid management policy? This is not a topic to which one can do justice in the space of two or three pages, but it may be useful at least to identify some of the questions and hypotheses which should be addressed. Aid management will of course differ for each aid channel, and we will restrict the discussion essentially to the government-to-government channel. The key question is whether the management of government-to-government aid is such as to give primacy to the development objective, or whether development finds itself being displaced on a day-to-day basis by political and commercial objectives or even by bureaucratic interests and other private objectives.

The answer resides to a large extent in the degree of independence which CIDA enjoys. That independence is quite high but not unlimited. CIDA is a separate government department whose president is a civil servant equivalent in status to a deputy minister, and it is responsible for most aspects of Canadian aid, the exceptions being contributions to the World Bank and the World Food Program (which devolve respectively to the departments of Finance and Agriculture), and flows through independently-managed institutions such as IDRC and PCIIAC.²³ CIDA responsibility for the rest of the aid program is as a rule not shared with other departments.

Political intervention in the implementation of the aid program usually involves the minister responsible for the Agency, or, at a step removed, the Prime Minister himself. This may involve specific instructions to pursue a project of interest to the minister, or at least instructions to seriously consider it. Reasons for ministerial intervention usually involve foreign policy considerations, such as the need to follow up on promises made in high level meetings between the Prime Minister and the President of the recipient country, or international agreements to collaborate on a particular task, but projects may also be encouraged for commercial reasons, a case in point being the large PANAFTTEL telecommunications project in West Africa.²⁴ The Minister also intervenes in the allocation of contracts, and Monique Vezina (Minister under the Conservatives until June 1986) was particularly interventionist in this regard in an effort to ensure a better regional representation of firms doing business with CIDA (Ottawa, *Citizen*, Feb. 3, 1986). Ministerial approval is required for all contracts above \$100,000.

CIDA's independence is limited in other ways simply by virtue of the fact that CIDA is part of the Canadian civil service. It is not CIDA, but the Treasury Board, which decides on the proportion of the aid budget which is to be allocated for administration; and it is the Treasury Board which determines personnel allocations in the field. Staffing is coordinated through the Public Service Commission, and domestic procurement takes place through Supplies and Services. Arrangements such as these are adopted in the interests of efficiency and control, and need not be discussed here, though it must be

said that they sometimes create as many problems as they solve for an agency like CIDA where flexibility in management is especially desirable. Nor are efficiency and control always the only objectives being pursued. Politics and bureaucratic interests undoubtedly intrude and help to explain some of the management problems which affect the **Agency**.²⁵ One thinks for example of decisions regarding the limited allocation of personnel in the field. Virtually all observers of Canadian aid have criticized the shortage of field staff, and the problem is a long-standing one whose non-resolution insiders attribute in large part to bureaucratic infighting between External Affairs and CIDA concerning the relative presence of the two departments in the recipient country.

Bureaucratic considerations aside, a closer look at CIDA's day-to-day operations can help to clarify the 'true' policy objectives being pursued. This is not an area that has been systematically researched in quite those terms, but it may be worthwhile to draw on background research done by the North-South Institute in its evaluation project on Canadian aid,²⁶ to offer a few tentative generalizations about how Canada's aid objectives are perceived within the Agency. The view which I share with my former colleagues from the North-South Institute is that CIDA staff perceive their own role in terms quite consistent with the official terms of reference reviewed in the second section of this chapter, which is to say that the development objective is definitely primary in their minds. They resent interference in the program by other departments, and they themselves seem as a rule to pay little attention to the long-term commercial implications of the aid program. Their response to aid tying is to seek out areas of intervention where Canadian goods and services are most competitive within the context of the recipient country's development needs, and most of them seem to believe that tying does little to impede the developmental effectiveness of Canadian aid.

CIDA documents such as project proposals and country program reviews reflect much the same sort of preoccupation, though it must be noted here that these documents do, systematically, address commercial and political dimensions as well as development needs. This tells us little or nothing about the priority being accorded to each of these dimensions, however, as it reflects a bureaucratic requirement for comprehensiveness in the preparation of documents. Proposals will indeed often attempt to embellish the commercial gains of a project or program in an attempt better to 'sell' the initiative to higher authorities! The impression one gains is that someone considers these points important, including perhaps those writing the document, but they do not as a rule constitute the primary thrust of the proposal.

Determinants of Canadian aid policy

What, then, of the 'determinants' of Canadian aid policy? What can we say, in particular, about the true objectives of the aid program as described above? Consider first the commercial dimension.

One may ask what the aid program would resemble if it were, as some have suggested, designed primarily to satisfy commercial objectives. This is not a difficult question to answer since a Canadian program of that sort does in fact exist in the guise of the Export Development Corporation (EDC). An aid program which was primarily commercial in focus would behave essentially like the EDC, except that it would concentrate its attention on Third World countries. It would provide mostly loans; and any grants or soft loans which were provided would be 'mixed' with loans at commercial rates in order to maximize the sales impact of the aid. That aid would be directed exclusively through commercially-oriented channels and it would probably be directed mainly to the dynamic markets of higher-income and higher-growth LDCs. The Agency would maintain close links with the export community, and it would be responsive mainly to initiatives identified by that community, with special attention to possibilities for long-term market penetration.

It should be more than obvious from the previous section that the Canadian aid program is nothing of the sort. Canadian aid is provided on the softest of terms, and mixed credits account even in recent years for only 3 per cent of Canadian ODA. Less than half of Canadian aid is provided through channels capable of generating very much at all in the way of commercial benefits for Canada: 43.7 per cent through the government-to-government channel, 2.6 per cent through Petro-Canada International and 1.9 per cent through the Industrial Cooperation program in 1984. And it goes predominantly to the poorest and slowest-growing Third World countries. The Agency is as a rule responsive not to Canadian business initiatives but to requests received from recipient countries and it operates quite independently on a day-to-day basis from the Department of International Trade. It should be obvious that the primary motivation of Canadian aid policy is not a commercial one.

Commercial interests do intrude upon the aid program, however. The main instrument for this is aid tying, and over half of Canadian ODA remains tied even today. Support for Canadian commercial interests is also provided through the Industrial Cooperation program, through the use of mixed credit arrangements and through occasional political intervention in support of favoured projects or in contract allocations. CIDA documents make it clear that commercial considerations are a criterion in the choice of recipient countries, although that influence is not, as we have seen, statistically apparent. One can nonetheless identify several recipient countries whose choice has probably been influenced to some extent by commercial considerations. At the risk of error in the absence of detailed case studies, one could probably include here Algeria, Indonesia, Ivory Coast, Zaire, Cameroon and perhaps

a number of others whose needs are for large infrastructure projects of interest to Canadian business.

Procurement tying is by far the principal instrument of export promotion associated with the aid program, and it is this policy above all which has influenced academic thinking about the nature of Canadian aid. As the North-South Institute points out,

Critics of aid programmes point to tying probably more than to any other factor as an example of the self-interestedness of 'donors', and for many it has become a cause of deep cynicism about aid in general (North-South Institute, 1977, p. 125).

Tying is indeed difficult to understand in rational terms. As many observers have pointed out, it provides little real benefit to the Canadian economy, while imposing substantial costs on the ability of Canadian aid to deliver cost-effective development assistance (Economic Council of Canada, 1978; Lavergne, *forth.*; North-South Institute, 1977, p. 126; Treasury Board, 1976; Triantis; and Wyse, p. 1—12). Unable to understand aid tying in terms of the stated objectives of the aid program, critics have thus tended to question the integrity of those objectives themselves.

But governments are not necessarily rational, and governments do not necessarily believe the critics on such matters as aid-tying. Canadian politicians are subjected to a barrage of conflicting and biased sources of information on such matters, and they are quite capable, like individuals, of believing what they want to believe. Canadian politicians are naturally predisposed to believe that more than one objective can be satisfied at once—hence the concept of 'mutual' benefits and never that of 'conflicting' benefits. Such an approach is also the easiest one to maintain politically, and there is substantial advantage in pretending that everyone's objectives for the aid program can be satisfied simultaneously. One of the remarkable facts about tying in Canada is that very little effort has been made by the government to assess its costs. Those costs are conveniently ignored, and the issue is rarely addressed even in project documents within the Agency.

Tying can also be understood as the aid program's sop to influential business interests and to others, in and out of the government, who would otherwise not support the aid program. The role of tying in this regard is to achieve a greater degree of consensus on the aid program as a whole. Other ways of achieving such consensus could no doubt be found, but they would require more leadership on the issue than the government has been willing to provide in recent years.

An important question is whether the Canadian aid program has in fact become more commercially oriented over time. There is evidence that it has, but any statement in this regard must be a qualified one. Policymakers have become more actively conscious of commercial objectives, and they have sought out new ways of effectively satisfying these objectives in recent years by the use of mixed credits and the Industrial Cooperation program; but the trends

in other respects are more ambiguous. Aid to multilateral agencies has declined as a share of ODA relative to the peak which was reached in 1976, but it remains much higher than in the 1960s and early 1970s, and it would be higher yet if the IDA replenishment negotiations had been more successful. At the same time, increasing recourse has also been made to such development institutions as the NGOs and IDRC, and the share of ODA being allocated through more 'commercial' channels such as government-to-government aid, Petro-Canada International and Industrial Cooperation actually declined slightly from 55.8 per cent to 48.2 per cent between 1975 and 1984. Turning to the allocation of aid among countries, one does find that the share going to higher income LDCs has increased, but this is a long-term trend associated with the reduction of aid to India, and the trend does not seem to have accelerated in recent years. At the same time, the share of aid going to the poorest developing countries has also tended to increase, as has the share going to low growth countries other than India.

The suggestion that Canadian aid has become increasingly commercialized must be interpreted in relative terms. It is certainly more commercialized today than one would have believed after reading the 1975 *Strategy* which promised that government-to-government aid was to be partially untied and which paid almost no attention to Canadian commercial interests. On the other hand, commercial objectives do not appear to be all that much more 'primary' than before in the actual practice of Canadian aid policy. There appears to be a feeling that any new efforts in a commercial direction should not be achieved at the expense of what Canada is already doing in the way of development. The abandonment of the Trade and Development facility in response to cutbacks in the growth targets for aid was a clear manifestation of this policy approach.

The political dimension of Canadian aid is more difficult to assess than the commercial one. Canadian aid is without doubt an arm of Canadian foreign policy, and this is hardly surprising in view of the fact that for many recipient countries the aid link is by far the most important aspect of their relationship with Canada. But aid can be political without being self-interested, and even self-interest may be interpreted in terms of fostering 'harmonious and fruitful relationships between nations' (CIDA, *Strategy*, p. 17). In neither case need a political orientation be inconsistent with a generous and humanitarian aid policy.

Canadian political interests *have* of course influenced Canadian aid policy in some respects. They help to explain the neat division of aid between francophone and anglophone Africa and the extraordinary dispersal of Canadian aid to 125 different recipient countries between 1980 and 1984. They also help to explain the 'responsive' approach to project selection and design. And they help to explain the territorial conflicts between CIDA and External Affairs with regard to representation in the field. Yet Canada does not use its aid in a heavy-handed way as 'leverage' to obtain favours from recipient countries,

and most observers suggest that there are few political gains to be gotten from foreign aid anyway, particularly for small donors (Bird, 1981; Lyon and Tareq, p. xxxix; Wyse, pp. 19–22). The limited importance of self-serving foreign policy objectives in Canadian aid is suggested also by the decreasing use which is being made of government-to-government aid as opposed to other channels and by the concentration of aid on low-income and low-growth recipients who are unlikely to have much to offer Canada in terms of any *quid pro quo* arrangements. Such countries may at best be able to offer their votes in the United Nations on issues which are of importance to Canada, but any donor trading for UN votes would do best to concentrate its aid among a large number of small countries. Statistical analyses have not been able to uncover any significant Canadian bias in favour of small countries.

These observations, combined with those made earlier about the limited commercial orientation of the aid program, suggest that Canadian aid objectives are, as the rhetoric suggests, primarily developmental and humanitarian in orientation.

The willingness of Canadians to contribute as a nation to the alleviation of world poverty is not so difficult to understand. In a world where the role of the state in redressing income inequalities has assumed axiomatic legitimacy—barely dented even by Thatcherism and Reaganomics—it requires little imagination to extend the same concept beyond the borders of the nation-state. Willingness to do so is limited by two factors: the reduced sense of community which exists between people of distant places, and the weakness of institutional mechanisms for ensuring that all members of the world community share equally the burden of redistribution. With modern telecommunications and air transport continuing to make the world a smaller place, the sense of community which exists between Canadians and the poor of the Third World has no doubt increased in recent decades and can be expected to continue increasing in the future.

Too much can be made of the importance of Canadian humanitarian sentiment regarding the Third World. The amount contributed by Canadians to the Third World on a voluntary basis is niggling when computed on a per capita basis: USD 5.30 per Canadian in 1983!²⁷ The amount redistributed through the government is more substantial, amounting to USD 57.41 per capita, but it is little by comparison to the amount redistributed internally to support the poor in Canada. The latter was in the order of USD 1,622 per capita in 1983.²⁸ Such discrepancies can be explained in large part by the public good nature of income redistribution,²⁹ and the availability or non-availability of appropriate institutions to supply such a good. Income redistribution at the national level is a national public good (to some extent even a municipal or provincial one³⁰ for which collective action can be mobilized through existing government institutions. The benefits of foreign aid are mostly international in scope, however, and at this level there are no institutions comparable in power and authority to domestic governments.

The public good dimension of world poverty reduction explains why Canadian behaviour in the aid field is not normally determined independently but rather through negotiation with other donor countries. Such negotiations and the resulting international agreements are, after all, the only available mechanism for securing international cooperation in such matters. As a middle power, Canada has a particular interest in seeking and supporting international solutions to world problems. It is too small to have much impact on such problems when acting alone, yet large enough to have an impact when speaking or acting in support of international measures.

Canada has in fact tended to take internationally-set targets seriously, though certainly not as seriously as many would like. Although paying lip service to UN targets as a long-run objective, the government did not establish a timetable for meeting the 0.7 per cent target until the early 1980s. Since then, the timetable has been repeatedly reneged upon, and the ODA/GNP ratio has not risen at anything like the promised rate. Some limited progress *has* been made in the direction of the UN target, however, and it can be argued that Canada's ODA would have grown more slowly, if at all, as a function of GNP in the absence of this target. By committing itself to meeting the UN target, the Canadian government has been better placed to resist pressure to cut back on the growth of foreign aid in times of sluggish economic growth and acute budget deficits.

Canadian aid to multilateral agencies has also been influenced by commitments made in collaboration with other donors. The discussion of IDA-6 and IDA-7 in the third section of this chapter showed that Canada, along with other donor countries, has given substantial importance to traditional burden-sharing arrangements in the area of multilateral finance, to the point where this was allowed substantially to erode Canadian contributions to IDA in the 1980s.

A third area of international agreement which may be mentioned is that concerning aid to the least developed countries (LLDCs). This category was established by the United Nations in 1971 in a resolution asking that special measures be taken to assist these countries, and the matter was studied by the DAC in 1972. The increased attention thus being brought to LLDCs seems to have had a strong impact on Canadian aid to this group of countries, which shot up dramatically in 1971 and continued to increase through the 1970s. Over 30 per cent of Canada's bilateral aid now goes to this group of countries (see Figure 11).

One dimension of international negotiations which appears not to have had much effect on Canadian practices relates to the tying of bilateral aid. The possibility of donors untying aid on a reciprocal multilateral basis was the subject of difficult negotiations in the DAC in the early and mid-1970s, but Canada was among the most hard-line of countries resisting untying agreements (North-South Institute, 1977, p. 126). Canada has not applied a 1974 Memorandum of Understanding by the majority of DAC members to

untie bilateral development loans in favour of procurement in developing countries. As noted above, only Austria performs worse than Canada on the percentage of its aid which remains tied. The reasons behind Canada's tying policy have already been discussed. That Canada should be more reluctant to untie than other donors is possibly explained by the particular weakness of Canadian manufacturing in Third World markets. Canadian officials are particularly touchy on the subject of aid tying. The feeling seems to be that Canada is justified to use aid as a form of subsidy for infant manufactured-export industries, and that Canada cannot, as an underdog, afford to let aid contracts fall to its competitors.

Overall, however, the concept of foreign aid as an international public good seems to have substantial explanatory power, both for understanding the limited nature of Canada's contribution to reducing world poverty, and for appreciating the importance of international efforts to coordinate donor country policies. It is evident that Canadian aid policy has in fact been influenced by these efforts.

Notes

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1. CIDA, *Annual Report, 1985—86*. Unless otherwise stated, all the data in this paper are denominated in Canadian dollars (\$1 Cad. = USD 0.75). The term 'billion' is used here in the American sense of one thousand million.
2. The marches began in 1967 as one of Canada's centennial anniversary projects. By 1969, 400,000 Canadians were marching in 114 places, collecting \$5 million from sponsors that year (Canada, CIDA, *International Development*, April 1970, p. 8).
3. See pp. 161—196 of the Special Joint Committee's June 1986 report for a list of committee witnesses, and submissions received.
4. CBIAC was merged with the Canadian Council of the International Chamber of Commerce in 1984 to form the International Business Council of Canada, which does not have an 'aid committee' per se. It is now left to the Canadian Export Association to handle the question.
5. According to a Treasury Board study prepared in 1975, the commercial benefits of aid tying are concentrated among a relatively small number of firms. In the equipment sector, 23 firms were found to have accounted for 64 per cent of procurement in 1974/75 (calculated from Canada, Treasury Board, pp. 28 and 29). It was estimated that 28 per cent of equipment purchases were made from firms dependent upon aid contracts for 10 per cent or more of their sales revenues (Canada, Treasury Board, p. 30). Likewise it was found that 21 out of 38 consulting firms studied depended on Canadian aid for at least 5 per cent of their income (pp. 45—6).
6. *Foreign Policy for Canadians*, 1970, pp. 5—9. On how this reflected Trudeau's own views, see Nossal, 1985, pp. 50 and 96—97.
7. Although the *Strategy* was approved by Cabinet, it was largely CIDA's creation, and its strong 'developmentalist' tone was the product of Gerin-Lajoie's activism in the determination of policy directions for Canadian aid (Steeves, 1980, pp. 8—10).
8. According to the North-South Institute, 1979, p. 114, the intension was to reach the 0.7 per cent target by 1979—80.

9. On the increasingly commercial orientation of foreign policy generally in the 1980s, see Freeman (1985) and Rudner (1984).
10. Unless otherwise indicated, all aid statistics in this section are taken or calculated from sources indicated in the notes to Figures 1 to 17. These data are identical to OECD definitions as used in reports of the OECD's Development Assistance Committee, except that they are by fiscal year rather than by calendar year. The fiscal year in Canada runs from April 1 to March 31. In the interest of readability, fiscal year 1970—71 is referred to here simply as 1970, and this shorthand form will be used throughout in the text.

Note that appropriations and disbursements followed somewhat different growth patterns in the 1970s (disbursement data are shown in Figure 2). CIDA enjoyed the special privilege of non-lapsing funding until 1977—78, and ODA disbursement trends tended to be affected by the ability of CIDA to disburse the funds allocated to it. Because of the lag involved, the growth of disbursements substantially outpaced that of appropriations between 1970 and 1975 as disbursements ate into the backlog of accumulated appropriations from the 1960s. Disbursements to GNP reached a peak of 0.53 per cent in 1975. We have used data on appropriations rather than disbursements since these are probably a better reflection of Cabinet's intention at each moment.
12. Canada, *Partners in Tomorrow*, p. 9; and OECD, 1985, p. 152. Note that Canada ranks second if contributions are taken as a ratio of total ODA but only sixth if the ratio is taken as a per cent of GNP.
13. Government-to-government disbursements were made as follows: 75 per cent to the top 22 recipients, 20 per cent to the next 30, 4 per cent to the next 30, and the last 1 per cent to a large group of 53 recipients. Ten of the categories consisted of groups of countries, so that an exact count of the number of countries assisted is not possible. For a comparison of the geographical dispersion of aid as between different donor countries, see OECD, 1985, Table 12.

This USD 300 cut-off point corresponds very closely to the definition of a low income country used by CIDA. Adjusting for the growth of per capita incomes in the Third World and for inflation of the U.S. dollar (using the U.S. GDP index), the 1978 figure of USD 625 being used by CIDA corresponds to a figure of approximately USD 295 in 1970.
15. Data obtained from CIDA. We were unable to obtain data on total bilateral flows (as opposed to the government-to-government portion only), but there is no reason to expect that the results would differ very much as between these two data series.
16. The econometric results shown in Dudley and Monarque (pp. 78—90) and in Bencivenga (annex tables) confirm the lack of any strong relationship between aid receipts and the population of the recipient countries. Dudley and Monarque's results suggest that large countries are more likely to be eligible for Canadian bilateral aid but do tend to receive somewhat less aid on a per capita basis once the selection of recipient countries have been made. However, neither result was statistically significant at the 0.05 level for the average year between 1972 and 1974.
17. Bencivenga's results for this variable are significant at the 95 per cent level in one of her four regressions and significant at the 90 per cent level in another. However, her results are surely weakened substantially by the fact that she runs separate regressions on loans and grants, rather than simply summing the two.
18. One of the peculiarities of both government-to-government and NGO aid flows in the Canadian case is the exceptionally high amount given per capita to the Commonwealth Caribbean countries. It is to a large extent this relationship that the regression results for small countries reflects. Insofar as this is the case, we may conclude that NGO flows are indeed a fairly good proxy for community-type links between countries, since Canada does have a tradition of close contact with the Commonwealth Caribbean. Experiments with the use of a dummy for Commonwealth Caribbean countries did yield highly significant results, but the NGO variable continued to perform very strongly. The effect of the NGO proxy on government-to-government aid flows thus does not appear to be restricted to the Commonwealth Caribbean countries.
19. For a different view, see Wyse, who criticizes the extent to which Canadian aid is interventionist and who explains this in terms of 'bureaucratic considerations' (1983, pp. 67—68).
20. Food aid constituted 18.6 per cent of total Canadian ODA between 1975 and 1984. This aid was provided both as government-to-government aid (22 per cent of all such flows) and as

- multilateral aid (22 per cent of all such flows as well).
21. In these calculations, we have considered the following proportions of various aid flows to be tied: 100 per cent of all food aid, 0 per cent of non-food multilateral aid, 80 per cent of non-food government-to-government assistance, 80 per cent of Petro-Canada International (even though these funds are not formally tied), 0 per cent of International Emergency Relief, 80 per cent of Institutional Cooperation (classified under NGO in the text), 0 per cent of the NGO, 0 per cent of IDRC, 100 per cent of Industrial Cooperation and 100 per cent of 'other'.
 22. See data in Dept. of Finance, 'Export Financing', p. 17 and CIDA's Elements of Canada's Overseas Development Assistance Strategy 1984, p. 44.
 23. IDRC reports directly to Parliament, while government responsibility for PCIAC devolves to the Minister of Energy, Mines and Resources. No mention has been made in this paper of the International Centre for Ocean Development (ICOD), which was newly created in February 1985 and does not therefore show up in the aid statistics. Also independently-managed, ICOD reports directly to Parliament.
 24. Examples of all these forms of intervention may be found in our own study of Canadian aid to Senegal (Lavergne, *forth.*).
 25. We will not discuss here the possible role of bureaucratic politics in determining the internal management style of the Agency itself, mainly because we consider the topic too complex to be adequately treated here, but also because it seems out of place to consider the results of bureaucratic politics as part of government policy. Bureaucratic politics will always be present, irrespective of government policy, and while this does not make the phenomenon any less interesting or important, it does suggest that it should be treated as a separate research topic. Those who are interested may refer to Peter Wyse's monogram on the topic (1983, especially pp. 58—69). Wyse's thesis is that bureaucratic considerations are of primary importance in explaining CIDA's management style—which is overcentralized and which excessively diffuses responsibility—and that this has serious implications for the developmental effectiveness of Canadian aid. The author offers a number of fascinating insights in defense of this viewpoint.
 26. The North-South Institute project was a three year study resulting in the publication of four case studies on Canadian aid to Bangladesh, Haiti, Senegal and Tanzania (Ehrhardt, 1983; English, 1984; Lavergne, *forth.*; and Young, 1983). The issue of role perception was not addressed systematically in these studies, however, and the conclusions presented here reflect my general impressions and those of my colleagues as based upon our interview work and document research within the Agency.
 27. This compares to a weighted average of USD 3.41 for the DAC group of countries (Sewell et al. p. 206).
 28. This includes all transfers to persons in the consolidated government sector. Canada, Dept. of Finance, Economic Review 1984, Table 6.15 and Reference Tables 1 and 74.
 29. Such a statement needs to be qualified. The notion of income redistribution as a public good implies that it is a voluntary gesture on the part of the rich, which is never quite true. It is mostly true at the international level; but at the domestic level, the poor do have the vote and it is reasonable to assume that the amount of redistribution which takes place domestically extends beyond what the redistributors would impose upon themselves if the decision was wholly their own.
 30. As Sandler et al. (p. 25) and Pauly (1973) point out, income redistribution as a public good is characterized by 'spacial non-availability', in the sense that its benefits to the donor decline as a function of social and geographic 'distance'.

Table 1. *Canadian aid by channel, 1984—85*

Channel	Amount \$million	Per cent (excl. admin.)
Government-to-Government	875.3	43.7
— Anglophone Africa	195.1	
— Francophone Africa	195.8	
— Americas	127.9	
— Asia	337.0	
— Miscellaneous	19.5	
Multilateral assistance	690.8	34.5
— General UN Programs	72.3	
— World Food Program	149.9	
— World Bank	207.7	
— Asia Dev. Bank	92.0	
— African Dev. Bank	46.2	
— Inter-American Dev. Bank	23.5	
— Commonwealth and Francophone	17.4	
— Intern. Humanitarian Ass.	13.6	
— Other	68.2	
Non-governmental organizations	186.6	9.3
— Canadian NGOs	168.6	
— International NGOs	18.0	
International Development Research Centre	76.3	3.8
Humanitarian assistance*	75.2	3.8
Petro-Canada International	51.5	2.6
Industrial cooperation	38.5	1.9
Other	7.5	0.4
Administration	99.3	n.a.
Total	2100.6	100.0

* Excludes International Humanitarian Assistance which is included here under Multilateral Assistance.

Source: CIDA, Annual Report 1984—85, Table B.

Table 2. *Top 40 recipients of country-to-country flows ranked according to allocable country-to-country flows, 1980–84* (thousands of dollars and per cent)

Country or region	C-C 1960-69	C-C 1970-74	C-C 1975-79	C-C 1980-84	1980-84 %	1980-84 Cum	1980-84 G-G only	AS% of C-C	1980-84 %	1980-84 Cum%
1 Bangladesh	0	187751	289271	475583	11.0	11.0	460620	96.9	13.4	13.4
2 Pakistan	189953	169658	319699	303889	7.0	18.0	263391	86.7	7.7	21.0
3 India	466879	451901	322629	280339	6.5	24.5	231268	82.5	6.7	27.8
4 Sri Lanka	33026	36004	91050	203405	4.7	29.3	195778	96.3	5.7	33.5
5 Tanzania	11914	71660	100688	181193	4.2	33.4	156134	86.2	4.5	38.0
6 Kenya	7851	18825	47318	174589	4.0	37.5	153458	87.9	4.5	42.5
7 Indonesia	6996	64391	99785	143477	3.3	40.8	130941	91.3	3.8	46.3
8 Senegal	4847	26475	41082	104264	2.4	43.2	77096	73.9	2.2	48.5
9 Ghana	22583	49460	81015	101861	2.4	45.6	62165	61.0	1.8	50.3
10 Cameroon	6496	22671	63336	101768	2.4	47.9	91315	89.7	2.7	53.0
11 Egypt	0	131	45268	101036	2.3	50.3	92248	91.3	2.7	55.6
12 Ethiopia	142	9239	8449	100560	2.3	52.6	53319	53.0	1.5	57.2
13 Jamaica	8971	17891	38497	89497	2.1	54.7	76256	85.2	2.2	59.4
14 Zaire	3482	12812	29323	88503	2.0	56.7	81669	92.3	2.4	61.8
15 Zambia	2395	11431	60635	77952	1.8	58.5	74594	95.7	2.2	63.9
16 Sahel	0	0	44659	75201	1.7	60.3	74326	98.8	2.2	66.1
17 Thailand	5516	2867	11483	70572	1.6	61.9	36115	51.2	1.0	67.2
18 Sudan	27	568	5895	70314	1.6	63.5	50288	71.5	1.5	68.6
19 Mali	464	11364	30577	61417	1.4	65.0	54620	88.9	1.6	70.2
20 Zimbabwe	682	444	360	54801	1.3	66.2	40159	73.3	1.2	71.4
21 Rwanda	4432	9931	32679	54703	1.3	67.5	52484	95.9	1.5	72.9
22 Haiti	164	3007	37258	54508	1.3	68.8	34258	62.8	1.0	73.9
23 Peru	484	3935	25611	51614	1.2	70.0	32985	63.9	1.0	74.9
24 Burkina Faso	87	8318	29013	50086	1.2	71.1	42182	84.2	1.2	76.1
25 Caribbean Reg	15501	2615	10026	48160	1.1	72.2	14517	30.1	0.4	76.5
26 Tunisia	14051	49787	72058	47836	1.1	73.3	43623	91.2	1.3	77.8
27 Niger	2897	43661	39710	47011	1.1	74.4	44440	94.5	1.3	79.1
28 Honduras	64	3926	20851	42622	1.0	75.4	31830	74.7	0.9	80.0
29 Nepal	59	3342	15849	42190	1.0	76.4	35638	84.5	1.0	81.0
30 Malawi	1305	11314	69534	41648	1.0	77.4	38976	93.6	1.1	82.2
31 Ivory Coast	2613	19660	50821	39122	0.9	78.3	32875	84.0	1.0	83.1
32 Algeria	8665	27511	22354	37696	0.9	79.1	36817	97.7	1.1	84.2
33 Colombia	564	19501	29424	36105	0.8	80.0	19513	54.0	0.6	84.7
34 Mozambique	0	25	8661	34707	0.8	80.8	29627	85.4	0.9	85.6
35 Nicaragua	0	2734	3495	33619	0.8	81.6	19199	57.1	0.6	86.2
36 Turkey	1582	19398	223	31929	0.7	82.3	30921	96.8	0.9	87.1
37 Bolivia	135	2211	6070	31162	0.7	83.0	19914	63.9	0.6	87.6
38 Morocco	2688	24019	19124	30220	0.7	83.7	26470	87.6	0.8	88.4
39 China	0	6	0	28352	0.7	84.4	12488	44.0	0.4	88.8
40 Asia regional	3146	6058	16143	28293	0.7	85.0	9988	35.3	0.3	89.1
Other	124121	338309	530998	646695	15.0	100.0	376237	58.2	10.9	100.0
Total	954728	1764811	2770921	4316699	100	0	3440646	81.8	100	0

Source: CIDA, 'ODA System' computerized data base, and Annual Report, 1984. Excludes country-to-country aid not allocable by country.

Table 3. *Aid per capita for groups of countries by income (dollars)*

Income group	1960	1970	1980	1983
Bangladesh	0.000	0.000	.861	1.202
Other \$50—100	.007	.061	.426	.505
India	.051	.188	.048	.070
Other \$100—200	.013	.104	.402	.443
Pakistan	.306	.778	.500	.818
Other \$200—300	.001	.169	.500	.635
\$300—600	.003	.130	.211	.391
\$600+	.000	.068	.072	.247

Source: Calculated using data from CIDA, 'ODA System' computerized data base, and sources identified in notes to Figures 7—10.

Table 4. *Aid per capita for groups of countries by growth rate (dollars)*

Growth group	1960	1970	1980	1981	1983
Gr. <0	.001	.209	.649	.866	1.167
India	.051	.188	.048	.061	.070
Gr. 0—2 %	.054	.197	.249	.316	.374
Gr. 0—2 % less India	.058	.212	.582	.736	.874
Gr. 2—4 %	.011	.115	.270	.262	.308
Gr. 4—6 %	.007	.082	.321	.336	.256
Gr. 6—10 %	.000	.032	.062	.082	.101
Weighted average	.031	.152	.275	.326	.378

Source: Calculated from CIDA, 'ODA System' computerized data base, and sources indicated in notes to Figures 16 and 17.

Table 5. *Country-to-country disbursements by channel and by country group classified by per capita income in 1970 and growth rate, 1970—81. Disbursement shares, 1983*

Per capita income	All C-C	NGO	IDRC	Ind. Coop	Int. Emerg. Relief	Petro Canada Int.	Gov-Gov
50—100	.348	.243	.145	.077	.181	.133	.404
India (100)	.059	.076	.048	.039	.000	.000	.063
100—200	.246	.255	.250	.269	.531	.128	.241
200—300	.163	.215	.148	.301	.137	.573	.126
300—600	.132	.168	.229	.177	.073	.000	.130
600+	.052	.044	.179	.137	.077	.166	.035
Growth rate							
<0	.216	.216	.123	.125	.151	.622	.199
0—2	.458	.469	.361	.205	.726	.134	.480
India (2 %)	.059	.076	.048	.30	.000	.000	.063
2—4	.162	.117	.239	.300	.041	.238	.161
4—6	.087	.095	.160	.297	.048	.006	.083
6—10	.018	.028	.069	.035	.034	.000	.014

Source: Calculated from sources indicated in notes to Figures 7—10 and 12.

Table 6. *Sectoral composition of government-to-government flows (percent of allocable commitments)*

	1973—79 average (government-to-government only)	1983 (all non-multi lateral)
Planning & public admin.	3.1	1.5
Public utilities	48.6*	18.0
Agriculture & rural dev.	14.0**	22.5**
Industry, mining, const.	4.1	11.3
Commercial services	1.2	.5
Education	10.5	12.8
Health	2.2	2.5
Social infras. & welfare	2.5	3.7
Multisectoral	2.3	7.0
Unspecified	11.5	20.1
Total	100.0	100.0

* Distributed as follows between 1973 and 1977: power production and distribution (20.6 %), water supply (19.9 %), communications (12.5 %) and transport (45.5 %). Such data were not available for other years in the sources consulted.

** Includes lines of credit for fertilizer.

Sources: North-South Institute, 'Background Report', p. 37; and OECD, *Development Cooperation*, 1980, Table B.5, and 1984, Table II.E.3. Data reporting by CIDA to the OECD has not been consistent over the years, and it is thus not possible to establish trends over time. One notes in particular that the share of bilateral ODA defined as 'allocable' varies from 49.8 % in 1975 (*Development Cooperation*, 1976, Table 22) to 83.0 % in 1983 (*Development Cooperation*, 1984, Table II.E.3). CIDA informs us that data for the 1970s represent strictly government-to-government flows while data for the 1980s include commitments for other bilateral aid channels (or disbursements when commitments data were unavailable).

Major Indicators of Canadian aid

Fig. 1. ODA appropriations as % of GNP

Fig. 2. ODA disbursements as % of GNP

Fig. 3. Grants and capital subscriptions as % of ODA

Fig. 4. Multilateral disbursements as % of ODA

Fig. 5. Government-to-government aid as % of bilateral

Fig. 6. Other bilateral aid as % of bilateral

Notes to Figures 1—17

Unless otherwise indicated, data in figures 1—17 has been calculated from data in CIDA's computerized data base 'ODA System', otherwise referred to as 'Historical ODA Disbursement Data'. Data for 1984 were drawn directly from Canada, CIDA, *Annual Report 1984—85*. All data are by fiscal year (e.g. data indicated as 1983 is really for April 1, 1983 to March 31, 1984), but are otherwise the same as data published by the OECD.

Figures 1 and 2: Data on aid allocations were drawn from several sources. Canada, External Aid Office, *Annual Review*, 1966—67 (data for 1951—66); North-South Institute, 1977, p. 115 (crude figures for 1967—69); Canada, CIDA, *Canada and Development Cooperation*, 1975—76, p. 121 and 1977—78, p. 31 (data for 1970—77); CIDA, 'ODA System' (ODA disbursement data for 1978—83, since allocations and disbursements are identical after 1978). GNP data are from Canada, Dept. of Finance,

Distribution by Income of Country or Country Group

Fig. 7. Aid to India, % of bilateral

Fig. 9. Aid to other low income countries, % of bilateral

Fig. 11. Aid to least developed countries, % of bilateral

Fig. 13. Aid to other Asia, % of bilateral

Fig. 8. Aid to Bangladesh and Pakistan, % of bilateral

Fig. 10. Aid to medium & high income countries, % of bilateral

Fig. 12. Income of recipients relative to all LDCs

Fig. 14. Aid to Caribbean and Ang. Africa, %

Fig. 15. Aid to Fr. Africa, Latin America and Europe

Fig. 17. Aid to medium & high growth counmes

Fig. 16. Aid to low growth counmes

Economic Review, April 1984, p. 134. ODA/GNP ratios were obtained for 1984 and 1985 respectively in Canada, CIDA, Annual Report, 1984—85, and Canada, 1986—87 Estimates (Part I).

Figure 2: Data are for net flows of ODA and derive from CIDA 'ODA System' for 1950—1983. Data sources for GNP and for ODA/GNP ratios in 1984 and 1985 are indicated above in the note for Figure 1.

Figure 3: Includes capital subscriptions as grants on the grounds that these yield no financial returns and are unlikely ever to be recalled.

Figure 4: Data are for net flows of ODA. Points shown for 1984—85 and 1985—86 are projections and estimates drawn from Canada, 1985—86 Estimates, Part I, p. 23, and are best viewed as declarations of intent than as firm predictions.

Figure 5: All ratios indicated in Figures 5 and 6 exclude administration costs from bilateral assistance after 1979. Prior to 1979, administration costs were included in each category.

Figure 6: This figure shows non-governmental organizations and institutions (added together here for simplification under the title 'NGO.ICDS'), the International Development Research Centre (IDRC), the Industrial Cooperation program (IND. COOP) and Petro-Canada International. Two other categories of bilateral aid were omitted from Figure 6 in order to simplify the presentation. The first of these is an 'other' category which amounts to only 5 per cent once administration costs are removed (see note for Figure 5). The second is International Emergency Relief, shown as 'Humanitarian Assistance' in Table 1. This type of aid has shown no pronounced trend

to increase or decrease over time. Amounts provided in this category have fluctuated substantially from year to year but have rarely exceeded 5 per cent of bilateral aid. The weighted average between 1949 and 1983 was 1.75 per cent. This rose to 3.8 per cent in 1984. Note that the decline in the NGO share shown for 1984 is more apparent than real, since it reflects a redirection of NGO funds to relief efforts in Africa. These funds thus reappear under International Emergency Relief.

Figures 7 to 10: These figures provide data on bilateral flows (C to C) to recipient countries grouped into categories according to their per capita GDP in U.S. dollar in 1970 as per the UN *Statistical Yearbook of National Accounts Statistics*, 1980 edition, Vol. II, 'International Tables', Table 1A. Neither high income Arab oil producers nor South Africa were considered part of the Third World in these groupings. Per capita income data for 1970 were used because they were more complete than data for other years. The weighted average income of the Third World being USD 223 in 1970, we have defined as low income all countries with a per capita income of less than \$200. This includes all countries shown in Figures 7–9. India's per capita income in 1970 was exactly \$100, while the per capita income of Bangladesh was \$81, and that of Pakistan (in terms of today's borders) \$175. Bangladesh and Pakistan must be considered together in Figure 9 in order to obtain a consistent time trend because separate aid data are not available prior to 1972 for Bangladesh, which was then East Pakistan. Several countries are excluded from consideration in these figures. The most important of these is China, excluded on the grounds that aid to China was very low on a per capita basis for reasons mainly unrelated to that country's per capita income. Aid to China was \$7.3 million in 1983, or \$.007 per capita, as shown in Table 1. The data also exclude countries for which data on per capita incomes were unavailable, as well as aid given to regional groups of countries. Also excluded here are bilateral flows for which disbursements by country were not available. Unallocable bilateral flows accounted for 20.0 per cent of the total between 1980 and 1983. The remaining sample accounted for 93.0 per cent of 'allocable' bilateral flows and 74.4 per cent of total bilateral flows between 1980 and 1983.

Figure 11: The definition of Least Developed Countries (LDC) has changed over the years to include different countries. For the list used in the present work, see CIDA, *Annual Report*, 1983–84, pp. 76 and 88. However it is necessary to omit Bangladesh from this list in order to obtain a consistent time series further back than 1973 (see previous note). Figure 11 provides two series, one including Bangladesh (labelled 'LLDC'), and one excluding Bangladesh ('LLDC NO BANG').

Figure 12: This figure gives the average per capita income of countries receiving Canadian aid (weighted by Canadian bilateral aid disbursements) as a proportion of the average income of all Third World countries in each year. Annual estimates of per capita incomes by countries were obtained by using data for 1970 (see note for Figures 7–10), GNP growth rates for 1960–70 and 1970–81 and population growth rates for the same years (obtained from the World Bank's *World Development Report*, 1983 Annex Tables 2 and 19. Missing data for some countries were filled in ad hoc fashion on the basis of data for other years. Growth data being too often unavailable for 1950–60 and for 1981–83, we simply used 1960 data for years prior to 1960, and 1981 data for 1982 and 1983. This imprecision is of little consequence since it is the *relative* income of countries which is important. The data exclude the same countries as in Figures 7–10.

Figures 13—15: These figures provide data for six regions, grouped together with due regard for visual presentation. Aid to India, Bangladesh and Pakistan having been presented already in Figures 7 and 8, Figure 13 provides data on other Asian countries. Figure 14 presents data on the Caribbean region (including Belize and Guyana) and on Anglophone Africa (defined to include former British colonies, former Portuguese colonies, and Ethiopia). Figure 15 provides data on Francophone Africa, on Latin America (Mexico, Central America plus South America, except Belize and Guyana), and Europe (where Turkey has been the most important recipient country, but where, at one time or another, Greece, Malta and Cyprus have each also been important recipients).

Figures 16 and 17: These figures are based on growth rates of GDP per capita for 1970—81 as described in the note for Figure 12. The following groups of countries are charted: those with negative growth rates, India (with a growth rate of 1.5 per cent), and those with growth rates of 0—2 per cent (excluding India), 2—4 per cent, 4—6 per cent, and 6—10 per cent.

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Danish Aid: Old Bottles

Introduction

One starting-point in the search for the determinants of Danish aid to developing countries might be the differences between Danish aid and the assistance given by most other OECD countries, apart from the other front-runners amongst industrial countries. There are, in fact, striking differences in volume, channels and recipients of aid between Denmark and the majority of OECD countries.

This approach would lead to an examination of the characteristics of Danish society which might explain these differences: for example, the high level of social welfare and public expenditure in general, the small size of the country, the absence of previous strong links with the Third World, and the high level of per capita income in Denmark.

The validity of this approach seems to be supported by the fact that there has been a high degree of continuity in Danish aid policies in the last 15 years. It seems justifiable, therefore, to conclude that these fairly permanent features are 'a product' of Danish society, and notably of its high level of internal-income transfers, with aid being the international equivalent of the welfare society and its emphasis on equality of opportunities.

This interpretation is given further weight by the evidence of a clear will to secure broader political backing for aid policies than for other public policies in Denmark. It is often said that aid should be built on consensus, and that it should be seen as a national objective, above party differences.

While there is much to be said in favour of such an explanation—that of seeking a correlation between the particular characteristics of Danish society and the special features of Danish aid—it also raises a number of problems.

It should be noted that the continuity in the major features of Danish aid policy has often been combined with quite lively debates on aid issues. Underlying these debates has been a diversity of interests, some of them attributable to social divisions on other policy issues and others specific to the question of aid.

There have in fact been many efforts over the years to pull Danish aid in one direction or another and to change the boundaries of the aid debate. It would not be correct, therefore, to speak of a permanent 'social contract' on aid, and still less to point to a special, historical compromise on aid that has been reached by the major social and political forces.

Many compromises on aid matters have been reached, gaining large ma-

majorities in parliamentary votes—and there have probably been more compromises than in other policy fields. But many of these have been under trial whenever public opinion has changed with regard to the strengths of the parties responsible for these compromises.

All the same, it is significant that adjustments in Danish aid policies, compared with other policy changes in recent years, have been minor—particularly in relation to overall changes in the policy environment.

Denmark, like other industrial countries, is living through difficult years, with strong pressures on public budgets and with rather high external deficits. Conditions in major recipient countries have changed for the worse. During the late 1970s, a number of disappointments in aid implementation were the object of serious public concern.

So the policy environment has certainly changed, but, despite this changing scene, aid policies have been very stable. This is true of the major stated principles of aid and of a part of aid practice. In another aspect of aid, there have been quite a few possibilities of changing aid practice without changing the policy statements, but it has so far been difficult to keep track of such changes in implementation. The testing of the wine in the old bottles is a serious problem.

The approach in the following discussion of the determinants of Danish aid is based on the acceptance of the existence of many divergent and in some cases directly opposing determinants, which quite early in the short history of aid reached a kind of equilibrium. For international comparisons, the location of this equilibrium in the aid universe is important. But to understand the determinants, it is more revealing to study the various efforts to change this location, to discuss the reasons for the low overall degree of success of these efforts, and to speculate on possible future changes in Danish aid policies.

Aid as politics

The formulation of aid policies has become an integral part of the political process in Denmark. It is quite obvious that important changes in policy will have to be based on serious political consultations, primarily in Parliament. Aid is politics.

Since the beginning of the 1970s, aid policy has been an area for active parliamentary work. The present Act guiding Denmark's 'international development cooperation' was passed in 1971, after the preparatory work of a government-appointed committee. This Act came up for revision in 1975, giving the opportunity for Parliament to debate aid principles. Since then, there have been major aid debates under various governments in 1976, 1978 and 1980, the latter leading to the appointment of a new government committee (hereafter called the 1982 Committee, as its lengthy report was published in that year). On the basis of this report, which on many issues was split between

a non-establishment majority of six and an establishment minority of five, Parliament again decided, after a vigorous debate in 1983, on aid principles for the future, supported by the large Social Democrat-Liberal-Conservative bloc.

In 1985, Parliament discussed the question of private capital transfers from Denmark to developing countries on the basis of another government-committee report. Also in 1985, Parliament decided to increase aid in stages to 1 per cent of GNP by 1992. This decision on aid volume was, however, based on a rather small majority, as the ruling government under Conservative leadership could not agree with the Radical Liberal Party (Radikale Venstre, RV), which obtained the support of the Social Democrats for the 1 per cent plan.

Special institutions have also been created to supplement this political process, that is to give various interests and groups opportunities to discuss and advise on aid matters. A Council for International Development Cooperation of 75 members, representing all relevant organisations, together with individuals in their own capacities, hold public discussions twice a year on the annual report of the DANIDA Board and on the annual government proposal for the main features of the aid programme for the next five years (in the 'rolling five-year plans' which have become an important part of Danish aid management). The DANIDA Board is an advisory body to the Minister of Foreign Affairs, with representatives from major interests (industry, agriculture, trade unions) and individuals appointed by the Minister of Foreign Affairs. This Board advises on allocations of aid funds (on the basis of detailed material presented by DANIDA), on evaluation matters and—now and then—on general aid issues.

In various forms, state subventions are granted for special information activities to further public understanding of Denmark's assistance to developing countries. Part of this is undertaken directly by DANIDA, and part by a number of non-governmental organisations (NGOs).

While aid as public policy has been a subject of lively debate, it has never played a prominent role in the election stances of the political parties. But it is clear that in most of the parties there are groups of people who are positive towards aid and spend much energy urging their parties to support more idealistic standpoints on aid issues, rather than narrower business interests. In this sense, aid has a special constituency, and these aid supporters are particularly important in the smaller parties at the centre of the political spectrum.

In this context, it should be noted that in recent years Denmark has never had a stable majority government, apart from the few years from 1968 to 1971. On the contrary, the governmental scene has been characterized by many shifts: since 1960, there have been 12 governments, and five times in this period the basis of the government has shifted from one side of the spectrum to the other. Both the Social Democrats and the Conservative Party/Venstre (Liberal), the two major parties to the right, have had to rely on the parlia-

mentary support of one or more of the smaller parties. The number of political parties increased during the 1970s to 9–10, as against six in the 1960s.

Among the small centre parties, the Radical Liberal Party (RV) has maintained a key position as regards both the Social Democrats and the Conservative/Liberal bloc, as none of these blocs has had a majority without the RV, except for a short period when the Social Democrats had a majority with the People's Socialists and later when the Conservative/Liberal bloc had a majority with the tax refusers' Progress Party (PP). On the whole, the RV has been very positive to aid, especially aid given through the UN system.

This fluid nature of the distribution of votes (and, with the proportional-representation system, of seats in Parliament), together with the need for small-party support, has combined with particular characteristics at the heart of the aid policy to promote a preference for broad compromises on general aid issues. Aid is an important aspect of Denmark's relations with the international community and with a large number of states in the Third World. This has created the will to give aid policy some permanent basic features. There has also been the pressing administrative interest in obtaining a basis for the forward-planning of aid activities, including an aid-volume framework for the main recipients of Danish aid.

It should also be noted that public support for development assistance and for its growth has been increasing over the years. In few, if any, policy areas has there been such a systematic testing through opinion polls of public support. This began when aid was a new policy area, cutting across the usual party lines, and many politicians felt uncertain of the strength of support. Some may have feared going too far ahead of their voters in spending funds on the developing countries. This fear was fed by early reports of misuse of aid—for example, the notorious gold bed of a minister in Ghana.

The polls have shown growing support. When the hunger crisis arose in Africa in 1984 and Danish NGOs received very big voluntary contributions to their campaigns, there were signs that many politicians were surprised by the strength of this response. Public support has matured. Public interest in the use of aid, and particularly in the question of who benefits from aid, has been growing. This is a sign that the humanitarian solidarity behind aid is very strong.

In sum, the nature of the Danish political structure (the oscillation between Social Democrats and Conservative/Liberals and the concomitant importance of smaller parties), the existence of aid supporters in most parties, the growing public support for aid and for its good use, together with the international character of the aid policy, have given this policy area a remarkable resilience in relation to efforts to reduce the quality and volume. After a few uncertain years at the end of the 1970s, a new period of expansion of aid volume has begun (not based on a broad political bloc, however).

This resilience to changes can be explained only if a further factor is added, namely that the basic features of the aid programme have, almost from the

beginning, been built on major compromises, balancing the various forces. The most important bargains had *already* been struck, when the efforts to change aid policies were mounted as a consequence of financial difficulties and of the shifts in the political strengths of the major political parties.

Basic balances: Basic features

The very formulation of the objectives of Danish development cooperation shows a mixture of aid determinants. The first clause of the Act passed in 1971 (and unchanged since then) states that it is the purpose of Danish aid 'through economic growth to promote social progress and political independence'.

There have, over the years, been many public discussions about the interpretation of this statement, especially in the debates of the 1982 Committee. Should the emphasis be on economic growth, that is the 'trickle down' theory, or on social progress? And is it wise not to specify the recipients of aid, that is countries and social target groups? Despite these debates, the wording has remained unchanged, but it has been supplemented with government statements to the effect that the elements of growth, social progress and political independence should be seen as interdependent.

Two opportunities for this clause to be changed, in 1975 and in 1983, were not taken up. There is apparently a certain balance of forces behind the rather loose formulation. As we shall see, this has kept the debate on the objectives alive.

The way in which Danish aid is channelled to developing countries is another permanent feature. Almost half of Danish aid is channelled through international organisations (the UN system, World Bank, EEC, etc.). The other half is divided into two more or less equal parts: one for untied grant aid (primarily project aid), and one part for tied aid (either as grants for LLDCs or as loans for other recipients).

This structure has been in existence since 1966. It is taken to be the best example of how the architects of Danish aid tried to accommodate various interests. Danish business has been 'assured' of approximately one-quarter of the aid cake, in order to enlist its support and that of its related political forces. In my opinion, the half of the aid channelled through multilateral organisations partly shows the interest of a small state with a rather low international profile in supporting international organisations, and is partly a vehicle for reaching a large number of recipient countries of importance to a country which had few links with the Third World when aid began in the early 1960s. The structure was confirmed by Parliament in 1967 after a report by the (Social Democratic) Minister for Aid and re-confirmed by a broadly composed government committee in 1970.¹

¹ This committee used the following arguments for tying one-quarter of the aid. It would have a positive impact on the Danish balance of payments, promote industrial exports in its beginning stage, and contribute to the creation of 'sympathy' for aid in Denmark.

The one-quarter of Danish aid which was allocated for project aid and technical assistance was meant to be the primary contribution to the specifically Danish objectives of aid, that is to be of special interest to the friends of aid and its good use.

Finally, it is a basic feature of the Danish aid programme that four countries—Kenya, Tanzania, Bangladesh and India—have for many years been the major recipients of Danish *project* aid. The decision to concentrate this (growing) part of Danish aid was taken in 1965 and the original list of countries included Kenya, Tanzania, Uganda, Malawi, Zambia, India, Pakistan and Thailand (plus Ghana, added in 1968). From 1975, the list of 'most important partner countries' was reduced to the four mentioned above.

While there have been many discussions about changing the countries on this list, either by cancelling one or more of those mentioned or by adding to the list, the composition of the group has been confirmed several times (in 1985 for the period up to 1990).

Revealed determinants and tests of their strength

The strength, character and roots of the divergent aid determinants are best revealed by studying the many attempts to change Danish aid in one way or another. There have been many such attempts since the mid-1970s, and the agenda for these disputes has become more or less permanent. The following analysis of these attempts will refer primarily, but not exclusively, to the recent effort at major revision, that is the recommendations of the 1982 Committee, debated in Parliament in February 1983.

The objectives of Danish aid

The majority of the 1982 Committee (6 out of 11 members) wanted a more precise formulation of the objectives of Danish development assistance (§ 1 of the Act). As quoted above, the mix of 'economic growth' and 'social progress' left an uncertainty about which of the two was the overriding concern, and the wording left the choice of recipient open.

The intention of the majority was to ensure that Danish aid should, as a rule, go to low-income countries and lead to a lasting improvement in the economic, social and political conditions of the poor in the recipient countries.

There were two arguments, not completely compatible, against a change in the wording. One was that the existing formulation of the objectives, quoted above, gives the administration of the aid programme a degree of flexibility desirable in a changing world. The other argument was that a change of the Act in the proposed way was unnecessary, as the substance was generally

agreed to with regard to the type of recipient country and the poor as the beneficiaries.

The resistance to change can be said to have originated in those forces which do not want too explicit a 'poverty-orientation' of aid, and which, therefore, prefer the existing broad formulation of objectives, which will allow for adjustments in favour of a more production-oriented and thus (it is assumed) a more commercialized type of aid. On the other hand, it should be noted that the so-called 'Myrdal debate', which led to the formation of the 1982 Committee, had, on the whole, strengthened the forces behind the poverty orientation.

In themselves, the vigour and the outcome of the 'Myrdal debate' were interesting phenomena. In 1980, Gunnar Myrdal, in an interview with a Danish newspaper, made the strong statement that aid had hitherto been misconceived and had helped the wrong groups in developing countries. Myrdal rather desperately advocated that in future aid should be given as poverty and emergency aid, directly to the poor in the Third World.

These statements created quite a furore in Danish public life. They constituted a broad assault on the efficiency of aid in the way it had been implemented and a recommendation of a radical change in aid policies. It is no exaggeration to say that Myrdal's views received little, if any, support in the Danish debate. But it is a striking fact that the defence of development assistance, as opposed to relief or emergency aid, was built on a common acceptance of the objective of assisting the poor. At the same time it was emphasized from all quarters that this assistance should not consist of short-term relief measures. It should be long-term development assistance for self-sustained growth, and it was agreed that such assistance should have a much longer time perspective than had been accepted so far.

The parliamentary debates in February 1983 were concluded with a resolution proposed by the Social Democrats. This resolution, which received the support of the Conservative/Liberal bloc, was formulated in a way which afterwards spurred on discussions of the objectives of aid among Social Democrats and even gave these discussions a rather bitter tone. In the resolution—which is still the formal basis of important aspects of Danish aid—a large majority in Parliament expressed the view, that the objective of Danish development assistance 'as in the past shall be to create a lasting improvement in the economic and social conditions of the poorest population groups of the world'.

The Social Democratic Chairman of the 1982 Committee later complained that this wording did not reserve the aid for low-income countries, which had so far been Danish policy (but contested by business interests). This was called an insult by the Social Democratic Member of Parliament who for many years has been chairman of the DANIDA Advisory Board. But anyway the DANIDA Board, and later the Government, confirmed that Danish aid, as a rule, should be limited to low-income countries.

In recent debates, the emphasis on production in recipient countries has been mentioned as a higher priority for Danish aid, and the Minister of Foreign Affairs has stated that 'we may have been too quick in abandoning the trickle-down theory'. A report by the Government's Administration Department on DANIDA's organisational structure and personnel, published in 1986 after an intensive investigation, also 'noted' as a political directive that the promotion of production should be given a higher priority than the satisfaction of basic needs.

Without dwelling on the implicit misunderstanding of the concept of basic needs as excluding material living conditions, it must be noted that the debate on the balance between production and welfare objectives is still going strong. It has received strength, if not clarity, from the emergence of a crisis in production in major recipient countries, which has made shifts in the balance between economic growth and social progress necessary.

The general objectives of Danish aid are thus still an area for dispute, and no major shifts in the balance between the divergent forces have taken place. It might, rather, be concluded that poverty orientation and its emphasis on low-income countries have been confirmed over the years. It is also reasonable to conclude that the formulation of aid objectives can only be changed as a consequence of a shift in parliamentary strength one way or the other. It may even be conjectured that the aid supporters in the Conservative/Liberal bloc will be strong enough to countervail the narrower business interests, if a political shift should give this bloc a secure majority in Parliament.

The volume of Danish aid

Since 1967, the practice of producing five-year plans for the total volume of aid (and its distribution between main categories) has been followed. This was endorsed in the Development Cooperation Act of 1971, which stipulated that the Government each year should present a rolling five-year plan to Parliament. At UNCTAD III, Denmark accepted the target of 0.7 per cent of GNP without defining when this target would be reached, but it was reached in 1978. Aid stayed more or less at this level until 1981, when it started a slow ascent to 0.77 per cent in 1985. In the five-year plan for 1983—87, presented to Parliament in December 1982, the Government declared its intention to keep aid at 0.74 per cent of GNP in the years 1984—87 (up from 0.73 per cent in 1983).

A very large majority of the 1982 Committee had, however, wanted a gradual increase in aid to 1 per cent of GNP by the end of the 1980s. This was not accepted in Parliament, which left the issue open in its debate in 1983. An agreement on the increase in aid based on predetermined annual steps for the coming years was, however, as mentioned earlier, reached in Parliament in March 1985 without the support of the Conservative/Liberal bloc.

Up to 1983, there had been pressure on the aid budget—from the Social Democratic government. In 1979, aid was, in fact, cut by 100 million Danish kroner (D.kr.), and in September 1982 the Social Democrats were working on a plan for expenditure cuts, also affecting aid, when they had to transfer government power to the Conservative/Liberal bloc, which decided not to reduce aid but to keep its percentage of GNP constant for the next four years, at a level slightly above the 1983 level.

The pattern of aid determinants is thus more blurred, as regards aid volume. But, in my opinion, it will hardly be possible for the Social Democrats to back down from the March 1985 resolution. A major political shift to the right will be required to stop aid from growing to 1 per cent in 1992.

Multilateral versus bilateral aid

Over the last ten years, there have been many proposals to reduce the large share of contributions to international organisations in Danish aid. So far, these efforts have not succeeded, and it has been agreed to aim at an almost equal distribution between multilateral and bilateral aid. This principle dates back to 1967 and has been followed up through the 1970s with a slight change in favour of bilateral aid, which, on average, has constituted approximately 55 per cent of the total aid.

When the Federation of Danish Industries in 1977 published a comprehensive programme for changes in Danish aid, a central feature of the proposed revisions was the reduction of multilateral aid from one-half to one-quarter of total aid in favour of an increase in tied loans from one-quarter to one-half. Business interests did not, however, succeed in gaining political acceptance of this proposal.

When the 1982 Committee considered the issue, a very large majority of its members recommended aiming at a fifty-fifty distribution. In practice, given the actual distribution in the most recent years, this would have meant an increase in the share of multilateral assistance by 4–5 percentage points, which the members found feasible in terms of disbursements after a short, transitional period.

It cannot be said that this support for multilateral assistance rested on strong enthusiasm for the work of the international organisations in general. On the contrary, several organisations were criticized. The 1982 Committee emphasized that the guiding principle for the distribution of Danish aid between the various organisations should be the degree of conformity of their programmes with the objectives of Danish aid. It may be said that this principle was already established in 1971, but it was given a more prominent position in 1982. It was thus emphasized that DANIDA should be given more scope to monitor and evaluate the operations of the international organisations.

To understand the balance of forces on this particular point, it should be explained that the large and growing Danish contributions to EEC aid activities were from the beginning, that is from 1973, included in the multilateral share of Danish aid. This in itself meant that the allocation to fully international organisations was under pressure, and a reduction in total multilateral aid would have had a very serious effect, given the more or less automatic increase in the contributions to the EEC. It is also a part of this pattern that the political forces in favour of a reduction of multilateral aid were at the same time strongly in favour of Danish support to the EEC, which was expected to have more positive effects on Danish supplies.

The 1983 compromise in Parliament notes that 'the Government does not within the next few years plan to change the distribution of assistance on multilateral and bilateral tasks'. This was a mandate to keep multilateral assistance at a level of approximately 45 per cent of total aid.

The compromise has not settled the issue once and for all. The large contributions to international organisations will continue to raise questions in Denmark. It can be expected that the use of these funds by the organisations will be discussed when the next general debate on aid is staged, given the instructions to the aid authorities to follow the activities of the international organisations more closely. The authorities will be asked to report on the results of this surveillance.

In 1979, Danish contributions to UNDP were frozen at a nominal level, meaning that their real value fell in the following years. These contributions had been under discussion for some time. There was a growing dissatisfaction with the low level of return flows to Denmark (recruitments, contracts) of the relatively large Danish contribution to the UNDP budget, and there was a certain uneasiness with regard to the efficiency and role of the UNDP in international aid work.

The 1982 Committee was influenced by the ongoing efforts to reform UNDP, which led a very large majority of the Committee to recommend that no further cuts in the real value of the Danish contributions should be made. In February 1983, Parliament gave its support to this. As a consequence, the contribution went up from the level of 328 million D.kr. in the period 1979—83 to 356 million D.kr. in 1984.

Danish contributions to the EEC's aid activities increased from zero in 1971—72 to 17 per cent of Danish multilateral assistance in 1984, while UNDP's share fell from 40 to 20 per cent in the same period.

The 1982 Committee advocated that this tendency should be stopped and that the EEC's aid activities in general should be reduced, in order to prevent the growing EEC assistance from undermining the rest of the international aid system. The large establishment minority of the Committee were against this and favoured a continued increase in the EEC's aid to the ACP (African, Caribbean and Pacific countries) and also to the non-associated countries. This latter view was supported in Parliament, and, in recent years, discussions of the EEC have almost died out.

The choice of major recipient countries: Policies and politics

As already mentioned, the list of the four major recipients of Danish bilateral project and personnel assistance has been confirmed up to the end of this decade. The four countries (Kenya, Tanzania, Bangladesh and India) may be expected to receive between 60 and 70 per cent of Danish *bilateral project assistance*. The issue of choice of countries cannot be said to be dead, even though its role in the aid debate has been somewhat reduced in recent years.

The 1982 Committee was in total agreement on continuing the assistance to the four. At the same time, it said that it should be possible to change the names on the list, but it warned against adding many countries to the list. And it offered the following guidelines for the choice of new major recipients: (i) the need for development assistance, (ii) the level of poverty (GNP per capita or social indicators) and (iii) the probability that the aid will be effective in terms of Danish aid objectives (assessed, if possible, in the light of past experience of cooperation with potential main recipients).

Quite apart from the innovation in formulating such agreed guidelines for the choice of new major recipients, it is notable that stronger emphasis than in earlier debates on aid was laid on the assessment of the practical possibilities of achieving the objectives of Danish aid. The nature of the regime of the recipient country, including its stated development policy, was not seen as a guarantee of this. A section of the political left still favours a more 'radical' list, including countries like Vietnam, Mozambique, Cuba and Nicaragua, but the steam has gone out of this approach.

In recent years, it has been Danish aid to Tanzania and Bangladesh which has been the most debated. Tanzania is *the* major recipient, but, despite some political disagreement with the socialist orientation of some of its policies, the country has been able to keep its leading role in Danish aid in quantitative terms. In the case of Bangladesh, there has been some discussion about the distribution of the benefits of Danish aid.

In both cases, special efforts—with the other Nordic countries in the case of Tanzania and with the group of like-minded countries in the case of Bangladesh—have been made to enter into a broader policy dialogue, with the expression of donor views on various matters relating to the policies of the recipient countries.

There has been a broad consensus of opinion in Denmark that aid should not be politicized. It was repeated in the 1982 Committee and the following parliamentary debate that no political strings should be attached to Danish aid and that aid conditions should be related only to the possibility of aid for further development. At the same time, the aid relationship has come to include many policy matters—for example, agricultural policies, problems of public finance, and the role of the public sector. So far, however, this dialogue has been held on a rather general level, so that it has not led to disagreements in

the Danish aid debate. And when it has dealt with more specific matters, as in the 1986 donors' meeting on aid to Tanzania, few details have been presented to the public.

The only recent, active, political issue with respect to the choice of recipient countries has been Danish aid to Nicaragua. The Danish Government, supported by the Social Democrats, has opposed untied grant assistance to Nicaragua with the argument that this would be to politicize Danish aid, as this kind of assistance is reserved for low-income countries and Nicaragua, according to international statistics, belongs to the group of middle-income countries. It is not quite clear from the debate whether this 'politicization' refers to internal or external policies, but the answer is probably 'both'.

This is a complicated case of internal party conflict among the Social Democrats, as those who manifestly uphold the principle of reserving aid for low-income countries are at the same time those who are positive to aid to Nicaragua. This group has correctly, but so far with no effect, referred to the clause in the 1982 report which says that transitional assistance may be given to countries in critical situations even when these countries are not low-income countries. The definition of 'critical situations' has been left open.

No candidates for the status of major recipient have been proposed recently. But there has been general support for the view that the SADCC countries and the Sahel countries should be given a larger share of Danish aid, that is that they should become primary recipients.

The greater importance of the SADCC countries, within the framework of the special Nordic agreements with the region, is a consequence of Danish objections to the apartheid policy of South Africa and previous Danish aid involvement with many countries in the region. This recent emphasis on SADCC may thus be seen as one of the very few examples of Danish foreign policy influencing the aid programme, but it rests explicitly on UN resolutions. The support to Sahel countries is an outcome of the growing interest in environmental issues, a response to the strong, popular support for aid to Africa and the concern to ensure that such aid will contribute to the more permanent solution of the food problem in Africa.

Apart from the Nicaragua question, it may be concluded that the issue of choice of countries has been settled for the coming years. The balance of the various forces in this area may be explained by two factors. First, the choice of the four has been seen by many to include countries with *different* development policies, for example, Kenya and Tanzania. Secondly, experience has shown that the practical possibilities of implementing aid according to Danish objectives, together with a broad understanding of the country's development practice, as distinct from its declared goals, are the most important factors. There is, however, still some uncertainty about the aid programme to Bangladesh. Finally, it should also be understood that the degree of concentration of Danish bilateral aid is in fact rather modest.

In 1984, approximately 30 countries received untied grant aid for *projects*

and as many as 30 countries received *tied grant or loan funds* in the 1980s. The basic compromise on this issue may, therefore, be said to be one between concentration and spread, the latter being supported by foreign policy and business interests in showing the Danish flag in many countries. A higher degree of concentration may lead to a larger number of recipient countries, but, of course, a smaller total number of recipients. As no particular developing country — Nicaragua being in a class of its own — seems to have attracted attention as a potential candidate for the status of a major recipient of Danish aid, and with the increasing emphasis on SADCC and the Sahel countries, there will be few disputes in this area of the aid policy.

Tied financial assistance

The single most-debated aid issue is without any doubt the large share — up to 25 per cent of total Danish aid — which by political decision is tied to deliveries from Danish companies, primarily in the form of capital goods for the modern sector. Until 1983, this was called 'the state loan programme', as aid was given in the form of tied loans at a zero rate of interest for 35 years (50 years for LLDCs) and a period of grace of 10 years. As mentioned above, this was part of the basic, carefully balanced structure of Danish aid, constructed in the late 1960s with the stated purpose of securing support in business circles and among their political allies for the new public-spending programme.

For many years, that is up to 1973—74, the programme was administered by DANIDA, according to the so-called 'principle of the crossed arms'. This meant that DANIDA was not supposed to be interested in the uses of the goods delivered under contracts between Danish companies and the developing countries. In other words, the responsibility for the development effects rested with the recipient countries, and it was the task of DANIDA to ensure that the formal obligations of the companies were met, and nothing more.

At the beginning of the 1970s, it was decided gradually to change this practice, which in some cases had led to wastage of resources, as when the goods supplied could not be used because of lack of electricity, or were left unopened (in a much-debated case in southern Sudan). With the growing interest in the effects of Danish aid, political efforts were made to emphasize that this part of Danish aid should be governed by the general aid objectives. DANIDA arranged an international evaluation of the loans to Egypt which was based on the acceptance of Danish official responsibility for the effects of the deliveries, that is for the projects of which they were a part.

The 1982 Committee supported the resulting recommendation that more resources should be used for project preparation, appraisal, monitoring and evaluation for the projects under the tied-loan programme. But progress has been slow, and there is still room for more efforts of this kind to ensure the best use of the aid resources in this form.

The pressure to increase the number of countries eligible to receive tied Danish assistance has been strong in recent years. As already mentioned, the untied project aid is reserved for low-income countries. For the tied aid, there was a limit of 550\$ in average income up to 1982. After a lot of bargaining, the new limit was set by Parliament at two-thirds of the limit for World Bank loans (and not three-quarters, as proposed by the Government, nor the IDA limit proposed by the majority of the 1982 Committee). This was thus a partial concession to business interests.

The 1982 Committee also addressed the issue of the tying of this aid. While it was generally agreed that, under the existing economic and employment conditions in Denmark, it was not possible to remove the ties, the majority of the Committee made the moderate proposal that the tied loans to the four major recipients should be transferred to the grant aid given to these countries. This was not accepted in Parliament, but a proposal that all tied aid to the least developed countries (LLDCs) should be given as grants, and not as loans, as in the past, while other developing countries (below the stipulated limit) should continue to receive loans (which have always been interest-free), was generally accepted.

Even in its new form as tied grants and loans, this form of Danish aid continues to be disputed. It is often difficult to implement in accordance with the objectives of Danish aid, as it is extended to many countries with which Danish authorities have had limited contact, which makes an appraisal and evaluation of the often indirect effects of the project deliveries rather difficult.

The other purpose of this aid, namely to promote Danish trade to developing countries, is also disputed. It is obvious that some form of state support for Danish exporters to enter new markets in the Third World is required, given the small size of Danish companies and the high, risky, initial costs. But it is doubtful whether the tied-aid programme is the best method of doing this, in so far as it has been spread over very many countries, which anyway are not regarded as the most dynamic markets by Danish exporters. The dislike of the ties among the supporters of aid and the more lukewarm attitude to the trade-promoting effects in business circles may lead to further changes in the programme.

There is an additional reason for this possibility. Changing governments have in recent years been keen to show that there are also large return flows from the untied bilateral aid programme. The procurement office of DANIDA is praised for its endeavours to secure contracts for Danish companies for projects financed by Danish aid and rough statistics have been published to show that more than half of the spending returns to Denmark in the form of orders for supplies and payments to Danish personnel. If this is so, the existence of formal ties becomes less important for direct return flows. If it is also accepted that tied supplies do not lead to subsequent commercial deliveries to any substantial degree, the business interest in the matter is reduced.

And the ground is prepared for a compromise which integrates tied aid in the general bilateral aid programme and at the same time—outside the aid budget—allocates funds for trade promotion in middle-income countries.

DANIDA's evaluation activities

Over the years, DANIDA has undertaken a number of evaluations of Danish aid, but it was only in 1981—when the 1982 Committee had begun its work—that a proper evaluation unit was formed within DANIDA. The majority of the Committee found, however, that the resources set aside for this unit were much too small (1–2 professionals) and recommended a more rapid expansion of the activities of the unit than was envisaged. The establishment minority opposed this with the argument that the expansion of the evaluation unit's activities should be gradual, to ensure their integration into other aid activities.

Considering the number of staff involved in this matter, it may appear to be of little general interest and to be an administrative detail. However, given the fact that the political and legislative directives to the aid administration are very general, leaving it to the administration and its advisory board to translate the objectives into detailed operations, it is an important part of aid management to evaluate implementation in terms of the effectiveness in meeting such objectives. Evaluation activities to a very large extent constitute the basis for the political and public control of aid in practice.

The battle for an evaluation practice which in terms of resource allocation and selective strategy may be accepted as satisfactory is, against this background, an important matter in discussions of Danish aid. While external assessments, published by the Danish state auditors, have in recent years received well-deserved attention from the public, the evaluation activities of DANIDA have proceeded quietly. They have not so far given the public much food for thought, nor do they seem to serve the purpose of ensuring some accountability towards the public and the political authorities for the implementation of the general directives.

State support to private capital transfers

Like other DAC countries, Denmark has various arrangements (export guarantees, investment guarantees and support for joint ventures) to support Danish exports and capital investments in developing countries. As such, they do not, according to the strict definition of aid, constitute a part of Danish aid policy, but they have entered into the aid debates of recent years and they have, in fact, also some relation to aid resources.

The 1982 review of the principles of Danish assistance addressed itself to

the operations of the so-called Industrialization Fund for Developing Countries (IFU), which is a Danish institution based on state subventions outside the aid budget, with the purpose of furthering joint ventures between Danish firms and companies in developing countries. The 1982 Committee recommended that the IFU should in future concentrate more of its activities on the low-income countries and that it should also be subject to an independent review.

The 1983 parliamentary debate on aid led to the formation of a new committee to make recommendations on all forms of state support for greater business involvement in the Third World.

The details of this Committee's substantial review do not form part of this analysis of Danish aid. But two issues are worth mentioning, as they reflect the balance of forces behind the aid programme.

First, the Committee, supported by Parliament in 1985, recommended that the IFU should emphasize the development effects of its work more than in the past, when commercial considerations were predominant. For this purpose, the IFU should experiment with a small fund for various development purposes, such as training programmes in the joint ventures and other activities which are not of an immediately commercial character. The IFU was also urged to run greater risks in expanding its activities in the least developed countries, which so far have received little attention, as not being of commercial interest.

One may say that, on the whole, the recommendations pushed the IFU in a developmental direction, and therefore made its activities eligible for support from aid funds, but only in countries and for purposes which conformed with the aid objectives.

Secondly, the review made recommendations with regard to the use of mixed credits, which did not receive support in Parliament when presented by the Conservative/Liberal government. Mixed credits—a combination of interest-free state loans under the aid programme and export credits—had been used only in a few cases. It was proposed to make the arrangements for such credits more flexible, by allowing the use of state loan funds in situations where Danish companies were faced with soft loans to their competitors by matching such soft conditions. This would require that not all funds should be allocated to loan projects and that matching could be done without the usual project preparation for loan-financed activities.

The Committee suggested two alternatives, either to reserve a part of the state loan funds for such matching purposes or to establish a separate matching fund outside the aid programme. The Conservative/Liberal government presented the first alternative to Parliament but could not obtain a majority. The arguments against the use of state loan funds as aid money was that it would reduce the quality of aid.

On the whole, it may be concluded that the broader backing of the development effects of state support to Danish business engagements in developing

countries has been strengthened, with very small concessions to business interests.

Trends in Danish aid: Summary of tests, 1981–85

It is now time to attempt to draw a general conclusion on the strength of the various determinants tested in recent years with respect to the most debated aid issues in Denmark.

First, a short list of the issues and the corresponding tests:

1. *Aid objectives*: The poverty orientation has been confirmed but not legislated on. A large majority is in favour of keeping the compromise formulation in the Act.
2. *Aid volume*: After one cut in the volume and further attempts to cut it, followed by a few years of zero growth, a political decision has been taken to reach a figure of 1 per cent of GNP by 1992, but on the basis of a slight majority.
3. *Multilateral/bilateral aid*: The 50 — 50 division has been confirmed, despite efforts to reduce the share of multilateral aid.
4. *Allocations to international organisations*: A freeze on contributions to UNDP has been lifted, but efforts to prevent the EEC share from growing were not successful.
5. *Choice of recipient countries*: No change in the list of four, but political agreement on more aid for southern Africa and the Sahel. Nicaragua is a special case.
6. *Tied aid*: The number of eligible countries has been expanded by raising the limit expressed in terms of average income; loans to LLDCs have been changed to grants, and it was emphasized that the use of this aid is governed by the general aid objectives.
7. *Evaluation activities*: Some modest expansion, but far from spectacular progress.
8. *Support for private capital transfers*: The development objectives of state-supported joint ventures have been stressed, and the reservation of aid funds for matching (flexible mixed credits) was prevented.

The general impression is one of little change, especially when compared with what one might have expected or feared under the recent political and economic circumstances of Denmark. This testifies to the resilience of the aid programme mentioned earlier. The basic features of Danish aid have been left unchanged, despite the many diverse efforts to challenge some of them. On some scores, the commercial interests have had some success (the list of countries eligible for tied aid), but, on others, they have had to note defeats (state support for private capital transfers).

At the same time, it is obvious that the balance of forces behind the aid programme is a very fine one. This, combined with the fact that aid has become a permanent part of Danish political life, makes it necessary to speculate on possible changes in the aid profile, if there are changes in parliamentary power.

It should be added that in no other policy area have there been such efforts to test public support through opinion polls on a regular basis as for the aid programme. The polls were begun in 1960 and at that time they showed that 40—45 per cent were in favour. Since then, there has been a significant increase in this indicator, peaking at 71 per cent in 1984 in the midst of a massive 'Hunger in Africa' fund campaign. In 1985, the polls showed that approximately two-thirds of the population (68 per cent) were backing a 1 per cent target for Danish development assistance. This basic fact of steady and large support imposes, of course, certain constraints on the controversies in the political system.

Future changes in aid?

It has been the central argument that the aid profile reflects the distribution of political power, which has not given either the Conservative/Liberal bloc or the Social Democrats (and the parties to their left) a stable majority in Parliament. This has led to basic compromises in the aid programme, which, together with the existence of special groups of aid supporters in almost all parties, have protected the aid programme from the influence of the economic crisis.

If the Conservative/Liberal bloc should gain a majority of their own, without needing the support of the RV, it is not very likely that there would be major changes in the aid profile. This bloc would probably care more for the business interests (expand the list of countries eligible for tied aid, introduce matching funds, etc.), but the existence of aid-positive forces in the bloc, including a small Christian Party, would exclude a major degradation of aid. A shift in the country priorities for Danish aid is highly unlikely, that is the low-income countries will continue to receive top priority.

The situation would be different if the Social Democrats gained a majority, together with the parties to their left. Such a new coalition would have to reach an agreement on a long list of issues, based on a number of compromises not tried before. It is reasonable to expect that the aid programme would be a part of such a new deal, given the interest of the left-wing parties in aid, and that it would be easier for the Social Democrats to yield in this area than in other fields of policy.

If this reasoning is correct, one would expect the objectives of aid to be made more precise, possibly through a change in the legislation. Furthermore, a more transparent implementation of the aid programme in accordance with

the poverty orientation should also be expected, meaning greater emphasis on the monitoring and evaluation of aid activities. Such greater evaluation efforts would also be directed towards the multilateral aid, especially the funds channelled through the EEC. With regard to the choice of countries, one would expect a closer scrutiny of development policies and their implementation in the major recipient countries and special arrangements for aid to Nicaragua. The latter initiative might in fact be the major symbol of a new direction in the aid effort. Otherwise, one would expect a reduction in the present large spread of Danish aid, that is a higher degree of concentration. Finally, an agreement on the gradual reduction of the share of bilateral tied aid might also be expected. This might, however, run into some opposition from a few trade unions.

This cautious assessment of the changes in the aid programme to be expected from a move to the left by the Danish political forces does not point to any large-scale, radical reform. Such changes would have an important impact on Danish aid principles and practice, and they would meet resistance from the Conservative/Liberal bloc, but they still could not in my view be called radical. This is not so surprising, given the present nature of the Danish aid programme and the absence of an implementable alternative to this programme.

The major 'alternative' in the aid debate in Denmark in recent years has been the programme for a New International Economic Order (NIED). The problem with this approach, however, is that it does not produce an alternative **aid** programme. It rather tends to reduce the importance of aid as such, making other North-South relations more important than aid. As experience has shown that very little has come out of these efforts to change the economic world order, and as it has been necessary to make a more realistic assessment of the balance of economic power in the world, the intellectual and popular appeal of the whole concept of a new order has been drastically reduced.

It may be said that the various documents describing the demands for a new economic world order also included some broad proposals for changes in foreign aid and that these issues were taken up later, for example, by the Brandt Commission. In this sense, the concept of a new world order does not exclude concessional transfers of resources to the Third World. The old slogan of 'trade, not aid' does not apply to this approach, which is rather 'trade and aid'.

These broad ideas for fundamental changes in the procedures (and volume) of aid transfers, that is automaticity, general financing, no conditions attached to the use of funds, etc., have never caught on in the Danish aid debate. Only one small left-wing party has argued for the 'sovereign' use of Danish aid funds by the recipient countries (which should therefore include only countries with an acceptable development policy).

The general trend in the aid debate in Denmark has meant a stronger interest in the use of aid funds, to ensure that the poor groups received the benefits

of this aid. This has again meant more thorough planning of the use of aid funds—in cooperation with the authorities of the recipient countries, but still in conformity with Danish aid objectives. This has promoted a broader understanding of the aid relationship as being an agreement between *two* sovereign states, and Denmark has over the years become clearer in its dialogues with recipients about its aid objectives, as defined politically in Denmark.

This has meant stronger signals to the recipient countries about the Danish interest in assisting the poor population groups—most recently, a demonstrated concern from the Danish side for aid dimensions like the situation of women and the natural environment in the Third World.

This 'concerned participation', as it has been called in the international aid jargon, has been extended from questions of specific aid uses (project identification, etc.) to general policy issues, produced by the economic hardships in the form of fiscal crises and payments deficits in some recipient countries.

Thus, in many ways, the general aid ideology in Denmark has moved away from the aid ideas in the programme for a new economic world order, with the possible exception of the greater use of multi-year frameworks for untied transfers to the major recipient countries (the rolling five-year plans mentioned above).

Political changes in Denmark might—as argued above—induce adjustments in the Danish aid profile, and no great political shift would be required to push aid in another direction (only 5–6 per cent of the votes).

But compared with the basic aid features of most other OECD countries, the changes will not be very significant. It is a fairly safe prediction that Danish aid will continue at a relatively high level, that the public will be concerned with its effects on poverty, that aid will be given primarily to low-income countries, with an emphasis on eastern and southern Africa, and that the international organisations will continue to receive a large share of Danish aid.

Table 1. *Main indicators for aid by Denmark*

	1950—55	60—61	65—66	70—71	75—76	83—84
Volume of ODA (£ millions at 1983 prices and exchange rates)	—	29	.	172	258	438
Share in World ODA	—	0.2	.	0.7	0.8	1.2
ODA as percentage of GNP	—	0.11	.	0.40	0.57	0.79
Grant element of total ODA	—	.	83.6	94.7	96.3	97.2
Contributions to multilateral development agencies and funds (figures including EEC contributions are in brackets)	—	76.2	66.4	44.3	42.0 ^a (45.4)	32.7 (40.1)
Memo: DAC total			13.4 (13.7)		24.3 ^a (29.1)	26.9 (32.0)
Tying status of ODA					1982—83 ^b	
<i>Percentages of total ODA gross disbursements</i>						
Bilateral tied					20.2 (30.0)	
Multilateral (excl. EEC) tied					2.5 (1.0)	
Total status identified (excl. EEC) tied					22.7 (31.0)	

Notes: ^a 1974—75

^b Total **DAC** in brackets

Source: DAC, Twenty-five years of development cooperation. Paris 1985

Table 2. *The flow of Danish financial resources to developing countries and multilateral agencies disbursement in USD millions*

	1973—75 average	1981	1982	1983	1984
I. Official development assistance	168	403	415	395	449
A. Bilateral ODA	92	203	215	237	223
1. Grants and grant-like contributions	52	136	156	171	155
1.1. Technical assistance	26	93	97	116	51
1.2. Food aid	2	6	3	5	0
1.3. Debt forgiveness	2	—	1	0	0
1.4. Administrative costs	—	11	11	12	7
1.5. Other grants	21	25	43	39	97
2. Development lending and capital	40	65	59	65	68
B. Contributions to multilateral institutions	76	201	200	158	226
1. Grants	61	131	149	137	153
1.1. UN agencies	56	93	117	103	111
1.2. EEC	5	34	29	29	33
1.3. Other	0	4	3	5	9
II. Other official flows	2	200	158	183	206
III. Grants by private voluntary agencies	6	10	9	13	12
IV. Private flows at market terms	52	337	242	483	—42
V. Total resource flows	228	949	824	1076	625

Source: DAC, Twenty-five years of development cooperation. Paris 1985. Table 19

Table 3. *Growth in ODA and GNP, Denmark and total DAC*

	Aid growth 1970/71- 1983/84 ^a	GNP growth 1970/71- 1983/1984 ^a	ODA/GNP 1970-71	ODA/GNP 1983-84	GNP per capita 1983-84
Denmark	7.6	2.0	0.40	0.79	10,480
Total DAC	3.6	2.9	0.34	0.36	11,240

Note: ^a Annual rates in real terms.

Source: DAC, Twenty-five years of development cooperation. Paris 1985. Table III-16.

Table 4. *Major recipients of Danish aid*

Percentage of total ODA disbursements					
1960-61		1970-71		1982-83	
Israel	10.0	Tanzania	5.5	Tanzania	9.8
Korea	7.4	India	4.7	India	8.4
		Egypt	4.2	Bangladesh	5.5
		Kenya	3.5	Kenya	4.6
		Zaire	3.0	Sudan	2.1
		Uganda	2.8	China	1.7
		Zambia	2.4	Mozambique	1.6
		Pakistan	2.0	Zimbabwe	1.2
		Tunisia	2.0	Zambia	1.2
		Kampuchea	1.9	Lebanon	1.1
		Malaysia	1.8	Egypt	1.0
		Peru	1.7	Angola	1.0
		Malawi	1.5	Thailand	0.9
		Ivory Coast	1.3		
		Indonesia	1.2		
Total above	17.4	Total above	39.3	Total above	39.9
Multilateral ODA	76.2	Multilateral ODA	44.3	Multilateral ODA	43.6
		Unallocated	7.0	Unallocated	6.8
Total ODA in USD millions	7.0	Total ODA in USD millions	67.3	Total ODA in USD millions	411.2

Source: DAC, Twenty-five years of development cooperation. Paris 1985. Table 12

Table 5. *Prospects for Danish ODA appropriations (net) 1985–1989*

	Percentage of GNP	Millions D.kr. 1986 prices	Million USD at 1984 exchange rate
1985	0.77	4,383 ^a	423.1
1986	0.82	5,079	490.3
1987	0.85	5,449	526.0
1988	0.88	5,839	563.6
1989	0.91	6,249	603.2

Note: ^a 1985 prices.

Source: Denmark's Development Assistance. Annual Report (to DAC) 1984. Copenhagen 1985. Table II, 2

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Charles Cooper and Joan Verloren van Themaat
**Dutch Aid Determinants, 1973—85:
Continuity and Change**

Introduction

This study analyses Dutch aid performance and its determinants over the last decade. This period covered an expanding and relatively strong aid performance with a quickly changing external and domestic environment for aid policies, the influence of which seems worth a closer analysis. The study has two main objectives:

1. The main changes in this period and elements of continuity in Dutch aid policies and aid implementation are identified. Special attention is given to quantitative targets, the relation between multinational and bilateral aid, and various aspects of the bilateral program, such as geographical and sectoral distribution. These are discussed in the first five sections.
2. Simultaneously, the key determinants of the aid performance will be analysed. These are also discussed in the first five sections. A number of specific factors which may differentiate the Netherlands somewhat from other donors, are analysed in more detail: the role of the aid bureaucracy, the role of the domestic aid environment, the role of the state in domestic affairs and the role of economic interest groups.

It will be argued that, although there are specific foreign-policy considerations which influence the particular shape of Dutch aid performance, the main features, such as its quantitative level and its main objectives, are strongly influenced by domestic factors. A great variety of domestic factors of a somewhat different nature play roles on various levels of analysis.

The role played by domestic economic-interest groups, for instance, is an obvious factor. But this role is itself dependent on the more general relation between the state and the economic agents in the Netherlands, and the role of the state in the domestic economy. This role will be analysed as well. Other factors discussed, such as the role played by Non-Governmental Organizations (NGOs), the aid bureaucracy, and public opinion, are partially related to this more general role of the state. Two features stand out in the shifting domestic environment: the effects of the economic slow-down on the interests of the business community in the aid programme; and the changing role of the state, particularly influenced by the very large and growing budget deficit

during the period under consideration. It may seem remarkable that the economic-interest lobby has thus far not exercised a greater influence on aid. The reasons will be discussed towards the end of this paper. Outside observers sometimes claim that these domestic factors influencing aid policies manifest the existence of a particularly strong, Dutch aid constituency. There are reasons for some scepticism about the existence of a particularly strong, pro-aid attitude, even though there are differences in the shape of public opinion between the Netherlands and other countries on the aid question. These will be elaborated in the seventh section.

The nature of these domestic forces may go a long way to explain a variety of typical characteristics of Dutch aid policies: (i) its remarkably stable nature since 1975, (ii) the focus on low-income countries, (iii) the pre-occupation with broad objectives, and (iv) the lack of attention to implementation capacity and to evaluation of results.

But other factors explaining specific changes or general features more related to the external environment will be analysed as well, such as the traditional small-country arguments, the role given to international agencies and considerations of human rights.

The main policy changes, 1973—84

Before analysing changes in aid policy during the last decade, it is worth pointing out some general features of Dutch aid.

The Netherlands has consistently performed better than the United Nations official development assistance (ODA) target of 0.7 per cent of GNP and better than most other OECD countries since 1975. After a very considerable growth during the second half of the seventies, ODA disbursements are now hovering around 1 per cent of GNP and have reached some USD 1.5 billion a year. There is a large and growing grant element in Dutch aid, even though a high proportion is still tied (except when other developing countries can supply the agreed commodities). The proportion of bilateral aid directed to low-income countries and least-developed countries is high (60 per cent and 25 per cent respectively) but has been somewhat stagnant since 1977. Aid to former colonies as a proportion of total aid has decreased considerably in the course of time.

The proportion of aid given to Africa, on the other hand, has increased. The income level and the social and economic policies of the recipient are the main formal criteria for the geographical distribution of aid.

Most aid goes to unspecified sectoral activities, probably mainly infrastructural development. In the second place aid is spent on agriculture, though this has decreased somewhat in recent years (15 per cent). The amount of aid going to industrial projects has traditionally remained very low (around 5 per cent). The Dutch are traditionally strong supporters of multilateral aid, and they are

significant contributors to the UN system. But because of the high total-aid performance, the share of aid going to multilateral agencies has been rather modest but is growing (around 30 per cent of ODA disbursements in recent years). The share of multilateral aid channelled through the UN agencies is slowly declining in favour of the World Bank family.

NGOs play an important role in the Dutch aid system. By far their largest source of finance is the government ODA budget, however, of which an increasing proportion, 9 per cent in 1984, is channelled through NGOs. A notable feature of Dutch aid is that the political parties display a fairly broad consensus on the main objectives of aid. There is no major dissentient party on the aid question. Political debate often centres on marginal changes, even though these are sometimes the expression of more fundamental differences in outlook.

Another distinct feature of Dutch aid is the absence of a semi-autonomous, aid-administrating organization. The aid implementation is an integral part of the work of the Ministry of Foreign Affairs, even though a special Minister has been appointed.

In order to analyse the key changes in aid policies which the various Dutch Cabinets set out to implement, the so-called Government Declarations issued at the beginning of each government term are used here. These are very short statements, in which only the main new directions are indicated. Policy statements issued at the beginning of each budget year mostly dwell on the implementation of the orientations in the Declarations.

The basis for the present aid orientation was laid down at the end of the 1960s, but received a major impetus in 1973, with the appearance of a centre-left government at a time of great international turmoil and uncertainty (Vietnam War, first oil crisis). The Government Declaration of May 1973 contained various remarkable and novel features. For the first time, it mentioned that the basis of Dutch foreign policy would be the 'close relationship between peace, a just distribution of wealth, international legal order and respect for human rights' (Handelingen, 1972/73). With this, the redistribution of wealth towards the Third World become an integral part not only of foreign policy but of domestic economic policy as well, since 'Economic growth [in the Netherlands] should be put in the perspective of a just distribution within the North-South perspective' (Handelingen, 1972/73). This would be the basis for the subsequent positive stand on policies for structural changes in the world economy, known as the debate on the New International Economic Order (NIEO).

Remarkably, but as a natural consequence of this, it was stated that the government would look critically at the distribution of wealth within developing countries as well and draw conclusions from it for its own cooperation policies. This laid the bases for target-group and basic-needs approaches and for an important, but hotly debated, criterion for the selection of recipients, that is their social and income-distribution policies. As a result of this new

criterion, a large number of countries was added to the list of recipient countries (see section VI).

It was also announced that, from 1976 onwards, the annual aid budget would be 1.5 per cent of the Net National Income (NNI) at factor cost (approximately equivalent to 1.25 per cent of GNP). This specific volume target has remained unchanged up to now and is one of the most stable features in Dutch aid policies, even though it needs careful interpretation (section IV).

The Declaration of the next government, a centre-right coalition, in *January* 1978 contained some potentially important policy shifts, but also stressed continuity; the overall volume and main poverty orientations remained intact. Changes were sought in the instruments to be used, which had some impact on the poverty orientation of aid. More attention was given to co-operation with the private sector and the NGOs. Like the previous government, this coalition government continued to stress the importance of improving structural economic relations with developing countries (for example, in the fields of trade and finance). This pre-dated the concerns of the Brandt Report and reflected the demand for a New International Economic Order (NIEO). The government emphasized that aid would be channelled to countries which gave special attention to the poorest groups but added that aid should further the 'self-reliance' of the nation as well, although the latter was not a new concept and was only very loosely defined (Handelingen, 1977/78).

There was considerable debate and policy ambiguity on what the main focus of poverty orientation should be. A brief excursus may help at this stage. One could say that three schools of thought existed on this issue. The first was to focus aid on those countries where income per capita is low. This line was emphasized by the 1978—81 government and had important consequences for the list of recipient countries. The second school wanted the government to concentrate on poor groups within countries, irrespective of the levels of average national income per capita. This approach tended to move away from a strict selection of recipient countries and tended towards a more dispersed geographical aid distribution and towards the channelling of aid through NGOs. The third school, mainly to be found in the Social-Democratic parties, wanted to direct aid to those governments which had a clear orientation towards eliminating poverty, irrespective of specific levels of income per capita: aid to Cuba and Jamaica in the mid-seventies and to Nicaragua in more recent years are examples of this approach. Combinations of all three schools, but with different emphases, have manifested themselves in the Governments since 1973.

Small-scale agriculture and industry were singled out as sectors for special attention by the 1978—81 government. These policy announcements in the Government Declaration were followed by extensive white papers. In this period, the number of official recipient countries—the so-called concentration countries—was reduced, especially the middle-income countries in Latin America. Concentration countries (later on called programme countries), in

the Dutch context are countries with which an intensive multi-year co-operation agreement exists and which receive each year a pre-determined amount of aid, the use of which is only decided later. They contrast with countries which receive aid on an *ad hoc* basis only, usually for projects. It is surprising to note that this reduction hardly changed the geographical disbursement patterns (see section VI).

While the previous government had shown an active but critical approach to the European Community (EEC), the 1978 coalition government intended to 'aim at an increasing role for the EEC in an integrated approach toward LDCs'. As will be noted later, not very much came out of this.

The following Government Declaration, in *November 1981*, contained almost nothing on development co-operation policies. The volume target was maintained and again an integrated approach within the EEC was recommended (Handelingen, 1981/82).

After the short interim government which was in power from June to November 1982, the Government Declaration of *November 1982* contained more specific policy proposals. While the broad orientation of aid remained unchanged in terms of volume, geographical orientation and the battle against poverty, several minor policy changes were introduced. The domestic policies of programme countries towards the redistribution of income and wealth were no longer used as criteria for aid distribution, but were replaced by the criterion on 'economic policies aimed at progress' (Handelingen, 1982/83). In later years, this type of policies often coincided with those structural adjustment policies which would be likely to receive the IMF seal of approval. This is a long way indeed from the Social-Democratic criteria of the early seventies. However, surprisingly, only in a few, notable cases, did these changing criteria actually influence disbursement patterns between countries (see section VI), but they did influence the choice of projects and the policy dialogue with recipient governments.

The 1982 Declaration stated that more attention would be given to 'the relation between aid and employment', both in the Netherlands and abroad. The relation between export promotion and aid would be reviewed as well (Handelingen, 1982/83). These statements were meant to convey the government's aim of making aid more responsive to Dutch business interests. Funds aimed at strengthening the industrial sectors in LDCs were increased as a result, and Dutch organizational networks with the private sector were strengthened as well. Since the minister responsible for overseas aid had previously headed the Dutch national movement for women's emancipation, not surprisingly the position of women in economic development received greater attention than before. The improvement of structural relations between North and South was barely mentioned.

How can we summarize the evolution of the aid policies since 1973? As is apparent from the preceding pages, various forces have been at work, though they have not all been working in the same direction.

The first apparent trend was the consolidation of certain important policies of 1974, especially the drastically increased volume of aid (up to an ODA level of more than 1 per cent of the GNP) and the poverty orientation. However, within this orientation, there has been a shift towards low-income countries and away from countries which, irrespective of their income levels, strongly emphasized redistribution and other poverty issues.

Organizationally, the policy changes of 1974–78 were followed by an important administrative re-organization of the ministry, starting around 1977 and including the integration of technical and financial assistance, the creation of country desks, and the creation of an independent evaluation section.

The second trend was in a somewhat different direction. In 1974–78, the stated aims emphasized reaching the poor, either via target-group projects, or by favouring governments which pursued policies of income redistribution. Between 1978 and 1981, a more explicit balance was sought between aid aimed at the poor sections of the population and aid for general economic development (the so-called two-track policy). No clear criteria were developed for the latter, however, and the accusation could easily be made that the second objective merely served to justify the financing of a rather heterogeneous group of development projects. In 1974–78, such support for 'economic self-reliance' had been conditional on the income-distribution policy pursued by the recipient government. After 1978, this condition was de-emphasized and was abolished in 1982. In actual aid disbursements, by far the largest amounts have been directed to this general economic-development objective and not specifically to the poor. 'Guesstimates' of this latter share vary between 10 per cent and 30 per cent. The third period, from 1982 onwards, saw a further narrowing of the target-group approach. Priority was given to so-called productive projects, supposedly leading to increases in the incomes of the rural population, as opposed to such matters as the provision of basic needs (Memorie van Toelichting 1985, p. 70). In general, projects aimed at increasing economic growth received more policy attention than previously.

As will be noted, however, in the actual aid disbursements, these shifts in objectives only very slowly resulted in clear changes. This is due, in the first place, to the strong pressure for continuity in aid execution and, secondly, to the rather large discrepancy between policy formulation and policy execution. As will be elaborated further, both public and Parliament have been more concerned with policy objectives than with actual results. Aid politics are often governed by short-term objectives and gestures, instead of by debates on long-term issues and the quality of aid. Thirdly, it is due to the statistical difficulty of discerning changes in the type, design and execution of projects.

A third trend in overall policy has been the shift in the use of instruments. The Ministry of Foreign Affairs has decreased its own direct involvement over the years. It has done so by a relative increase of the aid being channelled through the NGOs (see section VIII); by a relative increase of the use of commercial consultants in the execution of projects, and a rather drastic decrease

in its own direct recruitment of experts; and by a relative increase of other (semi-)government institutions in both the decision-making for and the execution of aid projects.

A more recent trend, related to these, has been to de-emphasize the role of recipient government institutions. Eventually, the increased aid given by Dutch NGOs is channelled through private institutions in the recipient countries. But also governmental aid has been increasingly channelled through the private sector in recent years.

In the following three sections, a more detailed analysis will be made of the key features of Dutch aid and its determinants. These features are the volume of aid, the balance between multilateral and bilateral aid, and the specific characteristics of the bilateral-aid programme. In the last three sections, four main determining factors are discussed: the domestic aid environment, the aid bureaucracy, the domestic economic interests and the domestic role of the Dutch state.

Volume targets and attainments

One of the most far-reaching policy decisions made on aid was the decision in 1973 to formally link the aid budget to the NNI. This aid target, 1.5 per cent of the NNI, has not been changed since and has almost attained an untouchable, sacred status in the Dutch aid debate. This very direct link between the NNI and the aid budget has virtually excluded the aid budget from yearly budget discussions, even at times of drastically increasing budget deficits. Still, there are some complexities.

Compared with the methods used in some other countries, the Dutch procedure for setting quantitative aid targets is complicated. Targets are not set in terms of the DAC definition of ODA, and this has, indeed, been the subject of controversy within the country. The Dutch official target-setting exaggerates the real contribution of the Netherlands.

However, whatever views one may take of the 'targetry' discussions, there is no debate about the proportionately high level of DAC-defined ODA. As Table 1 indicates, the Dutch ODA has been consistently higher as a proportion of the GNP, than the ODA of the DAC countries as a group. Whilst the total DAC contributions remained between 0.34 and 0.38 per cent of GNP between 1970 and 1983, the Dutch ODA rose sharply in the early and mid-1970s, and continued to rise thereafter to a peak of 1.07 per cent of GNP in 1981 and 1982. Since then, it has remained at around 1 per cent of GNP.

Quantitative targets are set in terms of funds described as 'development assistance' (*ontwikkelingshulp*), expressed as a proportion of the NNI. Since 1913, successive governments have committed themselves to maintaining development assistance at 1.5 per cent of the NNI. As defined by the Netherlands, 'development assistance' has usually been about 20 per cent greater

than the ODA. In 1985, for example, the ODA budget was 3795 million guilders, whilst non-ODA allocations, which are separately categorized, were an additional 823 million guilders (that is an additional 21 per cent approximately above the ODA part of the aid budget).

The non-ODA part of the budget clearly influences the part which can be spent as ODA and therefore deserves a closer look. The non-ODA part covers a number of elements, including the current administrative costs of the programme in the Netherlands and subsidies of various kinds paid in the Netherlands. However, by far the largest non-ODA elements in Dutch development aid are accounted for by two other items.

The first consists of grant contributions by the Dutch Government to assist the settlement in the Netherlands of erstwhile residents of Surinam who opted to leave that country when it attained independence. Between 1980 and 1982, these grants, which are guilder payments made entirely in the Netherlands, accounted for 20—25 per cent of the non-ODA budget.

The second element is made up of implicit subsidies to cover part of the interest payments on the loan component of the overall aid budget (including ODA elements), so as to 'soften' the terms of loans made to Third World governments. Since this item has its origin in the somewhat special way in which the aid budget is financed and, more particularly, since it may be expected to influence future ODA performance, its origin needs to be explained in more detail.

The ODA part of the aid budget consists of 'soft' loans and grants. Grants constitute the larger part of Dutch ODA finance. But a particular, if not unique, feature of aid-financing relates to the loan component. These loans are financed from resources raised on the Dutch capital market directly for the aid programme. Essentially, these loans can be thought of as being raised by open-market operations through the Ministry of Finance (that is by specially earmarked bond issues administered by the *Nederlandse Investeringsbank voor Ontwikkelingslanden* (NIO)) and then made available to the Ministry of Development Co-operation. Interest and repayment terms for these funds are, evidently, determined commercially on the money market. However, the loans which are subsequently made to Third World countries are customarily made on concessionary terms, especially as far as interest payments are concerned. The difference between the terms on which the finance for these loans is raised and the terms on which it is subsequently made available abroad is accounted for in the Dutch aid budget as a part of the committed 1.5 per cent of the NNI (though not part of the Dutch ODA contribution).

This has implications for the Dutch targetry, because the politically agreed aid target is set in terms of the 'aid' budget (including all non-ODA elements). The interest-subsidy component in the aid budget naturally tends to grow in proportion, since even though the loan component in the overall budget is not very large, the total amount of Third World soft-loan indebtedness to the

Netherlands tends to grow, year by year, and the interest-subsidy allocation in the aid budget naturally grows along with it. Moreover, as commercial interest rates rise, the aggregate sums involved in the so-called interest subsidy rise too. Since the GNP and the NNI have remained more or less stagnant in recent years, the aid budget (including non-ODA) has been nearly constant too and, accordingly, an increasing proportion has been taken up in interest subsidy. Table 1 shows the ODA, non-ODA and rent-subsidy proportions in the Dutch aid budget for 1981 and as planned for 1982—86 inclusive. The interest-subsidy component has almost doubled from 1981 to 1986 (from 5 per cent to more than 9 per cent).

Table 1. *Structure of the development aid budget (per cent)*

	1976	1981	1982	1983	1984	1985	1986
ODA	86.9	86.1	84.3	82.8	81.5	80.5	79.4
Non-ODA	13.9	13.9	15.7	16.4	17.7	17.8	18.5
of which interest subsidy	(1.2)	(5.0)	(6.4)	(7.4)	(8.3)	(8.0)	(9.2)

Source: Ministry of Foreign Affairs

This growing burden of interest subsidy naturally has implications for the Dutch ODA performance (because the target is fixed in terms which include the non-ODA element). Thus the 1983 report of the Netherlands to the DAC foresaw that ODA (excluding aid to Surinam), which was 0.91 per cent of the GNP in 1983, would rise to about 0.93 per cent in 1984 and 1985 but would then fall back steadily to 0.89 per cent in 1988. The fall is 'explained to an important extent by the growth of the non-ODA component within the aid budget' (DAC, Memorandum van Nederland, Verslagjaar 1983, p. 5). Since then, interest rates have been falling, and consequently ODA projections have increased. This is, however, another illustration of the fluctuating character of the Dutch ODA percentage, while in the Dutch framework, development assistance has been a constant percentage of NNI since 1976.

This financing procedure—in particular the borrowing for the aid budget—has been a source of controversy in the Netherlands, with centre and left-centre political groupings generally opposing it and favouring a change to ODA grants financed from general government funds. Whatever the historical purposes of the present financing system, it plainly has some curious implications. Essentially, it can be thought of as a way of curtailing the impact of the 1.5 per cent of the NNI target on the overall budget deficit (since, without these interest subsidies, the ODA disbursements would be significantly higher). At the same time, the allocation of the interest subsidy to the aid budget implies that a part—albeit a very small one—of the service payment on the national debt is ascribed to the pre-committed aid budget.

In conclusion, it is reasonable to suppose that the targeting procedure followed since the early 1970s, has played an important role in maintaining

Dutch ODA contributions at an exceptionally high level. Nevertheless, the particular aid target and the unusual method of financing it have reduced the ODA performance somewhat, and this has concerned pro-aid groups in the Netherlands. The 1987 budget contains clear measures to stabilize the part of the budget finances out of the capital-market loans. Still, the fluctuation level of interest rates in the Netherlands leaves the ODA performance, as a result of this method, somewhat uncertain in the future.

All the political parties are supporting the present 1.5 per cent volume target, and the parties on the left are aiming for even higher targets. It is quite amazing that, during all these years, only minor attempts have been made to reduce or delete the 1.5 per cent target (for example by increasing the non-ODA part or by taking a pessimistic base for the calculation of the NNI). Neither the overall government budget deficit, nor stagnating income levels in the Netherlands, nor the immensely increased unemployment rate (up to 14 per cent of the labour force in 1984) has had an effect on the aid volume. Some of the factors explaining this will be dealt with later.

The multilateral-bilateral balance and the characteristics of the multilateral aid

Aid policy has emphasized multilateralism, and the Netherlands has consistently supported the multilateral funding bodies of the UN system (in particular UNDP, the Fund for Population Activities (UNFPA), UNICEF, and the Capital Development Fund (UNCDF), as well as the multilateral banks and funds). Overall, the Netherlands has made a disproportionately large contribution to these multilateral activities. Thus, in 1981, a more or less typical year, the Netherlands gave 0.26 per cent of its GNP in multilateral aid in various forms, as compared with the DAC average of only 0.10 per cent. By this measure, the Netherlands 'oversubscribes' to the DAC multilateral aid budget by a large margin; it is in fact the fourth largest subscriber in terms of GNP proportions, surpassed only by Denmark (0.36 per cent), Norway (0.36 per cent), and Sweden (0.29 per cent).

Dutch multilateral ODA has been allocated mainly to the various UN funding bodies (especially UNDP). UN bodies have received about 40 per cent of Dutch multilateral aid in most years since 1973, though there has been a tailing-off in their share since the peak years of 1977 and 1978, when they accounted for 45 per cent and 50 per cent respectively. The multilateral organizations of the European Community are next in importance (31.5 per cent in 1982), followed by the multilateral development banks (28.1 per cent in 1982). The banks have increased their share in recent years.

An interesting feature of this allocation is that it runs counter to narrow economic interests. The return flow of project contracts to Dutch industry is least (in absolute and proportionate terms) in just those fields where the

Netherlands gives most multilateral assistance, namely from the UN bodies. The UNDP contribution is a good example. These bodies typically account for rather less than half the Dutch contributions to UN funds (44 per cent in 1982) or about 20 per cent of the country's total multilateral ODA. In the period 1977–81, contracts financed in the Netherlands from UNDP-funded projects in the Third World, were valued at only 21 per cent of the Dutch contributions to UNDP over the same period, compared with a 'return flow' of 60 per cent for the DAC countries as a group, and of 176 per cent for the United Kingdom and 236 per cent for France. In part, this low return flow may be accounted for by high relative production and acquisition costs. On the other hand, the return flow from the contributions to the IBRD and other development banks, which form the smaller part of the Dutch multilateral funding, have been consistently higher than in the case of the UN agencies. In fact, the return flow of orders covers the Dutch contributions to these multilateral financing organizations in most years.

In short, whilst countries like the United Kingdom and France (and to a lesser extent the United States) might find multilateral ODA an 'easy' way of financing aid from the overall balance-of-payments point of view, this is not generally true for the Netherlands. Nevertheless, Dutch GNP-weighted contributions to multilateral agencies have remained high and have even shown signs of increasing in recent years (see Table 2).

Table 2. *Multilateral disbursements as part of total ODA (percentages)*

1976	1977	1978	1979	1980	1981	1982	1983	1984
31	28	28	31	19	24	28	32	31

Source: The Netherlands DAC memoranda

The Dutch commitment to multilateralism may be accounted for in four main ways. In the first place, successive governments have accepted the 'standard' arguments in favour of multilateralism as an effective method of development assistance which offers Third World recipients the best value per dollar donated (mainly because of open international bidding), even though this point was never really tested in the Dutch context. Limited bilateral-aid executing capacity in the Netherlands is a related and often-used argument in favour of multilateral aid. Secondly, there is the traditional argument that both Dutch interests (the Netherlands being a small nation with a very open economy and with very strong economic interests in other OECD countries) and Third World interests, because of the alleged reduction of political influence, are best served by strong multilateral institutions. Thirdly, and related to the previous ways, the relative weight of Dutch multilateral contributions appears to make for a considerable Dutch political influence in the multilateral agencies, whether in the UN or in the multilateral financing institutions. It is obviously difficult to prove the point, but Dutch multilateralism

has probably been an effective instrument in building up certain political positions in the Third World and may have been used as a lever for influencing other donors as well—out of proportion to the size and general political power of the country. Fourthly, there is the argument originating from the bureaucracy as an independent force. Traditionally, there has existed a strong bureaucratic lobby for multilateral aid originating from the diplomatic service, which largely controls the aid administration. Multilateral aid can clearly enhance its own position in international fora and important 'multilateral' diplomatic posts, such as New York, Geneva, Washington, Paris and Brussels, when backed by sizeable amounts of money.

Three further points should be noted. The first is that recently there has been a growing concern in the Netherlands about the concordance between the purposes of the multinational bodies and the objectives of Dutch aid policy, including national economic interests, and this conditions the allocations between agencies. It is intended that '... arguments of efficiency, appropriateness [to Dutch aid objectives] and effort on the [Dutch] national economy, will play a more important role in determining the pattern of contributions' (Doelmatigheid multilaterale kanalen, Tweede Kamer, vergaderjaar 1983—84, 18 196, nrs. 1—2).

Secondly, Dutch commitment to multilateralism should be seen in perspective. It is true that the GNP-weighted contribution to multinational agencies is exceptionally high in relative terms. At the same time, however, the proportion of Dutch ODA which is disbursed on multilateral aid is quite low (around 28 per cent) compared with that in other countries which are heavily committed to multilateralism (for example, Denmark allocates nearly half its total ODA budget to multilateral agencies, Norway 44.2 per cent and Sweden 34.6 per cent of the aid budget).

Thirdly, there is no specific target or serious debate on the exact share of multilateral aid in total Dutch aid. Political parties do not have very specific ideas on the distribution of multilateral aid, as long as no drastic changes are taking place (such as in the contribution to UNESCO). Its main determining force seems to lie within the Ministry of Foreign Affairs itself.

A realistic view of the Dutch aid programme suggests that it combined judiciously the capacity of influence on multilateral agencies which are considered of political importance with a substantial bilateral programme.

The proportion of aid channelled via the EEC is, in fact, rather small. For example, in 1983—and other years are not greatly different—only 9 per cent of the ODA disbursements went through EEC institutions. This was because of the existence of fixed, burden-sharing arrangements between the member states, contrary to the defacto situation of the UN organizations. Other parts of the aid budget have not visibly been influenced by Common Market policies, despite many policy statements to the contrary (see section II). It is not entirely clear why there is this discrepancy between policy statements on the EEC aid integration and the actual implementation. On the one hand, the

EEC is apparently seen as just another multilateral agency with no special priority; on the other hand, the Dutch may not see the kind of political and economic leverage in the EEC aid institutions which they experience in the UN system. The institutional set-up of the aid apparatus in the Community may account for this.

In summary, we can say that the changes in the external and domestic environment have had little effect on the allocation between bilateral and multilateral aid during the last decade. No specific targets are set for multilateral allocations, and no clear-cut objectives seem to be pursued. Various forces of changing strengths underlie the Dutch commitment to multilateral aid, but the end result seems rather constant, though moving towards an increasing share in recent years. The administration plays an important role in determining the distribution of multilateral aid over the various institutions.

The bilateral programme

The bilateral programme is by far the major part of the Dutch ODA effort. The financial basis of the programme has remained unchanged since the 1970s; in particular, the grant element has generally been high—customarily over 85 per cent—and the loan element has been heavily subsidized. Since 1979, loans have had 30-year life-spans, 8-year initial periods without capital repayment, and an interest rate of 2.5 per cent.

Aid conditions include a limited amount of 'tying'. A distinction is made between technical and financial aid (DAC; Memorandum van Nederland, Verslagjaar 1983, op. cit., p. 29). Finance for technical assistance is formally untied, but in practice is largely tied. Loans and grants to the least developed countries (LLDCs) are partially untied, that is not only the Netherlands but developing countries too can submit tenders, in which they are given a slight preference. The same is true of commodity aid (balance-of-payments support) and loans to other countries. The main elements of tied aid are the grants made to countries outside the LLDC group, which are linked to purchases in the Netherlands. Though formal progress towards further untying has been made since 1978, an increasing number of partially untied grants has been offered to the non-LLDCs; no significant progress has occurred in the actual tying status of aid. But it may be just as interesting to note that in recent years no drastic, increased tying has taken place. Some of the main reasons for this seem to be found in the differing interests of the domestic private sector. These are elaborated upon below (pp. 148—53).

The geographical distribution of aid

The past ten years have seen a fairly stable but slowly changing geographical distribution of bilateral aid, with a few marked exceptions (see Table 3). The years 1974 and 1975 were used to build up the present pattern but continued

Table 3. *Geographical distribution of bilateral aid (actual gross ODA disbursements in percentages and USD millions)*

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Europe	6.5	0.7	1.2	1.0	1.2	1.0	0.8	1.0	0.7	0.7	0.7
Africa	20.0	21.1	20.9	30.8	31.8	30.0	31.5	29.9	30.1	32.9	35.6
of which Kenya	3.1	2.9	2.7	2.0	2.6	2.7	3.9	3.3	5.2	3.7	3.0
Tanzania	3.6	5.2	5.1	6.5	10.0	7.8	6.8	6.1	5.3	4.2	4.6
Sahel	0.7	1.0	2.4	2.7	4.6	4.5	4.6	4.0	4.0	6.2	5.8
Sudan	1.4	1.0	1.7	2.9	3.3	1.9	3.7	3.0	2.5	4.2	3.2
Latin America	31.1	26.3	40.3	30.8	23.9	29.3	27.3	23.0	24.3	19.6	19.0
of which Netherlands, Antilles & Surinam	22.3	18.9	33.5	23.8	16.0	18.4	13.2	14.2	14.9	8.1	7.0
Others	8.8	7.4	6.8	7.0	7.9	10.9	14.1	8.8	9.4	11.5	12.0
Asia	44.1	45.8	31.6	35.4	38.6	31.8	31.2	36.6	33.8	32.3	32.4
of which Bangladesh	6.1	7.3	2.2	3.9	10.6	4.9	4.3	4.8	6.8	3.8	7.1
Indonesia	17.9	12.1	7.7	6.9	4.9	7.8	7.0	6.0	9.9	7.6	10.2
Not specified	4.8	5.9	6.0	2.0	4.5	8.0	9.2	9.5	11.1	14.3	13.0
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
In USD million	311	381	542	698	950	1048	1312	1179	1095	866	922

to show elements of a somewhat traditional, geographical pattern, with a marked emphasis on ex-colonies (40 per cent of bilateral aid in 1974) and on Asia but little on the Sahel and other least-developed countries. From the large increases in aid disbursements in the next two years, 1976 and 1977, the present pattern emerged. Some rather important events were noteworthy in subsequent years, although the overall pattern remained stable.

Africa continuously increased its share of bilateral-aid disbursements, from 20 per cent in 1974 to over 36 per cent in 1984. Since 1982, it has been the largest recipient continent. This increased share is the clearest expression of the higher priority given to low-income LDCs. Aid to the Sahel partly accounts for this, but there was increased aid to southern Africa as well. Aid to Tanzania shows an interesting pattern. Its share drastically increased from 3.6 per cent in 1974 to 10 per cent of all bilateral aid in 1978 but steadily declined afterwards to only 4.6 per cent in 1984. Both the Netherlands' positive response to the Arusha policies and its subsequent disappointment with them seem to have been at the root of this. The figures also show that the Netherlands came rather late on the Sahel scene: only in 1978 did aid to the Sahel increase in proportion, four years after the first major drought. Because of the Netherlands' traditional unfamiliarity with that region, disbursements started to flow rather late.

The proportion of aid going to Latin America continuously decreased after 1976. But this decrease resulted from two opposing trends. On the one hand, the proportions of aid to the Dutch ex-colonies continuously decreased, from 33 per cent in 1976 (the first year after the independence of Surinam, and the high proportion reflects the price which the then Socialist government of the Netherlands was willing to pay for Surinam's independence) to only 6.4 per cent in 1984. The last two years reflect the Netherlands' total suspension of aid to Surinam, following serious human-rights violations by its military regime. This is one of the few clear instances in which the government explicitly used the human-rights criterion for breaking off an aid relationship. On the other hand, in proportion, aid to other Latin American countries rose during two periods (from 6.8 per cent in 1976 to 14.1 per cent in 1980 and from 8.8 per cent in 1981 to 12.5 per cent in 1984). The more recent rise is somewhat remarkable, since officially Latin America (at least the South) was phased out as an aid-concentration area during that period (see Table 6). The reason for this increase is likely to be found in an uneasy coalition between Third World lobby groups with traditionally strong ties with Latin America and business interests.

After an initial decline, aid to Asia stabilized during the last decade at around 30 per cent of total bilateral aid. The fluctuating proportions of aid to Indonesia are, however, interesting. Between 1974 and 1978, there was a steady but drastic decline in the proportion of aid going to Indonesia. This largely reflected the Dutch Government's concern about human-rights issues. Both the change of government in the Netherlands in 1978 and an allegedly

improved Indonesian stance on political prisoners have resulted in a slow but steady increase of aid since 1979, to around 9 per cent of total Dutch bilateral aid in 1984. Recent human-rights violations, especially in East Timor, do not seem to have influenced this proportionate aid disbursement. Most probably export opportunities also played a role in this increased aid share.

Another way of looking at the changing geographical-distribution pattern is to examine the shifts between the income classes of recipient countries. Aid policies have only partially resulted in clear changes in the distribution of aid by per capita income classes of countries (see Table 4).

Table 4. *Distribution of aid by income class in percentages*

	1976	1977	1978	1979	1980	1981	1982	1983	1984
LLDCs	19	26	32	22	24	24	23	24	26
LICs (incl. LLDCs)	49	59	64	58	59	63	60	60	61
LMICs	8	8	8	9	10	9	10	12	14
UMIC	35	26	19	23	21	18	18	11	10
Unspecified	8	7	9	10	10	10	12	17	15

Source: Netherlands DAC memoranda, various issues.

Since 1977, the shares going to the LLDCs and the low-income countries (LICs), as defined by the DAC, have remained remarkably constant (around 23 per cent and 60 per cent respectively; see Table 5). Despite the stated intentions to concentrate further aid on the poorest countries, there was very little real shift.

The share disbursed to upper middle-income countries (UMICs) did change. It dropped from a peak of 35 per cent in 1976 to 9.9 per cent in 1984, largely due to the declining share spent in Surinam and the Netherlands Antilles. On the other hand, somewhat surprisingly, the share going to the lower middle-income countries (LMICs) gradually increased from 7.4 per cent in 1977 to 14.4 per cent in 1984. No ready explanation can be given for this trend, but commercial opportunities (which are greater in this group than in small countries with higher incomes, like Surinam and the Netherlands Antilles), are likely to have played a role in at least some of these (Indonesia). The strong groups lobbying for Latin American aid were another important factor. (See, for example, P.C. van den Tempel, 1984.)

Selection criteria for recipient countries

In the above pages, we have described the factual developments in the geographical distribution and some factors explaining changes in this respect. However, very little, if any, public and Parliamentary debate has taken place on this overall distribution. The debate centred on specific countries, such as

Indonesia, Vietnam, Cuba, Surinam and a few other, especially Latin American, countries which mostly did not receive the bulk of bilateral aid. A few words may be said on the two types of recipient countries. The bulk of bilateral aid goes to so-called programme countries. These countries get an annual allocation of aid from a specific budget category, decided upon each year, the use of which is decided after the allocation is made. In addition to this annual allocation, they may draw upon other, sectoral, budgetary categories on a project basis. Other recipient countries may only draw upon these categories on a project-by-project basis.

The main preoccupation of Parliament and public opinion has been with the general criteria for the selection of the programme countries. How have these general criteria fared over time and what factors have influenced them? In the sixties, two considerations seem to have guided the selection. Financial aid was provided to the ex-colonies Indonesia, Surinam and the Netherlands Antilles, as well as to countries where the World Bank had created aid consortia and consultative groups (Pakistan, India, Nigeria, Sudan, Tunisia, Columbia, Malaysia and Thailand (in 1965)). The existence of World Bank aid consortia and consultative groups remained a key criterion, but in 1968 in Parliamentary debates, the role of the recipient governments in enhancing social progress and promoting income redistribution emerged for the first time as a major issue, as well as the level of poverty in the country as a whole.

From 1974, the following criteria for the selection of programme countries as well as for the level of aid by country, were formally introduced by the new centre-left government: (i) the level of poverty, (ii) the need for aid, and, most hotly debated, (iii) the extent to which countries were trying to improve the well-being of their low-income groups, including the human-rights situation.

Parliament did not raise many problems with the first two criteria, but long debates centred on the last. They concerned the measurability and subjectivity of the criterion and whether one should look at 'political structures' leading to the improvement of the condition of the poor or at 'actual policy results'. The government was accused of mainly looking at structure. General scepticism was expressed, not only by the political right, but also by the extreme left, about whether there were more than a few countries to be found which would meet all three criteria at the same time.

Despite the Parliamentary debates (especially on the third criterion) and the considerable rhetoric involved in them, no recipient country was taken off the list on the grounds of this third criterion in the 1974—78 period. It seemed to be used and intended primarily to *introduce* a number of new countries eligible for Dutch aid (especially Cuba, Jamaica and Sri Lanka), to *increase* aid to some (Tanzania; see above) and to *decrease* it to others (Indonesia).

In view of the income levels of some of the newly introduced countries, it was clear that the poverty criterion was not an overriding one and could be overtaken in importance by the third criterion.

Even though the third criterion was not used to stop countries from receiv-

Table 5. *Aid concentration countries*

1965	1968 Centre-right coalition	1972	1974 Centre-left coalition	1976	1978 Centre-right coalition	1984 list
<i>Asia</i> Indonesia India Pakistan Malaysia Thailand	<i>Deleted</i> Malaysia Thailand	<i>Added</i> Bangladesh	<i>Added</i> Sri Lanka North Yemen			Indonesia India Pakistan Sri Lanka Bangladesh North Yemen
<i>Africa</i> Sudan Nigeria Tunisia	<i>Added</i> Kenya Tanzania Uganda	<i>Deleted</i> Sudan	<i>Added</i> Upper Volta Zambia Sudan Egypt <i>Deleted</i> Uganda	<i>Deleted</i> Nigeria	<i>Deleted</i> Tunisia	Sudan Kenya Tanzania Sahel region (Inc. Upper Volta) Southern Africa (inc. Zambia)
<i>Europe</i> Turkey				<i>Deleted</i> Turkey		
<i>Latin America</i> Colombia Surinam Netherlands Antilles	<i>Added</i> Peru		<i>Added</i> Cuba Jamaica		<i>Deleted</i> Peru Cuba Jamaica	Surinam Netherlands Antilles Central American region <i>Deleted</i> Colombia

ing aid, it did affect the aid packages which countries received. The less the recipient government focused on redistribution and human-rights policies, the more specific basic-needs projects would be favoured, as opposed to general import support. NGO activities were also steered towards this type of country.

Related to this debate was the question whether aid should be focused on low-income *countries* or low-income *groups* (so-called target groups) in any country. A tendency to the latter developed during the period 1974—78, and resulted in a proliferation of projects in many countries. In subsequent years, however, with a new, centre-right government in the Netherlands, the recipient country's income level gained in importance as a selection criterion. In 1978, four countries were removed from the concentration list on the grounds of their relatively high, *per capita* income levels (Cuba, Jamaica, Peru, Tunisia).

No important changes have occurred since 1978. In 1984, it was decided to add three regional concentration areas (southern Africa, the Sahel, Central America, and later the Andean region) and, as a result, aid agreements with individual countries in those regions are being cancelled. The flexibility resulting from the move away from specific programme countries and the wish to be able to respond to certain aid requests, originating either in Holland or in the various recipient countries, prevailed over considerations of planning and efficiency, which would point to working with only a limited number of recipient countries.

In trying to identify the factors which explain the geographical distribution, two classifications are used. The first relates to forces or considerations and changes therein, the second to social groups and their interests. The first can be divided as follows:

1. *The needs of the Third World, as expressed by, amongst others, international organizations such as the UN, the FAO, the World Bank and the DAC.* The Dutch have always been 'good pupils' in the class of international organizations (see previous section on multilateral aid). Recommendations made within this framework could usually reckon on a sympathetic and sometimes uncritical implementation by various Dutch Governments.

The increase of aid to Africa can be largely explained by this factor. This change seems to a large extent to have been 'government-induced' and not so much the result of domestic pressures.

2. *The per capita income levels of the recipient countries.* The increase in the aid given to Africa is to be explained by this factor as well, as is the decrease of aid to Latin America. It overlaps clearly with the first factor.
3. *Specific considerations of foreign policy.* The phasing out of aid to Vietnam came as a consequence of the foreign-policy objective of condemning Vietnam because of its invasion of Cambodia and the wish to strengthen

political relations with the rest of Asia. The incorporation of Egypt and North Yemen as recipient countries after the oil crisis in 1974 was a clear attempt to improve relations with the Arab members of OPEC. The increased aid to Surinam after its independence was the price to be paid for a relatively smooth transfer of power in 1975.

4. *Human-rights considerations.* Overall human-rights considerations have hardly affected the geographical distribution of aid. During the centre-left government of 1974—78, as already mentioned, they influenced the aid allocations of some specific countries positively as a result of socio-economic rights policies (for example, Sri Lanka, Cuba and Jamaica). There are, however, two clear exceptions to this relative neglect of human-rights considerations in the geographical distribution, both—probably not accidentally—related to ex-colonies. Aid to Indonesia was reduced between 1974 and 1978 because of its violations of human rights, and aid to Surinam was suspended in 1983 following 15 political murders by the military regime. It is mostly political parties in Holland which take up human-rights issues, though often as a response to Dutch NGO activities.
5. *Economic considerations.* In the early years of development co-operation (up to 1968), economic considerations (that is export opportunities) played a role in the choice of countries. Later on, such considerations hardly played a role in the inclusion of new countries (they may have played a role in the choice of Egypt in 1974), but they probably delayed the deletion of quite a few countries (Tunisia, Turkey, Nigeria) from the list of main recipients.

The increase in aid to Indonesia after 1979 can probably be explained by economic interests in this potentially rich ex-colony (1982 per capita income USD 580). The increase in aid to Latin America may also be the result of an (uneasy) alliance between action groups and commercial interests. Nonetheless, it seems fair to conclude that, up to 1985, economic considerations resulting from the economic recession and unemployment in the Netherlands did not lead to a drastic reconsideration of the choice of recipient countries.

6. *Political and social policies of the recipient countries.* Officially, political and social policies have been important criteria in the choice of countries and the geographical distribution of aid during the centre-left government of 1974—78. In that period, these factors played a role in channelling more aid to Tanzania, Cuba, Peru, Cape Verde, Jamaica and Sri Lanka. Aid to 'socialist' Vietnam was primarily seen as being for reconstruction and not so much as a 'bonus' for their economic policies. After 1978, the economic- and social-policy issue disappeared from the debate, partly as a consequence of donor disappointment at the lack of clear-cut results from the domestic policies of these countries, and partly as a result of changing

governments and politics in the Netherlands. The debate re-emerges somewhat in the cases of Nicaragua and Mozambique. Aid to both countries, however, was labelled as being needed for reconstruction and not formally linked to their social and economic policies.

In a quite different sense, however, the economic policies of recipients did re-appear as a criterion after 1982, when aid policy towards a number of countries was connected with the IMF view of their economic policies. Especially when countries did not come to an agreement with the IMF, as in the case of Tanzania, they felt the harsh results of this new, mostly informal linkage of Dutch aid to IMF approval of domestic policies. Countries pursuing 'liberal' economic policies, with a strong emphasis on 'market forces' as the allocation mechanisms for economic activities, could reckon on somewhat more sympathetic government-policy reviews. This change came about as a result of the 'new realism' of the centre-right government which came to power in 1982, but also as a result of the emerging new role of the IMF/World Bank.

The second way of categorizing the forces influencing the Dutch aid pattern is by identifying certain social groupings at the origin of these forces and their interests.

- (i) International organizations, especially the UN bodies and the World Bank. These exercise, via their policies, declarations, ideas, research, publications and institutional dynamism, a clear influence on official Dutch aid policies. The EEC, on the other hand, has so far exercised little influence on the Dutch geographical distribution of aid (except on food and emergency aid).
- (ii) Diplomats. As the aid administration is an integral part of the Ministry of Foreign Affairs, diplomats may play a somewhat larger role in aid policy than in other countries. They sometimes constitute a lobby group for UN organizations and their policies, possibly for the reduction of aid to countries which are 'embarrassing' in the international diplomatic 'circuit', such as Vietnam or Cuba. On the other hand, they may be proponents of the continuation of aid to countries where human rights are violated, when other (commercial) relations are at stake, as for example in the case of Indonesia.
- (iii) Political parties. These have exercised an influence on the inclusion or exclusion of specific countries as aid recipients, for example, in the cases of Surinam, Indonesia, Cuba, Vietnam, and certain Latin American countries. Often they have done so at the request of pressure groups, but this was not always the case, as is exemplified by the suspension of aid to Surinam.

- (iv) Lobby groups of various sorts in the Netherlands. These are usually so-called 'country committees'—solidarity groups which try to include certain countries, for example, Nicaragua, or to prevent the exclusion of others (for example Vietnam and Cuba). Other groups include human-rights organizations, such as Amnesty International or Pax Christi.

Business-interest groups have been active in lobbying for a specific geographical distribution as well but have not been very successful, except, to a certain extent, in the case of Indonesia. Solidarity groups channel their pressures via Parliament, official NGOs and Churches, which all have well-established contacts with the Ministry.

The continuation of aid, or in some cases the increase in aid, to Latin American countries and especially to Nicaragua is certainly partly the successful result of the work of activist groups in the Netherlands (see P.C. van den Tempel, 1985). Increases took place in spite of the relatively high per capita income levels of these countries and in spite of the lower policy priority given to them. The activist groups lobbying for a continuation of aid to Latin America, as compared with Africa or Asia, are especially strong because of specific political, Church and cultural ties. The political ties are based on the various leftist political parties in Latin America, which were given a strong impetus by the fall of the Allende regime in 1972 and the subsequent suppression of political parties in many Latin American countries. The ties with the Churches and other NGOs were based on the spread of phenomena like liberation theology, the influence of intellectuals like Paulo Freire, and the many grass-roots movements.

Sectoral aid distribution

The sectoral distribution of bilateral aid shows some changing trends over the years, although one should be careful with the statistical categories used (see, for example, the large 'other' category in Table 6). Somewhat surprisingly, the share committed to agriculture declined over the years, from a maximum of 25 per cent in 1979 to only 15 per cent in 1984. In view of the increased share of aid going to Africa and the policy priorities given to basic needs, one might have expected otherwise. There is no clear explanation of this shift. Equally surprising is the declining share which went to health services (from 14 per cent in 1976 to only 3 per cent in 1984). The causes of this are not completely clear, but the policy shift from expensive, sophisticated, health services to primary health care and the subsequent problems for donors in delivering these services may provide one explanation.

Food and emergency aid have increased in the last two years. The following factors may account for this. Changes in the external environment, with a greater incidence of large-scale famine and refugee problems in areas of tur-

Table 6. *Bilateral aid by sector, commitments (percentages)*

	1976	1977	1978	1979	1980	1981	1982	1983	1984
Agriculture	21	23	24	25	19	24	17	19	15
Industry	7	9	5	6	4	4	4	2	5
Health	14	6	5	6	4	6	6	5	3
Social affairs	8	10	7	8	10	10	9	8	9
Food & emergency aid	3	5	5	4	4	4	3	7	9
Debt relief	6	6	16	9	5	1	1	3	1
Various, incl. balance-of-payments support	3	5	5	6	12	14	15	14	16
Other	38	36	32	37	42	37	45	42	42
	100	100	100	100	100	100	100	100	100

Source: Ministry of Foreign Affairs, DAC memoranda

moil, are a key factor. The problems involved in the disbursement of project aid and political leverage, both domestically and internationally, also seem to play a role. Emergency aid is very prominent and responds to what could be called the 'politics of intention', of gestures instead of long-term results.

Somewhat surprisingly, the proportions going to debt-relief measures declined during a time when debt crises were almost daily affairs. Policy considerations seem to be at the root of this. Import support is considered a more suitable form of balance-of-payments support than debt relief. Import support has more positive effects for donors, both in terms of export-tying and political leverage. Economic 'steering effects' are also larger than in the case of debt cancellation or re-scheduling.

Increased import support seems to be due to changes in the external environment (worsening debt situation of low-income countries), to difficulties and slowness in implementing projects leading to a disbursement pressure, and to the increased emphasis in recent years on supporting the private sector. For example, in the case of Tanzania, extensive use has been made of this method to bypass the public sector, under the guise of balance-of-payments support.

Sectoral distribution, as such, has not often been the subject of debate among political parties. The increase of certain categories, such as food aid, emergency aid or balance-of-payments support, has been the result of pressure from Parliament but has at the same time been subject to some controversy in relation to both efficiency and long-term effects.

The role of the aid bureaucracy

Of the determinants of both continuity and change in Dutch aid policies, we shall single out a few of the more important ones for further discussion. In this section, a few observations will be made on the role of the aid bureauc-

racy. In the following sections, the more important role of the domestic aid environment will be analysed.

One of the key features of the Dutch development-aid administration, which distinguishes it from most other OECD countries, is the absence of a fully separate, governmental-aid organization. There is neither a separate aid ministry (as in Germany, France or Norway), nor a separate aid-executing agency (as in Canada, the USA or Sweden). Both policy-making and aid execution are carried out in the Ministry of Foreign Affairs, though a separate Minister without portfolio has been appointed to co-ordinate the activities of the various departments involved in the Third World. A small part of the governmental administration of aid (especially payments) is carried out by the Nederlandse Investeringsbank voor Ontwikkelingslanden (NIO). This restricted executive apparatus, fully integrated into the Ministry of Foreign Affairs, reflects a number of considerations:

- (i) The view, held especially in the early days of aid policy, that the Netherlands lacked the expertise to carry out projects and therefore should channel funds either through multilateral agencies or through general import-support loans, which did not require much administration.
- (ii) The greater pre-occupation of political parties with the objectives of aid than with the specifics and quality of implementation (see the section on environment).
- (iii) The conception of development co-operation as an integral part of foreign policy. This means not only that development co-operation must follow general foreign-policy considerations (for example, co-operation with other EEC partners or the use of aid as a means of pursuing policies *vis-a-vis* South Africa, Indo-China, etc.), but equally that foreign policies should be considerably influenced by Third World considerations.

Especially in the early seventies, the Minister of Development Co-operation saw the possibility of 'developmentalizing' Dutch foreign political, economic and financial relations. While, in the course of time, the validity of the various considerations has changed, the basic, organizational structure has not. The implications of this for the shape of aid policies are quite important:

- (a) The organizational capacity of Dutch aid implementation is extremely small. Manpower involved in aid has grown only marginally, compared with the enormous volume growth of aid resources during the seventies. Staff in the ministry involved with development co-operation grew from **329** to **395** between **1972** and **1978**, while the aid volume grew from Dfl. **1000** million to Dfl. **3370** million or from **185** ongoing bilateral projects in **1972** to **1100** projects in **1978**. The staff situation has only marginally

improved since. The identification, execution, monitoring and evaluation of projects have necessarily remained a very weak part of the Dutch aid administration. It is not uncommon for one or two desk officers in the Netherlands and only three or four embassy officials in LDCs (with many other tasks) to handle a project portfolio of 20–40 projects with a total value of between USD 20 and USD 30 million a year (see J.P. Verloren van Themaat, 1978).

- (b) Staff, both at the Ministry and in the embassies, are not specially trained or recruited for development matters. Since 1978, steps have been taken to create an integrated foreign-affairs service, in which the same staff are supposed to serve equally well in political posts in Moscow, to handle economic affairs in Washington and to monitor food-relief projects in Ethiopia. As a result, the aid administration has been increasingly influenced by the *esprit de corps* of the diplomatic service. There is only a very small group of 'aid professionals'.
- (c) The formal influence of the Minister of Development Co-operation has changed quite a bit over the years and has been the subject of considerable debate. Before 1974, the Ministry of Economic Affairs had a formal say not only in the initiation of new bilateral projects, but also in their execution. In 1974, the influence of the Minister of Development Co-operation increased dramatically. Both the initiation and the execution of projects became his sole responsibility. His influence increased over multilateral aid given through the Ministries of Finance (World Bank, Regional Development Bank) and Agriculture (FAO, later IFAD). His influence on institutions dealing with structural economic relations (EEC, IMF, GATT) remained small, however. Since 1978, it can be argued the influence of the Minister of Development Co-operation has gradually declined in favour of an increased role for other ministries, notably those of Finance, Agriculture, and Economic Affairs.

The following features of both continuity and change can be wholly or partly ascribed to these bureaucratic forces:

- (a) Very little attention is given to improving the quality of aid. Despite the creation in 1976 of an independent, aid-quality inspection unit, bureaucratic attention remains much more focused on immediate and visible effects.
- (b) Very little autonomous, innovative thinking on the development of general and sectoral policies originates from the aid bureaucracy. Most new ideas emanate from external sources, such as Parliament, lobby groups or international agencies. Internationally, the Dutch have not been in the forefront of new ideas on aid execution either.
- (c) Only meagre bureaucratic resistance can be mobilized against reducing

the role of the aid bureaucracy in favour of other, stronger ministries, the increased influence of the diplomatic service, and the involvement of the private sector. The aid administration itself is not a strong lobby force in the Netherlands.

- (d) Aid policies, and especially aid administration, tend to be felt by the Ministry of Foreign Affairs as a 'foreign body' within the organism. This leads, on the one hand, to a trend towards the integration of the aid administration in the foreign service, for example, in the above-mentioned personnel integration. On the other hand, it leads to an 'expulsion' of those elements which are more difficult to integrate. As a result, the Ministry has privatized its own activities to quite an extent by a dramatically increased use of private consultants. This privatization, however, has only marginally been accompanied by improved monitoring. The result is that the Ministry is slowly losing control over the implementation of its own policies and over ways of steering, improving and correcting this implementation. This move toward 'decentralization' and the private sector in the Netherlands may, however, be explained by recent attempts to involve more closely the Netherlands' commercial interests in the execution of projects, and by a more general tendency to limit the role of the state in the implementation of policies, also apparent in other countries. The move is strengthened by the prevalent ideology of the centre-right government which has been in power since 1982.

The domestic aid environment

A very important cluster of forces determining aid policies in the Netherlands that is in need of closer analysis is the domestic aid environment. One would expect that the quite drastic changes which occurred in the domestic aid environment would have affected the Dutch aid policies in fundamental ways. Indeed, with one of the highest unemployment rates among OECD countries, a persistent and large budget deficit, sluggish economic growth, and a fast-changing international division of labour, with rising economic opportunities in the Third World, one might have expected very marked changes in aid policies. It is surprising that, apart from the limited changes noted above, these forces seem to have had little influence and to have been countered by forces which place more emphasis on continuity.

In contrast to some other OECD countries, where broader foreign policy and strategic or economic interests may be the key variables in explaining aid policy, in the Netherlands the so-called aid *constituency* has often been singled out as the key variable explaining aid performance, both in quantity, direction and quality (see, for example, the DAC Annual Reports). Supporters of this view are usually unclear as to how the aid constituency relates to the economic

and political considerations mentioned earlier. It is usually seen as a rather autonomous force which can only be influenced by the media, the Churches, public relations, and so on.

The questions which we address here are whether in fact there is a strong aid constituency in Holland, whether it has changed in scope, what the underlying forces are, and whether it is a sufficient, explanatory variable.

There are several ways of measuring the existence of an aid constituency, such as information from public-opinion polls, the attention paid by the media to development issues, the importance attached to it by political parties, and the number and activities of NGOs. Attention will be given here to the role of political parties, public-opinion polls, and NGOs.

Political parties

One of the remarkable features of Dutch aid policies is the almost unanimous support they get from virtually all political parties. This support has been an important element of continuity. Political differences in the Netherlands are concentrated more on structural issues between North and South, such as control of multinationals or commodity agreements, than on aid issues. The following table reveals the key features of the various political parties' election platforms in 1982. Even though election platforms are not the only determinants of the positions of political parties, in this case they represent rather well both the broad consensus and the slight differences between them.

Several conclusions can be drawn from this platform comparison. The first is that political parties give their views most clearly on the level of aid. As a percentage of GNP, this should at least be maintained at the present level, according to virtually all parties. It is interesting that even the extreme left (in the Dutch perspective, the Communist Party) has given up its view that aid merely serves to encourage the expansion of capitalism and had better be stopped. Surprisingly, on the other hand, virtually none of the parties (except the Communist Party) has any concrete idea about the specific countries which should receive aid or about the means by which quite generally stated aims should be reached.

The only major item of contention between the parties is the desirable extent of involvement of the Dutch private sector (tying versus untying, participation of Dutch private sector in decision-making, etc.) with a rather predictable pattern of views as between the left, centre and liberal right.

The attention, or lack of it, given by the political parties to the above points tends to support the view that they are more interested in whether aid is given or not than in what is actually happening to the aid and *how* aims are achieved. They are more interested in the domestic implications of aid than in the implications for the Third World.

Apart from the relatively minor differences listed above, the surprising ele-

Table 7. *Aid objectives in election programmes, 1982*

Major parties	Christian Democrats (CDA)	Labour Party (PvdA)	Liberal Party (VVD)
Level of aid	Min. 1.5 % of NNI	Min. 1.5 % of NNI, aim of 2 %	Relative level maintained (= 1.5 % of NNI)
Tying of aid	Untying in multi- lateral framework	Untying of aid	—
Aim	Geared to poorest groups	Should be em- bedded in NIEO	Geared to infra- structure improvement
Means	—	—	Private organi- zations and business should be involved
Recipient country selection		New selection of receiving countries	—
Small parties	Democrats (D'66)	Pacifists (PSP)	Communists (CPN)
Level of aid	Min. 1.5 % NNI	More aid	More aid
Tying		Untying of aid	
Aim		Aimed at less dependence on international capital and at socio-economic liberation	No aid to corrupt regimes and MNCs
Recipient country selection	Only countries with strong income redistribution policies		Aid to Cuba and Angola

ment in Dutch policies is indeed the small degree of conflict among political parties on the aid question. One explanation may be that they all agree. Another explanation is that both government and political parties try to file off the sharp political edges in their views on aid and consciously aim at *national* support for their policies. Aid in the Netherlands is very much a non-partisan affair and is presented to the public to a large extent as an apolitical issue. For some of the reasons for this, we turn to the issue of public opinion.

Public opinion

It is usually claimed that public opinion is an important variable in explaining the attention paid to development co-operation by the Dutch political parties and government. A considerable amount is spent every year by the government in trying to mobilize public opinion in favour of aid (USD 4 million). The

role which public opinion really plays is less clear, however.

Sometimes it is claimed that Third World problems in Holland are viewed by the public as being at least as important as, say the armaments race, peace, unemployment, inflation and environment. This is evidently not the case. Only 1–2 per cent of the Dutch public see Third World development as the most important issue facing the country, as against the 70 per cent who name unemployment, 21 per cent inflation, 14 per cent housing and 13 per cent environment (in 1977; Schennink, 1979). This percentage has only marginally changed over the years.

A second point to be made is that, even though awareness of the existence of a developmental problem is quite keen, the opinions which people have on the issue are not nearly as sophisticated as those on unemployment, housing or peace. This tends to support the fact that the Third World has not become a 'domestic' issue of any significance, in contrast to other 'foreign'⁷-policy problems, such as the armaments race.

Indeed, the basic, factual knowledge which people should have on aid issues—where aid is spent and how it is spent—is notoriously lacking. The public seems merely interested in whether more or less aid should be given (Schennink, 1979) and seems content with statements that aid should be given to the poor.

Another debated point is the way in which the public view the ultimate cause at the root of the development problem. Despite laudable and intense efforts by the government to demonstrate that structural constraints lie at the root of many Third World problems, most people feel that the ultimate cause of underdevelopment is connected with man himself (57 per cent) and not with social and economic structures (only 18 per cent) (Middendorp, 1978). It is not surprising that a majority of the people view development co-operation essentially as an instrument of charity, rather than an instrument aimed at changing structural relations (such as trade relations).

The last point to be made on the alleged important influence of public opinion on the stand taken by political parties is that these parties apparently do not follow public opinion closely. Public-opinion polls show more conservative views on Third World matters than those of the parties. The latter seem to base their views on considerations other than public opinion alone (such as the lobbying activities of Third World pressure groups). As noted before, virtually all political parties are in favour of at least maintaining the present aid volume. Against this, 15–20 per cent of the population in public-opinion polls are in favour of lowering the aid budget (Schennink, 1979).

In contrast to the common view, public-opinion polls do not clearly indicate that the Dutch feel that Third World issues are of more importance than the public in other European countries does (CAD, 1984, p. 11). What is different, however, is that in Holland extremely negative views on aid and Third World countries are less apparent than in other countries. Only 7 per cent of those interviewed by the European Consortium of Agricultural Development

(CAD) belonged to this category, as against 11 per cent in the Community as a whole (and, at the other extreme, 20 per cent in the UK).

Dutch public opinion holds somewhat different views from other European countries as regards the *aims* of aid and the *instruments* to be used to achieve these aims. Eighty-four per cent of the Dutch feel that aid should be geared to the poorest countries (against an average of 67 per cent for the whole EEC), only 5 per cent that it should be geared to raw-material producers (as against 13 per cent for the EEC) and 1 per cent to countries of strategic interest (as against 5 per cent for the EEC and 9 per cent for the UK).

It does not follow from these figures that the Dutch are more altruistic or better informed about Third World affairs than other countries. Explanations may equally well be sought in the smallness of the economy (few bilateral strategic interests) or the low imports of raw materials (because of the predominance of the service and agricultural sectors). The public's views on these objectives support, however, the general aims of government policy.

An important point is that the public has relatively great confidence in the capacity of the government but, surprisingly, even greater confidence in that of the international organizations, to administer aid in a useful way (16 per cent viewed the government and 32 per cent viewed international organizations as the most useful executive organization, as against 12 per cent and 26 per cent in the EEC as a whole).

The point to be made here is not that the public feels that the government or international organizations are particularly capable of channelling aid, but more that the public has a relatively high degree of confidence in the executive capacity of the government or international organizations *per se*, irrespective of the field of action. This confidence may itself be an explanation of the large public aid contribution of the Netherlands. The idea that the relative level of aid channelled through the government is more related to the important role which a government plays in *domestic* matters than to any particular Third World policy has been argued elsewhere (J. Verloren van Themaat, 1982, OECD 1985). In other words, the public aid-mindedness of a donor country may be more a result of the public outlook on the domestic role of the government than of autonomous foreign-policy considerations. In most OECD countries, large domestic government interventions in the shape of social programmes go hand in hand with large foreign-aid programmes, and modest domestic government intervention is associated with modest aid programmes. If this domestic role is indeed a major determinant of aid policies, these policies might be difficult to change autonomously. This certainly is an issue for further research.

The role of NGOs

NGOs play a rather peculiar role in the Dutch aid system. In contrast to some other countries, the key NGOs are heavily subsidized by the government (the

four largest to the extent of 75 per cent of the project costs). The concept of non-governmental organization is therefore somewhat misleading. Government involvement in these organizations started in 1965 under the pressure of Protestant and Catholic missionary organizations. These Church organizations received, and are still receiving, the largest part of the government assistance to NGOs (around 80 per cent). The NGO category in the aid budget quickly increased from only 1.7 per cent of the budget in 1965 through 3.7 per cent in 1975 to 7 per cent in 1985, which is equivalent to Dfl. 321 million ($\pm$ USD 150 million). In contrast to some other countries, the political left has never been a staunch supporter of these NGOs. Its greater belief in an effective role of the governmental and inter-governmental aid machinery and its antagonism to Church organizations caused it to be cautious about a too independent role for NGOs and about too drastic increases of the funds channelled through them.

A variety of mostly domestic political factors contributed to the increased role of NGOs after 1978:

- (i) The nomination of Christian-Democratic ministers, who were strongly influenced by, and sympathetic to, Church organizations;
- (ii) The support given to grass-roots organizations by the NGOs, which could therefore be increasingly supported by the parties on the left as well;
- (iii) The increased scepticism of the centre-right about the capacity of both governments in the West and governments in low-income countries to reach their basic-needs targets;
- (iv) The unwillingness and incapacity of the government administration to organize projects at grass-roots level, which led to the farming-out of such projects to NGOs;
- (v) The desire of the government to create more public support for its development activities, which led it to channel more funds through NGOs, because of their alleged positive influence on opinion leaders and alleged support by the social elite.

However, there has been no serious debate on the role of the NGOs. Parliamentary debates centre around their independence from government influence in project selection and accountability. The trend has been from project approval *ex ante* by the government to programme accountability *ex post* (agreed upon in 1980). NGO projects have increasingly to conform to foreign-policy objectives.

The increased role of the NGOs should also be viewed as part of the more general tendency to enhance the role of the private sector: the business community, universities, trade unions, research institutes and so on.

The state and economic interests

The influence of NGOs on government aid policies is rather limited because of their heavy financial dependence. They have certainly been incorporated into the government system and are rather cautious in their criticism. One might have expected the opposite, that is a strong NGO influence on the aid administration. For the reasons mentioned earlier, this is not the case. If anything, NGOs play the basic-needs card and can be considered an important lobby for aid activities geared to low-income groups. A certain influence by them on the geographical distribution of aid has been noted earlier.

The above-described roles of the political parties, NGOs and general public opinion seem, however, inadequate to explain both continuity and change in Dutch aid policy. There are two factors in the domestic environment which are of special importance in explaining both the relative continuity and also the changes in the Netherlands' aid policies and seem to underlie the factors mentioned earlier. The first is the role which the political parties and the public expect the state to play in domestic matters. The second is the way in which perceived economic interests, as articulated by the various economic-interest lobbies, have shifted. It is with a discussion of these two determinants of aid that we shall end this article.

The domestic role of the state

Usually, aid policy in the Netherlands is perceived as being part of foreign policy and related to considerations like foreign economic interests, colonial history and the small-country need for foreign-policy leverage. However, the argument could be advanced that aid policies in the Netherlands are predominantly a reflection of political views of the *domestic* role of the state and, more specifically, of the role of the welfare state.

The welfare state in Holland is still one of the most elaborate in the OECD. Concern with the 'have-nots' and with low-income groups is great, though it is under attack. Moreover, the state is allowed a very active role in the redistribution of income to such groups, both in the provision of basic services, such as housing, health and education, and in the provision of basic income. A complex administrative system has been created to administer and run this system. Despite criticisms, this very active role of the state is still accepted, albeit in varying degrees, by all political parties. This set of expectations, as well as the trust that the state can fulfil them, are similar to the expectations and trust which feed attitudes about the role of the Dutch state with regard to low-income groups in other countries. Given the domestic role of the Dutch state, it is not surprising that it should be required to play a predominant role in policy implementation *vis-a-vis* the Third World. It is especially in this welfare function that the similarity between the domestic and

the foreign-aid roles of the state is apparent. Domestically, it is in this field that the Dutch state is strong and has developed elaborate administrative mechanisms. Its role is much less developed in other fields, such as direct economic activities, public corporate investments or technological development. Both these strengths and these weaknesses are also reflected in the aid package. There is heavy emphasis on basic infrastructure and services, but little emphasis on directly productive activities (except in the area of agriculture, as in the Netherlands), technological development or industrial activities.

The recession and rising unemployment since the end of the seventies have certainly brought the domestic role of the State, and especially the welfare role, under attack. Cracks in the edifice are quite visible. The state seems to be retreating and the responsibility of the individual is increased. Basically, the structure still functions, however. Aid policy and aid philosophies have also been under attack. But here, as in the field of domestic welfare policies, the structure has basically changed very little as yet.

The thesis could be advanced that further change in the role of the state in development aid will be more dependent on the role which it is assigned in domestic economic and social policies than on any specific view of the role of the state in aid policy, let alone of the desirable role of the state in developing countries.

Economic interests

It is surprising that the high unemployment and low economic growth in the Netherlands and the drastically increased, economic opportunities in the Third World have had so small an effect on Dutch aid as is presently the case. The very open economy of the Netherlands and its dependence on foreign supplies and markets led us to expect that these economic changes would play a more considerable role in shaping the present Dutch aid policy. These changes would be channelled through the private sector.

Generally, one may say that the private sector has been concerned to influence aid in order to increase the return flow and the more indirect spin-off effect. This has been done through (i) the use of aid for export promotion, (ii) the choice of recipient countries and the level of aid they receive, (iii) the tying status of aid, (iv) the sectoral choice, (v) the specific project designs, and (vi) the aid instruments. The low return flows on multilateral aid have been discussed. They partly explain the more recent dualistic attitude of the government to multilateral aid.

The return flows on bilateral aid are much higher. One source estimated them at around 78 per cent in the period 1967—76 (Louisse, 1979). Another (public) source estimated return flows on aid to the concentration countries in the years 1976—80 at 91 per cent, 87 per cent, 74 per cent, 72 per cent and

70 per cent respectively (Ministerie van Buitenlandse Zaken Nota Herooverweging, Tweede Kamer, zitting 1980—81). There is no ready explanation for this apparent decline. One factor which may play a role is the increased share of aid which is spent on local-cost financing. But at least it does not indicate that private-sector interests gained in strength in the second half of the 1970s. Since 1982, return flows may have increased, but no data are available on this. The basis for the rather high return flow is to be found in the above factors but could conceivably also be found in the competitive prices that Dutch suppliers can offer. The scarce evidence available, however, argues against the latter.

On the choice of recipient countries, the geographical distribution of aid and the sectoral choice, we noted that private-sector influence is present but is limited and that no drastic changes occurred during the last decade. In 1984, however, it was announced that the industrial sector would be a priority sector in future aid policy. The resulting change has still to be reflected in the aid statistics and is therefore hard to assess.

Tying

Tying is used as an instrument to increase the return flow to the Netherlands. Aid can be untied, partially tied (to purchasers either in Holland or in other LDCs) or tied. Most Dutch bilateral aid is formally only partially tied. This share has been slowly increasing during the last decade. A slightly different picture emerges when the tying status of aid is analysed in practice. A study which looked at the actual tying (as opposed to only formal tying, which is much lower) came to the following results in 37 recipient countries (de Haan, Jepma & Quist, 1984).

Table 8. *Actual tying status of bilateral aid to 37 recipient countries, in percentages*

1970	1974	1975	1976	1977	1978	1979	1980	1981	1982
65	64	71	60	62	60	55	57	64	62

Source: De Haan, Jepma & Quist, 1984

The share which is actually tied to purchases in the Netherlands remained stable over the years, with a slight dip in 1979—80. Attempts by the Social Democratic parties to make aid fully untied have so far met with insurmountable resistance from the private sector.

Generally, it is assumed that the spin-off effects of aid on export promotion other than aid contracts have been small (de Haan, Jepma & Quist, 1984). The import capacities of countries receiving Dutch aid are small, and economic growth is not significantly influenced by Dutch aid alone.

Project design

Project design strongly influences the opportunities for Dutch business to participate in and execute projects. To the Dutch health-equipment industry, sophisticated hospital construction is a different thing from rural, primary-health services. Providing outboard engines for local fishing canoes is different from exporting sophisticated, floating-factory trawlers. These mean different things for the choice of firms providing equipment, for the local-cost content, and for the spin-off effects of other export-promotion measures. Both the policy objectives of the Ministry and the aid instruments influence project design and have subsequent effects on Dutch firms. The choice of the consultant to design the projects is often crucial for these effects. Unfortunately, little study has been made of the changes in project design or their influence on the Dutch economy over the years.

It is hard to say whether the influence of the private sector on project design has led to a higher return flow or higher profits. But the use of consultants has increased (from 375 man-years in 1979 to 444 man-years in 1982) and is increasing much faster than the use of directly recruited experts (which recently even shows a clear decline). Most consultancy contracts go to the private sector ($\pm$ 60 per cent), but semi-government institutions (33 per cent) and government institutions (7 per cent) are taking an increasing share (C. van der Spek, 1983).

Aid instruments for the private sector

Since the 1982 centre-right government said that it would encourage increased involvement of the private sector in aid policy and implementation, there has been an avalanche of measures designed to encourage the private sector. A selection of these from the government white paper, *Development Cooperation and Employment* (1983—84), is as follows: (i) the simplification of tender procedures (p. 43), (ii) the use of public aid for support of the private sector in LDCs (p. 45), (iii) the use of bilateral aid for the general promotion of economic activities of LDCs (as opposed to aid for the poor) (p. 45), (iv) increases in the activities of the Financing Company for Developing Countries (FMO), in which the private sector has a 49 per cent share ownership (p. 47), (v) increases in the programme of mixed export credits (1985: 130 million guilders), and (vi) improved technical assistance for private investments (p. 48).

It is too early to say how far these changes will actually materialize. Despite various announcements in the past (see pp. 118—23) about increasing the role of the private sector, its influence does not seem to have increased much during the decade.

One of the main reasons for this may be the surprising lack of strong lobbying activities by the private sector itself. This lack deserves closer analysis. One may say that there are two groups in the business community which have somewhat different interests in the role of government in general and in aid policies, and therefore the business community does not always constitute a particularly strong, lobbying force. One key role in the shaping of Dutch foreign economic policies is fulfilled by the few, but very large, Dutch multinational companies (MNCs), such as Shell Oil, Unilever, Philips and AKZO. The Dutch MNCs, because of their size and multinational character, have generally resisted active government intervention in economic policy. In a sense, their operations were just too large to depend on a small government. Their international networks and institutional structure are more elaborate (and efficient) than those of the Dutch foreign service. The big multinationals are generally in favour of a liberal type of world economic system and of liberal policies, which emphasize open trading systems and a minimal, non-interventionist role for the state, unless in a coordinated fashion (cf. Philips' views on European ventures such as ESPRIT and EUREKA).

They are not especially against the subsidizing policies of the Netherlands state itself, but they are concerned about such policies in *other* states and are well aware that, since they are based in a small home country, they would be in a disadvantageous position if direct, state, economic intervention elsewhere were to increase strongly. Aid, in their view, should be clearly separate from export promotion and it should be used for traditional government activities, such as the provision of basic infrastructure and social services.

The multinationals, which are well represented in industrial lobby groups, have therefore never pushed very hard for aid directed to their export orders or for aid directed to the economically interesting, middle-income countries. Even if such government assistance were forthcoming, it would have only marginal influence on their own export performance. If one looks at companies which have been assisted by government mixed credits in the Third World, one notices that the big multinationals, with the exception of Fokker and, to a smaller extent, Philips, play a minor role (see Table 9).

Table 9. *Enterprises receiving mixed credits, 1979–83. Dfl. 472 million (percentages)*

1. Fokker	17
2. IHC (shipbuilding)	17
3. Boskalis (construction)	9
4. Damen (shipbuilding)	5
5. VMF (machine construction)	2
6. DAF (trucks)	6
7. PTI (Philips telecommunications)	6
8. Hollandia Kloos (construction)	5
9. Volker Stevin (construction)	4

Source: Ministry of Economic Affairs

As noted earlier, these multinationals may not object to aid, especially multilateral aid, since this enhances international co-operation and supports institutions which are viewed as the weapons against protectionism and national self-interest, that are needed by small nations.

This is not to say that the MNCs do not lobby the government. However, the focus of their lobby activities is primarily on the role of international institutions, such as the EEC, GATT, and OECD, or on macro policies, such as fiscal policy, trade and investment policies, international law on ownership, licensing and legal arrangements about technology. It is not so much on the aid policy.

There is a second set of companies, however, which may be called smaller multinationals. These often have only mediocre financial performances; they have smaller export markets and are less well-organized than the big MNCs. Unlike the very big firms, contracts from development aid do make a difference to them. They are permanently engaged in lobbying activities, either to get direct contracts or to change structural relations between the aid ministry and the business community, so as to give the latter a greater say in the allocation of aid by country, by sector and by instrument.

The following categories are most prominently represented in this business lobby group:

1. Companies with historical ties in ex-colonies and other Third World countries, such as HVA (agro-industry), Grasso (cooling equipment), and VMF (machine construction),
2. Construction companies (Boskalis),
3. Shipbuilding industries (IHC, Damen),
4. Consulting companies, mostly engineering (DHV, Haskoning, Euroconsult),
5. Chemical industry, mostly fertilizers (UKF/DSM),
6. Agro-industries (dairy industry, potato seed).

In contrast to the very big enterprises, these companies are not especially interested in lobbying international institutions like GATT and OECD. Because of their relatively small role in the Dutch economy, their small size and their diversity, they have been able to organize a specific, but not a particularly strong lobby influencing aid flows.

This second group is not strongly opposed to protectionist policies, is in favour of direct government, economic assistance and has no particular views on the role of the government *vis-a-vis* aid to specific economic sectors.

With the growing recession, this lobby has gained in strength and in achievements. The MNC lobby, on the other hand, has become less orthodox in its principles and argues for more support by the state as well. The 1984 decision to make industrial development one of the two key purposes of Dutch development aid should certainly be perceived as reflecting the changing climate of opinion.

Conclusion

Aid policies are influenced by a multitude of factors. This study has identified a number of those which have given the Netherlands' aid policies their distinct direction over the last decade. Several levels of influence have been distinguished. Some specific features of the policies are influenced by specific foreign-policy considerations, such as the Dutch attitude to multilateral-aid agencies, some by specific economic considerations and interests, some by the aid bureaucracy itself and some by solidarity and human-rights pressure groups. None of these forces is autonomous, however. All of them are in turn influenced by more fundamental shifts and patterns in society. In analysing why certain changes in the external environment have provoked specific changes in the aid policies of certain countries and not in those of other countries, one has to look to the differences in the domestic aid environment, as well as to the way a country is affected by external forces. In this conclusion, we attempt to draw up a certain hierarchy of these factors.

To begin with, we believe that the aid policies of the Netherlands, both the stable broad orientations and the recent changes, are most importantly formed by domestic factors and not by foreign-policy considerations. The most important of these are the expectations which the public and the political parties have of the role of the state in domestic affairs. This expectation is transferred to the relations with developing countries. The central place which the transfer of income to low-income countries and groups holds in aid policies and its broad poverty orientation originate from this. The relative absence of directly productive activities in the sector allocation of aid also stems from the domestic welfare-state concept.

To understand why the state is looked upon somewhat differently in Holland than in other countries, one has to trace the specific history of the Dutch state. This factor suggests that a different role of the state in domestic affairs will go hand-in-hand with a different role of the state in aid policies. The more recent criticism of the domestic role tends to support this thesis. It calls for an approach where the aid policy is considered in the setting of domestic politics if the aim is to change the aid policy.

Other domestic factors, especially economic interests, play a minor though distinct role in Dutch aid policies. This is related partly to the relatively small economic role of the state in domestic affairs and partly to differences of interests within the private sector. This role, however, has been increasing in recent years.

NGOs, although occasionally successful in their lobbying activities *vis-a-vis* the government, are not a major influence in the shaping of aid policies. This is due to some extent to the financial dependence of the NGOs on the government.

Non-domestic factors also play a role in the shaping of aid policies. There has been quite a number of instances in which specific foreign-policy con-

siderations have influenced aid policies. This is most clearly expressed in the choice of recipient countries. The fate of Vietnam, Cuba, Egypt, North Yemen and Nicaragua is linked to these considerations, but the importance attached to multilateral organizations is linked to them as well.

International organizations, especially the UN, the DAC and the World Bank, in turn influence aid policies to quite an extent. In particular, the sectoral allocation of aid, targets in the LDCs, instruments such as 'policy dialogues', and aid approaches to Africa's stagnation, are heavily influenced by the policy recommendations of these organizations.

The socio-economic policies of recipient countries play a certain role in the quantity of aid and the aid package which recipients receive. This role, however, has declined in recent years.

Human rights play only a small and declining role in aid policies. The government uses this criterion mainly in a reactive way, that is if serious violations occur. The clearest case in which this has happened has been the suspension of aid to the ex-colony Surinam after serious violations of human rights in 1982.

The last factor is the role of the aid bureaucracy itself. Its role in the general orientation of aid is not a very strong one. Because of its smallness and lack of professionalism, it can only give a certain direction to the type of projects which are being implemented, their design and the way in which they are executed. However, in the end, it has, through this power, quite an effect on the ultimate results and the shaping of aid policies in the Netherlands.

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ANNEX 1.

Main features of Dutch aid budget (ODA) (percentages)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 plan	1987 plan
Sector programmes	29	31	29	25	26	26	27	25	26	29	34	36	32
Country programmes	43	40	40	42	42	41	39	39	38	23	27	29	31
Netherlands Antilles	6	6	6	6	5	5	5	5	6	6	6	5	5
International organizations"	16	17	18	20	19	21	22	24	24	23	24	21	23
NGOs	6	6	6	6	7	7	7	7	8	9	9	9	
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total ODA budget in millions Dfl.	1593	2440	2591	2837	3066	3484	3482	3617	3804	3562	3796	4273	4304

^a A part of the sector programmes, especially food aid, is channelled through international organizations as well. This largely explains why disbursements via multinational channels are consistently higher than these percentages.

Olav Stokke

The Determinants of Norwegian Aid Policy

Introduction

Norwegian policy towards the Third World has to a very large extent become associated with development assistance. The aid perspective enters into most other dimensions of this policy, in which the decolonization process in southern Africa and the South African policy of apartheid have attracted particular attention during the last twenty years. It also enters into the more traditional fields of North-South economic interaction, such as trade and shipping, and the recent involvement of the Norwegian oil-extracting industries.

In the Norwegian case, an elaborate development assistance policy has been established by successive governments and Parliament, identifying the reasons for giving aid, the objectives and the guidelines for aid implementation.¹ However, the aims are formalized at a high level of generalization, thus allowing for varying interpretations. Formalized principles may also be interpreted differently as need arises. The correspondence between formalized aid policy and aid implementation becomes, therefore, of crucial importance.

In search of the basic determinants: Comparing manifestations with positions

A country's aid policy may be conceived as the outcome of a multitude of processes, involving many actors—and different actors at different points in time and for different aspects of the policy. In this respect, aid policy does not differ from other policy areas. However, the *predominant values* (dominant socio-political norms and overarching interests) at stake vary from one policy area to another, even though quite a few are system related. The *issues* coming to the forefront will also be of importance, since a particular issue affects the norms and interests of the various segments of society differently. The issues, therefore, determine which of the potential *actors* are activated. In this particular field of policy, the values, issues and actors are not to be found only in the domestic environment. The *resource situation* of the country also affects the policy.

Aid policy, like policies within other areas, will respond to the dominant socio-political norms and the overarching interests of the society and respond

to the dominant values (norms and interests) of the external environment as well. From such a perspective it may be assumed that the aid policy, although part of the domestic and foreign policy of the system, will have distinct features of its own, reflecting the predominant values of the domestic and international environments of this specific policy area.

This study of the main determinants of Norwegian aid policy starts from this basic assumption. The manifest policy expressions will be related to the values of the domestic and international environments of this particular policy area. The emphasis will be on the norms, the interests and the economy, not on the social bearers of these values (the actors), who would attract the main attention in any process analysis.

The main features of Norwegian aid policy up to 1987 will be described, with emphasis on continuity and change. The main policy manifestations will be related to the (constant and changing) values of the domestic and international environments of this policy area and the evolving economic situation with a view to assessing the relative impact of the various values on the main dimensions of aid policy. This study will, accordingly, address the following set of questions:

(i) What elements of the domestic and external environments have the potentiality to influence aid policy? If decisive, in which direction would they steer aid policy?

(ii) What were the main features of Norwegian aid policy up to 1986 and what changes have taken place during the last decade?

(iii) To what extent do the main policy manifestations (ii) correspond to the assumed policy outcomes of the various elements of the domestic and international environments (i)?

(iv) On the basis of these correlations (iii), what are the relative impacts of the different elements identified?

The potential determinants:

In which direction do the positions point?

What then are the main elements of the domestic and international environments with the potentiality to influence aid policy, and in what direction would each of them orient the policy, if decisive? The closeness to the particular policy area is the main criterion on which the selection of elements is based, notwithstanding the fact that concerns emerging from broader national values and having higher priorities would most certainly have an impact even on aid policy.

Within the domestic environment, the main elements are the dominant socio-political norms and overarching systemic and private sector interests, including interests stemming from traditional relations with the Third World. These different elements do not pull the aid policy in the same direction.

1. *Dominant socio-political norms* influence all policy areas. The aid policy emerged from a Christian tradition, in which missionary activities constituted the main link with the Third World, and a humanitarian tradition involving relief actions. Still, the dominant societal norm was the welfare state ideology. Although the welfare state ideology, broadly defined, may include most of the socio-political norms referred to, the concept will in this context be restricted to its main concern: social justice. These norms are interrelated; the welfare state ideology draws on both Christian standards and the solidarity standards of the Social Democratic ideology. Other norms, such as the nationalist thrust for political independence, may also be added. In modern times, Norway has had a short history as an independent state (since 1905), and the experiences of military occupation and resistance during World War II nourished the independence value. Human rights are also among the dominant socio-political norms. Although intertwined as norms, it is possible to differentiate between their social bearers, even though some social bearers may be identified with several or all of the norms listed.

(i) *The welfare state ideology* is closely associated with Social Democratic (Labour Party) efforts, particularly after World War II, to build up a comprehensive, social security system. Other political parties—the old Liberal Party (Venstre) and two offshoots of this party belonging to the political centre, the Christian People's Party (CPP) and the agrarian Centre Party (CP)—contributed actively in building the welfare state. Gradually, this ideology has penetrated the main Norwegian political parties and political institutions. However, it has not been totally uncontested, even at the level of national politics in the Storting (Parliament), in which the Progress Party (PP) has been represented in recent years.

The main instrument of the welfare state ideology is the interventionist state, active in the promotion of a mixed economy with a large public sector, public intervention on general guidelines regulating public and private economic activities, and public redistribution through taxes and public transfers based on social and geographical criteria. In the Social Democratic tradition, solidarity does not stop at the frontier.

(ii) *Christian standards* are entrenched in the value system and the political institutions of Norwegian society. Even here, the scope is international, the universal brotherhood of man constituting a core element. Norwegian missionary activities in the Third World have to a large extent been directed toward poor people in poor countries, and so has the relief work of the Churches. These values are promoted by the state Church of Norway, Christian societies and individual bearers in NGOs and the political parties, who are well placed to exert strong political influence. The Council on Foreign Relations of the Church of Norway has been a prominent actor in aid issues.

(iii) *The humanitarian tradition*—related to international relief—has several social bearers, of which the Norwegian Red Cross Association is probably the most prominent. The bearers have, to a large extent, been integrated into the

process of aid implementation, particularly with regard to bilateral, humanitarian, development assistance.

What would be the main features of an aid policy emerging from these norms? Although the different norms affect some dimensions of aid policy differently, their main thrust would operate in the same direction: an aid policy in which the motives and objectives would be idealistic, oriented towards developmental objectives in the Third World (as opposed to self-centred objectives) and international common goods compatible with the norms identified. The general direction would be towards a large volume of aid on generous terms. The welfare state ideology would orient the policy towards international redistribution (poor countries) and economic and social justice at the national level (involving demands on the systems through which ODA is channelled), whereas the humanitarian tradition would give emphasis to more immediate needs, including relief. Other norms would result in a policy aimed at strengthening independence, democracy in a broad sense and/or human rights.

2. *The overarching systemic interests* of the domestic level which could influence aid policy cover a wide range of policy areas, related, first of all, to the promotion of foreign policy values (norms and interests). The distinction between private sector interests and national interests is arbitrary, since governments also represent private sector interests. Development assistance could even be used as an instrument in the promotion of foreign policy interests with little or no relevance to poverty alleviation or other developmental objectives. In such cases, we may distinguish between the pursuance of interests which are shared by the North and the South alike (international common goods), and narrower, national interests, whether belonging to the public or to the private sector. Three concerns may be of particular importance:

(i) Being a small country with an open economy, Norway has an interest in the establishment of *an international regime for the maintenance of international peace and economic stability*. From the very beginning, the United Nations system has been acknowledged as a cornerstone of Norwegian foreign policy for this reason, although Norway relies on co-operation within the North Atlantic Treaty Organization (NATO) as the main instrument of its security policy. Such an international regime belongs to the 'common good' category.

(ii) *Promotion of Norwegian economic interests* is another systemic interest for which development assistance may be instrumental. The promotion of Norwegian exports stands out in this regard, but ODA may also be instrumental in the promotion of Norwegian investments in the Third World and in ensuring access to raw materials. The two latter concerns, however, have been of little importance; in the first case, because Norwegian industries had few traditional links with the Third World and little enthusiasm for involvement in these parts of the world, and in the second, because the dependence is small, owing to the industrial structure and the fact that Norway has devel-

oped into a net exporter of energy. This concern belongs to the narrower, national self-interest and coincides with a similar interest of the business and industrial community (whether public or private and across the employer/employee borderline).

(iii) The particularities of the *aid* policy arena are important for the policy outcome. Three aspects are of particular importance:

(a) From the very beginning, the political left—in a broad interpretation—has been strongly in favour of development assistance. This may be traced back to the formative days. After Norway had joined NATO in 1949, the governing Labour Party, with a pacifist tradition in the 1930s, left the aid arena to those in the party who had lost the fight on the NATO issue, in a deliberate effort to keep them busy with what might be perceived as a positive way of building peace. Idealists and progressives within all major Norwegian political parties, including the Conservatives, in particular their youth wings, have considered aid policy an area of special concern.

(b) The administrative structure also influences policy outcomes. During the initial years, efforts were made to keep aid activity at some distance from central government administration (the Ministry of Foreign Affairs), which assumed the political responsibility vis-a-vis Parliament. In 1962, a Secretariat was established with a politically balanced Executive Board (with Mr. Trygve Lie, former Minister of Foreign Affairs and the first Secretary-General of the United Nations, as the Chairman) appointed by the Government. In 1968, a re-organization took place, in which an independent directorate (NORAD) with a Board was established. The Ministry of Foreign Affairs maintained the responsibility for multilateral ODA, although parts of the activities were assigned to other ministries. In 1980, the Ministry took over the responsibility from the Ministry of Commerce for relations with the development finance institutions. In 1976, the overall planning function for bilateral aid was transferred from NORAD to a separate unit of the Ministry of Foreign Affairs. In 1983, a separate Ministry for Development Co-operation was established, including both the multilateral aid unit of the Ministry of Foreign Affairs and NORAD, the latter being redefined as a directorate within the Ministry and responsible to the Minister, but with extensive authority delegated to the Director-General.

Another part of the administrative structure that may influence the outcome is the system of consultations. Thus, in issues in which the main responsibility is vested in the Ministry of Development Co-operation, organized consultations take place—both at the political level (usually between the State Secretaries (Deputy Ministers)) and at the civil service level—with other ministries. Major aid questions are aired in a coordinating committee chaired by the State Secretary of the Ministry of Development Co-operation, including the State Secretaries of the Ministries of Foreign Affairs, Finance, Commerce and Industry, and the Prime Minister's Office, giving room both for broader perspectives (Foreign Affairs, Finance and the PM's Office) and for

influence from sectoral interests.

(c) The bureaucracy administering aid has interests of its own related to the aid programme and is well placed to adapt the policy to such interests. One may distinguish between professional interests (in aid effectiveness) and self-centred interests (improving its influence).

These different systemic interests do not lead in the same direction. Whereas (i) would move aid through multilateral aid channels, in particular the UN system, (ii) works in the opposite direction: bilateral aid that might be tied to Norwegian products and services. If decisive, (ii) would also ensure a large degree of flexibility in the orientation of aid (its recipients and purposes) in order to adapt it to the needs of export promotion.

The forces mentioned in (iii)(a) move the aid policy in the same direction as the predominant socio-political norms, in particular the welfare ideology, extending social justice to the Third World, and add a peace perspective. The evolving administrative structures ((iii)(b)) work in the same direction by 'protecting' aid from pressures that would distract the activity from its primary purpose, although sectoral domestic interests are also given their say. The Ministry of Foreign Affairs has the responsibility for broader policy areas and looks after the broader national interests, in contrast to the sector ministries, which assume the role of a principal servant of the sector interests (public and private). Since the Ministry of Foreign Affairs has played an important role, in particular as far as multilateral aid is concerned, the policy is opened up to influences from the international environment. The setting also facilitates the use of ODA as a foreign policy instrument in the pursuit of non-developmental objectives. From a structural perspective, the latter risk is less for the bilateral aid within an administrative setting in which responsibility is vested in an independent body (NORAD) or in a sector ministry with development co-operation as its sole purpose (with responsibility for multilateral aid too). While the aid bureaucracy ((iii)(c)) has a vested interest in increased aid (for its own advancement and expansion), the foreign service would also see its interest served by a high multilateral aid component (buying influence in international bodies). As far as the bilateral aid is concerned, the aid administration will have a preference for efficiency and flexibility. The first consideration calls for long-term planning, concentration of aid to a few countries, and continuity in aid relations.

3. Private sector interests of the domestic level with the potentiality to influence aid policy include, first of all, the interest of the Norwegian industrialist and business community in the promotion of Norwegian economic interests vis-a-vis the Third World, in particular, export promotion, and a corresponding interest of trade unions in the promotion of employment. Non-governmental organizations (NGOs) involved in Third World activities also have interests at stake related to aid.

These different interests would not push the aid policy in the same direction. The interest of the Norwegian industrialist and business community

(though not restricted to the private sector) in ensuring that as high a proportion as possible of the aid programme is produced by Norwegian firms would, if decisive, orient the aid policy in the same direction as the systemic interest to the same end: bilateral aid tied to Norwegian products and services and oriented in such a way as to stimulate Norwegian exports. Trade unions would opt for a similar policy if employment was at stake, although their international solidarity ideology constitutes an additional dimension that may restrain automatism to this end.

Even if Norwegian NGOs of different kinds may have selfish interests to pursue which may affect the aid policy (*inter alia*, the geographical orientation of aid), idealist NGOs are, first of all, the social bearers of the predominant socio-political norms of the domestic society. Although different NGOs may affect aid policy differently, their main thrust would be towards a large ODA on generous conditions oriented towards humanitarian and development objectives (social justice, basic needs) in the Third World.

4. *Traditional relations* with the Third World, on both the systemic and the private sector level, may also affect the aid policy. As far as Norway is concerned, such relations were few and scattered. Norway had no colonial experience in the Third World, trade and investments were of an almost insignificant size—and Norwegian perceptions of the Third World were to a large extent based on the experiences of merchant seamen and missionaries. Traditional relations might therefore be expected to exert only a marginal influence on the aid policy. The main influence would be on the geographical orientation of aid, where missionary relations are expected to influence policy.

5. *The evolving economic situation* of Norway would affect several dimensions of aid policy. According to macro-economic indicators, Norway is one of the most prosperous countries of the world, with a rising trend. GNP per capita increased from USD 2,860 in 1970 to 6,540 in 1975, to 12,830 in 1980 and to 13,940 in 1984. In 1984, Switzerland and the United States were the only western industrialized countries that were ahead. During this period, the growth of real GDP at market prices was relatively high, with an ebb during 1981–82. During the 1970s, the balance-of-payments position was negative, and markedly so in 1975 and subsequent years, but turned positive during the early 1980s. Unemployment rates have remained relatively low (below 3 per cent) throughout this period.

These developments were related to the emerging incomes from the North Sea oilfields, which created confidence for the future—until the drastic price reductions of 1985. However, the mainland economy showed signs of crisis (high inflation, rising costs)—this also partly caused by the oil-based activities. Owing to these trends in the domestic economy, reinforced by the crisis in the international economy, Norwegian industries met harsher competition both at home and on international markets during the 1970s, especially the second half of the decade. The shipyard industries were particularly hard up. These developments had a potentiality to affect the traditionally low

unemployment rates.

In which way would these aspects of the Norwegian economy, if decisive, affect aid policy? The sustained economic growth and Norway's relative position among the industrialized countries should not lead to a reduced aid volume, but rather an increased one. They also provide a basis for generous aid (grants). The situation emerging during the second part of the 1970s (negative balance-of-payments position, harder competition, emerging employment problems), would, if decisive, lead to greater bilateralism, would orient bilateral aid towards countries which were promising from a commercial point of view (not poor countries) and would produce mechanisms to promote the return flow of aid, including tied aid. During the early 1980s, the situation improved somewhat, relaxing such pressures on aid policy.

6. Political decisions at the domestic level are affected by *external influences*. One objective of foreign policy is to promote national values (see 2. above); others are to interact with partners in regional and global institutions and to adapt to changing conditions in the national and international settings in the maintenance of a variety of values. Alignments stemming from co-operation in the pursuit of common values in one policy arena influence the outcome of the interactions in others. Co-operation outside the aid arena may, accordingly, also influence aspects of the aid policy.

Still, on the basis of closeness to the aid policy area, the external sources that may exert the strongest influences on the aid policy are the following:

- (i) The main regional (non-universal) organizations in which Norway co-operates on aid issues,
- (ii) The main international organizations and multilateral agencies concerned with aid and broader development issues,
- (iii) The major recipients of Norwegian bilateral assistance.

(i) *The main regional organizations* referred to here include organizations that are not regional according to the conventional meaning of the concept.

(a) For Norway, the closest co-operation takes place between the *Nordic countries*, institutionalized through the Nordic Council. During the 1960s, joint Nordic development projects were designed and run by one or another of the Nordic aid agencies under a joint steering committee. This type of co-operation has been reduced, although some joint undertakings are still in existence. Regular, institutionalized consultations at most levels—and informal exchanges—have gradually become the medium in which co-operation takes place. This applies both to bilateral aid and to Nordic co-operation in the multilateral agencies and other international fora, where they often appear with a joint spokesman. Membership of international committees and of the governing boards of international aid agencies is often distributed on a rotating basis among Nordic governments.

(b) *The Development Assistance Committee* (DAC) of the Organization for

Economic Co-operation and Development (OECD) is well situated to influence the aid policies of its members, the western industrial countries. The DAC has taken on the task of establishing standards for aid performance. It has, for example, defined what should be counted as ODA, volume targets for aid to the Least-Developed Countries (LLDCs) and standards for the grant conditions of ODA in general and for ODA to the LLDCs in particular.

(c) Other regional organizations—outside the aid policy arena—also include aspects of the aid policy on their agenda. This applies to NATO for questions that have a bearing on the security policy. For Norway, aspects of the aid policy that run counter to the security policy or foreign policy interests of the main partner in the alliance would be particularly sensitive, owing to Norway's particular dependence on the United States, deriving from its strategic position.

To a large extent, (a) and (b) would pull the aid policy much in the same general direction—towards a rising ODA volume, increased aid to the LLDCs and aid oriented to basic needs (in the 1980s, the main DAC concern switched to structural adjustments), and untied aid provided on increasingly favourable conditions (grants). Although this may be the general direction, impulses may also go in the opposite direction—since the aid profile of members does not always live up to high standards on all these dimensions of aid policy. This applies even to Nordic co-operation. Actors on the national scene who want to go slow or promote selfish interests find useful arguments from the average performance of DAC members or particular policies of other Nordic countries, while the trend reinforces the positions of more idealistic actors who prefer a policy along the general lines identified. As far as (c) is concerned, the main impact would be on the selection of the main recipients of bilateral aid, avoiding recipients with a negative relation to members of the alliance and in particular its super-power.

(ii) The multilateral aid agencies represent additional sources of external influence on Norwegian aid policy, in addition to their function of administering a large proportion of Norwegian ODA. Two systems are of particular relevance:

(a) The Bretton Woods institutions, especially the *International* Bank for Reconstruction and Development (IBRD) but also the International Monetary Fund (IMF), although this is not a development finance agency. These institutions have been establishing standards with regard to both the development philosophy and development strategy and, in the case of the IBRD, also with regard to the orientation and implementation of development assistance.

(b) The United Nations system, in particular, the General Assembly. Since 1960, the UN has set standards by drawing up development strategies and establishing ODA volume targets for successive development decades. The United Nations Development Programme (UNDP), which has been given the role of co-ordinating agency for the technical assistance of the UN system, also has the potential to influence on the aid policies of member countries, al-

though the specialized agencies are even better placed to establish standards within their respective areas. A few of these agencies have also drawn up broader development strategies, as in the case of the International Labour Organization (ILO) in designing the basic-needs strategy (1975—76) and the UN Conference on Trade and Development (UNCTAD) in taking on, from 1974 onwards, the role of a major vehicle for Third World demands for a New International Economic Order (NIEO) within a priority area of that programme.

The multilateral aid agencies pull the aid policy in much the same direction. If decisive, the general trend would be towards increased ODA, on grant terms and untied, with a large multilateral component. Although universal in scope, a slight poverty orientation in terms of aid directed to poor countries and poor people could also be expected. As far as the development strategy is concerned, the IBRD would give emphasis to export-oriented growth.

(iii) The *main recipients of aid* who may influence Norwegian aid policy include the multilateral aid agencies through which a large proportion of Norwegian ODA is channelled (see ii) and the priority countries for Norwegian bilateral aid.

The main features of an aid policy along the lines preferred by the priority countries would be a high and increasing ODA volume, untied and on a grant basis, provided according to the needs and priorities of the recipient governments, and with a time perspective that allows for long-term planning.

The evolving situation in the Third World also influences aid policy. The policy is expected to adapt to changing needs. Since aid policy has to such a large extent been associated with bilateral aid, the developments in the priority countries become of particular importance. During recent years, many of the priority countries have increasingly faced burdensome foreign debts and a balance-of-payments situation that prevented importation even of items necessary to keep the wheels running, leading to a deteriorating economy. In addition, an environmental crisis caused by man and droughts became increasingly evident, leading in some areas to dramatic famines, as in the Sahel.

If these developments were decisive, ODA contributions would increase and be given as grants, oriented towards countries which were most seriously affected. They would also affect the forms of aid, with greater emphasis on aid forms with a large foreign currency component, aid aimed at environmental protection and even increased humanitarian aid.

These are the main potential determinants of Norwegian aid policy that emerge from the approach selected for this study. In the next section, the main features of Norwegian aid policy will be outlined. The actual policy manifestations will be related to the policies sketched above as outcomes of the potential determinants. The degree of compatibility will be the basis on which tentative conclusions as regards the relative impacts of each of the potential determinants will be founded.

The main features of aid policy and their determinants

Six stages can be identified in the evolution of Norwegian aid policy: (1) the formative years 1961—62, under a Labour government; (2) the first general review, which took place during 1966—68, on the basis of the report of the Onarheim Committee, under a non-Socialist coalition government (Cons., Lib., Christian People's Party (CPP) and Centre Party (CP)); (3) the review in 1972—73, initiated by the Council of NORAD in 1970, followed up by a Labour government and maintained by a centre coalition government (CPP, CP, Lib.); (4) the new review of 1975—76, responding to NIEO demands for broader economic co-operation between North and South, under a Labour government; (5) the interludes during the late 1970s and early 1980s, characterized by ambivalence and conflict between the main policy-making organs (government and Parliament) under pressure from a strained international economy; and (6) the reviews of 1984 under a non-Socialist coalition government (Cons., CPP, CP) and 1987 under a Labour government.'

Conflicting motives: Altruism v. self-interest

What have been the main reasons for providing ODA? To what extent have these reasons shifted over time? To what extent do the reasons correspond with the values of the domestic and international environments identified above? And, on this basis, what have been the relative impacts of the various values on the argumentation for development assistance?

The prime motive for Norwegian aid—as declared—has allways been to reduce the gap between rich and poor countries and to improve the living conditions and standards of life in poor countries. Motives are often intertwined, but it is possible to distinguish between idealist (altruistic) motives and self-centred motives geared to satisfying political or strategic Norwegian interests (political motives) or Norwegian economic interests (economic motives).

The main thrust: Moral obligation

Successive governments and Parliament have emphasized altruistic motives. In 1961, the Engen Committee stated that these motives 'are based on the principle of equality of man and a feeling of solidarity with all countries and races'.² In 1975, the government (Labour) stated that the moral obligation to help human beings in distress was the most powerful incentive behind Norwegian aid contributions and that 'the moral obligation to alleviate distress in distant parts of the world lies in the fact that our ability to share and sympathize in the experience of others does not stop at national boundaries'. Norway, one of the richest countries in the world, was in many ways reaping the benefits of an economic system governing relations between rich and poor

countries. 'At the same time our people firmly adhere to such fundamental precepts of human values as the Christian philosophy of universal brotherhood and a general feeling of solidarity between all human beings. Guided by such fundamental precepts, we are in duty bound to accept our share of the burden towards achieving a more equitable international distribution of **wealth**'.³

A similar reason was given nine years later. In 1984, the government (Centre Party, Christian People's Party, Conservative Party) stated that 'Norwegian aid originates from humanitarian and Christian traditions and the philosophy of solidarity. Development assistance is an extension to the international level of the efforts to create social justice, characteristic of the development of the Norwegian welfare state'. Norway's capability to provide assistance had improved considerably and the development assistance 'is established as an important national obligation'. The satisfaction of social and economic human rights was another motive for aid. 'All have the right to have their basic needs for food, water, clothing, education, housing satisfied—and in such a way obtain a decent human life. Development assistance appears as the most practical way of assisting people in the Third World in their everyday struggles to escape poverty and distress'.⁴

Political motives: International common goods

Political motives have been expressed at a high level of generalization. In the United States and in most of the countries of western Europe, the East-West conflict had an impact on development assistance, especially during the early phase. Aid was given the additional function of containing Soviet influence in the Third World. Although such a justification appeared during the 1950s,⁵ it does not appear in the Norwegian key documents on aid policy from 1961 onwards (but may be traced in the debate). In these statements, aid has been portrayed as an *instrument* for *peace*, contributing to political and economic stability in the world. These aspects have been emphasized as the main reason for providing development assistance.

1. *Peace and stability*. In 1961, the Engen Committee stated that 'Economic and social progress constitute one of the preconditions for the political stability which is a prerequisite for peaceful development in Third World countries—and, therefore, in the world'. Development assistance constitutes 'an important part of the peace policy which the nations of the world have committed themselves to pursue as members of the United Nations'.⁶

This motive has been repeated and developed further in later key documents. The argumentation has evolved along two main lines: multilateral aid through the UN would be instrumental in strengthening the capability of the UN system for conflict resolution, and aid in general would contribute to stability in a world characterized by increasing interdependence. This would be in the best interests of small countries like Norway. Thus, from the outset,

development assistance has been justified as an instrument of Norwegian foreign policy.

In 1987 (Report No. 34), the government (Labour) included peace as an aid *objective*. It was also used extensively as a motive for aid, in particular when increased support for regional co-operation was justified.

2. *Non-alignment*. In 1961, the government (Labour) stated that it wished to strengthen the UN by adding new and greater tasks to its previous ones. 'During recent years, the UN has been particularly concerned with the abolishment of the colonial system. It is important for the handling of this task that the UN system is provided with opportunities and financial resources to assist the new countries when they have assumed their independence. In this way one may also assist in meeting the wishes of these countries to stay out of the East-West conflict.'

3. *Interdependence*. Gradually, political self-interest, resulting from increasing interdependence between industrialized nations and developing countries, also came to be emphasized. In 1967, the Government (non-Socialist coalition) stated that political and economic co-operation between industrial countries and developing countries, with the aim of supporting the efforts of developing countries to improve their economic and social growth, 'will be decisive for the efforts to ensure stable and peaceful growth—economic as well as political. In a longer perspective, this co-operation will also be decisive for the activation and mobilization of natural resources, the productive resources and consumption opportunities which constitute the basis for a continuous expansion of the world economy'. The following year, the Parliamentary Standing Committee on Foreign Affairs stated, *inter alia*, that the gap between the rich and the poor parts of the world continued to increase. The unequal distribution of wealth 'creates the basis for unrest and conflicts both within countries and between states'.⁹

Similar observations were repeated in 1975, when the government (Labour) stated that it was in the best interests of the industrial countries to promote better development in the Third World. 'A society burdened with great social and economic inequalities is an unstable and unsafe society, and . . . a world where great inequalities exist between the nations is an unsafe world'.¹⁰ In 1984, the government (non-Socialist coalition) followed up this argumentation.!

Economic self-interest: Promoting exports

Self-centred, economic reasons have also been stated. A defensive posture was taken by the Engen Committee (1961): nothing is wrong with aid that aims at economic profit for the donors; it may at the same time serve the interest of the recipients. A solution of the problems must to a large extent be based on economic relations through expanded world trade. 'Through financial transfers, the industrial countries may, *inter alia*, be able to secure markets

for their exports and to promote their own economic **expansion**'.¹²

In 1967, the government (non-Socialist coalition) was more explicit on this point. Even so, it advocated continued support for the UN development programme—which made little use of Norwegian commodities, or services. The Onarheim Committee had argued in favour of channelling a large share of the financial aid bilaterally, with the explicit purpose of *making use of Norwegian commodities and services*. The government suggested that some elements of procurement tying should be introduced.¹³

In White Papers on aid during the 1970s and 1980s, governments with their bases in different political parties emphasized the interdependence between North and South, and a corresponding community of interests. Such observations were made in general terms and in justifying mechanisms intended to stimulate greater participation by Norwegian private enterprise in trade with or investments in the Third World. It is an important observation that governments have felt obliged to apply altruistic arguments even in cases in which the pursuit of narrow self-interests was the obvious main concern, as in 1984, when mechanisms with the purpose of promoting Norwegian exports were justified with the argument that they contributed to more equality in Norway's relations with the main recipient countries.¹⁴

Main conclusions

The motives given for Norwegian development assistance have followed a consistent line from the very start, almost without regard to changes in the political colour of the government. Aid has primarily been justified by *altruistic arguments*, well attuned to the dominant socio-political norms (1.) and their social bearers, idealistic NGOs (3.) and particularities of the aid arena (2.(iii)(a)), and reinforced by the reference to Norwegian affluence (5.). The predominance of altruistic arguments in the key documents is also matched in public opinion surveys; the reasons for giving aid have been mainly altruistic.¹⁵

The *political motives* are attuned to the enlightened self-interests of small and middle industrial nations in an interdependent world and correspond well to the overarching systemic interest in peace and economic stability (2.(i)). The more *self-centred, economic arguments* for aid correspond with overarching interest at the system level in export promotion (2.(ii)) and private sector interest to this end. Such justifications have been given particular emphasis by non-Labour governments. However, these arguments have not been given prominence.

The main conclusion, therefore, is that the dominant socio-political norms of the domestic environment stand out as the main determinants as far as the motives given for aid are concerned. This conclusion is reinforced by the fact that even the political motives expressed are directed towards international 'common good' objectives.

The aid objectives:

Reflections of predominant domestic norms

The predominant objectives of Norwegian aid were established at an early stage, with only minor revisions later on. In 1962, at a time when most western aid agencies identified a rather undifferentiated growth as their objective, the government and Parliament stated that Norwegian development assistance was aimed at *promoting economic, social and cultural development in the Third World*.¹⁶

In 1972, this aim was further refined; *income distribution* was added and a long-term goal was sketched: 'Co-operation not involving direct aid, but rather based on mutual exchanges of goods and services between the countries and increased cultural and political intercourse and co-operation with the people in the partner countries'."

These aid objectives were maintained in later key documents. In 1975, the long-term goal was repeated and the government stated, *inter alia*, that 'the efforts to eradicate these economic disparities internationally and to secure a sound standard of well-being for all will be the overriding task facing the human race for many years to come'.¹⁸

In 1984, the government reaffirmed that 'the overriding goal for the development assistance activities shall also in the future be to assist in creating lasting improvements in the economic, social and political conditions of the people in developing countries. Development assistance shall be used in a way that maximizes its development effects for the poor sections of the people. Aid shall in the first place be directed to the poorest developing countries and be provided in a form that creates as little dependence on continued aid as possible'.¹⁹

Two new dimensions were added in 1984: *democratic development* within countries and *liberation from economic dependence* in external relations were established as formal aims. These objectives, however, may be traced back to previous policy documents and aid manifestations.

In 1987, the government (Labour) confirmed these aid objectives, adding that they might be conflicting. Without distinguishing sharply between motives, objectives and strategies, the government gave particular emphasis to the following five objectives: responsibility in the administration of natural resources and environments; economic growth; improvement in the conditions of the poorest, in particular of women; support of social, economic and political human rights; and the promotion of peace between nations and regions. In the wake of the International Commission on Environment and Development, chaired by Ms Cro Harlem Brundtland, the Norwegian Prime Minister, the *environment* was given additional emphasis, and *peace*, previously among the motives given for aid, was established as an aid objective.

In 1987, Parliament's Foreign Affairs Committee confirmed (Recommendation No. 186) the overriding objective as defined in 1984. Commenting on

the five objectives proposed by the Labour government, the Committee stated that they had to be assessed according to the extent to which they would contribute in fulfilling the overriding objective. Alone, they could not justify aid projects.

The development aims established correspond well to several of the dominant socio-political norms of the domestic environment (1.), in particular, the welfare state ideology, and their social bearers, idealistic NGOs (3.). The long-term goal also corresponds to both the overarching interest of the system level related to export promotion (2.(ii)) and domestic business interests to the same end (3.), though in rather general terms. The welfare state ideology stands out as the main determinant as far as the general objectives of Norwegian aid are concerned.

The strategies: Combining welfare with economic growth

Norwegian development assistance has not been provided in accordance with an elaborate, uniform strategy. The guiding philosophy has changed over the years, in tune with the current internal and international debate. Fragments of different development strategies have been intertwined, and elements of new strategies have been added to the older ones. Until 1984, the White Papers on aid were not addressed directly to development theories or development strategies—the strategies identified here are deduced from occasional references and from actual policies.

The 1961 White Paper reflected the view that the poverty of the developing countries was best explained in terms of their lacking one or another of the key factors essential for development. The missing component was sometimes seen as technology, sometimes as education, sometimes as capital—and sometimes even as good health. The task, therefore, of an aid programme, was to lessen the key deficiency. It was, however, up to the developing countries themselves to solve their problems and to achieve increased economic growth. The main instruments of the Norwegian domestic policy—planning and adjustments—were recommended as the keys to development: 'Development assistance must be integrated in a conscious plan for economic growth which is adjusted to the prevailing conditions of the countries concerned. This is a prerequisite for obtaining the purposes for which aid is provided. Such planning must be the responsibility of the developing countries themselves. . .!'

Two main aid strategies, along with a further policy thrust, can be deduced from White Papers and aid implementation." They are:

1. A *welfare strategy* that seeks to improve the welfare on the recipient side, emphasizing the improvement both of social services and of services that will directly improve the ability of local communities to meet their own basic needs. This strategy thus includes, *inter alia*, support for rural development and the development of the primary sector (agriculture, forestry, local

fisheries), drinking-water schemes in rural and urban areas, education, health and nutrition, and co-operatives.

2. *An industrialization and trade strategy* that seeks to build up the productive capacity and export potential on the recipient side, emphasizing the industrial sector and export-oriented products, infrastructure (telecommunications, main roads and the transportation system) and energy, with a view to expanding foreign trade (exports).

A third cluster of policies can be identified, which have as their purpose *the advancement of Norwegian interests* within the context and under the guise of aid. These policies, therefore, have a different primary objective from those established for Norwegian development assistance.

Elements of the two approaches co-exist within the same development programme. The third set—those policies related to the pursuit of Norwegian interests—is combined with both strategies—though more easily with the second. The emphases of the two strategies are different. At times, more emphasis has been given to one or the other of these main approaches—or even to certain elements in one of them (rural development, health, institution building, etc.). The emphasis on sound ecological development, which received additional weight during the 1980s, falls outside the two main strategies, although it has been linked to the first and identified as a concern to which attention should be directed when pursuing the second. In 1987, Parliament's Committee of Foreign Affairs made an effort to combine the two strategies by emphasizing (Report No. 186) that Norwegian development assistance should 'give strong emphasis to increase the productivity of the poor part of the population', adding that Norway should be a forerunner in giving priority to an ecologically responsible basic-needs strategy for development assistance. The interplay between the various parts of the economy and societal factors has always been recognized, though gradually it has become stronger. The holistic perception of development was particularly strongly pronounced in the 1984 White Paper.

The welfare strategy: **Primary** production, basic needs, services and target **groups**

Structural barriers to social and economic growth were introduced into the aid debate at an early date. In 1961, the government observed that 'In many countries a restructuring of the society and of its social structures will be necessary. The structure of land ownership may often be a barrier to progress within such an important field as **agriculture**.'²² Structural reforms in developing countries as a condition for development were given additional emphasis in the 1972 White Paper. The government gave further emphasis to the crucial role of the Third World governments' own policies for attaining social and economic growth. Increased economic growth alone would not improve the conditions of the masses:

It is necessary to make radical changes in the social and economic structure which can ensure that the results of the growth process do not only benefit small, privileged groups of society, but that they are distributed in a socially fair way. Secondly, that a minimum standard, in respect of education, health, housing, employment, food and water supplies, etc., is necessary in order to let the mass of the population in the developing countries join in such creative activity as is an essential prerequisite to economic growth. Recent research into malnutrition of infants, as well as of pregnant and nursing mothers, has shown that the harmful physical and mental effects are carried through into adulthood, with reduced capabilities as a consequence. This has helped to spotlight the qualitative aspects of development **co-operation**.²³

By the early 1970s, it became clear that much development assistance does little or nothing to improve the welfare of the poorest. If such an objective was to be met, the strategy had to concentrate on support that was designed to meet their needs. Most of the elements of this emphasis on *basic needs*, formulated by the ILO in 1975 and recommended by the OECD in 1977, were contained in the 1972 White Paper.

An important element is the orientation of ODA towards *target groups*. In 1972, 'the mass of the population' and 'the worst-off groups of the population'²⁴ were singled out as target groups, along with 'national and social movements in dependent areas', referring in particular to southern Africa. In 1975, the Government stated, *inter alia*:

When evaluating any development project or programme a decisive criterion will be whether it will contribute towards promoting the development and well-being of the broad mass of the population and in particular those who suffer most from poverty and need. Recent experience and research seem to indicate that it is precisely such a policy on development aid, which in the long run provides the best incentive for growth, placing as it does the major emphasis on a broad social (including health, nutrition and education) and economic development for the benefit of the broad masses of the population, hereunder not least the development of rural areas.²⁵

In the 1975 White Paper, *women* were added as a target group. In a more limited sense—within the field of family-planning—women had been a target group even before. In 1976, Parliament reinforced this orientation, stimulated by the UN conference in Mexico in 1975. This orientation was developed further during the following years. In 1985, the government presented a strategy for women-oriented development **assistance**.²⁶ In 1987 (Report No. 34), *children* were added as a target group.

The emphasis on women-oriented aid most probably came about as a reflection of issues on the agenda of domestic politics. During the early 1970s, new feminist groups arose, in addition to the long-established, equal-rights groups, and these groups were reinforcing each other in the field of research and politics, with an international perspective and framework. They were probably the main activists to whom the politicians at large adapted them-

selves. It may be revealing to contrast the policy programme that emerged from the 1985 strategy document with the priorities that emerged from the public-opinion surveys. In the surveys, the children and the poorest sections of the population are given the strongest emphasis. The strategy for women-oriented aid has a different and more refined perspective, although this too includes a focus on children and the poor sections of the **population**.²⁷

Similar views were emphasized in 1984, when the poverty orientation was underlined more strongly than ever. The government insisted that the crisis in which several of the developing countries found themselves during the 1980s made it

even more necessary than ever to direct our development assistance towards the poor countries and to follow a strategy that aims at making it possible for them to satisfy their basic needs. A major object is to further expand the poverty orientation of the Norwegian development assistance. It is the opinion of the Government that our assistance must be directed towards poor strata of the population in the developing countries, and to increase their abilities to satisfy their basic needs, such as food, health, employment. In the view of the Government, increased efforts within agriculture, water supply, health and education, in which primary health services and basic education are considered especially important, are elements in such a strategy. Aid directed to programmes which are contributing to self-generating economic development may be obvious elements in this **regard**.²⁸

The government wanted, furthermore, to give **high** priority to aid 'directed towards the improvement of women's living conditions and employment opportunities' and to increase the efforts aimed at preservation of the natural resources. The structural aspects of the basic-needs strategy were emphasized; according to the government, this strategy went beyond the promotion of welfare. 'It is the capability of the society to satisfy the basic needs of the entire population which is to be strengthened. Better access to education and health may in most cases contribute directly to increased productivity. To increase the productivity among the poor strata of the population is an important objective in this development **strategy**.'²⁹

In 1987, Parliament's Foreign Affairs Committee stated (Recommendation No. 186) that target-group oriented aid, within the framework of a poverty-oriented strategy 'to strengthen the basic-needs sectors—food production, health, education and employment—should be given priority as growth areas within the Norwegian development assistance.'

Several of the main components of the Norwegian bilateral-aid programme are elements of the welfare strategy. This applies in particular to:

1. The emphasis which has been given in the key policy documents to the *development of the primary sector*, in the first place, agriculture, but also fisheries. The fundamental importance of the primary sector for development—food production and employment—has been emphasized from the outset, during the 1970s in relation to the basic-needs strategy and the target groups (the poor masses) and during the 1980s with added emphasis due

to the food crisis, particularly in Africa. Forestry and soil preservation have increasingly attracted the attention of the political authorities, especially since the second half of the 1970s.

2. The weight which has been given to population and health. *Family-planning* has, since the end of the 1960s, had a quantitative target of 'at least 10 per cent' of the total aid budget. In 1987, AIDS was singled out as an additional target.

3. The utilization of *private organizations* (NGOs) as agents for development and as aid channels. This has been given emphasis since the early 1960s, and since the mid-1970s as an instrument in the poverty orientation of aid. During the 1980s, NGOs have been given added importance by Norwegian political authorities, in tune with the general trend among western industrial countries.

4. Another aspect may fit into this strategy too. *Participation* was a keynote of the 1984 White Paper. 'The Government aims at a more active participation from and co-operation with those people for whom the aid is intended by way of a more target-group-directed development assistance. In the future development co-operation, the Government will give stronger emphasis to the peoples' participation and give priority to aid forms and channels that are well suited for this purpose'.³⁰

The industrialization and trade strategy:

Improving the productive capacity and trade opportunities

In the 1961 White Paper, trade was considered the prime mover of economic growth, in line with the conventional wisdom of western economic theory at that time. Investments 'which could contribute to a better utilization of the natural resources and the labour force of the developing countries' were in demand.³¹ The government maintained, *inter alia*, that 'the policy of the rich countries with regard to investments, trade and finance is much more important for the development opportunities of the underdeveloped countries than grant assistance can ever become'.³² Private and public development assistance should be given an orientation that supported economic growth, not least by contributing to increase export-oriented production.

As further developed, this approach was given two dimensions:

- mechanisms to improve the productive capacity of the recipient country by way of investments and technology transfers, and in particular through the engagement of Norwegian private enterprises; and
- mechanisms to improve the market conditions for Third World exports, in particular, for the exports of the priority countries and the poorest countries, on the markets of the industrialized world, with particular reference to the Norwegian market.

In 1961, the Engen Committee emphasized the importance for the developing countries of having *access to capital on a commercial basis*. Public support

might be instrumental to this end. Norway was also, according to the Committee, in a particularly good position to provide *exports of capital goods and contractor work*. This has been repeated in subsequent White Papers, though with variations in emphasis. In 1966, the Onarheim Committee—and subsequently the government—gave this viewpoint strong emphasis. From a slightly different perspective, it was again underlined in the 1975 White Paper, as an element of the NIEO policy. In the 1984 White Paper, repeated in 1987, these aspects were again given prominence.

The opening up of Norwegian markets to Third World exports has also been underlined. The Engen Committee emphasized the importance of removing barriers to trade (except in agricultural products). In 1975, such efforts, especially directed towards the main recipients of Norwegian aid and the LLDCs, were followed up by mechanisms aimed at the promotion of imports from these countries to the Norwegian market. In 1984, and again in 1987, similar views were expressed by the government.

In 1975, a shift of emphasis in the Norwegian Third World policy took place. According to the government (in Report No. 94), the existing structure of the international economy had the strongest impact on the development opportunities of developing countries. Fragments of the *dependency* thinking are easily detected in the government's analysis:

Even though the developing countries have gradually liberated themselves from colonialism and have become independent states, they still find themselves in a position of economic dependence on the rich part of the world through a system of ownership control, division of labour and power which effectively prevents them from attaining full economic and social **independence**.³³

On this basis, the government supported both the analysis on which the demands for a New International Economic Order (NIEO) were based and many of the claims for structural reform and redistribution included in the UN NIEO resolutions of the mid-1970s. Trade as the prime growth dynamo, with production for export as the main strategy, was combined with the demands for structural reforms of the international economic system.

During the following years, Norway gave strong backing to the demands for a NIEO. Although very little was achieved, the issue has been kept warm. Out of the frustrations emerged the idea of regional North-South co-operation between the Nordic countries and southern Africa (the SADCC countries). The emphasis has so far been more on the co-ordination of aid to obtain some 'NIEO effects' than on broader North-South co-operation between the two **regions**.³⁴

At the level of aid policy, the NIEO proposals of the 1975 White Paper may be grouped in three categories:

1. Mechanisms *to promote exports from Third World countries* to the Norwegian market. These included measures with the purpose of reducing barriers to trade, *inter alia*, by including new products in the General System

of Preferences (GSP) and excluding customs on all imports from the LLDC. The effects were, indeed, **marginal**.³⁵ Agriculture and textiles were in general outside these arrangements, thus placing the Third World countries at a disadvantage compared with the EEC and EFTA countries. During the period 1979–84, Norway kept outside the Multifibre Agreement but joined it again in July 1984. An office to promote—in the Norwegian market—imports from Third World exporters, in particular from the priority countries and the LLDCs (NORIMPOD), was established in 1977 and financed by ODA, but its impact has been marginal. In 1984, it was transferred from the Ministry of Commerce to the Ministry of Development Co-operation.

2. In 1975, the government proposed *a fund for restructuring and adjustment measures for Norwegian firms* that were affected as a result of the liberalization of imports from developing countries. The idea was that society at large should shoulder the burdens of national policies, not the individual firms or the local communities directly affected. However, this fund was never realized.

3. *Mechanisms to stimulate Norwegian private enterprises to engage in industrial development in the Third World.* A few mechanisms were already established before 1975. In the 1975 White Paper, the government wished to re-activate the following:

(i) A facility, established in 1963, involving a *government guarantee scheme for political risks covering investments in Third World countries*. The financial framework for this facility was extended quite substantially after 1975. Still, only a very modest use was made of it. By the end of 1983, the guarantees covered only NOK 57.4 million.

(ii) An arrangement (established in 1966 and expanded after 1975) whereby NORAD covered 50 per cent of the cost of the *pre-investment studies* by Norwegian firms exploring opportunities for starting activities in the priority countries. Although 208 projects had been financed up to 1984, only a few resulted in the establishment of industrial activities.

(iii) *Support for basic investments* in connection with private Norwegian investments in the Third World. This facility had been used only once before 1975, with three additional projects up to 1984.

To these, the government in 1975 proposed to add the following:

(iv) A fund (NORDFUND), from which Norwegian enterprises could raise *loans on favourable terms for industrial development projects in the Third World* or obtain guarantees for such loans. According to the 1975 White Paper, this facility was to be financed by ODA, but outside the 1 per cent target. It was to be limited to projects in the priority countries which were 'clearly aimed at promoting development in accordance with specified criteria'.³⁶ When implemented in 1979, however, the facility was financed from the ordinary ODA budget. As it was also exempted from the principle of geographical concentration, it did not become the instrument for stimulating Norwegian industrial enterprises in the poorest Third World coun-

tries which was the intention in 1975. This was a rather dysfunctional change, in view of the efforts by NORAD after 1975 to identify—in co-operation with the governments of the priority countries—suitable projects for joint ventures. To this end, NORAD had applied the mechanism mentioned above (ii), as well as a network of Norwegian development consortia established during the late 1960s and early 1970s (encouraged by the Agency), in order to improve the competitiveness of Norwegian firms regarding international and national contracts in their respective fields. The funds made available for this facility were modest during the first few years. NORDFUND did not attract particular attention from Norwegian firms.

(v) *Support for training* in connection with the establishment of Norwegian firms in Third World countries. However, this vocational training, where supported, was to be open to all and to be continued by the government of the host country.

In the 1984 White Paper, the government argued strongly for the continuation of these mechanisms. In its opinion, they were well justified from the developmental perspective, since they aimed at strengthening the productive industrial capacity and developing the relevant competence in this area in the Norwegian priority countries and other Third World countries as a supplement to state-to-state aid. According to the Government, Norwegian industries might play an important role in this field, where state-to-state aid was not considered appropriate.³⁷

So far, the combined effects of these mechanisms have indeed been meagre; Norwegian private investments in Third World countries are still at a very low level.

Several factors may together explain the continued concern with the NIEO programme. The political commitment from (particularly the Labour) governments and Parliament has been strong. Internationally, Norwegian politicians and diplomats were given important roles—in the UN Committee of the Whole, UNCTAD and the Group of Like-minded States. A restructuring to facilitate the NIEO policy took place within the Ministry of Foreign Affairs, and a unit to deal with NIEO issues was created. An umbrella NGO organization (with a small, but efficient secretariat) was also created, activating the generation of committed Third World students, researchers and mass media people that entered the scene during the second half of the 1970s. The mechanisms just identified emerged from this NIEO tradition. However, their kinship to what is termed the commercialization of aid is also apparent, increasingly so during the years after 1975, and strongly reflected in the 1984 White Paper.

In 1987, Parliament's Foreign Affairs Committee gave the strongest emphasis to the welfare strategy (Recommendation No. 186), adding that Norwegian ODA should also 'contribute to the strengthening of the economy of the developing countries and their administrative, social and economic infrastructures.' The mechanisms identified above, which had the purpose of creat-

ing economic growth by supporting the modern sector of the economy, were considered part of the ODA, but outside what the Committee defined as 'ordinary, long-term, development assistance' and 'short-term emergency aid'.

The commercialization of aid policies:

Promoting Norwegian exports under the aid umbrella

The measures discussed in the above have development in the Third World as their main thrust. However, some of the mechanisms involve a great sensitivity to the interests of Norwegian industry and have been implemented in a way that served Norwegian business interests. A third set of measures, to be discussed under this heading, can fairly be said to be in the first instance concerned with the advancement of Norwegian interests, *inter alia*, by ensuring a high return flow.

Exports of capital goods were already included in the aid package in the recommendations of the Engen Committee (1961) and subsequent White Papers returned to this, strongly so in 1967 and 1984. In 1975, the Labour government underlined these aspects, but then from a NIEO perspective. The following measures were part of the package:

1. A facility for *guarantees on special terms for exports* to Third World countries, established in 1963. The facility was in principle self-financing; any possible losses would, however, be covered by the ODA budget. For this reason, the projects had to be scrutinized by NORAD and found to promote development.

This facility was progressively expanded after 1975. Its financial framework and the actual guarantee responsibility increased, the latter from NOK 69 million in 1974 to 6.3 milliard in 1979. By the end of 1983, the guarantees covered NOK 4,882 million, of which NOK 3,177 million were for export contracts involving ships. Many of the export projects were deemed extremely risky, and the willingness to take risks increased. During the late 1970s, several of these contracts (mainly ships) were explicitly exempted from being presented to NORAD for consideration.

In 1979, however, Parliament reacted by limiting the possible refunding of losses by ODA to NOK 20 million a year from 1980 onwards. This did not prevent the government (Cons.) from proposing, in 1982, to allocate NOK 145 million from the ODA budget for 1983 for this purpose. Although Parliament (the Foreign Affairs Committee) unanimously (!) rejected this proposal, the succeeding (coalition) government, in its White Paper (1984), renewed it. This time the annual limit to be covered by ODA was fixed at the level of NOK (1984) 200 million. In 1985, this was followed up in the budget for 1986 and accepted against the votes of the opposition parties (Labour, SLP). In 1987, the issue was finally resolved. The Labour government proposed (Report No. 34) that losses on *new* export guarantees should be covered by the Ministry of Trade outside the aid budget. A majority in Parliament (all parties except the Conservatives and the PP) decided (Recommendation No. 186) that the

accumulated means budgeted for this purpose, but frozen (NOK 390 millions), should be divided equally between the Ministry of Trade (to cover losses on previous export guarantees) and a Fund for debt waiving oriented, in particular, towards the Norwegian priority countries in Africa and other SADCC countries.

2. An *interest-rate support facility for exports* to Third World countries of capital goods or the direct subsidy of such exports, established in 1976. Its purpose was to promote Norwegian employment and exports—in the first place, the ship-building industry. The grant element was up to 25 per cent on export contracts involving ships, new and old. The financial framework of the facility was extended to NOK 1.1 milliard in mid 1978. The facility was, however, not financed by ODA, although this was the intention when it was first proposed. It was terminated in 1981.

3. In 1982, a facility was established (financed by ODA) for *parallel financing* of projects financed by the development banks (the IBRD and regional banks) and tied to Norwegian commodities and services. Separate agreements with the banks have provided for the financing of consultancy services. The implementation has to some extent been the task of the Norwegian Export Council.

4. Another facility, established in 1982, provides for support (ODA) to training (maintenance) in connection with the export of capital equipment to Third World countries.

5. The case of Norwegian *membership in the Inter-American Development Bank* (IDB) fits into this pattern. When the (Labour) government in 1980 decided to apply for membership, the burning issue was whether this commercially motivated membership should be financed through the ODA budget, as suggested, against the advice of NORAD. Parliament turned this proposal down. However, in 1984, the government (non-Socialist) repeated the proposal. In 1987, the Labour government (Report No. 34) also proposed that IDB membership should be financed by ODA, and Parliament agreed against the votes of the SLP (Recommendation No. 186).

6. In 1984, the government introduced *mixed credits* for the export of capital equipment, consultancies, technology and contractor work to Third World countries. It was established on an experimental basis for a three-year period and within a limited financial framework (NOK 50 million for 1985). The facility should be adapted to OECD guidelines, involving, *inter alia*, a grant element (ODA) of 25 per cent. Even this facility represents tied aid (the proportion of the supplies produced outside Norway should not exceed 30 per cent). The government anticipated that export-credit guarantees would be combined with such projects, and the facility was to be directed towards economically sound projects in credit-worthy Third World countries, which implied that the target countries for aid (the LLDCs and LICs) would be excluded. The government rushed this facility through Parliament in 1984, ahead of the White Paper.

Governments of different political origins have distinguished only vaguely between the industrialization and trade strategy and the commercialization of aid policies. This applies also to the latest white papers on development assistance. In 1987, however, Parliament's Foreign Affairs Committee distinguished between the two types of aid (Recommendation No. 186) and recommended, *inter alia*, that the arrangements geared to investments in Third World countries should be given a clear priority *vis-a-vis* the arrangements geared to the promotion of Norwegian exports as far as ODA was involved. The Committee also insisted that the resources set aside in the ODA budget for these arrangements should more clearly be directed to the LLDC and LIC groups of Third World countries.

Some components of the Norwegian aid programme fit into both the industrialization and trade strategy and the commercialization of aid policy. This applies, *inter alia*, to the support for improving the transportation system (main roads, harbours, shipping lines), the generation of electricity (power stations) and the development of telecommunications. Support for such projects, involving Norwegian capital equipment and services, have combined development effects with a high return flow.

Much of the commodity aid may also fit into this category. The way in which this assistance has been implemented, its main function has been budget support to the recipient government, with an important foreign-currency component. In the domestic setting of the donor, however, both the commodity programme and the components of the country programmes for the priority countries have been presented in more attractive terms, geared to sectoral priorities, viz. support for agricultural development (fertilizers), etc.

During the late 1970s and the early 1980s, this type of assistance received greater attention, due to the debt crisis and the balance-of-payments problems of most Third World countries. The foreign-currency component of aid became of crucial importance to the recipients, though with regional differences. The desperate situation in which Tanzania, the main recipient of Norwegian aid, found itself had a profound impact, influencing the composition of the Norwegian aid programme. The main response was extended commodity aid, but there was also direct balance-of-payments support.

Summing up and main conclusions

The two main strategies which may be deduced from the key policy documents and the aid implementation—the welfare strategy and the industrialization and trade strategy—have been developed side by side. Up to 1975, the welfare strategy held the stage as far as implemented aid was concerned, although the industrialization and trade strategy maintained a strong, ideological position in the White Papers from 1961 onwards.

In 1975, a change took place. During the initial phase, this change came as a response to impulses coming from the Third World via the multilateral organizations, viz. the NIEO demands. The 1975 White Paper responded to

the demand for reforms in political and economic North-South relations, emphasizing the development of broader, economic co-operation involving trade, investments and technology transfers. ODA was assigned the role of a catalyst.

Still, the welfare tradition maintained the upper hand as far as development assistance was concerned. This appears from the way in which the mechanisms of broader, economic co-operation were related to the ODA budget. While ODA, up to 1 per cent of GNP, was to be reserved for ordinary development assistance, the NIEO measures were, to a large extent, to be financed over and above that ODA target. The ordinary ODA should be poverty-oriented, according to the 1975 White Paper.

However, under the impact of the strained, international, economic situation, which also hit some sectors of the Norwegian economy, in particular the ship-building industry, the Norwegian political authorities laid emphasis on the commercialization of aid strategy in order to support export promotion to safeguard domestic, industrial interests and employment. ODA was affected, attracting increased interest on account of its growing volume, as viewed by the business community; the emphasis was on ensuring a high return flow. However, the guidelines that were established for development assistance became stumbling-blocks to these efforts, a subject to which I shall return later.

The mechanisms of the 1975 White Paper became important instruments in the efforts to ensure a high return flow of ODA and came to serve the additional function of legitimating these efforts. The emphasis became twisted. Whereas the 1975 White Paper put the main stress on the promotion of industrial activities in and technological transfers to the priority countries and the promotion of the exports of the poor countries (the industrialization and trade strategy), the new emphasis was on the promotion of Norwegian export contracts (the commercialization of aid policies).

Although this new preoccupation came to the forefront in the aid debate during this period, two observations are pertinent:

1. The return flow of Norwegian ODA has all along been low. During the early 1980s, when it reached its peak, only around 50 per cent of the bilateral ODA was returned.

2. The established mechanisms were circumscribed. According to the established guidelines, projects to be financed had to qualify as development projects, according to defined criteria. And they had to operate within limited financial frameworks. In the 1984 budget, approximately 5 per cent of the total ODA was earmarked for these purposes. And the interest—or ability—in utilizing the funds available has been even less.

During the period when these developments took place, the welfare strategy also gained momentum. The basic-needs approach of the mid-1970s reinforced the poverty orientation that, in the Norwegian setting, was established in the 1972 White Paper. The 1984 White Paper managed to combine the two

strategies and the commercialization of aid policies within the same cover. Never before had the poverty orientation of ODA been given a stronger emphasis. And never before had the various mechanisms of the industrialization and trade strategy or the commercialization of aid policies been given a stronger stress and almost unreserved support. The poverty orientation may be considered to be the tribute paid to the Christian People's Party, which held the Ministry of Development Co-operation. And the emphasis on the role of the Norwegian private sector in Third World development and the sensitivity to the interests of Norwegian industrialists were the tributes paid to the senior partner of the coalition government, the Conservatives.

Even so, the emphasis given to the two strategies has been largely unaffected by the political bases of the governments. However, non-Socialist governments which have included the Conservatives have given stronger emphasis to the commercialization of aid policies—and also to the industrialization and trade strategy—than have Labour governments, although the Labour government in its 1987 White paper (Report No. 34) gave the improvement of the productive capacity of Third World countries high priority. The role of expanded trade in development has also been broadly acknowledged in public opinion.³⁸ Changes in the emphasis on the two strategies—and on the main elements in one or the other, for instance, the relative weight given to different sectors³⁹—have been more the results of shifting fashions in international development philosophy than of changes of government.

It was not self-evident that such a broad agreement would emerge. The structural approaches to development contained both in the 1972 White Paper, demanding fundamental social and economic reforms at the domestic level, and in the 1975 White Paper, demanding reforms of the international economic system, might well have led to disagreements along the Right-Left axis. The general level of the presentation, combined with the broad agreement pertaining in the Norwegian setting with regard to the basic philosophy behind the structural approaches (the welfare state, fair distribution of wealth), as well as to the instruments (rules to regulate freedom in a mixed economy), may explain the broad support.

The welfare strategy is well attuned to the dominant socio-political norms of the domestic environment (1), in particular, the welfare state ideology, but also the humanitarian tradition. This applies to most of the components of this strategy, as grouped above: the emphasis on structural reforms within the recipient country, and the poverty orientation, as expressed both in the basic-needs approach and in the target groups defined. This orientation has been reinforced by influences from the external environment, in the first place, through Nordic co-operation, but also by strategies developed in the multilateral system—the basic-needs strategy of the ILO recommended by the DAC, and the poverty orientation of the IBRD during the McNamara period—although coined at a time when the Norwegian policy had been

established. On the other hand, the main thrust of the welfare strategy, including its poverty orientation, does not accord well with Norwegian business interests, nor with the systemic interest in export promotion. The main determinants have been the dominant socio-political norms of the domestic environment, in particular the welfare ideology.

The industrialization and trade strategy is also attuned to the dominant socio-political norms of the domestic environment, as regards several of its components oriented towards improving the conditions of the poor countries in the international economic system. It also accords well with the NIEO norms established by the United Nations, in particular the General Assembly and UNCTAD, during the mid-1970s, and promoted by Third World governments. These impulses from the external environment were probably the main determinants for this strategy and in particular the NIEO policy. The dominant socio-political norms and even more the overarching systemic and private sector interests of the domestic environment were reinforcing these impulses, for different reasons.

This applies, in the first place, to the emphasis on structural reforms of the international economic system (with the exception of domestic private sector interests), the improvement of the productive capacity of Third World countries, *inter alia*, by the mobilization of Norwegian private sector resources, and the improvement in the access of Third World countries to the markets of the industrial world (again with the exception of domestic private sector interests and even some systemic interests). The NIEO approach is well in tune with the overarching systemic interest geared to international peace and economic stability. Its main value to the domestic industrial and business community is probably the boosting of their predominant development philosophy and their self-image as agents of development.

What has been called the commercialization of aid policies is more directly in agreement with the interests of the Norwegian industrial and business community and with trade-union interests as well. This applies, in particular, to the emphasis given to the promotion of Norwegian exports, particularly since 1976. These aspects are, on the other hand, not particularly in keeping with the dominant socio-political norms of the domestic environment and have been strongly opposed by their main social bearers, in particular, the Church of Norway. The main determinants of this strategy, therefore, have been the systemic and private sector interest in export promotion.

The emphasis given to the foreign-currency component of aid may correspond to a multitude of values, both in the domestic and the international environments. It meets the demands stemming from the resource situations of the main recipients of development assistance. As implemented, it has also been well attuned to both the overarching systemic and business interest in the promotion of Norwegian exports.

Both the welfare strategy and the industrialization and trade strategy—as

identified—reflect the predominant Norwegian belief in the blessings of a mixed economy, in rules to regulate interactions in the service of fair play and social justice, and in planning.

The major policies

The dimensions of aid policy discussed so far portray a predominantly altruistic policy by and large geared towards social and economic growth in the Third World or towards mutual benefits. This applies to the motives and objectives, and also stands out as the main thrust of the two main strategies identified—the welfare strategy and the industrialization and trade strategy. The commercialization strategy—although thriving after 1976—has remained in the shadows. It might, therefore, be expected that this predominantly altruistic orientation would be reflected when the central questions of the aid policy have been resolved.

Here, I shall concentrate on the elaborate guidelines (principles) for the implementation of aid which have been established over the years. Informal guidelines and established practices were codified in the 1972 White Paper, when the government followed up an initiative by the NORAD Council. These guidelines were confirmed by Parliament in 1973. Subsequent White Papers have related to this set of standards. Some of the principles relate to the distribution of the resources to various aid channels, aid forms, areas (sectors) and target groups. These constitute important elements of the aid strategy. Other principles address the conditions of aid. Both have consequences for the quality.

Bilateral-multilateral distribution:

International common goods v. economic self-interest

After an initial period in which there was no settled policy on the balance between bilateral and multilateral aid within the Norwegian aid programme, it was decided in 1969 (and confirmed in Report No. 29) that ODA should be equally distributed between multilateral and bilateral aid channels. During the subsequent years, this guideline has been repeatedly confirmed by governments of different political colours. However, in the 1984 White Paper, a slight change towards an increased bilateral component was suggested: that ODA increases beyond 1 per cent of the GNP should be channelled bilaterally. In 1987, the government (Labour) reversed this policy, stating (Report No. 34) that its intention was to gradually increase the multilateral component towards 50 per cent of total aid. Later, however, Parliament's Foreign Affairs Committee stated (Recommendation No. 186) that the distribution should be 'approximately equal', noting that the present distribution of 42:58 in favour of bilateral aid was within the range of the Committee's understanding of the guideline. During the 1980s, public-opinion surveys indicated a majority for

the established 50:50 distribution, though a large minority preferred a greater bilateral share.⁴⁰

The actual distribution is shown in Table 1. The multilateral component has all along been high, in fact the highest among the OECD countries in terms of the percentage of GNP per capita. Still, during the last ten years, it has only occasionally been more than 45 per cent of the total ODA.

During the 1960s, multilateral aid was considered to be altruistic, organized in the best interests of the recipients: effective, free of the national identity and the strings associated with bilateral aid, and untied. In the 1980s, several of these arguments had lost their strength. Still, in Norwegian party politics, the issue of multilateral assistance has, by and large, been dormant since the early 1970s. With regard to the principle of equal distribution of aid between bilateral and multilateral aid channels, however, a slight cleavage between political parties may be discerned. While the Left and the Centre have argued for maintaining the established distribution, the Conservatives (and government coalitions in which that party has participated) have opted for an increased proportion of bilateral aid. The Progress Party has wanted to abolish multilateral aid. The Left-Right axis has become somewhat blurred when the Centre parties have participated in coalition governments with the Conservatives. It should, however, be underlined that the margins are small; even the Conservatives have accepted a large multilateral component, amounting to 0.5 per cent of GDP. The strongest pressure for increasing the bilateral component has come from the Norwegian industrial and business community, as part of a strategy to increase the return flow of aid.

The distribution of Norwegian ODA between the multilateral agencies has, by and large, also been a dormant issue. The UN system has been the main recipient (between 60 and 65 per cent of multilateral aid), though with a slightly declining trend, whereas the development banks have received around 25–30 per cent. The UNDP, IDA, international food programmes and mother-and-child-care programmes, including family-planning, have received the lion's share, in addition to international relief. Although the IBRD has held a solid position with the main political parties, it has been opposed as an aid channel by the Left. In opposition to the development philosophy of the IBRD—and the dominant position of the United States in IBRD affairs—the SLP has voted against channelling a large part of multilateral aid through the World Bank.

There has been a growing concern for the efficiency of the multilateral aid agencies, as reflected in the recent commission to look into the UN administrative system, chaired by the Norwegian UN ambassador. So far, such concerns have resulted in demands for improvements, not in reductions in the financial contributions. In 1987, Parliament's Foreign Affairs Committee (Recommendation No. 186) requested an assessment by the government of, *inter alia*, the effectiveness as aid operators of the various multilateral aid agencies. The Committee also asked for the government's judgement as to

which of these agencies were best suited to attain, in the recipient countries, targets which were in accordance with the objectives and principles established for the Norwegian development assistance and for the NIEO programme. The Committee recommended that multilateral aid be concentrated through UNDP and IDA, along with the continued priority of UNICEF and UNFPA. It found a need for a critical and independent evaluation of the multilateral agencies. Parliament also gave guidance (Recommendation No. 186) for the Norwegian policy to be pursued in the governing bodies of the multilateral finance agencies. Priority was to be given to 'the soft sectors', such as health, education and agriculture, and to the poorest groups of the population; considerations which took account of long-term management of nature and environment was to be more strongly integrated in all projects and programmes; the needs of women, both as a target group and in the implementation of developing projects, were to be more closely integrated than before; the development funds were to be supplied with more capital resources to enable them to provide larger transfers to the poorest countries; the practice of providing loans from the funds to poor countries at favourable terms was to be continued; and purchases being financed by the funds were to be open to international bidding. The Committee stated that it was a responsibility of the development finance agencies to see that adjustment programmes did not adversely affect the fight against absolute poverty and recommended that credits to structural adjustments should be evaluated.

Although contributions may be affected by the degree of efficiency shown by the multilateral agencies in achieving the development aims established, this may still not be the ultimate basis on which the multilateral share will be considered. As long as these agencies are considered useful instruments in a foreign policy perspective, the large multilateral component may well remain. The distribution of the multilateral share between the agencies may, however, be affected.

The establishment of the fifty-fifty distribution—involving the maintenance of a large, multilateral aid component—is in tune with the dominant socio-political norms of the domestic environment. This conclusion emerges from the setting in which the decision was taken during the late 1960s. Multilateral aid was considered to be altruistic aid, since the end use of the aid was left to international agencies on which the donor (particularly the small donor) had only marginal influence, contrary to what was the case with bilateral aid. The conclusion also emerges from the guidelines established by Parliament in 1987. It is also in correspondence with the overarching systemic interest in an international regime for the maintenance of peace and stability. The guideline is not, however, conducive to the systemic interest in promoting Norwegian exports, nor to the business interest in pursuance of the same objective. On the other hand, it coincides well with the (civil service) interest of the Ministry of Foreign Affairs in exerting influence in multilateral fora.

A large, multilateral aid component also corresponds well with the interest

of the multilateral aid agencies and norms established by the OECD. Such influences may have reinforced those of the domestic environment in favour of a large multilateral share. They have also been reinforced by Nordic regional co-operation, although the Swedish multilateral aid component has been declining since the early 1970s.

The systemic interest of the domestic environment in ensuring an international regime for the maintenance of peace and economic stability stands out as the main determinant, as far as the distribution of aid between multilateral and bilateral channels is concerned. Multilateral aid may be considered an instrument in the foreign policy geared towards the international common goods identified. This main determinant has been reinforced by other determinants, in the first place, the interest of the foreign service to the same end and socio-political norms geared to an altruistic aid policy. The interest of the multilateral aid agencies in larger contributions and norms established by the OECD to this end have been conducive, but not decisive.

Bilateral aid: Geographical concentration and priority countries

Bilateral Norwegian aid is concentrated geographically in a few regions and countries—the Indian sub-continent and eastern Africa, gradually extending to southern Africa. A guideline to this end was established in the late 1960s. The main argument for this has been effectiveness: Norway's small development assistance had to be concentrated in a few countries (and even in a few sectors) if the reciprocal knowledge between the partners, deemed necessary to facilitate effective aid, was to be developed.

The implementation of the principle of geographical concentration—and the aggregate effects of the different exemptions—is shown in Table 2. The concentration was strongest around 1970; later on, it varied around the 60 per cent level.

The principle has not, however, been extended to all bilateral aid. There are two ways by which adherence to this principle has been weakened: new priority countries have been added and non-priority countries have received aid because specific fields or sectors of aid have been exempted. For the present purpose, the exemptions are as interesting as the principle.

The exemptions: Adaptations to mixed considerations

In 1972, the government (Report No. 29) exempted *family-planning* and *shipping*, including harbour development. The main argument for the first was the importance of family-planning, for the second the existence of special Norwegian competence. *Technical assistance* belonged to a grey zone; the government kept the door half-open for assistance to Third World countries outside the priority countries in areas where Norway possessed special competence. The *fellowship programme* and grants to projects run by *NGOs* or private *Norwegian enterprises* were also exempted. During the early days of development assistance, the fellowship programme was used to encourage

good relations with Third World governments outside the group of priority countries. The exemption of ODA channelled through NGOs may be explained by the location of Norwegian Christian missionary activities in the Third World—mainly outside the priority countries. This was also the case of Norwegian industrial engagements. Humanitarian relief was—for obvious reasons—exempted from the principle. Assistance to specific projects run by multilateral aid agencies (multi-bilateral aid), defined as bilateral aid, was also exempted—and increasingly used outside the priority countries.

In 1984, the government (Report No. 36) confirmed these exemptions and even increased their extension, although arguing for stronger concentration. The number of priority countries was maintained and a new category of partner countries was added. New areas were also exempted from the principle (environmental preservation, fisheries, petrol development). The main arguments for the exemptions were the existence of Norwegian expertise and/or their importance from the development perspective. The new mechanisms to stimulate Norwegian exports to and contractor activities in the Third World were also exempted from the principle. In 1987 (Report No. 34), the government reversed this development with regard to technical assistance, limiting the exemptions to fisheries, shipping, water-power development and petrol development (offshore), but increased the geographical disbursal by adding regions (the SADCC-countries, the Sahel and Central America). In 1987, Parliament's Foreign Affairs Committee warned against this development (Recommendation No. 186) and recommended a stronger concentration of bilateral aid in the priority countries and regions.

The need for relief assistance elsewhere was one important reason for providing extensive aid outside the priority countries (to Bangladesh, before the country was included among the priority countries, and to Vietnam). The sectoral exemptions were another: family-planning (with 10 per cent of the total ODA as target) and shipping (harbour development in Nigeria and Cuba). The mechanisms intended to support Norwegian business interests are another illustration of aid being extended beyond the priority countries, particularly after 1975, although the amounts have not been large.

One type of humanitarian aid deserves special attention. Since 1969, the liberation movements of southern Africa have received political support and development assistance. The inclusion of Mozambique among the priority countries (1977), the extensive support to Zimbabwe (not a priority country) after its independence (4.7 per cent of the bilateral ODA in 1984) and the mounting support to SADCC during the 1980s (5.9 per cent of the bilateral ODA in 1984) may be seen as a continuation of this support.

Political emergency aid is a pertinent term for some exemptions outside the established code: the aid to Portugal and Turkey after 1975, and later on to Jamaica too. The assistance given to these countries was also criticized because they did not qualify as recipients according to the poverty criterion. In these instances, aid was provided by one Social Democratic government to

others. The main purpose was to support fragile democratic governments during a critical period.

Although most political parties have given strong support to the principle of geographical concentration, old exemptions have been extended and new added—in the first place, by parties to the right and in the centre. This has, in particular, been the case with regard to old and new mechanisms with the purpose of increasing participation by Norwegian business interests in trade with and investment in Third World countries. The pressures for new partners have come, in the first place, from parties to the Left and in the centre.

Priority countries and selected regions

The principle of geographical concentration has been operationalized by the selection of priority countries* and gradually also regions, such as the Southern African Development Co-operation Conference (SADCC). In the 1950s, India became the main recipient of Norwegian aid and this co-operation has continued. Aid co-operation was later extended to other countries of the Indian sub-continent: Pakistan in the late 1960s, Bangladesh (1972) and Sri Lanka (1977). During the late 1960s, development co-operation was initiated with Kenya, Tanzania and Uganda. The co-operation with Uganda was ended in 1972, because of the terror regime of Idi Amin. Zambia was added in 1969, Botswana in 1972 and Mozambique in 1977. Norway has established long-term development co-operation with each of these nine priority countries. Since the early 1970s, this co-operation has been based on a four-year, revolving, country programme, covering several sectors of the economy.

Aid relations have also been established with a few countries outside the group of priority countries. These include long-standing development co-operation with Madagascar (mainly through NGOs (Norwegian missionary associations)) and the recent co-operation with Zimbabwe. In the 1984 White Paper, the government added Nepal and Nicaragua.

In 1987 (Report No. 34), the Labour government broadened the scope of the principle of geographical concentration by including, in addition to the nine priority countries that were all maintained, *regions* too. The stated intention was to maintain the co-operation with the Asian priority countries at the established level (implying a decline in real terms) and to increase aid to priority countries in southern Africa and to regional co-operation within a Nordic/SADCC framework. The increased support for genuine regional arrangements was justified, *inter alia*, by their assumed positive effects for development and trade, the gains that might be obtained from a regional infrastructure and joint communications and transportation systems, etc., but also their potential for peace-keeping as far as regional conflicts were con-

* 'Partners in development' is the term in common use; other terms are 'main recipients' and 'programme countries'. Although different terms may have slightly different connotations, I am here using the term first used ('priority countries').

cerned. Southern Africa and Central America were identified for these reasons; if new priority countries were to be selected, they were to belong to these two regions. The Sahel was also identified; aid to this region was increasingly to be given a regional orientation.

In southern Africa, the Labour government (Report No. 34) identified Zimbabwe and Angola as countries with which development co-operation was to be extended: in the case of Angola, with particular reference to the destabilization policy of South Africa. In Central America, Nicaragua was identified as a country with which extensive aid relations should be developed along the same lines as for Zimbabwe (a revolving 3-year plan that included several sectors, and a Resident Representative), following to a large extent the pattern established for co-operation with the priority countries. Co-operation with Madagascar and Nepal would, on the other hand, not be developed above the present level, as they did not belong to the two regions.

Parliament's Foreign Affairs Committee endorsed this new orientation (Recommendation No. 186), emphasizing that highest priority should be given to the priority countries of southern Africa and the development cooperation with SADCC. This change of emphasis was justified by the assumption that Sub-Saharan Africa would remain the great poverty problem of the world, hit by a combination of ecological crises, population explosion, balance-of-payments crisis and a general productivity crisis—in addition to the military conflicts emerging, in particular, from the role in southern Africa of the *apartheid* state of South Africa. This added priority should, on the other hand, be matched by a gradual change of relations to the Asian priority countries (India, Pakistan, Sri Lanka), with the exception of poverty-ridden Bangladesh.

The Conservatives stated (Recommendation No. 186) that aid to Central America should be on a small scale, while the SLP recommended a concentration of Norwegian aid to southern Africa and Central America in order, *inter alia*, to strengthen the ability of these countries to resist the economic and political pressures from the South African Republic and the United States, respectively. The SLP proposed the exclusion of Pakistan, Sri Lanka and Kenya from the group of priority countries (due to systemic violations of human rights and the absence of a social-justice policy), and the inclusion of Angola and Nicaragua. The majority (Labour, CPP and CP), however, suggested the exclusion of Pakistan, provided its domestic development did not change for the better; the Conservatives protested strongly, and made reference to Pakistan's humanitarian efforts for Afghan refugees.

The criteria for the selection of priority countries and the principle of continuity in aid relations:

Domestic norms v. administrative convenience

Formal criteria for the choice of new priority countries were formally established in the 1972 White Paper. However, by that time, most of the pre-

sent priority countries had already been selected.

In 1952, India was a natural first choice. It was one of the first colonial possessions to become independent; it had democratic institutions and an attractive leadership; and it was an area of East-West contestation. The choice of major recipients during the second part of the 1960s was probably based on their regional contiguity, reinforced, for the countries of East Africa, by their efforts of regional co-operation, the regional co-ordination among Nordic countries and the fact that English could be used as a working language. Old business ties did not play an important part in these decisions.

The 1972 White Paper established the following criteria for the selection of priority countries or other partners in development, including support for liberation movements in dependent areas:

Importance should, in the Government's opinion, be attached to the authorities of the country concerned following a development-oriented and socially just policy in the best interest of all sections of the community. In this connection, special regard must be paid to the effect which any Norwegian aid. . . may have in promoting development. By this is meant not only purely economic growth, but economic and social development for the masses and especially for the worst-off groups of the population. At the same time the actual need for aid must be taken into account.⁴¹

In 1973, these guidelines were adopted by Parliament, although the Conservatives wanted a different emphasis: on existing needs and the possibility of providing effective aid. According to that party, Norwegian aid should go to poor countries.⁴²

In 1976, Parliament combined the two criteria: Norwegian priority countries were to be chosen from among the least-developed countries (LLDCs) 'following a development-oriented and socially just policy'. It added a new criterion: the recipients of Norwegian aid were expected to contribute to the realization of the human rights laid down in the UN Declaration and Convention.⁴³

In 1987, Parliament included the social-justice criterion, involving the poorest developing countries and target groups within countries, among the guidelines: the principle of poverty-oriented aid (Recommendation No. 186). The Committee emphasized the importance of the socio-economic structures of the recipient country and the extent to which the administration pursued a policy geared towards social justice and development. It found, however, that where projects were oriented directly to the target groups, ODA could be provided even to countries which did not qualify as priority countries according to the criteria established.

The criteria established in 1972 have obtained broad public support, as indicated by the opinion surveys. The poverty of the country and the policy of the recipient government towards social justice and economic growth were seen as the most important criteria on which partners should be selected.⁴⁴

These criteria were to guide the choices of *new* priority countries. However, the rationale on which they were based made it difficult to differentiate be-

tween new and old partners. According to the philosophy, the effects and efficiency of aid depended on the recipient system. The policy of the political authorities of the recipient country therefore became of crucial importance for the attainment of the aims established by the donor. Yet another guideline, the recipient orientation of aid, made the selection of priority countries the most important single decision as far as government-to-government aid was concerned, as aid was to be based on the plans and priorities of the recipients.

As a consequence, demands that the criteria should be extended to all recipients of Norwegian aid—not exempting the established priority countries—were raised, particularly during the 1980s. In Parliament, attention was directed to the policy performance of several of the recipient governments, both with regard to their social-justice profile (Kenya and Pakistan) and, later on, also with regard to violations of human rights, especially civil rights (in particular, Pakistan, Kenya, Mozambique and Sri Lanka). As noted, demands have been made to terminate aid relations with Pakistan and others (Kenya, Sri Lanka and Mozambique).

Quick changes in aid relations resulting from changes in the political system of the recipient country have not taken place. Another formal guideline—established in 1972 and confirmed in the 1984 White Paper—emphasized the need for long-term commitments. In the 1972 White Paper, a fall-back position was established: Norwegian aid was to be concentrated on projects which were of direct benefit to the masses, for instance in the fields of education, public health or community development. In this way, it might be possible to ensure that aid would 'contribute to social and economic equalization, independent of political upheavals in the recipient country'.⁴⁵ In 1987, Parliament continued on this path.

The impact of these criteria may, therefore, appear small, as only two new priority countries were selected after 1972: Mozambique and Sri Lanka. And even here, other considerations had greater influence on the decisions. Although both were poor, neither belonged to the group of LLDCs. Still, the selection has resulted in a group of poor priority countries; Bangladesh, Botswana and Tanzania belong to the group of LLDCs, while the remaining six are among the low-income countries (LICs), India, Pakistan, Mozambique and Sri Lanka being among the poorest LICs. And when new countries have been proposed (in the 1980s, *inter alia*, Angola, Nicaragua and Zimbabwe), one argument against their inclusion was that they were not among the poorest countries. As far as the policy criterion is concerned, however, few, if any, efforts have been made to operationalize its content. The same applies to the human-rights criterion. Up to 1984, when the White Paper established elaborate guidelines to govern the reactions to systematic and persistent violations of human rights, little attention was, in fact, paid to the human-rights performances of the priority countries.

The choice of partners:

Security interest v. predominant domestic norms

The conflicts between Norwegian political parties on the selection of priority countries have, in most cases, been at a low level. The predominant consensus among the parties is partly due to the balancing of 'Left' and 'Right' countries in the selection. 'Socialist' Tanzania has, for example, been balanced by 'market-economy' Kenya. In 1977, Mozambique (the choice was opposed by the Conservatives) was balanced by Sri Lanka. Similar considerations applied also to regional balances, as in the case of India being diplomatically balanced by Pakistan—and both Pakistan and Bangladesh were included among the priority countries after 1972.

In a few cases, however, the harmony has been broken. In three of these cases, Cuba, Vietnam and Nicaragua, foreign policy considerations related to Norway's main partner in the NATO were involved, reinforcing the domestic, Left-Right, conflict dimension. Another case involving similar foreign policy considerations has been referred to above: the support given during the early 1970s to liberation movements in southern Africa fighting against another NATO ally, Portugal.

Aid to *Cuba* was introduced under the exemption clauses (harbour development). It was from the very beginning opposed by the Conservatives and was terminated after a few years. Aid to *Vietnam* after the war came as a result of commitments to take part in its rehabilitation, after having provided relief aid to both North and South Vietnam during the war. The aid was terminated in 1975, partly as a result of consistent opposition from the Conservatives and partly as a reaction to episodes in which fishing boats provided by Norwegian ODA were involved in hunting boat refugees.

Aid to *Nicaragua* has so far mainly been provided through NGOs. In the 1984 White Paper, the government eventually decided not to include Nicaragua among the priority countries but to provide substantial aid to the country anyway. The disagreement within the government between the CPP (Minister of Development Co-operation) and the Conservatives was demonstrated in April 1986, when the Prime Minister (Conservative), in a note to the CPP Minister, made it clear that increased aid relations with Nicaragua were not in line with the Government's policy, in view of the developments taking place in that country. In government, Labour did not follow up the stance it had taken as an opposition party. The Labour (minority) government did not include Nicaragua among the priority countries when it took over in 1986, but increased aid to that country, and broadened the scope of co-operation in a way that made Nicaragua (like Zimbabwe) a priority country for almost all practical purposes, even including the level of ODA.

The most important foreign policy dimension in these three cases was the implication for the relationship between Norway and the United States. However, both the Vietnam conflict and the conflict between the USA and

Nicaragua were perceived differently from the Norwegian (and western European) perspectives than from that of Capitol Hill. This was so from the very beginning in the Nicaraguan case, in which the North-South dimension was the main focus and not the East-West dimension, as presented by Washington.

In the Norwegian political setting, this amounted to a conflict between, on the one hand, loyalty to a close ally in security policy and the pursuance of vital (security) interests at the system level *vis-a-vis* this ally and, on the other, the reflection in foreign policy of the dominant socio-political norms of the domestic environment.

The aid policy was used to mark Norwegian traditional foreign policy values in a situation where the security-policy alignment might convey different signals to the outside world. It also represented a deliberate foreign policy signal to the government of a close security policy ally on an issue which was not, according to the predominant Norwegian perception, part of the core area of security co-operation. This rebuff to a close ally was legitimated by adding arguments addressed to the core issue, as perceived by the US Government: if the Nicaraguan regime was left in the cold by the West, it had no alternative but to encourage closer relations with the East. Western aid might improve the probability of development towards democracy and a pluralistic society. The Conservatives, however, followed a different, low-key strategy.

These are not unique cases. During the early 1970s, both the Labour governments and a centre government (CP, CPP and Lib.) supported the *liberation movements of Portuguese Africa* both politically and materially against the Portuguese Government, which was an ally in NATO. This support went to the MPLA (Angola), FRELIMO (Mozambique) and the PAIGC (Guinea Bissau and Cape Verde). However, there is a difference in scale. Whereas Portugal was a small outsider in the alliance, the US is the major power on which Norway is dependent for its security. Still, the conflicting values involved were to some extent the same.

Liberation in *southern Africa* has been an explicit aim of Norwegian foreign policy ever since the 1950s—with added emphasis since the early 1960s. In 1969–70, development assistance was included as one instrument in this policy. In addition to statements of political support, direct, humanitarian support was also given to the liberation movements in Rhodesia (Zimbabwe), Namibia and South Africa, as well as to those in the Portuguese colonies in Africa. Previously, humanitarian assistance (ODA) had been channelled through various international agencies, such as the UN Trust Fund for South Africa, the UN Educational and Training Programme for Southern Africa, and the UN Fund for Namibia.

This financial and material support represents only a marginal part of the total aid budget. In 1984, the support amounted to NOK 82 million, of which 50 million went directly to the liberation movements (ANC, PAC, SWAPO) and 32 million through NGOs and multilateral (UN) programmes. Still, it is

important to note that this line was pursued, although public opinion—as recorded in the opinion surveys⁴⁶—was negative before it became marginally positive. Political leadership and extensive education were probably the main factors behind this change. The reluctance is probably best explained by a basic preference for conflict resolution by peaceful means.

Even the development assistance to the front-line states of southern Africa has, in part, been justified in such terms: to strengthen their efforts *to reduce their dependence on the apartheid regime* of South Africa, economically and politically. The increased support provided to SADCC during the 1980s has been given a similar justification.

Summary and conclusions

The main reason for the geographical concentration of bilateral aid has been to increase the effectiveness of aid. It is therefore attuned to the dominant (altruistic) socio-political norms of the domestic environment. This applies, in particular, to the guideline directing aid to the poor countries. It is also in harmony with the interest of an aid bureaucracy geared to long-term planning. However, the principle is dysfunctional *vis-a-vis* the systemic and business interest in export promotion, in particular when the co-operation becomes concentrated on a few poor countries which are not attractive from a business perspective, although this is balanced, to some extent, by the exemptions. The dominant socio-political norms of the domestic environment, reinforced by the interest of the aid bureaucracy, therefore stand out as the main determinants of the principle of geographical concentration.

Several of the exemptions have served the purpose of accommodating the principle to the domestic systemic and private sector interests, both business firms and NGOs. Several of these exemptions have also had the expressed purpose of utilizing the domestic resource base in areas where Norway was able to compete well internationally. And in one particular area (family-planning), the importance attributed to the area has been decisive. Some exemptions were in tune with dominant socio-political norms. This applies, in particular, to the humanitarian aid, but also to the political relief aid given to Portugal, Turkey and Jamaica during the mid-1970s (in order to support democracy). Social-Democratic brotherhood was also involved in these three cases. From this, it follows that private sector interests have been the main determinants for some of the exemptions, and for others, the dominant socio-political norms of the domestic environment.

The criteria established for the selection of priority countries are closely adapted to several of the dominant socio-political norms of the domestic environment, and, in particular, the welfare ideology. The poverty criterion is contrary to Norwegian business interests, as observed above, and this applies also, in some cases, to the human rights criterion, involving, *inter alia*, conventions on wages and trade union rights. The welfare state ideology, reinforced by other dominant socio-political norms of the domestic environment,

appears as the main determinant of these criteria.

If these criteria had been implemented in a way that might have led to changes in aid partnership, due to changes in policy by the priority country or bad performance *vis-a-vis* one or more of the criteria, the effects of previous aid might have been reduced. Quick changes would also be contrary to the preferences of the aid bureaucracy and even create diplomatic uneasiness. The principle of long-term aid co-operation therefore corresponds well to the interests of the aid administrators, including those of the Ministry of Foreign Affairs. Although also coinciding with the interests of the established priority countries, these systemic interests appear as the main determinants of the principle of continuity in aid relations—a principle that has been quite strictly adhered to.

The actual selection of recipients of bilateral aid, almost all very poor, is in good harmony with the dominant socio-political norms of the domestic environment, especially the social-justice norms. They are, on the other hand, contrary to the systemic and business interest in export promotion, and reflect only marginally traditional Norwegian relations with the Third World. The domestic values referred to, therefore, appear as the main determinants of these selections, although foreign policy considerations are also clearly reflected.

The outcome of the four cases with a security policy dimension reflects conflicts between dominant socio-political norms and national security interests at the domestic system level. In most cases, the norms have prevailed, although concessions have also been made to the security policy concerns. The impact of these norms has often been reinforced by the policy of neighbouring Nordic governments. This applies especially to the support of the liberation movements of southern Africa, particularly those of South Africa and Namibia. In these cases, the United Nations and Third World governments at large have also reinforced the policy.

Recipient orientation: Domestic norms and administrative convenience v. economic self-interest

According to the **1972** White Paper, Norwegian aid should be based on the development plans and priorities of the recipient governments. This guideline has been repeatedly reaffirmed.

In the **1984** White Paper, the principle was redefined. Norwegian aims and priorities are now to be given equal weight to those of the priority countries, with the agreements between Norway and each of these countries being the outcome of a continual and real dialogue and negotiations. The emphasis given to Norwegian aims is also reflected by the introduction of a review of the country programmes every fifth year. Norwegian aid is not to be automatically allocated in accordance with the preferences and plans of the recipient side. In some situations, Norway may offer a priority country assistance outside the country programme in fields which were not given

priority by the recipient government, in order to gain experience and to demonstrate the effects, for instance, *vis-a-vis* important target groups. According to the government, NGOs were also a useful channel for this kind of aid. It identified soil conservation and some forms of women-oriented aid as examples of areas for such efforts. In 1987 (Report No. 34), the Labour government agreed with its predecessor.

In 1987, Parliament reconfirmed the principle of recipient-oriented aid, justified the modifications and argued for a dialogue between the two parties. In justifying the modifications, the Committee of Foreign Affairs maintained (Recommendation No. 186) that some of the assumptions on which the principle was based did not always materialize. This applied to the most basic assumption: that the priority countries pursued a development-oriented policy and aimed at social justice. In some of these countries, the policy had changed with new governments and in others the authorities only to a limited extent followed up their declaration to this end. The capacity and competence of the poorest countries to formulate plans and priorities—and to follow them up—were weakly developed. Donors might, therefore, be faced with requests that were not feasible according to the criteria established for their ODA.

In addition, structural aspects may work against the aims set for Norwegian aid. As it is the Ministry of Finance or Planning which is the negotiating partner, it was to be expected, according to the Committee, that concerns related to recipient countries' external economic relations were given higher priority than the needs of their poor and neglected groups. The guideline should therefore not hinder Norwegian authorities from championing the interests of weak groups in the consultations concerning development assistance. 'The need for development assistance as far as ethnic minorities, women, peasants in the periphery, family planning, protection of the environments and the ensuring of human rights for minorities are concerned, may, as experienced, easily be neglected and should deliberately be given priority from the donor side in the consultations.' The Committee found the decentralization of the Norwegian aid administration (Offices of Resident Representatives) instrumental to this end.

As interesting are the restrictions laid down. The Committee stated explicitly that the modifications should not be implemented with the purpose of ensuring the political and economic interests of the donor. It also voiced concern about the recent trend of the Norwegian aid administration to circumvent the ordinary national and local administration of the recipient country and run the projects directly through administrative systems which were established especially for the task and staffed by Norwegians, in the name of effectiveness and to keep established time-schedules. Norwegian development assistance should, more consistently than before, be provided according to a long-term perspective and be instrumental in developing the capacity of the recipients to implement and maintain development projects.

Still, although modified, the guideline remained. The extent to which it has

been followed up in the past—and the way it has been implemented—deserve attention.

The planning system: Recipient's initiative, donor's decision

In 1969, the Government, in the medium-term plan for 1970—73, established the most important tool for long-term planning: a projected figure for ODA for the period of the plan. Almost simultaneously, the Pearson Report recommended the introduction of country planning for aid. Since 1969, the Government has provided an annual figure for aid over a revolving, four-year period, on which the country programming of aid has been based. The country programmes (for the priority countries; more recently also for Zimbabwe and Nicaragua) cover a revolving period of four years and are subject to annual adjustments and supplements. During the early 1970s, Offices of Resident Representatives were established in the priority countries (except Pakistan) to facilitate this co-operation, more recently an office has also been established in Zimbabwe and an office is to be established in Nicaragua. During the early 1980s, a decentralization process took place, involving additional staff and authority in the Office of the Resident Representative.

According to the procedures established for the country programmes, the initiative rests with the recipient governments. They are provided with an indicative planning figure for each of the four years ahead (the first of which is included in the Norwegian budget for the coming year) and are invited to come up with suggestions for the utilization of the funds available. These suggestions are commented on by the Office of the Resident Representative before being forwarded to the Oslo Administration. An appraisal by NORAD and the Ministry—until 1983, the Ministry of Foreign Affairs, afterwards the new Ministry of Development Co-operation—in which the resident representatives also take part, results in an amended list of projects or purposes which the Norwegian side may agree to support.

This list is discussed by the two sides at a high, civil-service level. Afterwards, the Norwegian team discusses in more detail the projects singled out with the ministries and agencies involved on the recipient side, before the conclusions are summed up at a meeting at the Ministry of Finance (or Planning). Then the projects agreed upon are planned in greater detail by the Norwegian home administration before the revised country programme for the following four years is decided upon.

During the early 1980s, both the Conservatives and Labour expressed some uneasiness with the system of priority countries and country programmes. Both parties opted for more flexibility, though for different reasons. In 1987, however, Parliament's Foreign Affairs Committee concluded (Recommendation No. 186) that the experiences with the model had been good and the system was to be continued.

In this model, *the implementation* is up to the authorities of the recipient country. During the 1980s, however, NORAD has taken an increasingly active

part, not only in the follow-up but, in some countries, particularly in Africa, also in the implementation of the projects. In the 1984 White Paper, the government emphasized the need to strengthen the planning and implementation capacity of several of the recipient countries.⁴⁷

This procedure provided each party with an opportunity to influence the form and substance of the aid programme. Since the initiative rests with the recipient government, the system obviously has a potential for conveying recipient-oriented aid. However, owing to the asymmetric power relations in this particular type of co-operation, combined with the poorly developed planning and implementing capacity of most recipient countries, the real situation may be quite different. The procedures are open for donor-orientation of aid as well, whether utilized for altruistic purposes or for promoting various kinds of self-interests. In practice, as indicated below with regard to the commodity aid, both of the latter opportunities have been utilized.

The forms of aid: Donor's control v. recipient's flexibility

Norwegian aid has been provided in the form of project aid, programme aid, technical assistance, commodity aid and import support. From the recipient's perspective, programme aid, especially in the form of budgetary support, seems most attractive, provided no other strings are attached, as this form will be recipient-controlled. Normally, project aid will be tied, to purpose and often also to commodities or services. Commodity aid is usually tied to procurements in the donor country, as is technical assistance. These forms of aid may be more easily controlled by the donor. In practice, however, the difference is not so great; even programme aid may be tied and controlled by the donor—and often is.

In the 1975 White Paper, the government's proclaimed intention was to increase the proportion of programme aid and budgetary support. However, the reasons given were not that these forms would stimulate self-reliant development by emphasizing the recipient government's responsibility for the country's development efforts, but rather that they were the least personnel-intensive for the donor. Still, the government differentiated between recipients according to their ability to plan and implement a development programme, implying that continued project aid would be given to countries with a poorly developed, administrative capacity—generally the African priority countries.

The trends are shown in Table 3. The intentions signalled in 1975 were followed up during the late 1970s, but the direction was again reversed in the early 1980s. Then the proportions of project aid and commodity aid were increased anew. The changed trend during the 1980s, particularly in the African priority countries, came as a response partly to the lack of efficiency on the part of the recipient governments in the implementation of aid, and partly to the demands at home for a larger return flow. To some extent, it came also as a response to the changed economic situation of the priority countries—the

desperate need for foreign currency and balance-of-payments support, particularly of the African priority countries.

Analysis and conclusions

The rationale behind recipient-oriented aid is a concern for aid effectiveness. The philosophy is that the political authorities of the recipient countries were in the best position to assess the needs and set the priorities. Development assistance would be most effective when integrated into the plans and activities for which the recipient governments were responsible and to which they had given priority. Development co-operation, therefore, should be provided in line with these priorities, not against them. A normative dimension is also part of this philosophy: development is the responsibility of the societies themselves and outsiders should not interfere. These utilitarian and normative reasons for the guideline were reinforced by the self-reliance philosophy, coined by the governing party of the priority country with which Norway had the closest ties, Tanzania, and expounded in the Arusha Declaration.

If the guideline is viewed from these perspectives, it is well adapted to some of the dominant socio-political norms of the domestic environment, though not necessarily to the welfare state ideology. Viewed from the perspective of the aid administration, the guideline has additional qualities. It is convenient, since the main responsibility is placed on the doorstep of the recipient. In addition, it is a useful instrument for the administration to fend off unwanted pressures from partisan interests at home, and gives it great flexibility. The guideline is also well adapted to the values (norms and interests) of the recipient governments. It was, however, dysfunctional, as regarded the Norwegian systemic and business interest in export promotion, notwithstanding the fact that industrialists were able to adapt themselves to the guideline and occasionally even to use it in their own favour by initiating requests. The main determinants, therefore, appear to be the aid bureaucracy reinforced by some dominant socio-political norms of the domestic environment. The influence from neighbouring Sweden during the early 1970s, where a similar guideline was emphasized, was most probably more important than that of the governments of the main recipient countries, although the guideline coincided with their interests.

What were the moving forces behind the modification which was codified in the 1984 White Paper? The change made it easier for systemic and business interest in export promotion to influence the bilateral aid programme. The main movers were, however, the aid bureaucracy and the social-justice norms of the domestic environment. The frustrations of aid administrators, caught between the ideals set for aid and the reality of an aid implementation that was far removed from these lofty expectations, had the strongest impact, not least the experience gained during the 1980s in Tanzania. By then, much of the basis of the philosophy on which the guideline was founded had crumbled away, particularly during the crisis following the recession in the international

economy during the late 1970s and early 1980s.

The second mover is related to the first, as any administration takes pride in implementing its major task. From the Norwegian side, it had been taken more or less for granted that the aims and priorities of the donor and recipient government coincided; the criteria set for the selection of priority countries had this as an expressed objective. The reality proved different, even in a country like Tanzania, with a government committed to an ideology of social justice. An expressed objective of the reformulation in 1984 was to increase the impact of aid in accordance with the welfare state norm.

These are the three main determinants of the modification codified in 1984. They were reinforced by influences of the external environment. The change was in tune with the emerging philosophy of the aid-implementing community of donor countries, maintaining that donor intervention was necessary to achieve the intended results. By 1984, Norway was almost alone among the donors in paying more than lip-service to recipient-oriented aid. Some ideological advice that eased the change came also here from Tanzania—President Julius Nyerere's request for a more concerned participation on the part of the donor countries.

The conditions of aid

A few guidelines are established with the purpose of ensuring the financial or qualitative value to the recipients. This applies, in the first place, to the guideline stating that Norwegian ODA shall be given as grants, and the **guideline** stating that Norwegian development assistance shall not be tied to procurements of Norwegian commodities or services.

Grants v. credits

The guideline prescribing that aid should be provided on a grant basis was established in the 1972 White Paper. Most of the development assistance before 1972 was also given as grants. The guideline was, by and large, followed up during the 1970s, although the government, in the 1975 White Paper, proposed a credit facility to finance Norwegian industrial engagements in the Third World, a facility which was established in 1979. The guideline was confirmed in the White Papers of both 1984 and 1987, again with the exemption mentioned.

This guideline is well in tune with the dominant socio-political norms of the domestic environment. These norms (and their social bearers) stand out as the main determinants. They were reinforced by impulses from the external environment, in the first place, Nordic co-operation (though Denmark has all along had a credit component) and norms set by the DAC (though the Norwegian performance has been far ahead). It is also in keeping with the preferences of the recipients—the multilateral aid agencies and the priority countries. The guideline does not conflict strongly with business interests in the promotion of exports and investments, although its social bearers have

been opting for greater flexibility. However, the 1984 White Paper was not accommodated to these pressures, with the one exception that was already **established**.⁴⁸ In this confrontation, the bearers of the socio-political norms maintained their established position.

The principle of untied aid: Altruism v. economic self-interest

In 1967, a principle of untied aid was established. Three exemptions were stated: deliveries to Norwegian aid projects; in cases of temporary surpluses in the Norwegian commodity production; and when Norwegian exports suffered as a result of aid tying by other donors. According to the government (Proposition No. 109), these exemptions should be used with great caution. The government (non-Socialist coalition) only reluctantly arrived at the exemptions, on account of its free-trade ideology (though not including agriculture) and the shipping interests which benefited from a liberal trade system. In the 1972 White Paper, the government (Labour) confirmed the principle of untied aid in more unreserved terms: when Norwegian commodities were considered expedient in the bilateral programme, deliveries 'should not be made to the recipient country on appreciably less favourable terms than similar deliveries from other **sources**'.⁴⁹

During the second half of the 1970s, however, this principle came under strong pressure. Norwegian commodities were used in the aid programme even at the cost of reducing quite substantially the actual value to the recipients of the **aid**.⁵⁰

In 1981, Parliament, with the intention of correcting the position, recommended that NORAD, as a general rule, should buy at world-market prices, and added:

However, in cases where particular reasons should justify it, NORAD may favour Norwegian suppliers with regard to commodity, programme and project aid. In such cases . . . the concept 'not . . . on appreciably less favourable terms' may allow choices of Norwegian suppliers, even if they should be up to 10 per cent more expensive than what could be obtained elsewhere."

In the 1984 White Paper, the government stated its confirmation of the principle of untied aid, as defined two years earlier. The government maintained, *inter alia*, as its main concern that 'We have to see to it that as little as possible of the aid disappears as a result of bad planning, corruption and inefficient administration in the recipient country. In a similar way the aid administration must see to it that the aid does not disappear on the Norwegian side because of too a high price or a quality that is not adapted to the purpose.' Still, what was considered important was not so much the principle of competition to ensure favourable prices as the concern to obtain fair prices *on the Norwegian market*.⁵² In 1987 (Report No. 34), the Labour government accepted the position taken up by its predecessor.

The practice established by NORAD during these years illustrates the ef-

forts made to secure increased use of Norwegian commodities in the country programmes. Ahead of the annual negotiations on the country programme, a team from the NORAD office dealing with commodity aid visited the priority countries with the purpose of identifying possible requests for commodities produced in Norway. In the negotiations on the aid programme later on, this information was part of the baggage of the Norwegian team. To this procedure must be added the fact that the Norwegian producer often finds himself in a monopolistic position, since the Norwegian commodities which are in demand are rather few, as are the producers. This is not the best setting for obtaining the most favourable products at the lowest **prices**.⁵³

There has always been a tension between the principle of untied aid and protectionist attitudes, manifested in the demands for an increased 'return flow'. From 1976 onwards, both Labour and non-Socialist governments have accommodated aid, as implemented, to such pressures, although professing to adhere to a principle of untied aid which, in the process, has been given an interpretation that has stripped it of most of its original meaning.

Still, even though tacit and open aid tying increased somewhat during these years, Norway remained among the countries with the smallest shares of tied aid. And the return flow of bilateral aid remained at a level of around 50 per cent, which is probably among the lowest; few donor countries have a lower return flow.

A principle of untied aid is well in tune with dominant socio-political norms of the domestic environment. These determinants were reinforced by norms established in the external environment (DAC) and the interest of the recipients—the multilateral aid agencies and the priority countries. The principle is, on the other hand, dysfunctional from the perspective of the overarching systemic and business interests in export promotion.

The deterioration which took place during the second half of the 1970s and the early 1980s was in the first place tuned to systemic and business interests in export promotion and systemic and trade union interest in maintaining a high employment rate and was resisted by the (altruistic) bearers of the dominant socio-political norms, not least the Church of Norway. The change took place at a time (1975—77) when Norway had a large balance-of-payments deficit. However, later on, such foreign currency concerns did not necessitate aid-tying.

The volume of ODA: Targets and performance

In 1962, the first volume target for Norwegian aid was established, 0.25 per cent of the net national income (NNI), though no date was given for its implementation. In 1969, the government (non-Socialist coalition) included a volume target in Norway's medium-term plan for 1970—73: 1 per cent of the

NNI by 1973, 0.75 per cent in ODA and 0.25 per cent in private transfers. In 1970, this target was redefined (following an UNCTAD recommendation) and related to the gross domestic product (GDP). A plan for stepped-up budget allocations to attain the target was **added**.⁵⁴ This budgetary technique has been used since then, when new targets have been decided.

In 1972, the government (Labour) proposed 1 per cent of GDP as the ODA target for 1978, excluding non-ODA transfers from the aid target. Parliament adopted the new target the following year, against the votes of the Conservatives. In 1977, however, when Parliament voted for 1 per cent of GDP in the aid budget for 1978, all the parties represented in Parliament voted for it.

In 1977, the government (Labour) proposed a new target: 1.3 per cent of the GDP in 1981. However, in 1978, the government beat a retreat, because of the changed situation in the international economy. ODA was frozen at 1 per cent of GDP.⁵⁵ In 1981, the government (Labour), in the medium-term plan for 1982–85, raised the target to 1.3 per cent of the GDP in 1985.

The targets of the main political parties, as formulated in their plans of action for the new Parliament (1981–85), by and large reflected their relative positions during the 1970s. The middle position was occupied by the Labour Party and the Centre Party (CP) (1.3 per cent of the GDP in 1985), flanked by the Liberal Party (LP) and the Christian People's Party (CPP), opting for 1.7 per cent, and the Socialist Left Party (SLP), opting for 2.0 per cent. On the other flank was the Conservative Party, which committed itself to 'at least 1 per cent' of the GDP by 1985.

The general election of 1981 led to a change in government; for the first two years, a Conservative minority government, and for the following two years a majority coalition between the Conservatives, the CPP and the CP. The Conservative government did not follow up the programme of its predecessor, freezing aid at 1 per cent of GDP in the budget proposal for 1982 and again in that for 1983. Parliament, however, voted in larger aid budgets (1.05 per cent and 1.1 per cent of GDP, respectively). In 1983, the coalition government proposed 1.15 per cent of GDP in ODA for 1984 and, in the subsequent year, 1.16 per cent for 1985. The general election of 1985 returned the coalition government with a narrow margin (now as a minority government). Its ODA budget proposal for 1986 was 1.18 per cent of GDP. The Labour (minority) government which took over in 1986 proposed 1.16 per cent of GDP in ODA for 1987, excluding part of the non-ODA items from the aid budget.

In its 1984 White Paper, the (coalition) government did not establish a new volume target, nor in the medium-term plan for 1986–89. In the latter, it indicated a 'further increase of ODA. . . also in terms of its share of GDP'.⁵⁶

In 1987, a Parliamentary majority—the Conservatives were against—recommended that non-ODA items (contribution to the UNIFIL in Lebanon, losses on export-credit guarantees), should be excluded from the aid budget, which implied that the budget was reduced to 1.14 per cent of GDP. The government followed-up the recommendation in the budget for 1988, propos-

ing 1.14 per cent of the gross national product (GNP) in development assistance (1.11 per cent of GDP).

In the 1984 White Paper, ODA was classified in a way that could have consequences on its quality. The Government distinguished between

- *Ordinary aid* aimed at long-term, social and economic growth in the recipient countries;
- *Emergency aid* (disaster relief, humanitarian assistance and aid to refugees); and
- *Mechanisms to stimulate extended economic co-operation with Third World countries* in the business sector.

Taking the budget for 1984 as the point of departure—1.15 per cent of GDP, of which approximately 1.0 per cent was ordinary aid, 0.1 per cent short-term emergency aid and 0.05 per cent support for different mechanisms of the third category—the government stated its intention to maintain its efforts in all three areas.⁵⁷

The volume targets of the political parties in Parliament, as formulated in their plans of action for the period 1985—89, indicate further stepping-up of aid. However, the senior partner in the coalition government which held office until 1986, the Conservatives, did not establish a new target (instead, they pledged 'to maintain aid at the present level, and to increase it further if the national economy so allows'), while its two partners established 1.5 per cent (CP) and 1.7 per cent (CPP) of GDP as ODA targets. Of the then opposition parties to the Left (two MPs short of the majority), the Labour Party did not establish a new target (settling instead for 'continued real increase of aid in relation to GDP'). The SPP repeated 2.0 per cent of GDP as the target. To the right, the Progress Party (two MPs) wanted to terminate ODA and to liquidate the Ministry of Development Co-operation.

The follow-up—in terms of ODA transfers—is shown in Table 1. The discrepancy between the targets set and the actual transfers may in part be explained by the fact that the budget is voted in on the basis of an expected GDP for the coming year, and the actual growth during this period has been higher than calculated beforehand.

What are the main factors that explain this relatively high performance? Assessments may easily end up in a circular argument, from which the more basic explanations slip away. Obviously, the *aid mandate* with regard to the amount of aid is strong. This is reflected in the volume commitments of subsequent governments and Parliament. It is also reflected in the commitments of the political parties in their plans of action for the previous as well as the present Parliament. All the parties (with the exception of the PP) have committed themselves to the present level of ODA, and a large majority even to substantial increases. The parties opting for increasing ODA to at least 1.3 per cent of GDP represent almost 65 per cent of the electorate.

A similar picture emerges from the *public-opinion polls*. Even in a period

of rapidly increasing aid allocations—in absolute and relative terms—public support has been rising. In 1972, 72 per cent of the respondents were in favour of Norwegian aid (19 per cent against, 8 per cent undecided), in 1977, 80 per cent were in favour (12 per cent against, 8 per cent undecided), in 1980, 77 per cent were in favour (17 per cent against, 7 per cent undecided), in 1983, 81 per cent were in favour (13 per cent against, 6 per cent undecided) and in 1986, 85 per cent were in favour (9 per cent against, 6 per cent undecided). An even more convincing trend emerges from the answers to the question whether the allocations budgeted for by Parliament should be higher, should remain at the present level, should be lower or should be removed. In 1972, 58 per cent of the respondents answered that aid should be at the level budgeted for or higher, in 1974 58 per cent, in 1977 59 per cent, in 1980 71 per cent, rising to 76 per cent in 1983 and 79 per cent in 1986.⁵⁸

Positive public opinion may explain why so many of the political parties have been competing to raise the aid volume—with only the PP opting for the contrary. The sequence of events is probably the opposite; the political parties, especially their political leaders, have provided leadership in forming opinion in favour of aid. On the other hand, positive opinion polls may reinforce the positive stances of the political parties.

The positive positions of the political leadership are not the only factor that explains the state of public opinion and not necessarily the most important one. From the mid-1960s, an important aspect of the policy has been to educate important groups of society, as well as the general public, on aid issues. This education has been organized by NORAD through its information office and, even more importantly, through a set of agreements with NGOs, in particular the United Nations Association of Norway, with its regionalized organization and its orientation towards schools and educators. This programme, financed by ODA, has included a broad spectrum of organizations, even branches of the political parties, which have been free to integrate Third World development and aid issues in their own information activities and from their own perspectives. The programme has also been directed towards the mass media. These systematic efforts have been instrumental in creating public support for development assistance.⁵⁹

During the early years of Norwegian development assistance, internationally recommended targets had a pace-setting effect; both government and Parliament are sensitive to recommendations by the UN system, in particular if commitments have been given. When, during the 1970s and 1980s, the targets were raised beyond the UN targets, pride in belonging to the group of 'front-runners' had no adverse effects on the politicians' willingness to vote for increasing aid volumes at a time with a rapidly growing GDP due to the new revenues from North Sea oil and gas production.⁶⁰ The budgetary technique, combining a time-fixed volume target with a plan for stepped-up allocations, has most certainly facilitated the implementation of the targets

decided upon.

It is difficult to assess the relative importance of the various factors indicated. They are, however, not contradictory; rather, they reinforce each other. Generous development assistance is well in tune with the dominant socio-political norms of the domestic environment, which are the main basic determinants of the volume performance. It is also in tune with the interests of the administrative structures which relate to the multilateral system in strengthening their positions.

The aggregate impact of the social bearers of these values (norms and interests) in the domestic environment has been reinforced by influences from the external environment, in the first place, Norway's Nordic neighbours, with Sweden setting the pace during most of the 1970s. Even the multilateral system—in particular, the United Nations—had some influence during the 1960s and early 1970s by establishing volume targets for the ODA.

The economic situation of Norway during the 1970s and 1980s has been conducive to the increase of aid. The target complying with the United Nations target for DD2 was, however, set before the oil riches of the North Sea were known. The ODA performance has been affected by the ups and downs in the economic prospects or the budget situation, as was demonstrated in 1978, when the government beat a retreat from the 1.3 per cent of GDP target suggested the year before.

The economic situation in the Third World—and crises which have been man-made or caused by natural disasters—have also had an impact on the volume performance.

General conclusions

Most of the conclusions arrived at have been set out in the previous section. Here, the relative impact of the determinants on the different aspects of aid policy will be assessed. In some areas, the different determinants move the policy along more or less the same path, which makes any assessment of their relative impact difficult. In others, however, they conflict, facilitating such assessments.

The main conflict dimension is between altruism, in the first place associated with socio-political norms, and self-interest, in the first place associated with the systemic and business interest in export promotion, both belonging to the domestic environment. This conflict is manifest for most dimensions of the aid policy, in particular as concerns the magnitude of the multilateral aid component, the principle of geographical concentration of bilateral aid and the selection of priority countries, the principle of untied aid and, in general, the commercialization of aid.

1. Most aspects of Norwegian aid policy are attuned to *the dominant socio-political norms of the domestic environment*. This applies to the reasons for

providing development assistance and to the development aims established. It also applies to the two main aid strategies, in particular, to the welfare strategy, but also to the industrialization and trade strategy, in so far as they relate to development objectives in the Third World and efforts to bridge the gap between poor and rich countries by reforms of the international economic system, a new division of labour and improved trade relations. The established guidelines are also in tune with these norms.

The dominant socio-political norms, therefore, constitute the main determinants of Norwegian aid policy. They have in substantial part been strong enough and shared sufficiently widely across the political spectrum to be able to deflect attempts by Norwegian systemic and economic interests to bend the aid programme significantly to their advantage. This applies, in particular, to the heyday of altruism, in the years between 1970 and 1976. During this period, two major White Papers were presented by the government (Labour) and adopted by Parliament. However, the increased commercialization of ODA during the second half of the 1970s and the early 1980s—in particular, the way in which the principle of untied aid has been defined and implemented, and the use of ODA in the promotion of Norwegian exports—justify a modification of this general conclusion.

2. The overarching systemic interest in the *maintenance of peace and economic stability* and in an international regime to enhance these values has been decisive for some dimensions of the aid policy. This transpires from the motives given for aid. Some aspects of aid policy are directed to this objective, in particular the large component of multilateral aid. Peace and economic stability belong to a cluster of international common goods that also includes poverty alleviation and economic and social growth in the Third World. Although there could be conflict, in the distribution of ODA, between development objectives and peace objectives, this rarely happens. The social bearers of the dominant socio-political norms are in favour of both 'peace' and 'development'. A large, multilateral aid component conflicts, on the other hand, with the systemic and business interest in export promotion. On this dimension of the aid policy, the systemic interest in the maintenance of peace and economic stability has been the decisive one.

3. Some elements of aid policy are directed to the systemic and business interest in *export promotion*. This applies to the motives given for aid, though not prominently, and to the long-term aid objective, though this is formulated in general terms, approaching the mutual interest in, *inter alia*, expanded trade. The industrialization and trade strategy is also geared to this interest, and, by definition, the commercialization of aid policies. After 1976, aid policy has increasingly been oriented towards this interest, in particular the introduction of a commodity aid component, the interpretation and implementation of the principle of untied aid, the freezing of the multilateral component at 0.5 per cent of GDP, instead of the 50 per cent of ODA contained in the 1984 White Paper along with the interpretation of this guideline provided

by Parliament in 1987, and the many mechanisms established with the explicit purpose of promoting Norwegian exports financed through the ODA budget.

Export promotion by means of ODA conflicts (as perceived) with several of the dominant socio-political norms and the social bearers of these norms have been ardent opponents of the commercialization of aid. Since 1976, however, the proponents of export promotion have increasingly kept the initiative, although the gains have not been too impressive in quantitative terms, and Parliament, again in 1987, has put up a forceful resistance.

Other aspects of aid policy are, on the other hand, dysfunctional to this interest. This applies, in the first place, to the large, multilateral, ODA component and to several of the other established guidelines: the principle of geographical concentration, the criteria for the selection of priority countries and the selection that has been made (poor countries), the poverty orientation reflected in the welfare strategy and the target groups (the poor, women), untied aid, aid as grants, and recipient-oriented aid. As noted, some of these guidelines were adapted to the interest of export promotion after 1976, and several of the exemptions from the principle of geographical concentration were accommodations to this interest. Even so, the guidelines have constituted barriers to the use of ODA for the promotion of Norwegian systemic and business interests in export promotion and have for this very reason been under attack from the social bearers of these interests.

On questions that really mattered, however, involving the principle of untied aid, the export-guarantee system and mixed credits, substantial concessions were made after 1975, against the protests of the social bearers of the dominant socio-political norms. However, even in these areas, the gains were circumscribed. In areas where the interest was affected in a more general way, viz. the multilateral component or aid as gifts, the impact was less.

4. The prevailing economic situation in Norway was suggested as a major, potential determinant, involving several dimensions of the aid policy. The main changes in the domestic and external economic situation after 1975 were the following:

(a) A rate of inflation during the early 1970s, continuing at a relatively high level even later, with a bearing on the level of Norwegian costs. The North Sea oil discoveries — creating opportunities for industries, job opportunities at a far higher salary level than in other branches of industry, and the prospect of large state revenues — were a major cause of this development, affecting adversely the competitiveness of Norwegian mainland industries and exporters, including industries that faced competition from Third World producers on the domestic and international markets (textiles, shipbuilding).

(b) An acute, structural crisis in the shipbuilding industry that was perceived as a temporary crisis and dealt with accordingly. Norwegian shipbuilding enterprises constituted the core industry in many minor towns. The crisis had, therefore, the potentiality of creating unemployment in many districts, as a close-down would also affect the employment provided by sup-

portive enterprises. It became a matter of priority for the government to rescue the shipbuilding industry by an active search for new contracts and various forms of subsidies. The new oil riches of the North Sea became instrumental, both in strengthening the financial basis, thus allowing for public subsidies, and in easing the efforts to convince prospective oilfield operators to place orders with Norwegian firms. The ODA budget was also used as an instrument in this policy.

(c) During 1975–77, Norway experienced high balance-of-payments deficits. Gradually, however, the new incomes stemming from oil revenues and oil-related activities improved the public income and economic growth (GNP) and affected the balance-of-payments situation positively. During the early 1980s, foreign debts were reduced.

The adverse trends in the Norwegian economy were reinforced by the international recession during this period. They were all working in the same general direction, along with the systemic interest in export promotion and a high employment rate and business and labour interests to the same end. It was also expected that they would adversely affect the aid volume and terms of aid.

The actual effects were, however, less than expected. The strained economic situation affected the volume of aid, but only temporarily and rather mildly. On this dimension, it was balanced by the socio-political norms which were reinforced by the deteriorating situation emerging in the Third World. Although strained, the main characteristic of the Norwegian economy during these years was that of an economy in sustained growth—Norway improved its relative position among the richest industrial countries. This also explains why the strained economic situation did not affect the financial conditions of aid. It was, however, most decisive for the increased commercialization of aid during the second part of the 1970s and early 1980s, reinforcing the systemic and business interest to this end, involving increased emphasis on the return flow of aid, including the redefinition of the principle of untied aid and mechanisms to promote Norwegian exports. Its effects on most other aspects of aid policy, were small, even marginal.

5. Although Norwegian aid policy is in many respects different from the mainstream aid policy of the Western powers, several aspects also reflect values (norms, standards and interests) being pursued in the external environment. The Norwegian aid policy has been well attuned to the policies of other Nordic countries, in particular, to *Swedish aid policy*. The similarities are to be found especially in the large volume of ODA on favourable financial terms, the poverty orientation, involving poor recipient countries, poor target groups and recipient governments that are expected to be geared towards social justice, the selection of priority countries, the principle of untied aid and the large multilateral aid component, although the pattern varies. The detailed, formal policies established in the 1972 and 1975 White Papers have similarities with other Nordic countries' policy statements. Several of the

changes since 1975, including the commercialization drive, the weakening of the principle of untied aid and the conditionality reflected in the rephrasing of the principle of recipient orientation in the 1984 White Paper, came in the wake of changes in the same direction in Swedish aid policy, though with a time lag. The frequent appearance of Social Democratic governments on both sides of a common border may be part of the explanation. It is, however, difficult to assess whether Nordic co-operation—or, rather, close proximity, involving communication, co-operation and competition—has had a decisive impact on the various aspects of aid policy or has only reinforced a policy which has emerged from genuinely domestic, political processes. The values operating in the systems are basically similar.

6. The norms established by the *OECD* (DAC) have also influenced some aspects of aid policy, although the impact has probably not been strong, as Norway has been far ahead of the targets and standards set (less aid tying, more aid on better financial terms, especially to the LLDCs, increased aid through the multilateral agencies, etc.). The standards set by most DAC members, in their aid performance, may even have influenced Norwegian aid policy in a negative direction, from the point of view of these norms, although such effects are not easily traced.

The main partner in the regional security policy co-operation, the United States, has had some influence, though a rather marginal one, in the area in which its influence could be expected to be the strongest: the choice of partners for bilateral co-operation. The influence of minor allies in NATO has been even less, as is indicated by the support given to the liberation movements of Portugal's African colonies when the wars of liberation took place.

7. The multilateral institutions—the World Bank and the United Nations system—have influenced several aspects of Norwegian aid policy, particularly during the initial stage. This applies, in the first place, to aid philosophy, strategies and targets, although after 1975 Norway was ahead of the volume targets established by the UN. Some of the guidelines—in particular, aid as grants and the principle of untied aid—have been influenced by the multilateral aid agencies. Their main role, however, has been to reinforce the effects produced by the dominant socio-political norms of the domestic environment. The World Bank, in particular, has underpinned the philosophical basis of the industrialization and trade strategy.

8. Multilateral aid agencies and priority countries have—in their capacity as aid channels—had a substantial impact on Norwegian aid, though not necessarily on aid policy. Although several dimensions of the aid policy are attuned to the interests of the priority countries' governments (viz. a large volume of ODA on grant terms, country planning with long-term commitments, and the principle of recipient-oriented aid), it does not necessarily follow that these governments are the main determinants. Still, in spite of the asymmetrical power structure of aid relations, they have also influenced, indirectly as much as directly, some aspects of aid policy.

These tentative conclusions are based on the correspondence between actual policy manifestations and the assumed outcome if the potential determinants were to be decisive. Although process analysis may add to or even modify the conclusions, the approach used has made it possible to identify the basic determinants of the aid policy.

Attention has not been directly focused on the actors who would be important in any process analysis with a similar purpose. These have been included in broad, aggregate units. This applies in particular to political parties, although their positions in relation to the main issues have been indicated. Variations in the aid policy over time have, to some extent, coincided with changes in government along a *Right-Left dimension*, although these variations have been small and the Right-Left division somewhat blurred. One reason for this is the strong aid commitment of the parties belonging to the centre, in particular the Christian People's Party (CPP) and the Liberals, which, together with the Socialist Left Party (SLP), have been the most ardent supporters of altruistic aid and increased aid.

The predominant consensus between the political parties (excepting the PP) has occasionally been broken by the parties to the Left and to the Right. The main conflicts have involved ODA volume, the selection of bilateral aid recipients, and, increasingly, the commercialization of aid, in particular the mechanisms established with the primary purpose of promoting Norwegian exports.

Whereas the main political parties, and especially Labour, have actively sought a broad consensus on aid issues, the minor parties to the Right and Left have not accepted such self-imposed restraints. The selection of recipient countries for bilateral aid is a case in point. Here, the SLP has argued for more aid to countries with a Socialist orientation, the inclusion among priority countries of additional countries with this orientation (Angola, Cuba, Nicaragua, Vietnam), the exclusion of countries with market-oriented, conservative regimes (Kenya, Pakistan, Sri Lanka) and more support to the liberation movements of southern Africa. As noted, the party has not been alone—the left wing of the Labour Party (and on some issues, the whole party), the Liberals and the CPP have adopted similar positions on several of these issues. Even on the more fundamental issue of whether to provide aid at all, there is a cleavage between the parties, as the tiny Progress Party has advocated the abolition of all public aid, in particular multilateral aid and any aid that does not engage private Norwegian enterprises and business.

The main division—within the broad consensus among the main political parties—has been between the Right (Conservatives) and the Centre-Left (Centre Party, CPP, Labour, Liberals, SLP). However, the participation of smaller parties in coalition governments in which the Conservatives have been the main partner has modified the positions of the parties belonging to the Centre on many issues, thus blurring this division. This applies in particular to the CPP during the 1980s, when the party in a government position (in

charge of the Ministry of Development Co-operation) gave legitimacy to several mechanisms identified with the commercialization of Norwegian aid and accepted ODA budgets far below its commitments—and even below what Parliament might have accepted on the basis of the electoral platforms of the parties. On balance, the party managed to commit the Conservatives to a poverty-oriented aid policy and to volume targets above 1.15 per cent of GDP. The Conservatives have been dependent on the parties in the Centre to form a government—a fact that has influenced the aid policy positions adopted by the party and blurred the conflict along the Left-Right axis.

The conflict between altruism and self-interest, manifest above all in the commercialization-of-aid issue, involves the political parties along a Right—Centre-Left axis, though this split is also found within Labour. During the late 1970s and early 1980s, however, the conflict appeared first of all as one between the national political institutions: the government (Ministry of Foreign Affairs) and **Parliament**.⁶¹ The export-promotion drive was carried out by the government administration (in particular by the Ministry of Trade and Shipping and the Ministry of Industry), in liaison with private sector, economic interest groups. In 1980, in a report to Parliament (Report No. 35), the government (Labour) made an effort to transform the practice of aid established during the second half of the seventies—the increased commercialization, in which aid was geared towards broader economic co-operation—into policy norms. In 1981, Parliament rejected the reorientation and insisted that the old guidelines be maintained—with an emphasis on the poverty orientation of aid geared to social justice and the channelling of aid to poor countries. Although the principle of untied aid was modified, the redefinition was made with the intention of containing the way in which it had been implemented. In Parliament, all the parties represented on the Foreign Affairs Committee backed this position, including the governing Labour Party.

Several factors contributed to these political pirouettes, in particular the feeling that practice had become too far removed from established principles. Manifestations of double standards are probably more conspicuous in the cluster of policy areas to which aid policy belongs (together with social security, employment, etc.) than in other areas of domestic or foreign policy. The government issue also influenced the positions of the political parties. The general election of 1981 was close, and political parties were in the process of formulating their manifestos—a fact that facilitated a pre-occupation with norms and values. The government (Labour) was a minority government and had parties both to the Left and in the centre which were opposed to the increased commercialization that had taken place. The main opposition parties had agreed to form a non-Socialist government if the elections allowed. In this setting, the Conservatives could not afford an open clash with the CPP on an issue which that party—sensitive to strong signals from the Council of Foreign

Relations of the Church of Norway—had at heart. For this reason, the CPP played a decisive role in the outcome.

The crucial role of the parliamentary situation, and in particular the consequences involved in partnership in a coalition government, is also illustrated in some specific issues during the period up to mid-1983 with minority governments (Labour and Conservative). When in 1980 the government (Labour) decided to apply for membership of the Inter-American Development Bank (IDB) financed by ODA, Parliament turned the proposal down. When the government (Conservative) in 1982 proposed that NOK 145 million should be allocated in the aid budget for 1983 to cover losses under the special export-guarantee system, contrary to the yearly limit previously agreed on (NOK 20 million), Parliament unanimously turned the proposal down.

Under the new majority regime from mid-1983 to late 1985, matters changed. With the CPP included in a majority coalition government, these issues were decided in line with the position of the Conservatives. The various mechanisms for the promotion of Norwegian exports were reinforced in the Government's White Paper (1984) and new mechanisms were added, including mixed credits, an arrangement which was rushed through Parliament ahead of the White Paper and obtained the votes of the three coalition parties and (somewhat hesitantly) Labour's as well. The White Paper also included the proposal to use ODA extensively to cover losses on export guarantees in the future too (NOK 200 million a year) and membership of the IDB. The redefinition of the principle of untied aid concluded this course of events. Clearly, the government structure was instrumental in bringing about the quite fundamental changes that took place on these issues—as it had been a few years earlier in defence of the then established policy.

These changes—in favour of self-centred Norwegian economic interests—are important but do not provide the full picture. The CPP did not abandon all the altruistic principles with which it had been previously identified. The poverty orientation came out stronger than ever in the White Paper—a fact that implies set-backs for a policy directed towards satisfying self-centred Norwegian economic interests. Another important aspect is the programme of continued growth—safeguarding long-term, development assistance and restricting the utilization of ODA to mechanisms geared to stimulating 'broader economic co-operation'. Such utilization of ODA was restricted to the allocations above the 1.1 per cent of GNP which was to be used for humanitarian aid and long-term development assistance. The financial framework of the new mechanisms introduced was rather rigid—with the exception of the funds to cover losses on old export guarantees, which had to be covered by the state anyway. Here, safeguards were introduced against future losses.

However, once new mechanisms are introduced, they may well open up future avenues for economic interest groups that are well placed and experienced in manipulating the system. The full implications of the new mechanisms—modest as they are today in financial terms—will only be ap-

preciated in the years to come.

The most striking feature of Norwegian aid policy is its continuity and the high degree of consensus-seeking among the main political parties. On some issues—in particular, issues which have a bearing on self-centred, Norwegian interests—there has been a continuous conflict along the axis between altruism and self-interest. Although a shift of emphasis took place during the second half of the 1970s and early 1980s—involving, above all, increased commercialization—in most aspects, altruism has maintained the upper hand, though with modifications and variations as regards its strength over time.

Notes

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1. The following are among the key documents on Norwegian aid policy:

1961—62: *Innstilling fra Utvalget for utredning av spørsmålet om Norges hjelp til utviklingslandene*, Oslo 1961 (The Engen Committee), St. meld. nr. 23 (1961—62) (Parliamentary Report No. 23), Innst. S. nr. 75 (1961—62) (Recommendation to Parliament from the Standing Committee on Foreign Affairs, No. 75).

1966—68: *Innstilling om den videre utbygging av Norges bistand til utviklingslandene*, Oslo 1966 (The Onarheim Committee), St. prp. nr. 109 (1966—67) (Parliamentary Proposition No. 109), Innst. S. nr. 167 (1967—68).

1972—73: St. meld. nr. 29 (1971—72), Innst. S. nr. 135 (1972—73).

1975—76: St. meld. nr. 94 (1974—75), Innst. S. nr. 192 (1975—76).

1980—82: St. meld. nr. 35 (1980—81), Innst. S. nr. 255 (1980—81), Innst. S. nr. 137 (1981—82).

1984—87: St. meld. nr. 36 (1984—85), St. meld. nr. 34 (1986—87) and Innst. S. nr. 186 (1986—87).

2. The Engen Committee, p. 7.

3. *Norway's economic relations with developing countries*, (Off-print of Report to the Storting (Parliament) No. 94 (1974—75)), NORAD, pp. 13—14.

4. St. meld. nr. 36, p. 19 (translation by the present author). In June 1987, Parliament's Foreign Affairs Committee stated (Innst. S. nr. 186 (1986—87), p. 21) that 'Development assistance is an expression of a determination to transfer to the international level the ideas and the efforts toward justice and economic equality on which the development of the Norwegian welfare-state is founded'.

5. This was the case during the early 1950s. In November 1950, in the wake of the Korean war, the Norwegian Minister of Foreign Affairs, in his speech to the UN General Assembly, linked aid with the East-West conflict. During the years that followed, other Norwegian foreign-policy spokesmen also conceived of aid as an instrument to contain Communism in the developing countries and as a means to promote democracy. After 1949, when Norway joined NATO, development assistance played an even more important role in Norwegian domestic politics—not least within the governing party (Labour). Its main function in this setting was to serve as a 'positive' foreign policy to balance the arms race which was taking place between East and West—with rising allocations to defence in the Norwegian budget too—and to keep busy those in the party who had been against Norway joining the Western defence pact. The Indian-Norwegian development project in Kerala was, according to Helge Pharo, designed

and used as an instrument to serve these functions. See Helge Pharo, 'Norge og den tredje verden', in Trond Bergh and Helge Pharo, eds., *Vekst og velstand. Norsk politisk historie 1945—65*, Universitetsforlaget, Oslo 1977, pp. 281—329, especially pp. 290—95. See also H.O. Pharo, *Hjelp til selvhjelp. Det indisk-norske fiskeriprosjektets historie 1952—72*, Bind I & II, Norsk Utenrikspolitisk Institutt, Oslo 1986.

6. The Engen Committee, pp. 7 and 5.
7. St. meld. nr. 23 (1961—62), p. 8.
8. St. prp. nr. 109 (1966—67), p. 2.
9. Innst. S. nr. 167 (1967—68), p. 342.
10. *Norway's economic relations*. . . , op. cit., p. 15.
11. St. meld. nr. 36 (1984—85), pp. 19—20. It stated, *inter alia*, that 'International relations which contribute to increasing the poverty problems and deepen the gap between industrial and developing countries with regard to the global distribution of income and labour constitute a threat to the peace and stability of world society. In a world riddled with conflicts, work for structural reforms and practical development assistance efforts, therefore, have also a peace-keeping function.'
12. The Engen Committee, op. cit., p. 7.
13. *Innstilling om den videre utbygging av Norges bistand til utviklingslandene* (Recommendations by a government-appointed review committee, named after its chairman, Mr. Onar Onarheim), Ministry of Foreign Affairs, Oslo 1967, pp. 45—51; and St. prp. nr. 109 (1966—67), pp. 12—17.
14. St. meld. nr. 36 (1984—85), p. 19.
15. In the opinion surveys of 1980 and 1983, those who were in favour of ODA were asked the question: *What is the most important reason why you are in favour of development assistance?* Their answers yielded the following picture:

	1980	1981
We must help those who are starving, suffering, etc.	52	51
Unjust distribution of the world's goods, etc.	17	16
We can afford to help	23	22
Help people to help themselves	5	6
Other reasons given	3	4
Total	100	100

The message is reinforced by the answers of those who were against aid, although the main reason given for being against aid (50 and 48 per cent respectively) was the unfulfilled needs of the Norwegian people. However, 26 and 32 per cent respectively gave as their major reason that the aid did not reach those who needed it.

16. The Engen Committee (op. cit., p. 13) emphasized 'economic and social development'. So did the Government (St. meld. nr. 23 (1961—62), p. 1), which added that aid 'should be provided without the intention of promoting particular political, economic or religious interests'. Parliament (Innst. S. nr. 75 (1961—62), p. 16) agreed and added 'cultural growth' to the aim.
17. *On the main topics of Norway's co-operation with developing countries* (Off-print of Parliamentary Report No. 29 (1971—72)), NORAD, p. 11.
18. *Norway's economic relations*. . . , op. cit., pp. 11 and 36 (quotation).
19. St. meld. nr. 36 (1984—85), p. 20.
20. St. meld. nr. 23 (1961—62), p. 2.
21. In the following discussion, one category of aid is not included: humanitarian aid (disaster relief, support to refugees, etc.). This assistance, although included in the ODA budget, has a *problématique* of its own. However, the emerging trend in the conceptualization and also in the implementation of humanitarian aid—reflected in the 1984 White Paper—is towards giving relief aid a longer-term development perspective. To the extent to which such aspirations are fulfilled, humanitarian aid may be considered one dimension of the welfare strategy.
22. *Idem*.
23. *On the main topics*. . . , op.cit., pp. 11—12.
24. *On the main topics*. . . , op.cit., pp. 11 and 22.
25. *Norway's economic relations*. . . , op.cit., p. 39.
26. *Norway's Strategy for Assistance to Women in Development*, The Royal Norwegian Ministry

- of Development Co-operation, Oslo 1985. See also St.meld. nr. 36 (1984—85), and contributions to *Forum for utviklingsstudier*, 1985:2—6, Oslo (special issue on women-oriented aid).
27. In the 1980, 1983 and 1986 public-opinion surveys, the following open question was asked: *Is there any section of the population in developing countries that we ought to assist in particular?* The answers yielded the following picture:

	1980	1983	1986
Children	28	25	24
Women	3	2	3
Family, women, children, ordinary people	2	4	—
Old, sick, handicapped	4	8	4
The poorest/those who are worst off	18	16	16
Farmers, craftsmen, minor industries	3	3	2
Politically oppressed, minorities, refugees	6	5	5
No particular section	32	34	39
Other answers/do not know	4	3	8
Total	100	100	101

28. St. meld. nr. 36 (1984—85), p. 8.
29. Ibid., pp. 8 and 22.
30. Ibid., p. 24.
31. St. meld. nr. 23 (1961—62), p. 2.
32. *Idem*.
33. *Norway's economic relations*. . . , op.cit., p. 9.
34. For analyses and documentation, see *Forum for utviklingsstudier*, Nos. 5—9, 1984 (special issue on the Mini-NIEO).
35. See Nils T. Eide, 'En økonomisk analyse av det norske GSP-systemet', *NUPI-RAPPORT*, 1980:47, Oslo.
36. *Norway's economic relations*, op.cit., p. 60. These criteria were specified as follows: 'Due regard should be paid to facilitating production which is useful to the host country and which provides a source of profitable employment. Other criteria to be applied relate to the transfer of technology and administrative know-how, whether the project opens possibilities for providing a suitable basis for other activities and whether it leads to improved terms of trade through import savings or an increase in exports. The project should as a rule be based on co-operation (joint venture). . . ' Similar criteria are established for the other mechanisms identified as well.
37. St.meld. nr. 36 (1984—85), pp. 68 ff. The government added (p. 70) that Norwegian firms might even contribute by 'transmitting valuable norms concerning management and co-operation, which are developed in the industrial milieu of Norway between employers and employees. The primary aim for these facilities is to develop local competence at all levels and to build up firms which are adapted to needs and conditions pertaining in the host country and able to stand on its own.'
38. This coincides with the perceptions of the general public, as measured in the 1980 and 1983 public-opinion surveys. In response to the question: *What do you think would be more profitable for the developing countries, increased aid or improved commercial conditions?*, the answers yielded the following picture:

	1980	1983	1986
Increased aid	14	11	13
Improved commercial conditions	67	79	64
No difference	8	4	7
Do not know	11	6	16
Total	100	100	100

39. The perceptions in the political milieu—government and Parliament—do not necessarily coincide with those of the general public. Still, the latter are of interest, since the politicians have to relate to such environments, for support or in order to bring them into line with the policy of the day. The perceptions of the causes of underdevelopment become of particular

importance, since aid is seen as the remedy. The answer to overpopulation may be seen as family planning; the answer to illiteracy, aid in the form of educational support and competence-building, etc. In the 1980 and 1983 public-opinion surveys, the following picture emerged in the responses to the question: *What, in your opinion, is the reason why some countries are underdeveloped?*

	1980	1983
Overpopulation	19	17
Ignorance, illiteracy	33	31
Lack of resources, capital, shortage of work	11	9
Former colonies, exploited by capitalism	25	22
Religion, superstition, laziness	3	2
Mutual discord, corruption, class differences	6	7
Climate, drought, disasters	2	3
Other answers	1	9
Total	100	100

40. In the 1980 and 1983 public-opinion surveys, reference was made to Parliament's decision to distribute ODA equally between multilateral and bilateral channels. The responses to the alternatives provided yielded the following picture:

	1980	1983
Give as now, 50:50	37	43
Increase bilateral aid	30	28
Increase multilateral aid	11	12
Do not know	22	17
Total	100	100

It is, however, interesting to note that the prospective voters for the left-wing Socialists (SLP) were the most bilateralist in their attitudes. The surveys do not give any basis for assessments as to why this is so. One possible explanation is the party's objections to giving aid through the development banks, the IBRD in particular. Additional explanations may be assessments of the relative efficiency of the UN system and the opportunity which bilateral aid gives to channel aid to the recipients one wishes to support.

41. *On the main topics.* . . , op.cit., p. 22.
42. Innst. S. nr. 135 (1972—73), pp. 340—42.
43. Innst. S. nr. 192 (1975—76), pp. 3 and 6.
44. When the public were asked the question: *What do you think should be considered most important in deciding which countries we are going to help?*, the following picture emerged (the alternatives were provided):

	1974	1977	1980	1983
1. Help where the poverty is most widespread	64	30	41	37
2. Help where economic growth could be achieved the fastest	—	6	6	5
3. Consider the policy of the recipient country	12	—	—	—
4. Help where aid benefits the poorest people	—	48	—	—
5. Consider both 1 and 2	—	—	48	55
6. Consider both 1 and 3	19	—	—	—
7. Consider both 1, 3 and 4	—	12	—	—
8. No opinion/do not know	5	4	5	3
Total	100	100	100	100

45. *On the main topics.* . . , op.cit., p. 22.
46. In the 1974 and 1977 opinion surveys, the respondents were asked whether Norway should or should not give aid to the populations in areas controlled by liberation movements in coun-

tries in southern Africa with white-minority governments (Rhodesia, Namibia). The following picture emerged (in per cent):

	Yes	No	Depends on area and lib.movement	No opinion
1974	26	38	21	15
1977	40	27	14	19

47. St. meld. nr. 36 (1984—85), pp. 38—39.

48. Ibid., p. 26. Parliament agreed (Innst. S. nr. 186 (1986—87), p. 32).

49. *On the main topics . . .*, pp. 31—32.

50. See Olav Stokke (1984), pp. 343 ff.

51. Innst. S. nr. 255 (1980—81), p. 6.

52. St.meld. nr. 36 (1984—85), pp. 26—28.

53. *Idem.*

54. St.meld. nr. 55 (1968—69). The plan was accepted by Parliament against the votes of the Labour opposition, proposing 1 per cent of the NNI as the ODA target for 1973. In 1971, a rescheduling was adopted by Parliament (against the Labour vote), postponing the attainment of the target to 1974.

55. St.meld. nr. 76 (1977—78). All political parties in the Finance Committee (Parliament) agreed, except the Christian People's Party (CPP), which insisted that the strained economic situation should not lead to reduced ODA. On the contrary, they argue that 1.5—2.0 per cent of GNP should be provided for ODA by 1981.

56. St.meld. nr. 83 (1984—85), p. 51.

57. St.meld. nr. 36 (1984—85), p. 21.

58. The first set of data reflects the answers to the question: *Are you in favour of or against Norway giving assistance to developing countries?*

In the 1983 survey, the support is as high among women as men, but declines with age from 93 per cent in the age-group 16—19 years and to 74 per cent in the age-group 65—74 years. It is positively correlated with the educational level and the income level of the respondents. The political-party dimension is as follows, in declining order. Most positive are the prospective voters for the Christian People's Party (95 per cent), the Socialist Left Party (94 per cent), the Liberal Party (94 per cent), the Centre Party (89 per cent), the Conservative Party (83 per cent) and the Labour Party (80 per cent). The majority of the prospective voters for the Progress Party (which argues that ODA should be liquidated) are in favour of aid (62 per cent for, 34 against). With regard to the question whether the aid budgeted for by Parliament should be greater, less or at the level budgeted for, the full picture is the following:

	1972	1974	1977	1980	1983	1986
Should be greater	10	12	11	19	20	56
Satisfactory level	48	46	48	52	56	28
Should be less	24	26	27	16	15	15
Should be totally removed	11	9	7	6	5	3
Undecided/No answer	7	7	7	7	5	0
Total	100	100	100	100	101	102

The most striking feature of this picture is the increased support for greater ODA emerging from 1977 to 1980—83 (almost doubled), with a parallel decline among those who thought that aid should be reduced. The changes taking place between 1983 and 1986 among the supporters are also rather dramatic, increasing the demand for increased aid.

The relative importance of development assistance, as compared with other public tasks, emerges from the 1980 and 1983 public-opinion surveys as far as the general public is concerned. When asked which three among 11 identified tasks the government should give the highest priority to in the first couple of years, increased aid to developing countries came out first with 3 per cent and 1 per cent respectively of the respondents, second with 4 per cent, and third with 5 per cent. In 1980, increased aid scored higher than increased defence efforts; in 1983, both stayed at the same average level.

Sources: Reports from the Central Bureau of Statistics of Norway, Oslo: *Attitudes to Norwegian Development Assistance 1972, 1974, 1977, 1980, 1983*, and *Statistisk ukehefte*, Nr. 48/86.

59. According to public-opinion surveys (op.cit.), the mass media—television, newspapers and radio, in that order—have provided a large part of the population with information about development assistance and development problems and have also affected attitudes towards development assistance. The 1983 survey reported the following scores for the different media (figures represent, respectively, the percentage of people given information about development assistance and the percentage of those whose attitudes were affected): television 97 and 76 per cent, newspapers 90 and 54 per cent, radio 83 and 36 per cent, periodicals and magazines 61 and 16 per cent, books and pamphlets 58 and 18 per cent, associations, organizations and clubs 32 and 8 per cent, personal visits to developing countries 12 and 7 per cent, family, friends and colleagues 50 and 14 per cent, and school or other forms of education 32 and 11 per cent. Over the years, the relative positions of these media have, by and large, been the same. A battery of questions has, over the years, been asked, in order to identify the effects of the various forms of information and education on these problems. The 1983 survey reported that 45 per cent of the population had seen at least one type of information material on development assistance provided by NORAD or the NGOs.

Attitudes are probably not so much formed by one particular medium. They are probably more the result of a combination of influences from a variety of media that mutually reinforce each other. The wide spectrum is indicated above. However, the predominant values and norms of society at large are the main gatekeepers influencing the extent to which and the way in which new information is adopted.

60. The revenues from North Sea oil also affected public opinion—as conveyed in the opinion surveys. In response to a question, in the 1974 survey, how the prospective incomes should affect the aid programme, 14 per cent opted for greater ODA, 24 per cent for the established plan for stepped-up allocations, 36 per cent for the established ODA level, 20 per cent for reducing or terminating aid, and 6 per cent did not know. In the 1983 survey, the topic was brought up again. Questioned whether, in the future, extensive incomes from oil should, in part, be used to assist developing countries, 55 per cent said yes, 38 per cent no, and 7 per cent did not know.
61. For a description and analysis, see Olav Stokke, 'Norwegian aid: Policy and performance', in O. Stokke, ed., *European Development Assistance*, Vol. 1, EADI, Tilburg (Netherlands) 1984, pp. 345 ff.

Table 1. *Total flow of financial resources, as distributed between different forms of transfers, 1970 and 1975–87*

	1970	1975	1976	1977	1978	1979	1980	1981	1982 ^a	1983 ^a	1984 ^a	1985 ^a	1986 ^a	1987 ^a
1. Bilateral ODA	39.2	55.4	48.8	56.0	54.3	58.0	57.5	53.6	55.1	54.2	53.4	53.8	56.6	56.1
1.1. Direct	36.1	42.5	34.6	40.8	41.7	44.4	45.2	40.4	41.3	43.1	43.2	40.0	43.4	43.1
1.2. Nordic co-operation	1.0	0.4	0.2	0.2	0.2	0.8	1.0	1.0	0.9	0.6	0.4	0.5	0.5	0.5
1.3. Multi-bi	2.1	7.2	10.4	10.6	8.6	8.7	6.7	7.3	7.1	5.8	4.9	7.0	7.8	7.5
1.4. International relief		5.4	3.6	4.4	3.8	3.8	4.3	4.5	4.6	2.9	3.3	5.1	3.3	2.9
1.5. Research						0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.5
2. Multilateral ODA	60.8	44.6	51.2	44.0	45.7	42.0	42.5	46.4	42.5	43.1	43.5	42.7	40.0	40.6
2.1. International organizations	58.9	41.0	47.6	41.1	43.0	39.2	40.0	43.2	40.0	36.8	35.4	36.6	33.3	33.4
2.2. International relief	1.9	3.6	3.6	2.9	2.7	2.8	2.5	3.2	2.5	6.3	8.1	6.1	6.7	7.2
Total ODA														
As percentage of GNP	0.33	0.66	0.70	0.83	0.90	0.93	0.85	0.82	1.03	1.10	1.03	1.01	1.20	
In USD (millions)	36.8	183.7	218.0	295.3	354.7	429.4	485.9	467.4	559	584	540	574	798	
Total net flow of resources														
In USD (millions)	66.6	273	462	547	632	754	866	671	826	740	1541	1669	1931	
As percentage of GNP	0.59	0.98	1.49	1.53	1.60	1.64	1.51	1.18	1.52	1.39	2.92	2.93	2.90	
Overall grant element	100	100	100	100	100	100	100	99.7	99.2	98.1	99.4	99.7 ^b	99.6 ^c	

Sources: Annual Reports, NORAD (1 and 2) and annual DAC reviews. There are small differences between these sources with regard to the distribution between multilateral and bilateral aid

^a The cost of administration is not integrated. This represented 2.4 per cent in 1982, 2.7 per cent in 1983, 3.1 per cent in 1984, 3.5 per cent in 1985, 3.4 per cent in 1986 and 3.3 per cent in 1987

^b 1984—1985 average

^c 1985—1986 average

Table 2. *Bilateral ODA, as distributed between the priority countries, 1970 and 1975–87*

Country	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Bangladesh		10.0	4.9	10.4	8.0	9.5	8.6	7.7	9.4	8.1	7.5	7.2	9.5	6.6
Botswana		5.6	6.6	3.1	4.7	3.7	4.7	3.2	2.4	2.5	2.7	3.6	2.6	3.4
India	18.0	8.8	9.0	9.2	11.0	8.9	8.2	8.0	6.8	6.4	6.9	7.5	5.5	6.1
Kenya	17.7	9.1	8.3	7.6	6.9	7.7	7.8	8.3	7.7	7.0	7.1	6.8	7.0	6.0
Mozambique	—	—		3.7	4.3	3.6	3.9	4.9	5.4	5.7	5.1	6.9	7.0	7.1
Pakistan	21.1	6.0	6.7	4.6	6.8	5.4	6.1	5.4	4.3	3.8	3.8	3.2	3.4	2.2
Sri Lanka	—	—		2.3	2.7	3.2	4.2	3.2	4.8	3.7	4.2	3.3	2.7	3.1
Tanzania	9.7	17.0	13.6	15.5	15.9	14.1	16.3	16.2	16.9	17.4	16.0	14.7	15.9	15.1
Uganda	6.8	—								—			—	
Zambia	4.8	4.7	5.7	5.6	4.0	3.5	3.9	3.5	4.5	5.1	5.5	5.4	6.4	6.4
Priority countries	78.2	61.2	54.8	62.0	64.3	59.6	63.7	60.5	62.2	59.7	58.8	58.6	60.0	56.0
Vietnam	0	12.9	6.5	2.0	5.3	5.7	2.7	1.1	0	0	0	0	0	0
Others	21.8	25.9	38.7	36.0	30.4	34.7	33.6	38.4	37.8	40.3	41.2	41.4	40.0	44.0
Percentage	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Bilateral ODA														
As percentage of total ODA	39.2	55.4	48.8	56.0	54.3	58.0	58.5	55.7	57.5	57.0	56.3	57.1	60.0	
In USD (millions)	14.6	102.0	105.9	165.2	192.0	248.7	284.3	260.7	326	332	304	328	479	

Sources: Annual Reports, NORAD. DAC Annual Reviews (bilateral ODA in USD). There are small differences between these sources with regard to the multilateral/bilateral distribution

— Included in 'others', not being among the priority countries at this time

Table 3. *Distribution of bilateral aid between main forms of aid, 1972—73, 1975 and 1978—87 (percentages)*

Form	1972-73	1975	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Project aid	35	33	25.5	23.6	27.2	32.0	29.0	37.1	37.3	37.5	40.7	48.9
Programme aid, incl. budget support	21	23	33.2	39.3	35.2	29.0	27.0	24.9	22.9	22.7	21.6	14.7
Commodity aid, incl. import support	21	28	23.4	23.5	22.0	22.0	27.2	24.9	25.6	24.9	23.4	17.3
Technical assistance (experts, fellowships, etc.)	32	16	17.9	13.6	15.6	17.0	16.8	13.1	14.2	13.9	12.7	16.9
Total	100	100	100	100	100	100	100	100	100	99.0 ^a	98.4 ^a	97.8 ^a

Source: NORAD statistics

^a Loans make up the difference, 1 per cent in 1985, 1.6 per cent in 1986 and 2.2 per cent in 1987

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Bo Kärre and Bengt Svensson

The Determinants of Swedish Aid Policy

Introduction

The Government of Sweden, of whatever party, has always emphasized in its public statements, that its aid policy is an international expression of social values that are widely shared within Swedish society. The main reason that Sweden takes part in development co-operation is that solidarity with the underprivileged is regarded as a moral responsibility. It is a reflection of the practice within Sweden, where assistance is given to people who are in difficulty, either temporarily or more permanently, like the unemployed, the sick and the elderly. In this way, Sweden also strives to narrow the widening gap between developing and industrialized countries, and to counterbalance the increasing tensions in the world which have adverse effects for all nations.

The promotion of equality and development is considered an integral part of the general endeavours to promote peace in the world. The promotion of development and assistance to the very poor in the Third World has thus been presented and widely accepted as an integral part of this effort.

All countries, rich or poor, are interdependent. Development programmes are already creating a number of job opportunities in Sweden. If and when the economies of the developing countries improve, the present forms in which Swedish assistance is extended will change and develop into a type of co-operation that is more of a two-way exchange.

A statement of aid objectives which reflects these underlying attitudes and values was incorporated in an Act of Parliament in 1978. These were defined as the promotion of (i) economic growth, (ii) economic and social equality, (iii) economic and political independence and (iv) the development of democracy in society.

In the seventies, Swedish development co-operation enjoyed a high international reputation. In the reviews made by the OECD's Development Assistance Committee (DAC) Sweden was often characterized as a forerunner. No doubt there were many reasons for this positive attitude. As is evident from Table 1, Swedish Official Development Assistance (ODA), according to the DAC definition, had expanded rapidly.'

The qualitative aspects of Swedish ODA were also considered highly positive. A country-programming system, providing instruments for long-term commitments and ensuring a high degree of influence by the recipients on the composition of the aid programme, had been introduced in the early seventies. The extent to which aid was tied to purchases in Sweden was small in

Table 1. *Swedish ODA disbursements as percentages of GNP*

Year	Percentage	Year	Percentage
1964/66 (average)	0.21	1977	0.99
		1978	0.90
		1979	0.94
1970	0.38	1980	0.79
1973	0.56	1981	0.83
1974	0.72	1982	1.01
1975	0.82	1983	0.84
1976	0.82	1984	0.80

comparison with other western donors — about one-fifth or less of the total aid. Sweden was also known for its willingness to finance local and recosts and its flexibility concerning the composition of aid in the light of changing economic, political and social circumstances and the wishes of the recipients.

Another aspect of Swedish ODA was the comparatively large contributions to multilateral institutions. Table 2 shows that between one-fourth and one-third of ODA appropriations are normally channelled through the UN agencies and the World Bank group.²

There seemed also to be general agreement between the political parties in Parliament that Swedish ODA should be maintained on this fairly high quantitative and qualitative level. It should be recalled that, since the start of the aid programme, Sweden had been governed by the Social Democrats or by coalition governments dominated by the Social Democrats up to 1976. During the period 1976-82, the non-Socialists formed four governments in various groupings. In 1982, the Social Democrats returned to power. However, when the first completely non-Socialist government since 1936 (with a short exception in the summer of 1936) took office in 1976, it was anxious to underline its willingness to pursue the same development-aid policies as its predecessor. The following statement from the new government's first DAC Memorandum in 1977 is typical:

In 1976 there were no major changes in the basic principles and objectives of Swedish international development co-operation; and no such changes are foreseen to take place in 1977. Swedish assistance continues to be directed to support the ef-

Table 2. *Multilateral percentage of Swedish ODA appropriations*

Financial year (1/7-30/6)	Percentage	Financial year	Percentage
1973/74	35.1	1980/81	29.3
1974/75	35.7	1981/82	29.8
1975/76	38.5	1982/83	28.4
1976/77	33.6	1983/84	27.8
1977/78	33.5	1984/85	29.6
1978/79	33.5	1985/86	28.2
1979/80	32.4		

forts of developing countries to promote economic growth, social justice and economic independence. This objective is a guiding principle of Swedish assistance in both the multilateral and the bilateral field. . . . However, the new Swedish Government has given special emphasis to the fields of aid volume, Southern Africa and industrial co-operation.³

The government emphasized that for the first time Swedish ODA appropriations had been estimated to exceed one per cent of GNP at market prices. This was said to be in line with the policy statement of the new government, when taking office, that 'the goal of contributing one per cent of GNP to international development co-operation is to be regarded only as a first step'. It should be added, however that the idea of one per cent of GNP being 'a first step only' was already contained in the 1968 decision.

It was thus the case that the substantial development assistance programme, with its sustained concern to maximize the development benefits for the LDC (least developed countries) and to be free of self interested diversions to advance Swedish interests, which was largely given effect by Social Democratic governments but which in fact was very widely shared in the Swedish society.

It was similarly the case that as this rather bright picture was modified in the late seventies, these modifications too were not primarily the work of the non-Socialist parties. Rather, they too represented a tendency in Swedish thinking that was broadly-based and was reflected as much in the Social Democratic party as in the parties of the centre and right. Thus it was a non-Socialist government in 1980 which took measures to alleviate the burden of ODA on the national budget and a Social Democratic government which in January 1984 introduced a Finance Bill which abandoned — admittedly for internal economic reasons and allegedly as a temporary measure — the long-standing commitment that Swedish aid appropriations should be one per cent of the GNP.

More recently still the fairly massive agreement among the political parties on the quantity and quality of Swedish ODA has diminished. Today the Moderate Party argues that the present economic circumstances and the financial situation necessitate large cuts in the government budget and that the ODA appropriations cannot be an exception in such a process. The Party also maintains that the efficiency of the aid is too low and that large, unspent carry-overs show that the appropriations can be cut without negative consequences for aid performance. All the other parties in Parliament, however, are committed to the one per cent target, that is that ODA appropriations should be equal to one per cent of the GNP.

Another break in the inter-party accord on the major characteristics of Swedish aid policies has occurred over the country-programming system. The divergence of views concerns the breadth and degree of autonomy which recipients of Swedish aid should be conceded in the selection of projects. The non-Socialist parties want SIDA to be able to exert more influence and control. These parties are therefore in favour of a modified planning system, in

which the financial frames given to each recipient during a given year would be constituted by the sum total of projects agreed upon, without the frame thus arrived at being looked upon as a forward commitment.⁴ There are indications, however, that the Liberal Party has modified its stance and may at present be prepared to accept in principle the existing programming system.

It has been maintained that Swedish ODA policy at present could be characterized as approaching those pursued by the great majority of western powers and is thus gradually losing its 'progressive characteristics'. This opinion has been clearly expressed, not only within the DAC but also by other observers. Bertil Odén has made a well-structured contribution to this line of thinking. He claims that the 'traditional Swedish system of development assistance' has in general terms the following qualities:

1. A country-programming system aimed at reducing the inherent inequality between donor and recipient, by giving the latter a real opportunity to plan its own development, including the use of outside assistance.
2. A concentration of ODA to a limited number of recipients pursuing a development policy more or less in accordance with the established goals of Swedish development assistance.
3. An essential part of the assistance not tied to procurement in Sweden.
4. No policy limits with regard to the financing of local costs.
5. A certain flexibility, permitting funds to be transferred from one activity to another during the period of agreement.
6. A clear distinction between development assistance and export-financing.
7. A grant element close to 100 per cent.

Oden contrasts this, the 'Swedish model', with the main characteristics of what he calls the 'general OECD model':

1. Loans constitute an essential part of the aid programmes.
2. If a country-programming system is in operation at all, the recipient's influence is smaller than in the Swedish system.
3. A rather small part, if any, of the aid programmes may be used for local-cost-financing.
4. Financing of recurrent costs may occur only in rare cases.
5. There is no clear difference between development aid and export-financing. On the contrary, the two types of transfer are often closely co-ordinated.

In contrast to the OECD model, the Swedish model is thus not only more generous, it also extends to the recipient a greater degree of autonomy in the use of the funds and is more constrained in any use of the aid programme to pursue national economic advantages. It is Odén's argument that Swedish aid policies in the last decade have in fact been moving away from the 'Swedish model' towards the more self-interested practices typical of the 'OECD model'.

We shall test this hypothesis and discuss some of the issues relevant to it. We wish to emphasize, however, that our intention is not to give a full description and/or analysis of Swedish development co-operation but to discuss only the issues that have been the subjects of Swedish discussions during different periods in the existence of the co-operation programmes, concerning the quantity and the quality of aid. With regard to the latter, we shall concentrate on two aspects: the alleged commercialization of aid and the question of donor versus recipient flexibility.

With regard to sources and methodology the following observations should be made. It is comparatively easy to follow the political and practical development of Swedish ODA. Government bills, private members' bills in Parliament, DAC memoranda and other DAC material, and reports of government commissions relating to the subject provide abundant sources in this connection. It is far more difficult to analyse the determinants of aid policy. A straightforward description of the attitudes of political parties can, of course, be given. To come to grips with the forces underlying such attitudes is more difficult. 'The aid constituency' cannot always be described in terms of party politics. Groups that are positive or negative towards development assistance can be found in almost all parties. No recent, serious research work has been undertaken in this field. On the other hand, for many years public-opinion surveys regarding attitudes to development aid have been undertaken and can, consequently, provide at least some information about the determinants. But it should be clearly understood that most of what will be said concerning the determinants is necessarily of a rather speculative nature and is based on the available material and our own personal recollections.

We also hesitated about the years that the study should cover. Discussions of the possible 'commercialization' of Swedish development aid, one of the key issues of this paper, have always taken place, but increased in the mid-seventies when the new non-Socialist government decided that Sweden should negotiate for non-regional membership of the Inter-American Development Bank (IDB). The first interesting discussion of this kind took place in the early seventies, when the then Social Democratic government decided to increase the level of tying of aid to procurement in Sweden. However, bearing in mind the international and domestic apprehensions about alleged changes in Swedish policy, it seems reasonable to start the analysis with **1976**, when a non-Socialist government came into power. When necessary, we shall refer also to the policies and performances before **1976**. For easy reference, sources in English have been used whenever possible. For example, reference is normally made to the government's yearly memoranda to the DAC, instead of to government bills.

With regard to the terminology used, 'aid' is defined as Official Development Assistance (ODA) according to the DAC definition, that is assistance undertaken by the official sector, with promotion of economic development and welfare as the main objectives, and on concessional financial terms (loans

containing at least 25 per cent grant element).

US \$ (USD) are normally used instead of Swedish crowns (SEK). Bearing in mind the recent fluctuations in the exchange rate of the USD, the figures concerning, for example, absolute volumes should be treated with caution. In the eighties the volume of Swedish ODA appropriations decreased, as expressed in USD, during some of the years but increased every year during the whole period, as expressed in SEK.

Issues

Quantity: Volume targets and performance

Since 1961, the budgetary appropriations for ODA have been calculated as a percentage of the Gross Domestic Product (GDP). In 1968, it was decided that the level of one per cent of GDP should be attained in 1974/75. In fact, this level was attained in 1975/76.⁶ The appropriations for development assistance have since 1975/76 been maintained at one per cent of GNP, with the then alleged temporary exception of one year. Bearing in mind, however, the rather rapid increase of the nominal GNP due to both real expansion and price rises, it seems doubtful that any finance minister could accept a restoration of the appropriations to their earlier relative level in the present economic situation.

Other proposals in the same direction, albeit smaller, have been adopted and maintained.' Thus, in 1980, it was decided that the total ODA budget should be calculated not in relation to GDP but in relation to Gross National Product (GNP). GNP takes into consideration the net balance of a country's capital transactions, which was then and still is negative. The effect was to decrease the aid budget of about SEK 5 billion by SEK 60 million. It is reasonable to argue that GNP is a more correct measure than GDP for calculating the capacity of an economy to carry the expenditure for development assistance. It is also the yardstick used by most countries and by the OECD to describe the volume of ODA. Nevertheless, it is unlikely that the measure would have been considered, if the economic situation had not deteriorated.

At the same time, some expenditure more or less closely related to development assistance was taken into the development-assistance budget, such as costs for Swedish schools normally frequented by children of development-assistance personnel in LDCs, and the costs of the Scandinavian Institute of African Studies. The sums involved were very small (totalling SEK 55 million) and still are (less than three per cent of the total volume of appropriations for ODA). These measures may be justified, as it seems reasonable that all costs related to a certain activity should be charged to that activity. But in this con-

text the financial background of the government budget has also played a leading role.

Another way of looking at ODA volume is to see what role it plays in the government budget. Table 3 indicates that the ODA appropriations enjoy a fairly stable position.'

Table 3. The percentage share of ODA appropriations in the central government budget, compared with other major expenditures in the fiscal years 1981/82 — 1985/86

	1981/82	1982/83	1983/84	1984/85	1985/86
ODA	2.5	2.5	2.2	2.4	2.5
Public insurance, financial support for families etc, social services	26.9	25.7	23.8	24.0	24.7
Interest on national debt	11.7	15.7	19.8	21.8	22.2
Education, research, culture	13.4	12.8	11.6	12.0	11.9
Defence	8.0	7.2	7.5	7.8	7.8
Housing and physical planning	6.8	6.8	7.5	6.9	6.9
Labour market, working environ- ment, immigration, equality	5.2	5.0	5.2	5.2	5.6

From the recipients' point of view, the more interesting figures refer to net disbursements. As is evident from Table 1, these disbursements, expressed as percentages of GNP, rose very rapidly until 1977. From 1978 onwards, there are large variations with no real discernible trend. The increase until 1977 reflects, of course, the rapid expansion of aid appropriations up to the level of one per cent of GNP (GDP).

The variations of the disbursement percentage from 1978 onwards can largely be ascribed to two factors, unforeseen changes in GNP and payments to the multilateral organizations. The latter have tended to vary according to political circumstances and to 'pipeline' problems outside the control of the Swedish Government. There has also been a longish 'pipeline' containing undisbursed funds in the bilateral programmes, owing to delays in the planning and execution of projects. This 'pipeline' has been a fairly constant feature and has only a small explanatory value in this context. There seems to be no reason to attribute the variations of disbursements to the machinations of the Swedish Treasury, for **example**.⁹

However, the quantitative aspect of ODA merits some comments. It should be borne in mind that, while Sweden has accepted the 0.7 per cent of GNP disbursement target, the one per cent of GNP appropriation target has played a much more prominent and instructive role in Swedish discussion and practice. This volume target was already mentioned in the Social Democratic government's development assistance bill in 1962, but a definite timetable for its attainment could not be set until the Assistance Bill in 1968. The acceptance of a definite timetable for the attainment of the one per cent target was a rather painful process for the Social Democratic Party. Thus, in the mid-sixties, the Social Democratic government's Minister for Development Assistance resigned dramatically (a most unusual event in the Swedish tradition), after having failed to convince her colleagues in the government, and particularly the Minister of Finance, that development requires long-term planning and that the Swedish contribution to it—on an increasing scale, it was to be hoped—should be guaranteed to our partners over a number of years. This dramatic gesture and the manifestations outside Parliament probably prepared the ground for the Parliamentary decision in 1968.

As is evident from Table 3, development assistance does not really play a very important role in the central government budget. Against this background, it may be somewhat puzzling that the Social Democratic government should have gone to such lengths, in 1983-84, in order to diminish—at least temporarily—ODA as a percentage of GNP. Table 3 may give at least a part of the explanation. While in the mid-seventies the national debt played a minimal role in the Swedish economy and in the central government budget, the situation in 1983 was very different. That situation is well reflected in the figures concerning interest on the national debt. The government's strategy implied that no drastic budget cuts should occur. Instead, a thorough scrutiny of each budget item was essential. ODA was, to begin with, not considered an exception to this rule. The choice was then logically as follows: either adhere to the one per cent target but restructure ODA in order to promote Swedish exports, or maintain the quality but deviate, at least temporarily, from the one per cent target. The first model was tested in some quarters. It was rejected, and apprehensions were also expressed in the DAC when it was hinted that possibly the commercial part of the associated financing could be considered as ODA. The other solution was then tried, transforming the one per cent into a 0.94 per cent target.

It seemed possible to secure a comfortable majority for this measure, given the support of the Moderate Party. This situation led, however, to distinct apprehensions within the ruling Social Democratic Party and to sharp criticisms from the Liberal, Centre and Communist Parties, as well as from groups outside Parliament. Thus, about one-half of the amount taken from development appropriations in the Finance Bill was restored in a new bill some months later, raising the target from 0.94 to 0.97 per cent. In 1985, the one per cent target was once again restored."

In the present political situation, all parties in Parliament, with the exception of the Moderates, are committed to maintaining the one per cent level, even in the present economic situation. Groups outside Parliament who protested when the government tried to deviate from this decision may also be expected to be active again, should a non-Socialist government envisage any action in that direction. It should also be added that spokesmen for the Moderate Party have indicated that a decrease of the development assistance share of GNP is not a *sine qua non* for a non-Socialist coalition government. In the interests of non-Socialist cohesion, they seem to have abandoned the demand that the ODA budget should also be included in a budgetary process reducing appropriations for the public sector. Instead, the level of ODA appropriations should be set in relation to the efficiency of the activities. The Moderates affirm that once convinced in that respect, they would be willing to increase the assistance budget up to the one per cent target."

The prospects of attaining appropriation levels above one per cent of GNP seem rather bleak. In 1976, the non-Socialist government stated 'that the goal of contributing one per cent of GNP to international development co-operation is to be regarded only as a first step'. In its DAC memorandum of 1980/81, the (still non-Socialist) government was more cautious. It stated that 'appropriations for the fiscal year 1980/81 represent slightly more than one per cent of Sweden's gross domestic product. Due to Sweden's current budgetary and current account deficits, increases above the present share of GDP seem improbable in the immediate future'." This attitude seems to prevail, and the endeavour to keep the appropriations slightly above the level (1.024 per cent of GNP in the fiscal years 1980/81-1982/83) has been abandoned by the Social Democratic government. Only the Liberal and Communist Parties today explicitly advocate an increase in the level of appropriations. These parties have expressed their willingness in principle to increase the aid budget to up to two per cent of GNP without giving a timetable for the attainment of that target. It should be added that the Left Party Communists still want to see the ODA level calculated as one per cent of GDP and items not directly related to ODA excluded.¹³

A reasonable conclusion is that the forces, particularly within the Social Democratic and the Moderate Parties, that are willing to reduce the relative level of appropriations have rather meagre prospects of carrying out such ideas. Development-assistance appropriations will also probably remain a protected area in budgetary planning in the immediate future.

Quality

Commercialization?

The debate on the commercialization of ODA reflects a comparatively old discussion of the roles played by the self-interest of donors, on the one hand,

and more idealistic and altruistic motives, on the other. In the first comprehensive Swedish Government bill on co-operation with developing countries (1962:100), motives based on the Swedish national interest were also mentioned, even though the altruistic motives were dominant. Moral duty and international solidarity were considered sufficient reasons for giving development assistance. With regard to motives in the sphere of foreign policy and security policy, it was stated that development assistance should be in accordance with Sweden's endeavours to contribute to greater equality and a better understanding between the peoples and thus to promote international solidarity and peaceful development. In the long run, it was assumed, economic equality between rich and poor peoples would be a precondition for peaceful international relations. It was considered to be in Sweden's interests for many developing countries which had newly acquired national independence to be given the economic foundations and the social conditions considered to be prerequisites for democratic development and for real national independence. The argument of the bill clearly involves an application to Sweden's relations with LDCs of the underlying basic social values of Swedish society. As noted earlier these have provided the public image of the objectives of Swedish aid and the model against which a great many Swedes test the actual policies and practice of SIDA.

Developing and developed countries had, according to the government's bill, a common interest in an expanding world economy. Commercial co-operation could also be advantageous for the LDCs but should not be reckoned to be development assistance.¹⁴

In Government Bill 1968/101, in which a definite timetable for the attainment of the one per cent target was eventually proposed, the 'egoistic' motives were hardly mentioned. Both bills deal, however, with assistance in the field of foreign trade and commerce. Foreign trade assistance referred to measures designed to facilitate the LDC exports to Sweden. Commercial assistance referred to ways and means of stimulating commercial transactions between Sweden and the LDCs, by reducing the risks normally involved in such transactions. At that time, a system of investment guarantees was considered most important, but it did not subsequently play any part.¹⁵

With few exceptions, however, the sixties and seventies were characterized by an endeavour to make a clear distinction between ODA and commercial transactions. The worsening world economic situation in the seventies, including the deteriorating Swedish situation, somewhat altered the climate of the debate. The attempts to reduce the relative level of ODA appropriations described above are evident signs in this regard. Pressure from Swedish exporting industries naturally grew as the aid programme increased, reaching a total volume that was of real interest from the commercial point of view.

A government which wants to reduce the burden of development assistance on the economy but finds it politically impossible to reduce the relative level of appropriations has always the possibility of restructuring ODA in favour

Table 4. *Structure of appropriations for ODA in the fiscal years 1981/82—1985/86*¹⁶

	1981/82	1982/83	1983/84	1984/85	1985/86
1 <i>Assistance through SZDA</i>					
(millions of USD)	688.0	585.5	495.6	517.8	507.4
Percentage of total appropriations	64.1	59.1	56.4	56.4	52.1
<i>of which country programmes</i>					
(millions of USD)	500.1	429.1	380.2	386.7	366.3
Percentage of item 1	72.6	73.3	76.7	74.6	72.2
Percentage of total appropriations	44.2	43.3	56.3	56.3	52.0
<i>of which grants to NGOs</i>					
(millions of USD)	32.6	30.2	28.0	34.1	36.3
Percentage of item 1	4.7	5.1	5.6	5.6	7.2
2 <i>Assistance through BITS</i>					
(millions of USD)	35.9	60.6	73.4	60.3	72.2
Percentage of total appropriations	3.2	6.1	8.4	6.6	7.5
<i>of which grant element in associated financing</i>					
(millions of USD)	23.7	47.8	65.2	48.9	57.4
Percentage of total appropriations	2.1	4.8	7.4	5.3	5.8
3 <i>Assistance through SAREC</i>					
(millions of USD)	27.4	23.9	20.9	21.2	21.0
Percentage of total appropriations	2.4	2.4	2.4	2.3	2.2
4 <i>Other (incl. administrative costs, information, recruitment and training of field personnel)</i>					
(millions of USD)	41.1	40.8	47.7	47.4	49.9
Percentage of total appropriations	3.6	4.1	5.4	5.2	5.1
<i>of which special allocation for balance-of-payments support</i>					
(millions of USD)	—	—	—	—	48.3
Percentage of total appropriations	—	—	—	—	5.0
5 <i>Multilateral development assistance</i>					
(millions of USD)	337.1	281.3	244.5	272.3	275.6
Percentage of total appropriations	29.8	28.4	27.8	29.6	28.2
Grand total (millions of USD)	1,129.6	991.5	879.0	919.0	974.4
Millions of SEK	5,720.0	6,228.0	6,540.0	7,046.0	8,060.0

Notes

(a) Exchange rates used:

1981/82 1 USD = 5.0634 SEK;

1982/83 1 USD = 6.2826 SEK;

1983/84 1 USD = 7.6671 SEK;

1984/85 1 USD = 7.6671 SEK;

1985/86 1 USD = 8.2718 SEK.

(b) Figures for 1983/84—1985/86 from DAC memo 1985/86;

figures for 1982/83 from DAC memo 1983/84;

figures for 1981/82 from DAC memo 1982/83.

of increased purchases in Sweden. There are at least three ways open in such a situation: (a) to increase the degree of tying of ODA to purchases in Sweden; (b) to decrease the proportion of ODA given to multilateral organizations, where the possibilities of tying are small or nil, with the obvious exception of food aid; and (c) to use portions of the aid programme in ways that will directly help Swedish trade with, and investments in, the recipient countries. The record in each of these three regards will now be studied.

There has always been a component of Swedish goods in the aid programme. Up to 1972, this component was fairly small. The tying of aid was introduced in 1973 by the Social Democratic government under rather strong opposition from Liberal newspapers and groups outside Parliament engaged in development assistance. The measure seemed to have the support of industry and the trade unions, amongst other groups. The reasons given were employment in Sweden, the balance-of-payments situation and public opinion. Formal tying of aid concerns import support, food aid within the international programmes (World Food Programme, Food Aid Convention and the emergency-aid stockpile) and the grant element of concessionary credits (associated financing). Project assistance has never been tied. Table 5 gives indications with regard to the degree of tying:"

Table 5. *Tying of ODA, 1976/77 — 1985/86*

Fiscal year	Percentage of allocations
1976/77	19
1977/78	14
1978/79	17
1979/80	15
1980/81	15
1981/82	15
1982/83	19
1983/84	19
1984/85	20
1985/86	20

Source: OECD DAC statistics

It has been clearly stated, given the objectives of Swedish development co-operation, that the export of Swedish goods could never be a goal in itself, only a 'welcome side-effect'. However, with the changing situation in both the world economy and the Swedish economy, the concept of 'mutual interdependence' between developed and developing countries gained ground, not least through the report of the Brandt Commission.

This led in Sweden to the introduction of new programmes, in which—in addition to the traditional objectives of Swedish development co-operation—the promotion of Swedish relations with developing countries was introduced as a new goal. Three such programmes subsequently saw the light of the day:

- (i) 'Broader co-operation' in the technical, industrial, economic and cul-

tural fields, later on referred to as 'technical co-operation', with the Swedish Agency for International Technical and Economic Co-operation (BITS) as the responsible agency;

(ii) The Swedish Fund for Industrial Co-operation with Developing Countries (SWEDFUND), in which only the basic capital subscriptions were financed through appropriations for development co-operation;

(iii) Mixed credits, subsequently referred to as 'associated financing', under BITS. Such financing is by definition tied to Swedish firms.

More recently, as late as 1985, another novelty was invented;

(iv) Balance-of-payments support. The general idea behind this new instrument is to increase the possibilities of supporting LDC recipients of Swedish aid in cases of acute balance-of-payments difficulties. Preferably, the balance-of-payments support is to be used in connection with international debt-relief action, but support outside such internationally co-ordinated activities is also possible. It was clearly stated that the action envisaged should be designed according to DAC rules for ODA. The first 400 million SEK have been used (1) for a contribution to Tanzania (50 million SEK) in connection with the IMF agreement with that country and (2) to cover the payments of debts to Swedish enterprises incurred by Tanzania, Mozambique, Zambia and Vietnam (350 million SEK) and guaranteed by the Swedish Export Credit Guarantee Board (EKN) under the 's/u system'.

In all four programmes, Swedish interests are allowed to play a dominant or at least an important role. These programmes are still ODA under the DAC rules but they are much more sensitive to Swedish interests. They thus illustrate the movement which is occurring from the 'Swedish model' to the 'OECD model'. They might be described as 'Swedish-oriented'. The more such programmes were introduced and started functioning, the less the need was felt for tying aid in the traditional sense. The government has chosen during the last few years not to give an explicit target for tied aid, the idea being that it should remain at the approximate level of 20 per cent of the total development appropriations, where it has been for a number of years.

In Table 6, an effort is made to give an overall idea of the 'Swedish-oriented' appropriations including tied aid during the last ten years. We have added to the formal tying figures 'broader co-operation' (later technical co-operation through BITS), capital subscriptions to SWEDFUND and balance-of-payments support."

The inclusion of balance-of-payments support in the 1985/86 figures may possibly give an exaggerated impression of the degree of 'commercialization' for that fiscal year. It has been argued that this allocation will be an isolated phenomenon. It is hardly conceivable that countries which need to benefit from this facility will be able to receive new loans without a serious examination of their creditworthiness. Thus, so the argument goes, there will be no need for more appropriations in order to cover bad debts that had been

Table 6. Swedish-oriented appropriations, 1976/77 — 1985/86

	<i>Percentage of total appropriations</i>					
Fiscal year	Formally tied aid, including associated financing	Broader co-operation etc	Capital sub-scriptions to SWEDFUND	Balance-of-payments support	Total	
1976/77	19	0.2		—	19.2	
1977/78	14	1.0	—	—	15.0	
1978/79	17	1.3	0.9	—	19.2	
1979/80	15	1.2	0.8	—	17.0	
1980/81	15	1.1	0.6	—	16.7	
1981/82	15	1.1		—	16.1	
1982/83	19	1.3		—	20.3	
1983/84	19	1.4		—	20.4	
1984/85	20	1.3	—	—	21.3	
1985/86	20	1.6	0.3	5.2	27.1	

guaranteed by a Swedish Export Credit Guarantee. However, there can be many other reasons for balance-of-payments difficulties.

The Government Bill does not present any estimates of the demand for such a facility. In 1986, Parliament approved a Government Bill which included another SEK 400 million for the fiscal year 1986/87. For the fiscal year 1987/88, Parliament approved another SEK 460 million for the same purpose. The conditions attached to the use of the allocation were changed in such a way that from now on it will be of greater value to the recipients. Thus, reference is made to the use of SEK 50 million in favour of Tanzania after the country's conclusion of an agreement with the IMF. Parliament favours Swedish participation in internationally co-ordinated debt relief actions in favour of the poorest countries, implying a real amelioration of their economic and social situation. A second choice is the Tanzanian model referred to above. Most important is that Parliament, on the initiative of the Centre Party, takes it for granted that the use of the allocation for the payment of claims from the EKN will be exceptions to the guidelines thus adopted.

The inherent conflict between measures intended to promote Swedish exports and, at the same time, the development of LDCs is well illustrated by the system of associated financing. One example of this type of problem is the decision in 1979 to make available at least USD 27.7 million in the budget of the Ministry of Industry to facilitate exports of Swedish ships to developing countries.¹⁹ The background to this decision was partly the desire of some LDCs to take a larger share of the world's shipping, but also the interests of the Swedish shipbuilding industry, which had to be reduced and restructured in accordance with the changing economic situation world-wide. The concessional elements in the individual export transactions would be at least 25 per cent. However, there was no analysis of the problem of opportunity costs, that is whether the same amount used for other purposes would be more ap-

propriate in furthering the goals of the Swedish ODA policy. The decision was looked upon as a first experiment with mixed credits.

At the same time, a study of mixed credits was initiated by the government. On the basis of this study, a system of concessional credits came into operation in 1981.²⁰ Such credits were to be covered by export guarantees or the equivalent. Credits were to be tied to the procurement of goods and services in Sweden. They could be offered only to countries which pursued a development policy in line with the objectives of Swedish development co-operation. This latter question was to be dealt with either by BITS or SIDA, depending upon the country. The Social Democratic opposition voted against the proposal, arguing that the mere fact that the system was intended to further exports to LDCs did not mean that such measures should be financed from ODA appropriations. If a recipient country so wished, part of the financial framework of the country programme could be used for softening credits."

After an evaluation, a revised system of associated financing came into operation from the beginning of 1985—this time under Social Democratic auspices.²² It included strengthened criteria with regard to the developmental effects of projects eligible under the system, as well as to the integration into the development programmes. The recipient was also given an increased role in the preparatory process. The overall responsibility for the system was assigned to BITS.

In its 1985 memorandum to the DAC, the Swedish Government described the effects of the revised system in the following terms:"

A consequence of AF [associated financing] being considered primarily a development financing method is that it has been and will continue to be focused on low income and lower middle income countries. Up till now most credits have been extended to countries with which Sweden has a programme of long-term development co-operation or technical co-operation. A few credits have recently been accorded to a small number of new countries within the frame of an envisaged, limited expansion of the group of recipients, particularly in cases of co-financing with international financial institutions and other donors. Concerning the sectoral distribution, the credits are mainly directed to investments in the energy sector, communications, transport and industry.

Developing countries are of rather limited importance in Swedish foreign trade, representing less than 15 per cent of the total imports and exports. However, almost 50 per cent of Swedish bilateral ODA is used for purchases of goods and services in Sweden, while only about 20 per cent of bilateral aid is formally tied to such purchases.²⁴ In such respects also, Swedish ODA can be seen as having an export-promoting impact.

With regard to the use of ODA funds in connection with commercial purposes, successive governments, at least up to 1977, took a negative attitude. Thus, in 1977, the non-Socialist government made the following statement:²⁵

By tradition, Sweden has insisted on a clear distinction between programmes for development co-operation and commercial transactions. In recent years, however,

the question of co-financing arrangements has been raised by a number of recipient countries, particularly countries with centrally planned economies. In response to these requests, Sweden has indicated its readiness to allow recipient countries to use aid funds for the financing of part of a project, the rest of which is being financed on commercial terms. The use of aid funds to soften the terms of commercial credits is not permitted, however. Thus, the use of aid funds for down-payments or for other ways of subsidizing commercial credits is not considered compatible with existing policies.

In the memorandum, mention was also made of the Committee for International Co-operation in Education, a provisional body created to handle demands from developing countries regarding the education and training of personnel in agreements on economic and technical co-operation with certain middle- and high-income LDCs (Algeria, Libya, Egypt, India, Iran, Iraq and Mexico). It was furthermore indicated that the services of the Committee would normally be rendered on a commercial basis, but that in certain cases limited bilateral funds would be used, for example, for the planning of vocational training programmes or for the establishment of relations between educational institutions.²⁶ This committee was to develop, at a later stage, into BITS.

The breakthrough for a modified view of the contents of the Swedish ODA may be said to have occurred in 1980, when the system for concessionary credits was decided on by Parliament. The amount set aside for the grant element of such credits almost trebled as a percentage of the total appropriations between 1980/81 and 1985/86 (see Table 4), while by the same yardstick the other BITS programme almost doubled. During the same period, the SIDA appropriation diminished from roughly 62 per cent of the total appropriation to 52 per cent. In the 1985 Finance Bill, SIDA received SEK 300 million less than it had requested. BITS received SEK 100 million more than requested.

Another aspect of the associated-financing system has to do with the economic status of the recipients. Swedish development assistance is strongly biased in favour of low-income countries. If the concept of mutual economic interests is taken into account, it is hard to see how interests of any order of magnitude could be developed with low-income LDCs. In the 1985 DAC memorandum, it is also clearly stated that BITS co-operates mainly with middle-income countries 'but also with poorer developing countries in the field of technical co-operation and associated financing'.²⁸ Associated financing will 'continuously be focused on low-income and lower-middle-income countries'.²⁸ The point seems to be, however, that countries which receive loans are also supposed to honour their commitments and be able to take care of debt servicing. In the present situation, this requirement constitutes a problem, as most low-income countries cannot be considered to be sufficiently creditworthy. In an interview,²⁹ the then Under-Secretary of State for Development Co-operation, Gosta Edgren, admitted that this new type of credit would be of very limited use to the poorest countries. The grant

assistance provided by SIDA was more useful. According to Mr Edgren, it was necessary to satisfy many different interests in the same budget.

SWEDFUND was organized in **1978** with the general task of encouraging co-operation between Swedish enterprises and enterprises in the LDCs. The then Social Democratic opposition voted against using development appropriations for the establishment of the Fund. The precondition of a joint venture with a Swedish enterprise, it was argued, was contrary to the principle of a recipient-oriented development policy, in that the availability of this type of assistance was dependent upon a certain structure of ownership of the project, that is the participation of Swedish firms. The Fund could also contribute to increasing the propensity of enterprises to invest abroad rather than in Sweden. It was considered inappropriate that ODA funds should be used for such purposes. The Social Democrats proposed that the type of co-operation envisaged by the establishment of SWEDFUND should be implemented by general co-operation agreements covering subjects such as industrial co-operation, research and technology. Within such a framework, ODA funds could be used in accordance with the established goals for the Swedish ODA policy.³⁰ In government, the Social Democrats have accepted SWEDFUND and have even increased its capital.

In this context, we should also mention the controversy over Swedish membership of the Inter-American Development Bank (IDB). Sweden became a member in **1977** on the initiative of the new non-Socialist government. The decision was taken on commercial grounds and therefore no ODA funds were involved. The Social Democratic opposition voted against the proposal, arguing that the resources of the IDB were only to a limited extent used for the benefit of poorer LDCs. In government, the Social Democrats have accepted Swedish membership of the IDB.³¹

The measure introduced in the **1985** Finance Bill concerning balance-of-payments support is also relevant in this context.³² As background information, it can be mentioned that, in accordance with the relevant UNCTAD resolutions, Sweden has written off all outstanding ODA credits to the least developed countries. No new ODA credits have been granted for a long time.

The new facility of SEK 400 million will be used to support the poorer developing countries with acute debt problems. The recipients will be chosen from among the programme countries for Swedish aid and countries with which BITS has regular, economic co-operation. The main objective is to strengthen the recipients' balance-of-payments situation, in order to increase their capacity to pursue long-term development goals.

The support will be provided by the cancellation of debt or, in exceptional cases, by relieving the burden of the recipients' debt to the Swedish state. The method may be cancellation of ODA loans or of debts resulting from officially guaranteed loans made on market terms.

The non-Socialist opposition parties voted against the proposal, not as a matter of principle, but on the argument that Parliament had not yet been

given sufficient information to enable it to take a well-founded decision. The Communists, too, wanted more detailed guide-lines, arguing that Swedish resources should not be used in connection with IMF operations, the advantages of which were **doubtful**.³³

There is no doubt a very great need for measures to alleviate the poorer LDCs' debt situation. On the other hand, the facility means that this transfer of resources has to a large extent been tied to the Swedish market. The facility, therefore, warrants its place in this sub-section. As has been mentioned, this may not be the case in the future.

Sweden still has a very flexible attitude to the financing of local and recurrent costs. The Moderate Party is the only group in Parliament which has criticized this attitude with regard to the local (not the recurrent) costs. The fact that about 20 per cent of the country-programmed ODA is used for such costs shows that Sweden is financing a very large part of the costs that normally should be carried by the recipients. The Swedish contribution is given in convertible currency and thus means an additional resource which the recipient can use without any check that its use is in accordance with the goals established for Swedish ODA. The Moderates consequently advocate a more restrictive attitude in this connection, arguing that it is not appropriate to take away from the recipient country the responsibility for its own **development**.³⁴ The logic of this thinking is not very clear.

The main conclusion is that there has been a continuing 'commercialization' of Swedish ODA, albeit this 'commercialization' has taken place to a relatively small extent, compared with the situation in many other countries. The attitudes of the main political parties in Parliament seem to be more or less the same. Parties that in opposition criticize measures of this kind have had a tendency to accept them once in government, even though in a modified form. The last fighters on the barricades against this development are the Left Party Communists, which have never served in the government.

With regard to tying to procurement in Sweden, all parties are in principle against such measures. The argument for the continuous practice of tying is the large extent to which it is practised by most other donors. This attitude is particularly well formulated by the Moderate Party, which is the only party advocating a greater degree of tying with regard to such non-project aid as import support. The Moderates maintain, rightly, that import support constitutes about 40 per cent of the country-programmed ODA. Until the big industrial countries cease to tie their assistance to purchases in the donor country, it is not reasonable that Sweden should provide a large proportion of untied import support, which is often used for purchases in Sweden's most important competitor countries in the international **market**.³⁵

However, the question of increasing ODA-financed, Swedish exports has to some extent changed character. Economists have shown that the tying of assistance is of small or no value even to the donor. The only winner in the

particular case is the business enterprise, which procures an order that it would not have got **otherwise**.³⁶ With few exceptions, the countries receiving Swedish ODA are of minor importance today for Swedish exporters. Even in industrial circles, it is nowadays argued that the importance of tying has been exaggerated. It would be more effective to decrease the share of multilateral assistance to countries in which Sweden's exporters have not done too well. In bilateral assistance, more use could be made of Swedish resources without resorting to formal tying. Increased use of Swedish consultants could lead to more demand for Swedish resources in the carrying out of **projects**.³⁷ One idea is that, after the feasibility study has been carried out, a Swedish enterprise should be engaged on a total contract, implying that the enterprise has a complete responsibility for the project. The latter is defined as a function, that is the production of X ton after Y years or that X per cent of the population of a region shall after Y years have access to Z litres of water per person. The enterprise is paid according to the results. The idea has to some extent been tested in a cement factory in **Tanzania**.³⁸

Such ideas have been particularly well formulated in the Swedish Government's DAC Memorandum of 1983.³⁹

Increased consideration has been given during the last couple of years to measures to augment aid-financed procurement of Swedish goods and services by the recipient countries as well as by international organizations without resorting to formal tying of aid. Improved information is given to Swedish companies and contractors on Sweden's development-assistance programme and their possibilities to take a greater part as tenderers. To this purpose a special catalogue has been published by SIDA in co-operation with the Swedish Export Council.

Furthermore, when working out projects decided upon by recipient countries, increased attention has been given to areas and projects where Swedish know-how is available.

At the same time the Government states that 'it has been settled both by the Government and by Parliament that this overall ambition to increase the percentage of aid-financed procurement of goods and services in Sweden should never lead to a departure from the fundamental principles of Sweden's development co-operation policy. Increased procurement of Swedish products is, and will be, regarded as a positive effect of development co-operation. It shall not be a decisive factor in the composition of aid.' It is surely legitimate to suggest that while every effort is made in this statement to hold to the rhetoric of the traditional 'Swedish model', the practice has moved towards the 'OECD model'.

When the Social Democratic government in 1972 introduced tying, it met with heavy opposition from the Liberal press and from the aid bureaucrats. Today, no such resistance is discernible. Sweden's economic difficulties have led to a broad acceptance of the desirability of increasing aid-financed purchases in Sweden. On the other hand, demands for more formal tying have decreased. In this respect, certain differences between the attitudes of Swedish

exporters and those of the Moderate Party seem to be discernible. There is undoubtedly a risk that the signals given by the government may lead to a tendency among aid planners to more than insist on the use of Swedish resources in certain cases. There are clear signs that there will be increasing difficulties in by-passing Swedish resources in cases of untied assistance in which a well-known Swedish enterprise which is normally competitive on the international market is involved as a tenderer. At least, a recipient who prefers a non-Swedish enterprise in such a context will have to present very good arguments indeed for their choice.

The system of tying, however, permits some flexibility. Thus, it has been possible to decrease the level of tying of the import support given to countries in sub-Saharan Africa, bearing in mind the particularly difficult situation in that region. As from the fiscal year 1986/87, it has been possible to abstain from already decided tying in cases in which SIDA has established that there is a lack of suitable products in the Swedish market or when it can be foreseen that a Swedish offer will not be competitive.⁴¹

Another important problem area should also be mentioned—the consequences of the Swedish ODA's poverty-oriented character. ODA should, first and foremost, be directed to rural development, as the bulk of the poor population, who are moreover often neglected both by their own governments and by donors, is to be found in rural areas. There is no doubt a common attitude in this respect among all parties and institutions interested in aid policy. Thus, it was stated in the 1984 Finance Bill that rural development in the form of increasing resources for the poor still has the highest priority in Swedish ODA. Activities on behalf of rural development, however, do not normally lead to an increased demand for Swedish goods and services.

Donor versus recipient flexibility

Country planning, as a method of giving security to the recipient and the donor, as well as a reasonable degree of influence to the recipient, was introduced at the beginning of the seventies. The starting-points are a given financial allocation to each of the 17 programme countries, the real needs of the country, and the priorities and preference of both the recipient and the donor countries. The amounts allocated are decided upon by the Swedish Parliament. The aim of country programming is to enable recipient countries to integrate external assistance into their overall development strategies rather than to support isolated projects. The long-term planning of the recipient countries is facilitated by joint planning of the orientation and content of the assistance, so that it is used to the greatest effect.

The importance of country programmes increased rapidly. As is evident from Table 7, an obvious decline in importance was noted from 1980 onward ~. ~'

Table 7. Appropriations to country programmes as a percentage of total bilateral ODA appropriations

Fiscal year	Percentage
1974/75	74
1975/76	69
1976/77	79
1977/78	78
1978/79	79
1979/80	73
1980/81	67
1981/82	73
1982/83	64
1983/84	65
1984/85	65
1985/86	61

The extreme application of a country-programming system might imply that the donor would completely follow the wishes of the recipient with regard to the composition of the aid programme. The system has never been applied in this way. There have always been ample opportunities for Sweden to further its own ideas in this field, both in theory and in practice. Family-planning, research, rural development, the situation of women, the environment and energy are all examples of fields which Sweden has tried with reasonable success to include in bilateral ODA. 'The power of the purse' is in reality always there—though in the background.

The principle difference in this respect between the Socialist and the non-Socialist parties has been that the former to a large extent, but with exception, have tried to promote such ideas within the framework of the country programme, while the latter have had a tendency to withdraw important items from the country programmes, for example energy and environment, in order to better impose the chosen **policy**.⁴² But it should be repeated that the main explanation for the declining importance of country-programmed ODA is the introduction and gradual increase of 'Swedish-oriented' activities within bilateral ODA.

Criteria for the selection of programme countries

Another important aspect of the country-programming system was that it was logically necessary to choose recipients from among countries whose policies coincided to an acceptable extent with the goals established for Swedish ODA. In practice, even a major change of government as occurred in 1977 and 1982 did not lead to dramatic changes in the group of recipients selected. In its comments in 1977 on a report by a Government Commission on Development Co-operation Policy, SIDA made it clear that there were few common charac-

teristics among the then twenty recipients that could warrant their having been chosen according to an established set of policy conditions.⁴³ On the other hand, it had to be admitted that the distribution of increases in the allocations to the different countries could, at least in some cases, be attributed to political considerations with regard to their development policy.

There are certainly important differences between the political parties with regard to their attitudes towards recipients. Table 8 gives the reader a rough idea in this respect. The information refers to the fiscal year 1985/86.⁴⁴

In particular, the Moderate Party differs very much from the Social Democratic government in this respect. This should be seen against the background of the Party's endeavour to diminish ODA appropriations but also to change the balance between Socialist and non-Socialist recipient countries. More agreement seems to exist with regard to support for the front-line states in southern Africa. Sweden gives aid to all these states, except Malawi, and is phasing out the Swaziland programme. Table 9⁴⁵ shows the appropriations to these two country groups as a percentage of total appropriations to country programmes. The concept of 'Socialist' is, of course, slightly arbitrary. Here the following countries have been considered as 'Socialist': Angola, Cape Verde, Ethiopia, Guinea-Bissau, Laos, Mozambique, Tanzania, Vietnam and Zimbabwe.

The steady rise in the allocations to southern Africa reflects, of course, the general agreement existing between the political parties in this field. It is more astonishing to note that the Socialist group of countries has retained its share more or less irrespective of the political character of the Swedish Government. The main explanation seems to be that the Liberal Party, which was responsible for development co-operation in the government throughout the whole period 1976–82, differs very little from the Social Democrats in this field. The Centre Party, although less engaged in these issues, on the whole, accepts the liberal policy of development co-operation. Only the Moderate Party represents other values but, on the other hand, ODA is not one of their priority issues.

The objectives of Swedish development assistance also have a bearing on these patterns. These objectives remained more or less the same from 1962 onwards (economic growth, economic and social equality, economic and political independence and the democratic development of society).

In 1987 Parliament decided that environmental considerations were to be promoted as a fifth objective. Bearing in mind the increasing international interest in these questions, reflected *inter alia* in the result of the Brundtland Commission, it is likely that environmental problems will continue to play an increasingly important role in Swedish development co-operation.

There seems to be general agreement that the four objectives are equally important and that they do not need to be met at the same time and place. In practice, the seventies were characterized by a concentration on the alleged conflict between growth and the distributional aspects. Independence has al-

Table 8. *The attitudes of the political parties in Parliament with regard to the programme countries, 1985/86*

Country	Left Party Communists	Social Democratic Party	Liberal Party	Centre Party	Moderate Party
Angola	+	+	0	+	—
Bangladesh	0	0	0	0	0
Botswana		+	+	+	0
Ethiopia	+	+	+	+	0
Guinea-Bissau	+	+	+	+	0
India	+	+	+	+	—
Cape Verde	+	+	+	+	0
Kenya	— ^a	0	0	0	
Laos	+	+	+	+	—
Lesotho	+	+	+	+	0
Mozambique	+	+	+	+	—
Nicaragua	+	+	+	+	0
Sri Lanka	0	0	0	0	0
Tanzania	0	0			—
Vietnam	0	—	— ^b	— ^b	— ^a
Zambia	+	+	+	+	0
Zimbabwe	0	0	0	0	0
Proposed new countries					
Cuba	+				
Seychelles	+				
South Yemen	+				

^a Recommends total discontinuation of aid

^b Recommends gradual withdrawal of aid

⊕ denotes an ambition to increase the allocation and 0 an ambition to keep the financial frame unchanged in nominal terms

— denotes a proposal to reduce the financial frame

Table 9. *Allocations to front-line states (including liberation movements in southern Africa) and 'Socialist' states as percentages of total country-programmed appropriations*

Government	Fiscal year	Front-line states	'Socialist' states
Social Democratic	1976/77	33	53
Non-Socialist	1977/78	34	54
Non-Socialist	1978/79	38	53
Non-Socialist	1979/80	42	58
Non-Socialist	1980/81	42	52
Non-Socialist	1981/82	44	56
Non-Socialist	1982/83	46	55
Social Democratic	1983/84	47	66
Social Democratic	1984/85	46	53
Social Democratic	1985/86	53	52

ways been an important goal motivating the increasing assistance to the front-line states, including liberation movements in southern Africa, as well as to Vietnam, Cuba (no longer a recipient of aid through SIDA) and Nicaragua. During the eighties, democratic development, including particularly human-rights, has come into the foreground. If there is a difference between the parties in this respect, it may be said that particularly the Moderate Party and to a somewhat lesser extent the Liberal and Centre Parties have used this concept in an operational way in advocating, for example, the discontinuation of assistance to Vietnam.

It may be considered rather astonishing that there is a sort of general agreement among the political parties with regard to the goals of ODA policy, bearing in mind the wide ideological differences between the political parties represented in Parliament and other groups represented on the SIDA board. One explanation which has been offered is that the goals are so vaguely formulated that everybody can agree on them and that there have been no serious attempts to formalize them in a more operative manner.⁴⁶ Such opinions can be sustained by the obvious failure of 1980 SIDA Review of Programme Countries. The background to this review was a request in 1979 by the Minister of Foreign Affairs to SIDA to undertake a review of all the programme countries. One objective of the exercise, according to the Parliamentary Standing Committee of Foreign Affairs, was to bring about a greater degree of concentration, not only with regard to countries, but also to sectors of activity.⁴⁷ A report, prepared by the SIDA Secretariat, was presented to the Board in 1980 with a concluding recommendation by the Director-General, who was also President of the Board, as to whether Swedish aid to each of the programme countries should in real terms be increased, remain constant or be scaled down with a view to ultimate termination of the programme.

The Board could not agree on this question. In its report to the Ministry of Foreign Affairs, some general remarks were made on country-programming techniques and on factors that could justify increases or decreases in the appropriations to countries. The Board reiterated, furthermore, a statement by Parliament that changes in the group of programme countries must be undertaken with great care and moderation. Further engagements in new countries should be made on the basis of strictly limited undertakings for a specified period.

According to Gosta Edgren, then an Assistant Director-General of SIDA:

Rather than clearing the debate of misunderstandings, it sometimes even made it more difficult for politicians and civil leaders participating in the debate to reach compromises on size and direction of individual programmes. Politicians are used to making compromises, sometimes based on rather incomparable factors, and in spite of the broad spectrum of political opinion represented on the Board of SIDA, it has rarely been impossible to reach agreement on operational programmes and projects—what should be done. The analysis in the Review, however, provoked discussions about why it should be done, and what type of society Swedish aid should

promote in recipient countries. The Board was unable to reach anywhere near an agreement on the conclusion to be drawn about individual programmes, and the substance of the Secretariat's analysis was hastily **dropped**.⁴⁸

The most important bone of contention at present is the country-programming system as such. The Moderate Party expressed some doubts about the efficiency of the system in 1979. Since then, these doubts have spread to the other non-Socialist parties. A minor modification in the system was made in 1985, allowing the government a slightly increased flexibility, but does not seem to have diminished the controversy in this **regard**.⁴⁹ The common, non-Socialist attitude suggests that ODA must be structured in such a way as to attack the fundamental reasons for poverty in the LDCs and, thus, to give priority to questions regarding the ongoing destruction of the natural environment. ODA should, in the long-run, contribute to increased resources of food, water and fuel. Environmental questions and energy issues are of particular importance and should be given a budgetary appropriation outside the country programmes. The use of this appropriation should not be limited to the programme countries.

According to the non-Socialists, the inflexibility of the present country-programming system renders a more deliberate structuring of ODA more difficult and leads to a splitting-up of the assistance. In the future, agreements on Swedish contributions to different activities in a given country should be made before the financial framework for that country is decided on. The latter will be the sum total of all agreements concluded and it is not to be seen as a forward financial commitment, the contents of which are to be worked out later. Internal, indicative planning figures should be used within the Swedish Government and its aid authorities. Generally speaking, the development assistance should be more structured in accordance with existing problems. More concentration on problem areas and better possibilities of changing recipients will thus be possible. Swedish resources should be increasingly used. In order to elaborate such a system, a commission should be set **up**.⁵⁰

The Social Democrats and the Communists still adhere to the existing system. There are signs that the Liberal Party may be prepared to accept the present, slightly modified system.

Finally, another aspect has come to the fore in recent years. The original practice within the country-programming system was felt in some developing countries to lead to too small a Swedish interest in the development problems as such. Desires for an increased dialogue on such questions were voiced. The expression used in the seventies was 'concerned participation'. A need was also felt in Sweden to improve the quality of the ongoing dialogue with recipients. Of course, there have always been exchanges of views with regard to the technical aspects of different projects as well as their capability to achieve the established goals. The deepening crisis, particularly in sub-Saharan Africa, brought to the fore questions concerning the relations between the general po-

licy of the recipient country and the ability of Swedish ODA to attain the established goals. The increasing importance of Swedish contributions in the economies of recipient countries also implied an increased role for policy dialogue.

At least with regard to Africa, however, the questions raised seem to be more concerned with general economic measures. Macro-economic questions enter the dialogue more and more without concrete conditions being expressed. Measures taken in concrete situations have been more directed towards restructuring the assistance programme in accordance with the actual economic situation than towards the use of the aid volume as a means of influencing the recipient. However, there are signs that this policy may be modified. Thus, Parliament in its statement on the 1987/88 aid bill made the following statement:⁵¹

It is an important task in the dialogue with the recipient countries for the two parties to formulate precise project goals. When this has been done, it should be a Swedish requirement that what has been agreed is also implemented. The short-term goals must be realistic. In the long term, Sweden should aim higher, which may imply demands for changes in the policies of the recipient country.

In this context it should be mentioned that the government has instructed SIDA not to plan for aid to Vietnam after 1990. The reason for this decision is obviously the government's discomfort with regard to the Vietnamese involvement in Kampuchea. The government refers to the Vietnamese statement that its troops will have been withdrawn in 1990. Thus, according to the government, its decision is not to be seen as contrary to the principle of not using aid programmes as a means to influence the policy of the recipient. The logic of that argument is not totally clear. It seems likely to assume that it will be very difficult to pursue the co-operation with Vietnam in its present form after 1990 if by then a Vietnamese withdrawal from Kampuchea has not taken place.

In general terms, the eighties have been characterized by a greater Swedish involvement in the planning and execution processes within the country-programme system. Economic and social analyses of the situation in recipient countries have long been made and have also improved in quality as more resources have been made available for that purpose. A new element has been the growing interest in engaging in dialogue on macro-economic problems, too, and on other questions of a general political nature. However, there seems to be no wish on the part of the Swedish Government to establish a sort of 'bilateral conditionality' of the IMF kind.

Determinants

In the following pages, we shall to some extent summarize and further develop what has been stated in the preceding sections regarding the determinants of Swedish ODA. In such a context, the structure of the Swedish governmental system plays a crucial role, as well as public opinion. We shall therefore start with an analysis of these two items and then proceed to a more comprehensive discussion of the determinants.

The role of administration

The Swedish governmental administration is characterized by a separation of responsibility for policy decisions and their implementation. Whereas policy decisions belong to the Government and Parliament, the responsibility for their implementation rests with government boards. These boards are independent in the sense that they are not subordinated to their sectoral minister but to the government as a whole. Since Parliament does not normally intervene in the details of policy implementation, the system allows a high degree of delegation of authority and consequently a capacity for flexibility.

This also applies to aid policy. The government's policy formulation is the task of the Minister for International Development Co-operation within the Ministry of Foreign Affairs. The Minister is assisted by the Department for International Development Co-operation headed by an Under-Secretary of State.

The implementation of the multilateral aid programmes rests with the Ministry of Foreign Affairs, whereas the responsibility for the implementation of the bilateral programmes is divided between several government boards. The Swedish International Development Authority (SIDA), established in 1965, is the central government agency. Members of the board are chosen from the political parties, important non-governmental organizations such as trade unions, industry, the co-operative movements and religious organizations, and representatives of the SIDA personnel. More specialized boards are established for broader economic co-operation with developing countries (Swedish Agency for International Technical and Economic Co-operation—BITS), research co-operation (Swedish Agency for Research Co-operation with Developing Countries—SAREC), import promotion (Swedish Import Promotion Office for Products from Developing Countries—IMPOD), industrial co-operation (Swedish Fund for Industrial Co-operation with Developing Countries—SWEDFUND) and export credits (Swedish Export Credit Guarantee Board). These agencies all have boards with representatives of the appropriate vested interests in Swedish society and the sectoral government authorities.

There is no doubt that the Swedish governmental system, as described, gives

considerable power to the agencies. If a Director-General, who is also the Chairman of the Board of Directors, is able to bring about agreement in the Board, this will, of course, heavily influence the government's decision. This is particularly true with regard to SIDA. This does not mean that the government always accepts the proposals of the Authority. There are many examples of such proposals being modified or turned down.

The MPs serving on the Board of SIDA are at the same time members of the Parliamentary Standing Committee on Foreign Affairs, which examines the government's proposals in this field and makes recommendations to Parliament concerning its decisions. For example, the present Vice-Chairman of the SIDA Board is a Social Democratic member of the Committee and also its chairman.

Bearing in mind that the Board's decisions are prepared by the bureaucracy, the civil servants of the authorities must also be considered part of the power structure. Contacts between civil servants at SIDA and the Ministry of Foreign Affairs are considered normal, although, as is evident from the foregoing, SIDA officials are not allowed to accept formal instructions from their colleagues in the Ministry.

Against this background, it is interesting to note that the government has secured a closer contact with the activities of the more 'Swedish-oriented' agencies (BITS and SWEDFUND) by appointing members of the staffs of the relevant ministries to the boards of these organizations.

Co-ordination is intended to be assured by the Ministry of Foreign Affairs but for practical purposes also by SIDA being represented on the boards of the other agencies.

Public opinion

Table 10 summarizes the results of the public-opinion polls since 1975.⁵²

In 1985, a special poll was made in which the answers were distributed according to political attitudes. The results were as shown in Table 11.⁵³

The figures in Table 10 show that there was a downward trend in the positive attitude up to 1980. This downward trend can be traced back to the end of the sixties. A clear recovery is discernible from 1981 onwards. The 1985 survey shows that supporters of the small non-Socialist parties, the Liberals and the Christian Democrats, are the firmest believers in maintaining development assistance at the present level in relation to GNP or in raising that level. These parties also represent the smallest percentage of 'no opinion'. The least propensity to increase development assistance is to be found among those who sympathize with the Moderate and Social Democratic Parties. On the whole, the figures confirm the impression given by Table 10 that the majority wishes to maintain development assistance at the same relative level as at present or is prepared to increase the assistance. A survey made in 1983 showed that the

Table 10. *Public-opinion polls*

Questions	Percentage distribution									
	1975	1976	1977	1980	1981	1982	1983	1984	1985	1986
Swedish aid										
— should be increased	25	27	23	15	17	16	15	16	16	21
— is just about right	61	57	55	50	56	55	60	58	61	64
Total positive	86	84	78	65	73	71	75	74	77	85
Swedish aid										
— should be reduced	8	11	15	24	17	22	18	19	18	11
— should be terminated	7	5	7	1	1	9	7	8	5	4
Total negative	15	16	22	35	26	29	25	26	23	15

Table 11. *Attitudes and political adherence*

Questions	Political parties							
	Percentages							
	1*	2*	3*	4*	5*	6*	7*	8*
With regard to the present economic situation in Sweden, do you feel that development assistance should								
— be terminated?	7.7	10.8	2.8	11.6	5.3	23.4	12.7	9.0
— be less than 1% of GNP?	17.9	—	17.4	30.5	20.3	3.5	4.2	20.0
— correspond to 1% of GNP?	43.6	27.3	31.6	29.6	36.8	14.2	38.1	31.0
— be slightly higher than 1% of GNP?	16.1	7.2	29.6	8.1	9.5	31.9	16.9	12.2
— be much higher than 1% of GNP?	3.8	47.5	12.8	3.3	4.8	16.3	23.7	7.3
— No opinion	11.0	7.2	5.7	16.9	23.3	10.6	4.2	20.4

* 1 Centre, 2 Christian Democrats, 3 Liberals, 4 Moderates, 5 Social Democrats, 6 Communists, 7 Others, 8 Total.

In explanation of these figures, it should be mentioned that the Swedish electorate is normally almost equally divided between Socialist (Social Democrats and Communists) and non-Socialist parties.

support was strongest among women and among both young and old.

On the whole, then, the attitude of the Swedish public to ODA is positive, one might say astonishingly positive. Why is this so?

One surprising result of the opinion surveys is that there seems to be no clear, general correlation between the internal economic situation and willingness to provide aid. Over the years and in spite of the worsening economic outlook, which has not left Sweden untouched, two-thirds of those questioned want to maintain appropriations at the present level or to increase that level.

In trying to come to grips with the problem of the possible relation between willingness to give aid and perceptions of the economic situation, the result of the 1980 survey, in which the positive percentage dropped drastically, is of particular interest. Table 12 shows the attitudes towards the economic prospects of Sweden.⁵⁴

There is evidently a sort of positive correlation between the recovery of the

Table 12. *Attitudes towards Sweden's economic prospects*

Question	Percentage	
	1981	1982
What is your opinion of the economic prospects of Sweden during the next few years?		
— very good	0.9	0.1
— rather good	9.0	13.0
— neither good nor bad	19.8	25.6
— quite bad	45.1	40.7 ^a
— very bad	15.1	7.2 ^a
— don't know, hard to say	9.8	13.4

^a 52 per cent of women and 55 per cent of persons aged 16-24 years feel that the economic prospects are quite or very bad.

Table 13. *Attitudes towards development assistance, compared with average figures of those who take a pessimistic view ('quite bad') of Sweden's economic future*

	Pessimists	Average
Positive:		
Assistance		
— should be increased	15.6	17.3
— is just about right	58.2	56.4
Negative:		
Assistance		
— should be reduced	18.1	17.0
— should be terminated	8.1	9.3

positive attitude towards development assistance in 1981 (Tables 10 and 12) and the slightly decreasing pessimism with regard to Sweden's immediate economic future. If we take a closer look at those who considered the economic future gloomy, the distribution of positive and negative attitudes towards development assistance is almost identical with the average (Table 13).⁵⁵

These polls suggest that the responsiveness to Third World needs, rather than being shallow and dependent upon high levels of employment, is in fact remarkably entrenched within the social values of most Swedes.

Furthermore, among those who take a very pessimistic view of economic prospects ('very bad'), 72 per cent are positive with regard to development assistance. Other types of questions of the same kind give more or less the same type of results with regard to attitudes towards development assistance (Do you often worry about unemployment?: 78 per cent positive. Do you now and then worry about unemployment?: 76 per cent positive, average 74 per cent positive).

Another thing that could reasonably be supposed to have an impact on the attitude towards development assistance is what people feel about the effec-

Table 14. *Attitudes toward the effectiveness of Swedish aid for the programme countries*

Question	Percentage
Do you feel that Swedish aid has helped the recipient countries?	
Very great help	4
Great help	11
Some help	55
Little help	20
No help	4
Don't know	6

Table 15. *Attitudes toward the effectiveness of Swedish aid for the target groups in the recipient countries*

Question	Percentage
Do you feel that Swedish aid has reached the poorest people in the LDCs?	
To a very great extent	1
To a great extent	5
To some extent	37
To a small extent	43
Not at all	9
Don't know	6

tiveness of such assistance. In the 1981 survey, questions were put regarding this aspect. The answers will be found in Tables 14 and 15.

Table 14⁵⁶ shows a rather encouraging survey result, in that 70 per cent considered that Swedish assistance (to the programme countries) had been of at least some help or more. Of those who felt that the assistance had been of very great or great help, 30 per cent wanted to increase the assistance (average: 17 per cent). These figures confirm the reasonable assumption that there is a fairly positive correlation between perceptions of aid effectiveness and positive attitudes towards development assistance. Table 15 gives the same impression.⁵⁷ Seventeen per cent of those who wanted to increase development assistance felt that it reaches the poorest groups to a great or very great extent. On the other hand, it is alarming that more than 50 per cent feel that development assistance reached the poorest groups in the LDCs only to a small extent or not at all. If the assumption of a close correlation between attitudes to aid effectiveness and willingness to increase aid is correct, these findings do not bode well for the future of the positive attitudes towards development assistance.

The positive attitude of Swedish public opinion is all the more striking if the picture presented by the mass media is taken into account. In the 1981 survey, one question was whether people had noticed any particular reports

on development aid in the mass media. The overwhelming majority of the answers referred to negative news, for example, the impression that 'assistance does not reach the right groups' or that 'a lot of money is wasted'.⁵⁸

No scientific research has been carried out with regard to the composition and magnitude of the 'aid constituency' and the ways and means which the constituency uses in order to influence Swedish development co-operation. Some fairly reasonable speculations may, however, be offered. As has been pointed out, representatives of political parties, industry, trade unions and non-governmental organizations (NGOs) are appointed to the Board of Directors of SIDA and are thus involved in development assistance. It may be argued that NGOs should have an interest in promoting the assistance of voluntary agencies, as opposed to assistance under the government's auspices. On the other hand, if NGOs were to express sceptical attitudes with regard to the effectiveness of ODA, this might easily backfire on the general willingness to provide assistance and thus also on the activities of the NGOs and the government's possibilities of contributing to NGO activities. These contributions amount to considerable sums, having increased from more than two per cent of SIDA's available resources in the fiscal year 1980/81 to more than seven per cent in the fiscal year 1985/86.⁵⁹

In a democratic market economy, it is, of course, natural that government activities and authorities should be more thoroughly scrutinized than private enterprises. The openness of government administration, in comparison with the secrecy of private enterprises, provides a positive contributory factor to this state of affairs. The evident risk in connection with media reporting is, however, that the picture of state development assistance in favour of the poor in the LDCs will be tarnished, while assistance in which Sweden's own immediate national interest plays a more important role—BITS, SWED-FUND—will be looked upon as more efficient. The evident tendency to rapidly increase the share of appropriations for development assistance accruing to BITS, SWEDFUND and the NGOs, may well be seen in this light. The growing scepticism in many quarters about the public sector in general also merits due attention in this context. Evidently, SIDA's image is a problem that should not be overlooked if the quality of Sweden's development assistance is to be maintained and possibly bettered. It is interesting to note in this context a growing awareness of this problem, reflected in the greater willingness on the part of SIDA's highest-ranking employees to take part in the general discussions and to counter-attack in cases of alleged misinformation.⁶⁰

Actors and interested parties

One general conclusion that can be drawn from the public-opinion surveys is that the most positive attitude towards development assistance is to be found among young people, women and the members of and sympathizers with religious movements. This structure of the 'aid constituency' was quite evident when the Social Democratic government in 1984 proposed that the ODA share of GNP should be reduced. Strong opposition was voiced by the Social Democratic Youth League, the National Federation of Social Democratic Women in Sweden and the Swedish Association of Christian Social Democrats, as well as by the Liberal, Centre and Communist Parties.

As has been mentioned, development assistance is a very important matter for the Liberal Party. One explanation, probably the major one, is that the party has close connections with religious and other idealistic associations. When the Party was founded in 1934, one of its constituents had a strong affiliation with the Free Churches. The positive attitude of the Christian Democrats may also be explained in the same way. The Liberals and the Christian Democrats were the only parties in the 1985 elections that had development assistance as a top priority in their election programmes.

It took some years for the enthusiasts in the Social Democratic Party to convince the Party's leadership that a rapid expansion of aid volume should take place. Opposition to the tying of aid and the reduction of aid volume was not very obvious within the Party itself or within the trade unions. The principal torch-bearers are to be found among Christians, young people and women.

The Communists have normally voted for Social Democratic proposals with regard to ODA. However, they would like to see a rather radical change in Swedish aid policy. The Party has proposed a restructuring of the group of recipients in favour of countries considered to be pursuing more left-wing policies. They have also proposed that Sweden should withdraw from the World Bank group. The Party's prospects of gaining support for such proposals seem utterly remote.

The Moderate Party's development assistance policy differs quite considerably from the policies recommended by the other non-Socialist parties, with regard both to ODA volume and to the 'commercialization' issue. The general impression is, however, that in government the Party will accept the policies recommended by the other non-Socialist parties. ODA is probably not an affair of the heart for the Party.

The Liberal and Moderate Parties have fairly close relations with industry. It should be noted, however, that this does not necessarily mean that they have identical views. Thus, the non-Socialist parties argued successfully for the termination of SIDA assistance to Cuba and are arguing, though not yet successfully, for the termination of ODA to Vietnam. Such a policy will obviously be contrary to the interests of Swedish industry, bearing in mind that

these two countries use and have used, to an unusually large extent, Swedish resources in the aid programmes.

There seem to be similarities between the attitude of the labour unions and that of industry with regard to the quality of aid. The labour unions were very supportive in 1972, when tying was introduced. They have, however, been less enthusiastic about SWEDFUND, arguing that ODA should not be used to encourage investment abroad to the detriment of investment and labour opportunities at home.

Generally speaking, all parties in Parliament, except the Communists, today accept associated financing and other measures intended to increase the use of Swedish resources in ODA. The Moderate Party alone still argues for increased tying.

A total reconstruction of the planning system, involving the abolition of the present country-programming method in favour of a more project-oriented planning system, might be part of the policy of a possible, future, **non-Socialist** government. It is not yet possible to get a concrete idea of the characteristics of such a system. The general idea, however, is that the donor's flexibility with regard to the choice not only of projects but also of recipients should be increased. It is difficult to see how such a system could be put into practice without reducing the recipient's flexibility and influence. It is also likely that in practice this system would result in an increased responsiveness to Swedish commercial interests.

The 1980 SIDA Review of Programme Countries seems to indicate that the different actors can normally agree as to what should be done in a certain country. The 'why', that is the operationalization of the objectives of Swedish development co-operation, is far more difficult. In this context, the answers necessitate deductive reasoning and analyses of the situation in the different countries in relation to the established goals. This in turn means an operationalization of the goals and a judgement on the relative importance of the goals in every case. The consensus that normally exists on matters of foreign policy in Sweden is not very appropriate to such a way of thinking. The comments of SIDA staff on the result of the review included the following:

This experience indicates that decision-makers would be better served by an analysis which provides a base for summary or 'inductive' conclusions. Such an approach would not entail less penetrating analysis of facts, but it would allow more of the evaluation and formulation of strategy to be intuitive rather than explicit. It would leave to the technocrats the task of producing facts and data, and to the politicians to deliver summary judgements based on this information, without relating their decisions to specific factors in the analysis. Experience shows that the description and analysis of the problems is often much more useful to the decision-makers than prescriptions about policy measures, since the choice and design of such measures may have to take into account other factors than those covered by the analysis.⁶¹

With reference to the assumed, small, operational value of the goals of ODA,

the bureaucracy may very well play an important role in practice as a determinant of the aid programmes. Thus, it has been argued that the civil servants and consultants employed have had a decisive influence on aid policy. One reason for this state of affairs is supposed to be the fact that, in matters presented to the Board of Directors, normally only one proposal is included. The members of the Board would, thus, have only limited opportunities to analyse alternatives.⁶²

It seems reasonable to assume that this power of the bureaucracy is greater in agencies in which the government is not represented on the Boards, that is SIDA, as opposed to SWEDFUND and BITS, in which government officials are Board members.

Most civil servants would argue that their power is based on their professional competence and that decisions with regard to policy are taken by political entities. The fact that normally only one solution is presented to the decision-makers could be interpreted as meaning that civil servants have a good knowledge of the political situation, as expressed in policy documents and in the composition of the Board. On the other hand, the selection and presentation of facts entail a considerable power that should not be overlooked.

No research has been carried out on the attitudes of civil servants in the ODA agencies. On the basis of experience and some documentation, the following observations may be tentatively ventured.⁶³

No doubt the country-programming system facilitates the practical work of civil servants. Long-term, minimum guarantees by Parliament and at least biannual agreements with recipients reduce the number of occasions when Parliamentary and government interference is necessary. In this system, the great majority of decisions are taken by SIDA. It is also argued that the system, which is no doubt open to minor modifications, can accommodate wishes for a deeper Swedish involvement in the planning and implementation of the programmes. The key-word 'concerned participation' is, in this perspective, not so much a description of a changed ideology as an application of the increased professional competence and experience gained. There is no doubt that the demands for increased Swedish participation in the dialogue with the recipients are welcome, also from the civil servants' point of view.

A government agency is, of course, always against measures which it looks upon as obstacles to efficiency. Thus, SIDA has always tried to reduce and soften demands for more tying of aid. From the recipients' point of view, tying reduces the freedom of choice and involves risks of increasing costs. Thus, it is reasonable to assume that the majority of civil servants share the opinion that increased use of Swedish resources without resorting to formal tying is a good alternative to outright formal tying. The increased use of Swedish resources in ODA without formal tying reasonably reflects a better understanding between bureaucracy and industry. This is a view expressed in industrial circles.⁶⁴ This development, even without any increased formal tying of

aid, does represent further evidence of a movement away from the older attitudes of the 'Swedish model' and towards the more self-serving practices of the 'OECD model'.

The experience gained from the 1980 Review of Programme Countries clearly shows that the possibilities of civil servants directly influencing the choice of recipient countries are small or virtually nil.

Summary and conclusions

In this part of the paper, we shall sum up the topics treated in the foregoing pages with special reference to the attitudes of the political parties. Further on, we shall try to identify the forces underlying these attitudes and finally we shall give our conclusions regarding the alleged trend described as a change from the 'traditional Swedish system of development assistance' towards the 'general OECD model'.

It is fairly easy to describe the policies of the political parties. It is far more difficult to discuss and analyse the determinants of these policies. No research has been undertaken on these questions. What we shall say here is based to a large extent on our own experience and judgements.

First, the volume of development co-operation. Among the political parties, the Moderate (Conservative) Party has proposed at least a temporary abandonment of the one per cent target. This position is logical, bearing in mind that the party is the only Parliamentary group advocating a substantial reduction of taxes and consequently a reduction in the role of the public sector in the economy. Taking into account the fact that the Moderates also argue in favour of increased defence spending, almost no other public-sector activity can, in their view, be spared reduced spending if budgetary equilibrium is to be reached and maintained. In Moderate Party thinking, foreign borrowing plays an important role in the background to such proposals. Since the oil crisis, Sweden has resorted to foreign borrowing and, so the argument goes, it is irrational and almost immoral to finance development aid with borrowed money. Bearing in mind the existence of unused carry-overs in the aid appropriations, the Moderate Party argument goes on, a decrease of the share of development assistance in the GNP would have limited, if any, material consequences.

The Moderates have had only a limited and temporary success in obtaining a reduction of the share of development assistance in the GNP. On one occasion, a Parliamentary majority consisting of Moderates and Social Democrats succeeded in decreasing the share of development aid, but only temporarily. Violent opposition from the Liberals, the Centre Party and the Communists and — probably more importantly — from groups within the Social Democratic Party forced the government to return to the one per cent target.

The one per cent target has been considered to be a first stage. If and when

economic conditions allow, the appropriations should be increased over and above that target. However, only the Liberals and the Communists are now talking about a two per cent target, though they do not mention a timetable for its attainment.

It seems reasonable to assume that there will also be in the future a strong majority in Parliament in favour of maintaining the one per cent target. Whether there will be a majority for a higher target in the foreseeable future is very doubtful.

Now to the quality of the development co-operation programme. To those who favour a lessening of the aid burden on the Swedish economy, an increased share of Swedish-oriented allocation is a measure to be considered, bearing in mind the near impossibility of abandoning the one per cent target. Logically, the Moderates have advocated increased tying and also a kind of tying of local-cost-financing. Such financing means in practice that convertible Swedish kronor are placed at the disposal of the recipient country, which uses the corresponding sum in its own, non-convertible currency. Thus, the recipient country will receive convertible currency, which can be used for purchases in countries other than the donor country. This problem, however, has not been of major importance in the debate, as the other parties accept local-cost-financing as an efficient means in the aid programme. The Social Democrats have been very responsive when in government to demands for aid which will produce increasing return flows to Swedish industry. This attitude can largely be explained by the Party's giving priority to creating employment and by the strong connections between the Party and the blue-collar trade unions.

It would be tempting to explain the Moderate Party's attitude as a result of the Party's links with industry. No doubt such links exist, but to attribute the Party's policies to them only would be over-simplistic. As an example, the Moderates have criticized the alleged concentration of the aid programme on so-called Socialist countries, in spite of the fact that the return flows from such countries are comparatively high. A special case in point is the development co-operation with Vietnam, in which the Party advocates an immediate cessation of the aid programme because of the Vietnamese military presence in Kampuchea and, as they see it, the Vietnamese Government's lack of respect for human rights. One of the biggest projects supported by Sweden is the Vinh Phu pulp and paper mill in Vietnam, which is being built in close co-operation with Swedish industry. The immediate abandonment of that project would result in the loss of a good showpiece in the region for Swedish industry and, worse, in the probable failure of the project, with possibly negative consequences for Sweden's industrial reputation in the region.

The introduction of balance-of-payments support among the instruments of the aid programmes has also been greeted with much scepticism by all the non-Socialist parties, in spite of the fact that the support has hitherto been largely tied to procurements in Sweden.

Another important quality aspect has been the country-programming system. The system undoubtedly decreases the flexibility of the donor country, preventing it from easily switching aid funds from one country to another at short notice. All the non-Socialist parties have argued that donor flexibility should be increased and consequently that the country-programming system should be considerably modified or in practice abandoned. Lately, however, at least the Liberal Party seems to have accepted the system, which has already been slightly modified without changing its main characteristics.

Generally speaking, among the parties represented in Parliament, the Liberal and the Communist Parties have the best records with regard to the 'purity' and the 'recipient flexibility' of aid. The Centre Party has normally adapted itself to the Liberals' views. At the other extreme is the Moderate Party. The Social Democratic Party has a rather mixed record. It was only with some hesitation that the Social Democrats accepted a fixed timetable for the attainment of the one per cent target. They have been very ready to listen to demands to increase the share of Swedish-oriented appropriations. With regard to the country-programming system, the Party has successfully defended 'recipient flexibility' and coherent planning against their critics.

Against this background, it may seem rather astonishing that the non-Socialist governments between 1976 and 1983 did not substantially change the aid policy. The explanation is that during the whole period the Liberal Party was in command of development-aid questions. Another essential explanation is that development co-operation is not a very important item in Moderate Party policy, other aspects having a much higher priority, for example, the level and design of the tax system and the national defence. The Moderates thus seem to be able to accept the maintenance of both the quantity and the quality of aid, provided that they can have an influence on other matters which are of greater importance to them.

In this context, it is worth mentioning that the LDCs play a comparatively modest role as regards the Swedish economy. Sweden is greatly dependent on foreign trade—about 30 per cent of Sweden's GNP is exported. The recipients of aid through SIDA have almost exclusively been chosen from among the poorest LDCs, which—with the exception of India—are not very important in the world's foreign trade. Consequently, the actual 'return flow' of about 40 per cent of total ODA is probably very satisfactory from the point of view of export industry. A substantially higher rate of return flows would only be possible if the aid programme was considerably restructured with less regard for the recipients' own needs. Such a restructuring is not likely to occur at any foreseeable political juncture.

What must be considered more important from the point of view of industry is the absolute and relative growth of Swedish-oriented appropriations. Industrial and trade-unionist pressure groups will probably try to influence the Moderate and the Social Democratic Parties to maintain the present level of return flows and also to increase the share of Swedish-oriented appropria-

tions. Another aspect mentioned in international discussions is the so-called in-effect tying, meaning that the donor tries to influence the use of non-tied aid in favour of industry in the donor country. As regards the Swedish attitude in this respect, it seems likely that a recipient who wishes to use Swedish funds for purchases outside Sweden, in cases in which Swedish industry is normally competitive and interested, must have rather strong arguments for doing so.

The importance of Swedish-oriented appropriations, as regards the attitudes of different actors, is also illustrated by the fact that discussions on projects and recipients are practically limited to aid through SIDA. BITS and SWEDFUND seem to be protected bodies in this respect. In principle, this is rather astonishing, as it has been underlined that the guiding principles of Swedish development aid are equally valid for all types of aid, that is not only aid through SIDA and SAREC but also aid channelled through BITS and SWEDFUND.

The Swedish administrative system and tradition normally afford vast spheres of action to the central government agencies. Bearing in mind the composition of their boards, it is obvious that a director-general—normally the president of the board—has a potentially powerful political base at his disposal, which can be used to exert considerable influence on political decisions. Being responsible for the day-to-day operations of the agency, the director-general can choose the ways in which proposals will be presented to the board. The system thus provides ample opportunities too for the bureaucracy to influence political decisions. It should also be mentioned that a director-general may be a person with a distinguished career in the civil service but also wholly or partly a politician.

In this context, it is interesting to note that the government has reserved for itself a comparatively strong position on the boards of the institutions responsible for the use of 'Swedish-oriented appropriations', that is BITS and SWEDFUND, and also seems prepared to envisage measures which will enable it to control better the management of the central agencies. There is no reliable information available with regard to the role of the bureaucracy in this context. Experience seems to show, however, that the influence of the bureaucracy is limited or virtually nil when it comes to very important political questions, such as the choice of recipient countries. There are indications that the bureaucracy has played some part in such issues as the quality and quantity of the total aid appropriations.

It is obvious that no political party can successfully operate without regard to public opinion within or outside the party's constituency. Swedish public opinion over the years has had and still has a positive attitude to development co-operation and the 1986 opinion poll shows an increase in this positive attitude. It may seem surprising that the desire to cut the appropriation to development assistance is less than the willingness to decrease defence spending. It is also interesting to observe that environmental deterioration is the first con-

cern expressed by participants in the opinion poll, followed by poverty and starvation in the world. Concern about unemployment risks has increased considerably in comparison with the 1985 poll. This has evidently not negatively influenced the willingness to give development aid. Furthermore, positive attitude towards the effectiveness of aid showed a marked increase in 1986.

It is difficult to determine whether these positive changes in public opinion represent a lasting trend or whether something has happened to influence it temporarily. It might well be argued that media reporting on, for example, the drought catastrophes in Africa and conspicuous relief activities, such as Band Aid, have had a spill-over effect on development aid as such, including government aid.

It is quite clear, however, that young people, women, older age-groups, members of religious organizations and other NGOs form an aid constituency sufficiently large to prevent serious qualitative and quantitative decreases in the aid programmes. Groups who in principle would be prepared to argue in favour of such changes probably find themselves in a reasonably satisfactory position, bearing in mind the political situation.

The aid constituency has a considerable influence within the Liberal Party, the Social Democratic Party, the Centre Party and probably also the Communist Party. The small Christian Democratic Party is also heavily influenced by such groups, while the Moderate Party seems to be more influenced by groups which are not particularly interested in development aid or have accepted the present structure and volume of development assistance as a fact of political life.

The Government's information policy has greatly increased the opportunities for pro-aid NGOs to argue their case. Two-thirds of the SIDA appropriation for information on developing countries and development aid is given to NGOs to be used as they see fit.

Questions may also be raised regarding the relationship between the development of aid policies and that of public opinion on aid. The trend towards an increasing use of aid appropriations for Sweden-oriented programmes has no doubt shocked many of the most fervent adherents of development co-operation in its pure form. On the other hand, Sweden-oriented activities, including not only those mentioned above but also other forms of exchange, no doubt contributed to opening up Third World countries to new groups of Swedes.

In its January 1987 bill on development co-operation concerning the programme for the fiscal year 1987/88, the government, under the heading of 'mutually beneficial aid', refers to the changes which have taken place since the mid-seventies in the following terms:

Within the aid programme new instruments have been added implying an increased emphasis on extended economic, technical and scientific co-operation and personal

contacts. . . . This also contributes to a growing understanding of the needs of developing countries and the often difficult conditions of development as well as to an improved awareness of the know-how and the resources that Sweden is able to provide. This helps, together with the engagement of NGOs in aid activities, to maintain and strengthen the will to give aid in Sweden.

Has there in reality been a drift of Swedish development co-operation from the 'traditional Swedish system' towards the 'general OECD model'? This question has more to do with the quality than with the quantity of the aid programmes. An answer to the question must take into account the fact that the 'general OECD model' has also changed over the years. There is also a greater willingness among donors other than Scandinavians to make long-term commitments, sometimes on longer terms than, for example, Sweden is willing to do. A good example is the European Community. A greater willingness to provide non-project assistance and sometimes also assistance with local costs may be discernible. It would be interesting to analyse to what extent the discussions within the DAC have influenced donors in these respects.

This being said, it is our conclusion that Swedish development assistance has drifted towards the 'general OECD model' during the period dealt with in this paper. Nevertheless, the aid constituency in Sweden has been comparatively successful in defending genuine development co-operation. There is still a 'Swedish model', and this model is being shared and sometimes bettered by some other donors.

Notes

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2. *DAC Annual Reviews* etc.
3. *DAC Annual Aid Review*, Memorandum of Sweden 1977.
4. *UU 1974/85:12*.
5. Odén, Bertil, 'Svenskt bistånd rättar in sig i OECD-ledet'. Andersson, Christian (ed.), *Bistånd i kris*.
6. Jellinek, Sergio, et al., 'Swedish Aid; Policy and Performance' in Stokke, Olav (ed.), *European Development Assistance*, Vol. 1, *Policies and Performances*, EADI, Tilburg (Netherlands) 1984.
7. *DAC Aid Review 1982/83*, Memorandum of Sweden, p. 4. *Proposition 1980/81:20*.
8. *DAC Annual Aid Reviews 1981/82-1985/86*, Memoranda of Sweden.
9. SIDA, *Bistånd i siffror och diagram 1983/84*, pp. 4-7.
10. *UU 1983/84:15*.
11. Snabbprotokoll från riksdagsdebatterna 1984/85, nr 120, anförande 23. In an article in *Svenska Dagbladet*, 2 August, 1985, 'Hjälp till forttryckarregimer stoppas', the Liberal MP Rune Angstrom gives an account of the same impression.
12. *DAC Aid Review*, Memorandum of Sweden 1977, p. 1, and 1980/81, p. 5.
13. *UU 1984/85:12*.
14. *Sveriges samarbete med u-lander*. SOU 1977:13, Chapter 7.3.
15. *Sveriges samarbete med u-lander*, Chapter 7.3.
16. *DAC Aid Reviews*, Memoranda of Sweden 1980/81-1985/86. For the explanation of the acronyms, cf. section 2.3.

17. *DAC Aid Reviews*, Memoranda of Sweden, 1977-1985/86.
18. *Government Finance Bills* for the respective fiscal years.
19. *DAC Aid Review*, Memorandum of Sweden 1979/80, pp. 9 and 10.
20. *DAC Aid Review*, Memorandum of Sweden, 1982/83, pp. 28 and 29.
21. *Motion 1980/81:140*.
22. *DAC Aid Review*, Memorandum of Sweden, 1985/86, pp. 39 and 40.
23. *DAC Aid Review*, Memorandum of Sweden, 1985/86.
24. *SIDA, Bistånd genom SZDA*. Redogörelse för 1983/84 och planer för 1985/86, p. 96.
25. *DAC Annual Aid Review*, Memorandum of Sweden, 1977, pp. 14 and 15.
26. *DAC Annual Review*, Memorandum of Sweden, 1977, pp. 17 and 18.
27. p. 21.
28. p. 40.
29. *Broderskap*, 26 April, 1985.
30. *UU 1978/79:1*, pp. 115 and 116.
31. *Swedish Development Aid in Perspective*, p. 91.
32. *Annual Aid Review*, Memorandum of Sweden, 1985/86, pp. 8-10.
33. *UU 1984/85:12*.
34. *UU 1984/85:12*, pp. 132 and 133.
35. *UU 1984/85:12*, pp. 100 and 109.
36. See, for example, Hamilton, Carl, 'Bundet bistånd—bra för några exportföretags vinster på Sveriges och de fattiga landernas bekostnad' in Rydén, Bengt (ed.), *Bistånd under omprovning*.
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38. Ringdahl, Eva (The Federation of Swedish Industries), 'Mer svensk industri i biståndet', *SZDA-Inside*, nr 4/85.
39. p. 14.
40. *Proposition 1985/86:100*.
41. *DAC Annual Aid Reviews*, Memoranda of Sweden, 1974-1985/86.
42. Cf. different reports from the Parliamentary Standing Committee on Foreign Affairs.
43. SIDA, *Art bekämpa fattigdomen i vår enda värld*, pp. 18 and 19.
44. *Proposition 1984/85:100*, bil. 5.
Motion 1984/85:593, 1261, 1678 and 2419.
45. *DAC Aid Reviews*, Memoranda of Sweden, 1977-1985/86.
46. Birgegård, Lars-Erik, 'Vad styr biståndet?' in Andersson, Christian (ed.), *Bistånd i kris*.
47. *UU 1978/79:1*, pp. 66-67.
48. Edgren, Gösta *et al.*, *SIDA's Country Reports*, pp. 4, 5 and 33.
49. *Proposition 1984/85:100*.
50. *Bistånd genom SIDA*. Anslagsframställning 1985/86, pp. 9 and 10, and *UU 1984/85:12*.
51. Edgren, Gösta, 'Om biståndets villkor' in Andersson, Christian (ed.) *Bistånd i kris* and *UU 1986/87:10*, p. 23.
52. *DAC Annual Aid Reviews*, Memoranda of Sweden, 1977 and 1985/86.
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55. Idem.
56. Idem.
57. Idem.
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60. Cf., for example, Goransson, Bo, 'Smartsamt omtänkande har inletts' and 'Vi har lärt oss att utveckling tar tid' in *Svenska Dagbladet*, 24 and 26 September, 1986, respectively. Rehlen,

Christina, 'SIDA: Bai Bang har blivit bättre', *Expressen*, 23 July, 1986.

61. p. 33.

62. Birgegård.

63. *Diskussionspromemorior*.

64. Cf. *Veckans Affärer*, 13 December, 1984, 'Nu är slagordet baktät återflöde'.

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Olav Stokke

The Determinants of Aid Policies: Some Propositions Emerging from a Comparative Analysis

The point of departure affects the outcome of any analysis. If paradigms derived from the realist approach to the study of international relations were to establish the setting, states would be expected to pursue their own selfish interests. Deviations from expected behaviour patterns would attract the main attention. In the present study, we started out with a different set of expectations, derived from humane internationalism. Most of the five Western middle powers included in this study have found themselves in the forefront as contributors of development assistance and have conveyed a sense of commitment to Third World development through their declared policies. Deviations from such altruistic behaviour have, accordingly, attracted the most attention in this study and have called for explanations.

The environment of aid policies: Expectations, changing circumstances and motives

Foreign aid is part of the foreign policy of the donor country and is therefore cast in a setting where the primary purpose is to pursue national interests. However, national interests differ from one nation to another—or are differently conceived—and may be promoted in many different ways. The available options vary from one state to another, depending, *inter alia*, on the country's position in regional and global systems. Security interests and economic self-interest are given high priority by most governments. The promotion of a country's own predominant values—or its ideological system—is also considered an important national interest, whether conceived instrumentally or in ideological terms. Finally, it is quite possible that some states will associate their interests with the achievement of greater international equity and more rapid Third World development and give emphasis to these objectives.

International aid is almost everywhere administered by the Ministry of Foreign Affairs. This setting makes it reasonable to expect that foreign aid would be considered an instrument for promoting national interests of high

priority. It is primarily from such a perspective that foreign aid has been analysed.¹ The aid policies of the superpowers (the United States and the USSR) give ample evidence of this kind of motivation, which guides the formation of political links, particularly through the choice of major recipients of bilateral aid. If the patterns established by the main powers are considered the normal behaviour of states, why should we expect a different approach and behaviour from some Western middle powers?

Part of the answer to this question is given in the General Introduction, where it is assumed that the aid policies of these countries might best be analysed within the paradigm of humane internationalism. The predominant values of the countries concerned constitute the main pillars on which humane internationalism and its different offshoots are based. However, this paradigm allows for self-interest too. What are the values and interests on which these countries' extensive and generous development assistance is based?

In the General Introduction, the dominant socio-political values underpinning the welfare state were identified as likely to be the main factors affecting aid policy. It was suggested that foreign aid could be conceived of as an extension of these values into international relations. Although it is assumed that domestic self-interest would also influence the substance and forms of aid, this factor was not expected to be as influential as socio-political values.

What kinds of self-interest could be involved? They cannot be the multi-dimensional interests stemming from previous colonial relations. Only the Netherlands among the five has been a colonial power of any significance. Nor can the strong aid commitment be explained in terms of worldwide strategic interests. The traditional economic relations with the Third World—trade and investment—have been and are modest, both in absolute and relative terms,² and could therefore not be expected to give rise to an active aid policy. However, foreign aid could be considered an instrument to improve trade and investment. Similarly, their cultural relations with the Third World are rather weak, mainly restricted to Christian missionary activities, and cannot explain why these countries provide more aid than most other OECD countries.

Other interests, mainly related to the system level of the donor (systemic interests³), have been suggested as possible reasons for this commitment. Thus, foreign aid has been referred to as an instrument to achieve vital foreign policy objectives—in particular, peace and economic stability. As middle powers with open economies, the five countries consider their interests served by international agreements and international regimes to solve conflicts and maintain peace and economic stability. They have actively pursued these objectives both at regional and global levels, in particular during the initial phase of the United Nations (UN). This commitment would be likely to affect their foreign aid engagement, too, both on its own merits (the role it plays in helping to alleviate needs and stimulate sustained growth in the Third World) and as an instrument to achieve the predominant foreign policy objectives iden-

tified. In terms of motives for giving development assistance, these concerns have been strongly emphasized by the governments of the five countries. However, the interest in peace and international stability—and the concern for Third World development derived from this interest—is both general and lofty, and belongs to a category which may be termed the international common good, which includes objectives generally considered to be of mutual benefit across national borders, North-South as well as East-West.

Some interests are linked to the above, although the perspective is narrower. An active engagement in aid-giving may allow the donor country more influence internationally, in particular in the global organizations, than its relative strength might warrant. This may not carry special weight for the general aid involvement, but probably more with the administrative structures which directly harvest the fruits: the ministries of foreign affairs and, in particular, representatives in the international bodies most directly affected. These interests are not to be identified in any official statement justifying large aid budgets, but are alluded to in several of the contributions to this volume.⁴

The main determinants: Variations from one policy dimension to another

In the General Introduction, the performance of the five countries chosen is sketched in relation to five dimensions of aid policy. The basis for this descriptive analysis is OECD macro data on the volume of official development assistance (ODA), multilateral aid, the geographical distribution of bilateral aid, the financial conditions of aid and aid tying. The fairly comprehensive overview emerging from the OECD data has been further explored in the five country studies. Attention has, by and large, been directed to the same dimensions of aid policy, although with some variations. The authors have, of course, broadened the scope and penetrated deeper than any overview based on macro data can achieve.

In this comparative analysis of the aid determinants, attention is directed to the following dimensions of aid policy: (i) the motives and objectives, (ii) the generosity in terms of volume and financial conditions of ODA, (iii) the multilateral-bilateral distribution of ODA, (iv) the geographical distribution and choice of recipients of bilateral aid, (v) the commercialization of aid, and (vi) the political conditionality of aid.

The analysis of these six policy dimensions will be descriptive, providing the main features of the aid policies of the five countries in a comparative perspective. In searching for the main determinants, it will also relate the policy manifestations to the main point of departure of our study: humane internationalism and its offshoots (reformist, liberal and radical internationalism) and to realist internationalism as well.

Motives and objectives

The stated motives are all very similar—though with some variations. Humanitarian motives are prominent. The governments of all five countries have given emphasis to the moral imperative, in line with humane internationalism. Altruistic motives have, however, been combined with motives related to foreign policy interests. Where defined, such interests tend to be formulated in general terms—pursuance of peace and international stability—and belong, by and large, to the category of the international common good.

There are different emphases, though. International solidarity is emphasized by several of the five governments, but probably most strongly by the Social Democratic government of Sweden, which stated in 1962 that moral duty and international solidarity were sufficient reasons for giving development assistance. Reducing the inequality between rich and poor peoples was seen as a precondition for peaceful international relations, and aid was considered a means of promoting democracy and genuine national independence. Karre and Svensson conclude that the main motive for Swedish aid is solidarity with the underprivileged, which is regarded as a moral responsibility.⁵ Similar motives were voiced, in 1975, by the Social Democratic government of Norway, which stated that 'a society burdened with great social and economic inequalities is an unstable and unsafe society, and . . . a world where great inequalities exist between the nations is an unsafe world'.⁶ Development assistance was considered an instrument for promoting the socio-political values of the donor, as explicitly stated in 1984 by the non-Socialist Norwegian government: 'Development assistance is an extension to the international level of the efforts to create social justice, characteristic of the development of the Norwegian welfare state'.

In the case of Canada, predominantly humanitarian (altruistic) motives are combined with an extensive willingness to promote Canadian economic interests or influence abroad. However, aid is considered as an international public good and is supported for this reason.'

The objectives set out by the five countries for development assistance, are in line with the motives given. However, not all have formulated their aims with the same precision. In general terms, the stated objectives are to contribute to self-sustainable economic and social growth in the Third World. However, here too, the five countries vary in their emphases.

Although the aid objectives of the Scandinavian countries are slightly differently formulated, their origin and orientation are basically similar. In the case of Denmark, aid is intended to promote social progress and political independence through economic growth. This formula has remained unchanged over the years. An effort in the early 1980s to make the poverty orientation of aid more explicit, was resisted by Parliament.⁹ In the case of Norway, the general objective of promoting economic, social and cultural growth, adopted by Parliament in 1962, was supplemented, in 1972, with the promotion of

more equal income distribution and, in 1984, with the promotion of democracy." *Sweden* stated economic growth, economic and social equity, economic and political independence and democratic development as the four major objectives for its development assistance from the very beginning. In 1987, care of the environment was added as a fifth objective." In the wake of the Brundtland Commission, environmental concerns were given a similar prominence in the other Scandinavian countries, and in Canada and the Netherlands as well.

The objectives set for *Dutch* aid were, by and large, similar to those stated by the Scandinavian countries, though with some variations depending on the political leadership of the day. In the case of *Canada*, too, the developmental objectives, including social justice, were clearly the primary ones, but cast in a setting in which they were considered instrumental in promoting Canada's long-term political and economic interests abroad."

The justifications given for development assistance and the objectives set have, for all five countries, clearly reflected the predominant socio-political values of the societies concerned—in the first place those linked with the welfare state. These values emerge, accordingly, as the main determinants of this dimension of their aid policies. Their motives and objectives are in accordance with humane internationalism. In the case of Canada, economic and political self-interest, albeit in aspects that relate predominantly to the international common good, is given stronger emphasis than by the other countries. This indicates a stronger direct or indirect influence on aid policy of the economic interest groups of that country. It places Canada closer to liberal internationalism than to reform internationalism for this aspect of aid policy. In the Scandinavian countries, in particular Norway and Sweden, international solidarity has been emphasized as a motive, and social and economic equity and income distribution have been given prominence among the aims. These aspects of their aid policies reflect reform internationalism.

The generosity of aid: Volume and financial terms

The four European countries have established themselves as the top four aid providers within the OECD, and Canada has also provided ODA above the DAC average. In 1986, the Norwegian performance was more than 3.4 times the DAC average of 0.35 per cent of the gross national product (GNP), the Dutch 2.9 times, the Danish 2.5 times, the Swedish 2.4 times and the Canadian 1.4 times. Their performance over time is given in the General Introduction (Table 1). The financial conditions, too, in terms of the grant-loan ratios, the calculated grant element of total ODA and of aid to the least developed countries (LLDCs) have been clearly more generous than the DAC average and have been rising. Since the mid 1970s, two of the countries (Norway and

Sweden) have given almost all their development assistance as grants, and by 1986, 96 per cent of Canadian ODA and 91 per cent of Dutch ODA were provided as grants, while the DAC average had caught up with the Danish performance (81 per cent). Their performance over time is given in the General Introduction (Tables 6—8). What explains the relatively generous aid performance of these five countries?

Target-setting: An effective tool

It is the volume of aid which has attracted most attention in the public debate on aid issues. The four European countries established volume targets for their ODA at an early stage, three of them with a fixed date for the attainment of these targets and a plan for stepped-up budgetary allocations during the years ahead of this date. This is in line with a planning tradition which evolved in these countries during the 1950s and 1960s.

The targets were established in the late 1960s and early 1970s. In 1968, Sweden set the target of 1 per cent of the gross domestic product (GDP) to be reached in 1974—75. It was achieved one year behind schedule. In 1972, the target of 1 per cent of GNP, to be obtained by 1978, was established for Norwegian ODA. It was reached on time, with the concurrence of all political parties which were then represented in Parliament. A new target—1.3 per cent of GDP—was repeatedly proposed by Labour governments, first in 1977 (then the government beat the retreat in 1978) and again in 1981, to be reached in 1985. In 1973, the target of 1.5 per cent of the net national income (NNI) (1.25 per cent of GNP) by 1976 was established for Dutch aid. However, this target also included a **non-ODA** component of approximately 20—25 per cent. Like the three other European countries, Denmark accepted the target set by the United Nations, 0.7 per cent of GNP, but it did not fix a date for its attainment. The target of 1 per cent of GNP, to be attained in steps by 1992, was decided by Parliament in 1985. In the case of Canada, the 0.7 per cent target, to be reached in 1990, was set in 1981. In 1986, the date was postponed to the year 2000.

However, although target-setting and the technique of stepped-up budgetary allocations are useful tools in national politics in order to increase development assistance to a fixed level, these instruments do not explain the political determination to increase development assistance or the political will to maintain ODA at a high level.

The recession: No major impact on generosity

We started out with the assumption that major changes in the domestic and international environments—in particular the international recession and the ideological move towards Liberalist orthodoxy—would affect the generosity of aid. To what extent have these expectations been confirmed by the aid performance of the five countries?

As far as the financial terms of aid are concerned, the actual performance

has been contrary to what we assumed: aid has been provided on increasingly favourable financial terms. This trend is not confined to the five countries included in this study, but applies for most OECD countries.

However, the international recession had its negative effects on aid volume, though only marginally and briefly. In the case of Canada, ODA cutbacks during 1978–79 were caused by the harsh economic climate.¹³ Although the Canadian government, in 1986, postponed the attainment of the 0.7 per cent target into the next century, Lavergne strikes an optimistic note: despite severe budget cuts, the government had increased the ODA allocation—the only increase in government spending apart from defence.¹⁴

In 1978, Denmark reached the ODA target of 0.7 per cent of GNP and maintained this level, with a slightly increasing trend during the 1980s. In 1985, the 1 per cent target to be reached in 1992 was adopted by Parliament with a slim majority, and in 1986, Danish ODA reached its peak level of 0.89 per cent. In 1988, the target was confirmed. This performance is impressive against the background of a very strained Danish economy. If considerations related to the economic situation had been decisive, aid cuts would have resulted.

The Netherlands found itself in a largely similar situation. Despite budget deficits and high unemployment rates, the Dutch ODA volume remained intact during these years. Large balance-of-payments deficits during the late 1970s and pessimism about economic prospects made the Norwegian government reconsider the target of 1.3 per cent of GNP that it had proposed in 1977. With improved economic prospects in the early 1980s, this set-back became of only temporary duration. In the case of Sweden, budget cuts during the early 1980s did not exclude the ODA budget and, in 1984, even led to a reconsideration of the 1 per cent target. However, this target was re-established swiftly.

Consensus seeking, but party positions differ

In all five countries, efforts have been made to keep questions related to development assistance, including its volume, 'above party politics'. This does not imply that the political parties have agreed on most aid issues, nor that the political colour of a government does not matter.

In Canada, the aid volume has not been an issue between the two major political parties.¹⁵ In Denmark, the situation is different, but the conflict lines between the political parties are not clear-cut. In 1985, the 1 per cent target was adopted by a narrow majority consisting of the Left bloc (Social Democrats, People's Socialists) in alliance with the Radical Liberals (RV). In 1988, when the government (the Minister of Foreign Affairs of the Conservative-Liberal bloc) opened the issue again, the majority in Parliament (the alliance referred to) confirmed the target set for 1992. However, in 1979, the Social Democrats considered cuts in the expenditures that also affected ODA, while the subsequent Conservative-Liberal government decided to maintain ODA at

a constant level vis-a-vis GNP for the following years. The strong pro-aid position of the RV has often been decisive for the outcome, not least because the party is usually in a position to tip the balance between the two blocs in Danish politics. More recently, a tiny Christian Democratic party has entered the scene and its strong pro-aid position has had a similar effect within the Conservative-Liberal bloc to which it belongs.¹⁶

In the case of Denmark, a correlation with a more general bearing is pronounced: a weak government, in combination with small pro-aid parties ready to push this issue, provides a favourable political setting for increases in the aid volume. Political parties being reluctant to the current level of ODA transfers seem to give more easily in on this issue than vis-a-vis most others. This applies, in particular, to the Conservatives of the Scandinavian countries. A question that cannot be answered with the same confidence today is whether, in future, a similar flexibility would apply vis-a-vis a Liberalist party pushing for drastic reductions in ODA, given a parliamentary situation where the Liberalists tip the balance.

In the Netherlands, the volume of aid has not divided the political parties strongly—they have all agreed on the target which was decided in 1973. However, the parties to the Left—the large Social Democratic Party (PvdA) and the small Pacifists (PSP) and Communists (CPN)—aim for increased aid.¹⁷

Although there has also been a broad consensus on this issue in Norway, with the exception of a tiny party to the Right (the Progress Party—PP), parties hold different basic positions along a Centre-Left—Right axis. However, the dividing line has been blurred. The strongest pro-aid parties have been the Left Socialists (SV), the Liberals (V) and the Christian Democrats (KrF)—who in their election programmes have committed themselves to 2.0 per cent (SV) and 1.7 per cent of GNP. The Centre Party (CP) has committed itself to 1.5 per cent and Labour to 1.3 per cent of GNP. The Conservatives, when in government, have proposed an ODA budget of 1.18 per cent of GNP, although this was at least partly due to the insistence of their partners in the government coalition, the Christian Democrats.¹⁸

A very similar picture appears in Sweden. Here, too, the Social Democrats have set the pace, although the strongest pro-aid parties are to be found to the Left (Communists—VPK) and in the centre (Liberals and Christian Democrats). These parties have demanded increased ODA. The Liberals have even given top priority to aid in their election manifestoes. In non-Socialist governments, they have held the ministerial responsibility for aid issues. Kärre and Svensson attribute the strong pro-aid commitment of the Liberals and the Christian Democrats to their strong affiliation with Christian and other idealistic associations. Participation in non-Socialist governments has induced the Conservatives to take a stronger pro-aid position on this issue than when out of government.¹⁹

Welfare values the most decisive ones

Contrary to our expectations, the generosity of aid has improved since 1975, in spite of changes in the domestic and international environments, such as the recession and the rise of Liberalist orthodoxy, which might have resulted in less generous aid on both dimensions included in this analysis (the financial terms and the volume of aid). The improved generosity applies in particular to the financial terms of aid. What are the main determinants of this performance?

The most probable reason is the manifest *need* of so many Third World countries. This need, whether caused internally, by man or nature, or by international structures working to the disadvantage of most Third World countries, and thereby accentuating the hardships caused by the international recession, has been transmitted potently into living rooms everywhere in the Western world by the mass media, thus activating the concerns of humane internationalism. The accumulated debts and desperate balance-of-payments situation which have increasingly confronted most Third World countries since the mid 1970s, have made the need for development assistance even more pressing and loans less feasible as an aid instrument, in particular *vis-à-vis* the LLDCs and low income countries (LICs). The deteriorating situation of many Third World countries during the late 1970s and the 1980s has, in our analysis, outweighed the effects which we anticipated would follow from the recession and the emergence of Liberalist orthodoxy, by activating humane internationalism.

The more fundamental question to be addressed, however, is what have been the main determinants of the relatively generous aid of these five countries? Public opinion polls may give reasons why, and may even partly explain how it has come about—as politicians confronted with forthcoming general elections tend to be sensitive to shifts of opinion. In the five countries, a broad and growing majority (around 70—80 per cent) has been in favour of development assistance at the current level or higher, even in periods (in the early 1970s) when ODA was rapidly increasing. However, politicians are also the main moulders of public attitudes. Although favourable public opinion may constitute a good basis, or even a precondition, for generous development assistance, the main determinants of such a policy are to be found at a layer behind such attitudes.

The next layer approached is the political party dimension of domestic politics. The conclusion which emerges is that, within each of the countries, a Right-Left dimension is discernible, in particular in terms of the volume of aid: political parties to the Right tend to be less generous than those to the Left. However, this pattern is disturbed by the positions taken by the Scandinavian parties belonging to the political centre, particularly the Christian Democrats and the Liberals, which have taken up stronger pro-aid stances than the Social Democrats.

Political parties represent socio-political values and interests of their

society. Although variations are discernible, predominant values and interests are integrated in all major political parties. Still, the emphasis may differ and they tend to orientate their policy more strongly towards some values or interest groups than others. Differences in this mixture of values and interests may explain variations in the positions of the different political parties *vis-a-vis* the volume of ODA.

The justifications given for aid may therefore be the best guide in addressing the fundamental question raised above: what are the basic determinants of the generous aid of the five countries? This leads towards the dominant socio-political values of the five donor countries, in particular those underpinning the welfare state ideology, as transferred to the international level. The variations between the political parties in their commitment to these predominant values can explain the Right-Left dimension in their basic positions to the volume of aid. The particularly strong pro-aid position of the Christian Democrats (and partly even the Liberals) of the Scandinavian countries in the volume issue emerges also from Christian values and traditions, to which these political parties relate.

Alertness to international commitments has also influenced their performance. Volume targets for ODA set by the United Nations have had some impact. For the Scandinavian countries and the Netherlands, this influence was strongest during the 1960s—in the 1970s and 1980s, they have established targets exceeding the international one. Lavergne argues that the international commitment to the target of 0.7 per cent of GNP in ODA has placed the Canadian government in a better position to resist pressures for cut-backs.²⁰

The dominant socio-political values, especially those related to the welfare state, are therefore the most fundamental determinants of this dimension of the five countries' aid policies. Accordingly, the volume performance of each country reflects the relative strength of its commitment to humane internationalism, both *vis-a-vis* the other four, and the OECD countries generally.

The multilateral-bilateral distribution of ODA

The five are among the countries with the highest ODA contributions through multilateral aid agencies, both measured as a share of their ODA and, even more, as a share of their GNP. The burden-sharing aspect is best illustrated by the contributions as a per centage of GNP. On this indicator, in 1986, Norway contributed 4.7 times the OECD average through the multilateral aid agencies, Denmark 4.2 times, the Netherlands 3.2 times, Sweden 2.4 times and Canada 1.8 times. A similar picture emerges when the share of ODA channelled through multilateral agencies is considered. In 1986, this share amounted to 48 per cent for Denmark, 40 per cent for Norway, 38 per cent for Canada, 32 per cent for the Netherlands and 29 per cent for Sweden, as com-

pared with the DAC average of 29 per cent. The trends in these performances are given in the General Introduction (Table 3), where the distribution of their multilateral ODA through the various agencies is also given (Table 4). What explains this strong reliance on multilateral aid channels?

For most middle powers, multilateral aid has been cast in a setting where idealism (altruism) and general foreign policy interests in peace and stability, which both favour a large multilateral aid component, confront the systemic and business interest in export promotion, which favours a larger bilateral aid component. The return flow from their multilateral aid has been low, although it has varied from country to country and from one agency to another. In this respect, the five countries find themselves in a different situation from some of the main powers, which have enjoyed a multiple return effect from their multilateral contributions.²¹

Target-setting: An effective instrument when used

Target-setting has, for two of the countries, affected the size of multilateral contributions. These two countries, Denmark and Norway, come out at the top, according to the burden-sharing indicator (percentage of GNP in multilateral contributions). Both decided, during the late 1960s, that approximately half of their ODA should be channelled through international aid agencies. In both countries, this distribution between multilateral and bilateral aid came under attack during the second half of the 1970s, particularly from the private sector.

A guideline of this kind will reduce flexibility. However, all aid administrations have mechanisms at work which tend to maintain the distribution between the main aid channels at the level first established: the multilateral-bilateral distribution of the previous budget is usually repeated in the next, provided no new political directions are given. However, the scope for shifting the balance will be greater if there is no fixed target.

However, although targeting is an effective means of maintaining a large multilateral aid component, a technical device of this kind cannot explain the determination of the political authorities to keep multilateral aid at this high level.

Main determinant: The systemic interest in peace and stability

The motives given for aid give a lead to the strong multilateral commitment: a systemic interest in peace and international stability and a global regime to maintain this foreign policy interest. This interest has been particularly strong among these middle powers, which were among the founders of the United Nations and the Bretton Woods institutions. The new majority allowed them continued influence on the policies after 1960 too, when these organizations, the UN particularly, had grown into a genuinely global system.

In combination with altruistic socio-political values, the systemic interest in peace and international stability is the main determinant of the large contribu-

tions of the five countries to the multilateral aid agencies. The difference in emphasis has probably two main reasons. The variations may reflect the relative strength of the systemic and private sector interest in export promotion, which prefers a large bilateral component. They may also reflect variations among the five countries in their confidence in the effectiveness of the multilateral agencies in achieving the development objectives set for aid. Both considerations have caused a re-orientation of multilateral aid away from the UN agencies and towards the multilateral finance agencies.

Considerations of administrative convenience have also facilitated a large multilateral aid component, particularly during the earlier period of development assistance, when a rapidly increasing ODA volume coincided with a limited administrative capacity to handle bilateral aid. The more particular interest of the ministries of foreign affairs in buying influence in the international organizations may also have contributed to the large multilateral aid components, as these ministries are well situated to exert influence in aid policy issues.²²

The systemic and private sector economic interest in export promotion has worked against the maintenance of a substantive reliance on the multilateral agencies. Although its impact has been stronger in some of the five countries than in others, it has not been able to drastically alter the established balance even in times when the economy of the donor country has been under strain.²³

Although the systemic interest in peace and international stability stands out as the main determinant for the five countries' large multilateral aid contributions, with particular reference to the United Nations system, the foundation on which these contributions rest has been weakened. As argued by Svendsen, the support for the multilateral aid agencies does not, rest 'on a strong enthusiasm for the work of the international organizations in general. On the contrary ...'.²⁴ This sentiment is widely shared, even among the most ardent supporters of the multilateral agencies within the five countries. The concern has led to demands for independent evaluation and reforms of the multilateral aid system. In future, it may lead to a different distribution amongst the multilateral agencies: the share each agency is given may increasingly depend on its effectiveness in realizing the developmental objectives set for the aid by the national governments.

If the systemic interest in peace and international stability is the main determinant for the large multilateral share, the margins of the multilateral organizations may still prove to be large: foreign policy concerns may well outweigh developmental objectives. But a precondition for this is probably that there will remain a confidence in the potential of the United Nations system as an effective instrument in pursuing these foreign policy objectives.

Geographical concentration and main recipients of bilateral aid

Save for Canada, the five countries have concentrated a large share of their bilateral development assistance on a few main recipients. To some extent, they have chosen the same countries. India, Bangladesh, Tanzania and Kenya have been among the main recipients (here defined as those who have received 2 per cent or more of their total ODA) of all five countries. However, the trends differ. For Canada, the trend has been towards decreased concentration. In the 1980s, Canadian aid has been increasingly scattered geographically. During the 1980s, Denmark, the Netherlands, Norway and Sweden have concentrated around one-third of their ODA—Sweden slightly more, Norway and Denmark slightly less and Sweden and Denmark with a slightly increasing trend. These features of their aid policies are sketched in the General Introduction (Table 5).

The geographical distribution of bilateral ODA provides yet another indicator for assessing the relative impact of different domestic values and interests on the aid policy. What are the main determinants of the distribution of the five countries' bilateral aid?

Administrative feasibility important

The rationale for concentrating a large share of bilateral ODA on a few recipients is to increase aid effectiveness. It has been argued by several governments in the five countries that for a small donor with little previous knowledge of the societies to which aid should be provided, and with limited administrative resources, state-to-state development assistance had to be limited to a few recipients in order to make planning and follow-up possible and to facilitate the necessary mutual insight and trust. This argument combines administrative feasibility and convenience for the donors with the concern that ODA should be used in accordance with the established objectives of the aid co-operation.

The mechanisms differ. The three Scandinavian countries have established geographical concentration of bilateral aid as a policy guideline, operationalized through a system of priority countries, with which long-term aid co-operation has been established on a broad sectoral basis through mutually agreed country programmes. However, they have made some exceptions to the geographical concentration.

In the case of *Denmark*, half of the bilateral aid (grants) is supposed to be geographically concentrated. Since the mid-1970s, 60–70 per cent of the bilateral grants have been concentrated on the four countries selected as main recipients. In addition, the shares going to the Sahel and southern Africa have gradually been increased during the 1980s. In 1988, an action plan for the Danish International Development Agency (DANIDA) was proposed with the declared intention to further concentrate bilateral aid.²⁵ The *Norwegian*

guideline governs, in principle, all bilateral aid, but a number of exemptions have been defined. Since the mid 1970s, about 60 per cent of Norwegian bilateral aid has been channelled to the selected priority countries (nine since 1977). In 1987, three regions were added: southern Africa (regional development cooperation within the framework of the Southern Africa Development Cooperation Conference — SADCC), the Sahel and Central America. Sweden has applied a similar system since the early 1970s, channelling between 60 and 80 per cent of its bilateral aid to an increasing number of programme countries (at present 18). *The Netherlands*, too, has, for part of its bilateral aid, established a system of about 15 programme countries; in 1984, three regions were added: southern Africa, the Sahel and Central America. *Canada* does not have a similar guideline.²⁶

The question as to why these specific countries have been chosen remains to be addressed. Although the declared policies and the mechanisms which have been applied vary, there are many common features, particularly between the four European countries.

Former colonial links are decisive, but of declining importance over time

We assumed that past political and cultural links would be important for the selection of recipients. Such links are differently distributed among the five, with the Netherlands as the only former colonial power of any magnitude.

As far as former *colonial links* are concerned, this assumption is confirmed in the case of the Netherlands. In the case of Indonesia, its previous major area of colonial control, the granting of independence was followed up with generous development assistance. During the late 1950s and early 1960s, the conflict over New Guinea embittered relations between the Netherlands and Indonesia, affecting aid flows, too. However, relations were resumed after the Suharto coup in the mid 1960s. Since then, Indonesia has remained a major recipient of Dutch aid. Even more interesting is the declining impact of colonial relations on aid flows. Whereas in 1970–71 the ex-colonies and dependencies received 45 per cent of total Dutch ODA, this share had declined to 15 per cent in 1982–83 and 10 per cent in 1985–86. Even so, previous colonial links have had a manifest and lasting impact.²⁷

However, there are limits to this impact, although these limits have been conceived differently by different Dutch governments, at different times and *vis-a-vis* different recipients. In the 1950s, the conflict over the remaining Dutch colony New Guinea caused a halt to the aid flow to Indonesia. The relative impact of former colonial relations (which involved political, economic and cultural links) on this dimension of aid policy is also tested when interests stemming from such relations conflict with the maintenance of dominant values in the aid-providing society, such as human rights. Violations of values held in high esteem in the donor country have been met with different reactions from Dutch governments. In 1974–78, the Centre-Left government reduced aid to Indonesia because of human rights concerns, but subsequent

Centre-Right governments increased aid again. More recent human rights violations in East Timor did not affect Dutch aid flows, owing to promising export opportunities. However, the Centre-Right government did stop aid to Surinam in 1983 as a result of human rights violations by the military regime.²⁸

The bi-cultural character of Canada has produced a similar effect. The regional distribution of government-to-government aid since 1970 reflects this division: about 45 per cent has been earmarked for Africa, to be equally divided between French-speaking and English-speaking countries.²⁹

The poverty orientation of aid: Different emphases

All five countries have established guidelines for the geographical distribution of aid. The criteria established for the selection of partners in development reveal the main determinants of this dimension of aid policy. This applies, in particular, to the relative impact of socio-political values and conflicting business interests. The poverty orientation of aid is a good test case. The dominant values would suggest a concentration of aid in the poorest countries while commercial considerations would favour the less poor and more rapidly developing countries of the Third World.

All five countries profess to a poverty 'orientation for aid, but there are important differences in how this concept is understood and applied. The main components of the poverty orientation have been to channel aid to (i) poor countries, according to different criteria related to their GNP income per capita (LLDCs, LICs), (ii) poor social groups, including special target groups (women, children), and (iii) countries whose policy-orientation is one of working towards increased equity and social justice. The second (ii) and third (iii) components have been interrelated: if changes in policy is likely to affect the social justice orientation of the recipient government negatively, then aid to this country should be targeted to exposed social groups, directly or via projects, sectors or areas from which such groups could be expected to benefit.

During the late 1960s and early 1970s, *Sweden and Norway* established formal criteria for the selection of new priority countries that included all these components. In the case of Sweden, the country programming system made it logically to select recipients among countries whose policy coincided to an acceptable extent with the goals established for Swedish aid. As argued by Karre and Svensson, major shifts of governments, in 1977 and again in 1982, did not alter this approach.³⁰ Labour governments have, in the case of Norway, tended to give greater emphasis to the third component than have non-Socialist governments. Although these guidelines have not had an overwhelming impact, as most priority countries were already selected at the time they were adopted, they have political signal effects.

In 1973, the Centre-Left *Dutch* government established similar guidelines. However, according to the Social Democrats, all three criteria did not need to be met to the same extent: aid should be given to governments with a clear

orientation towards poverty elimination, regardless of the income level of the country. In 1978, the subsequent Centre-Right government gave poverty orientation a somewhat new direction. While emphasizing the first criterion (poor countries), it de-emphasized the social justice orientation of the recipient government—a hotly debated issue—and largely abolished this condition after 1982. Centre-Right governments maintained that aid was to be provided to poor groups regardless of the recipient government's political orientation, and NGOs were considered instrumental to this end. In the late 1970s, the government wanted to strike a balance between aid aimed at poor sections and general economic development. After 1982, the target group approach was also scaled down: instead, priority was to be given to productive projects which could increase the income of the rural population. Commenting on the third criterion (the policy orientation of the recipient government), Cooper and Verloren van Themaat dryly remark that it re-appeared in 1982, not related to the recipient government's social-justice orientation but dependent on whether it had obtained an IMF certificate.³¹

Denmark has no formal criteria for the selection of programme countries. An official review committee (the majority) proposed in the early 1980s a country's need for ODA, its level of poverty and the probability of effectiveness in accordance with the objectives of Danish aid as criteria to guide the selection of new major recipients in order to strengthen the poverty orientation of aid. However, these criteria were not adopted by Parliament.

Canada has also established guidelines for the selection of recipients of its government-to-government aid programme. The most important one was established in 1975: 80 per cent (reduced in 1988 to 75 per cent) was to go to 'low income countries'.³² The criteria applied for the selection of recipient countries included their level of development, their commitment to development, their human rights record, their capacity to absorb aid and various political and commercial considerations of special interest to Canada.

Aid to poor recipient countries: Predominance of humanitarian and social justice values v. commercial interests

A common feature for the five countries is that bilateral aid has mainly been channelled to *poor recipient countries*. In all five countries, the main political parties have agreed to this orientation, although with different emphases. Conservative political parties have tended to show greater willingness than others to open up aid channels to countries that have been promising from a commercial perspective, at least for some components of ODA. Political parties to the Left have tended to show a stronger inclination to channel aid regardless of a country's per capita income, provided the policy orientation of the recipient government is geared towards social justice. However, there are significant differences in the performance of the five countries with regard to this component of the poverty orientation—with Norway and Denmark being the most concerned and Canada the least—although all five countries have

scored far above the DAC **average**.³³ This ODA orientation reflects the humanitarian and social justice values of the donor societies, as applied to the community of nations, and these values are therefore the main basic determinants.

This orientation of aid does not correspond with the systemic and private sector interest in export promotion. Commenting on the Canadian case, Lavergne concludes that the countries have not been selected from a commercial **perspective**.³⁴ His conclusion can be generalized for the five countries, even though each has established mechanisms to secure a share for their own commercial interests. As far as the three Scandinavian countries are concerned, Denmark has been most explicit by exempting half of the bilateral aid—the tied financial aid—from geographical concentration. As argued by Svendsen, the purpose was to enlist the support of Danish business interests for the ODA programme. Norway and Sweden have also increasingly accommodated business interests since the mid 1970s, Norway through some of the exemptions to the guideline of geographical concentration, Sweden by exempting some new programmes administered outside the Swedish International Development Authority (SIDA) from the guideline. Responsiveness to commercial interests has gone even farther in Canada. Even so, the main conclusion remains: the major emphasis on low income countries demonstrates that humane internationalist values have been the major determinants.

Reaching the poor: Declared policy reflects welfare state values

In considering the other two components of poverty orientation, it is more difficult to say conclusively how far aid has actually benefited the poor, by creating sustainable growth for the target groups, and how far aid has been channelled to recipient governments with a commitment to equity and social justice.

At the level of stated policy, the four European countries, and to some extent Canada, too, have committed themselves to direct aid towards poor social groups. To some extent, efforts have also been made to implement this intention, by the choice of sectors and projects, and in some cases even by bypassing the recipient government by channelling aid through non-governmental organizations (NGOs). Still, as regards the main trust of their bilateral aid, the follow-up seems feeble if not neglected. As far as the actual effects are concerned, very little can be concluded with certainty. Most bilateral aid has been channelled as government-to-government aid. The social justice effects will, therefore, depend to a large extent on the policy of the recipient government, in particular if aid is genuinely recipient-oriented or provided in the form of programme aid (such as balance-of-payments support). And again, few if any efforts have in fact been made to induce recipient governments to structural reforms aiming at equity and social justice or to re-allocate their resources for the benefit of the target groups aimed at. Similarly, few

governments, if any, including Social Democratic governments, have taken in full seriousness the criterion, established by a few countries, that priority countries selected for their bilateral aid should pursue a policy oriented towards equity and social justice.

However, the policy declarations stating that aid should be directed towards *poor target groups and to basic needs* demonstrate an intention to extend dominant socio-political values in the donor society to the international level by means of aid policy. This orientation of aid reflects humane internationalism and, particularly during the early 1970s, reform internationalism, too.

The main political parties within the five countries have agreed to this orientation, even if their emphases have differed slightly along a Right-Left axis. In the Netherlands, the Centre-Left government gave strong emphasis to this kind of aid orientation during the mid 1970s, whereas Centre-Right governments during the 1980s oriented the stated aid policy differently, almost eliminating this component of the poverty orientation. In Norway, the Right-Left dimension has been blurred. In 1984, a Centre-Right government gave the strongest emphasis ever to this component of the poverty orientation, largely thanks to the influence of the Christian Democrats.

Very little has been done to operationalize the key concept on which the third component of the poverty orientation is based. As noted, the demand that the *recipient government pursues a social justice policy* has been one of the criteria for the selection of new programme countries both in the Netherlands, Norway and Sweden. Here, too, a Left-Right axis is discernible within the countries concerned. In the Dutch case, this criterion was emphasized by the Centre-Left government in the mid 1970s, but abandoned by subsequent Centre-Right governments. In the two Scandinavian countries, the Right-Left axis is less discernible, although the Conservatives have opposed the inclusion of some Socialist governments, in particular if they were also aligned with the East (Cuba, Vietnam), while parties to the Left of the Social Democrats have been eager to include just these countries as main recipients (Vietnam is one of the major programme countries for Swedish aid).

The Dutch pattern is in accordance with expectations, although differences in the declared policy were only to a small extent matched in the applied policy.³⁵ The discrepancy between the stated and the implemented policy is also evident in the case of Sweden, but with an unexpected twist. The Conservatives have argued for less aid to fewer Socialist countries. During 1976–86, however, Socialist recipients retained their share of country-programmed aid regardless of the political colour of the Swedish government, and the aid to the frontline states of southern Africa increased, from 33 to 53 per cent of the country-programmed bilateral ODA.³⁶

The impact of this criterion has not been impressive as far as the selection of recipients is concerned, nor for the distribution of aid between the programme countries of the three European countries referred to. Even so, the

declared policies of the three countries (for the Netherlands, only during the mid 1970s) reflect the dominant socio-political values of the three societies, in particular the welfare state norms. These policies reflect reform internationalism, occasionally approaching radical internationalism. However, the follow-up has been weak—with the possible exception of Sweden.

Human rights and other foreign policy concerns: A low profile

A concern for human rights and democracy has also been included among the criteria for the selection of new major recipient countries. Although considerations of this kind have influenced aid flows in some cases, in a few extreme cases even with a decisive impact, these values are not major determinants. As a stated policy, and to the extent that these concerns have influenced the implementation of aid, they reflect humane internationalism.

Other foreign policy considerations, too, have, contrary to our expectations, only marginally influenced aid flows—although in some situations they have had an effect. Thus, in the case of Canada, Socialist countries aligned to the East are not eligible for government-to-government aid, although this guideline is not rigidly practised.³⁷ Svendsen argues that Danish aid to the frontline states of southern Africa, provided in a Nordic-SADCC setting and with an anti-apartheid objective, represents one of the few examples where foreign policy considerations have exerted a major influence on Danish aid policy.³⁸

Support to liberation movements of southern Africa:

An expression of humane internationalism with a radical overtone

One particular type of support, termed humanitarian aid, is the assistance to the liberation movements of southern Africa, which was introduced during the late 1960s by Sweden and Norway. This aid is clearly an instrument in the foreign policy of the countries concerned and it has an anti-colonial, anti-white-minority-rule and anti-apartheid justification. However, the support has been both modest and circumscribed—and controversial along a Right-Left division in the beginning.

After the liberation of the Portuguese colonies in Africa and of Rhodesia, support to liberation movements has been followed up by the inclusion of some (in the case of Norway) or all (in the case of Sweden) of the new nations as programme countries for aid. In addition, support has been extended to the frontline states, by including several of them as programme countries, and to their organization for regional development cooperation (SADCC).

This use of ODA reflects predominant socio-political values (humanitarian as well as human rights values) of the countries concerned (in the first place Sweden and Norway), much in line with humane internationalism and also with elements of radical internationalism. Although it also clearly reflects a

foreign policy interest on the part of these governments, that interest is a product of the same values.

The predominant feature: Continuity in aid relations

The most striking feature, however, is the continuity in aid relations, almost regardless of the political changes which have taken place within the countries concerned, both on the donors' and recipients' sides. This observation applies in the first place to the donor countries which have developed a system of country programming, involving a selection of programme countries. There are few exceptions to this general rule. Occasionally, dramatic changes have resulted in a country losing its status as a major recipient. This was the case with Uganda, after Idi Amin had established his regime of terror in the early 1970s, which lost the support of Denmark and Norway. It was also the case when India tested its atom bomb in 1974. This led to withdrawal of support by Canada, which had contributed to the civil nuclear programme.

Country programming obviously has an impact in its own right on this stability (for countries applying such a system)—conserving the status quo. The recent trend, where *regions* have been introduced in addition to programme countries, can in part be explained as a quest for greater flexibility in the geographical distribution of bilateral aid.

Some long-term trends are nonetheless discernible. There has been a general shift of emphasis from Asia to Africa. The development crisis in Africa is obviously a main reason for this shift. Aid has increasingly been concentrated on the crisis-ridden regions of southern Africa and the Sahel. Immediate needs—caused by man (politics) and nature (drought), where politics has often been the main cause of environmental disasters too—have propelled these shifts. In these cases, existing needs in the Third World have activated humanitarian values in the donor societies and resulted in a policy along the lines of humane internationalism.

The commercialization of aid

Commercialization of aid takes many forms, adapted to different and changing conditions. The classic form is the tying of ODA to procurement in the donor country. The main objective, at the system level, is to reduce the foreign currency costs of aid (balance-of-payments). The business interest in export promotion and the labour interest in employment have different motives for supporting tying of aid. These interest groups may also be inclined to tie aid to a particular purpose (double tying) or even to a particular firm, too (triple tying). However, as a means of ensuring a high return flow, the tying of aid works out differently for different economies. Small and middle powers usually need to tie aid or to apply other mechanisms to obtain a high return flow. The major powers, in contrast, with large, diversified and com-

petitive economies and well-established links with the Third World through old (colonial) relations or newer ones (transnational corporations), may obtain the same or even better results through the market mechanisms without having to resort to procurement tying. Indeed, for them ODA may even have a multiple effect in this regard.³⁹

The five countries have different tying patterns, according to the OECD definition and statistics. Canada has consistently tied a large proportion of its total aid, although with a declining trend during recent years. In 1975, Denmark tied about one third of its aid, but this share has declined since 1977 (24 per cent in 1986). Dutch aid tying started at a higher level, but declined sharply in 1979 (to below 10 per cent after 1985), although a large share was partially tied. Norwegian and Swedish ODA has stayed at a low and stable level of tying, for the main part below 20 per cent. The performance of the five countries differs from that of the DAC average, which has varied between 45 and 32 per cent: the three Scandinavian countries and more recently the Netherlands with a much lower level of aid tying, Canada with a much higher level. These patterns, which are sketched in the General Introduction (Table 9), are explored further in the five country studies, which also examine other mechanisms at play to ensure a high return flow from ODA.

Canada: A consistently high tying profile

Canada has kept a consistently high tying profile. High commercial returns on aid are considered important in maintaining business support for aid. Procurement tying is the principal instrument of export promotion associated with the aid programme. During the early 1970s, Canada was also a hard-liner in the international efforts to untie aid. It went against the 1974 DAC Memorandum of Understanding and has not followed up the majority recommendation. Eighty per cent of its government-to-government aid has been tied, and this policy has also affected the geographical orientation of aid, forms of aid and even the social profile of the aid programme. Lavergne argues, however, that a development-oriented Canadian aid administration (CIDA) has tried to reduce the negative effects of this policy by directing aid to areas in which Canada is internationally competitive. During the 1980s, the two main political parties have been in favour of aid tying, although Canadian aid has become more commercially-oriented under the Conservatives than it was under the Liberals. However, this was more a matter of emphasis than a major qualitative change.⁴⁰

The harsh economic climate during the late 1970s led to increased commercialization of Canadian aid. CIDA was expected to strive hard to generate employment and economic benefits at home. The subsequent Conservative government opted for an increasing role for private business in Canadian aid, for mainly ideological reasons, assuming that the private sector could play a positive role in the development process. A new department within CIDA, established in 1984, was assigned the task of relating with the private sector.

On balance, however, Lavergne concludes that although commercial interests have intruded upon the Canadian aid programme, the primary motivation is not a commercial one. He finds evidence of the gradual emergence of a more commercially-oriented aid programme, but concludes that this does not apply to all dimensions of Canadian aid.⁴¹

This dimension of Canadian aid has from the very start been given an orientation which has been strongly attuned to the systemic and business interest in export promotion. During the 1980s, this feature was strengthened, in particular by the Conservative government. Thus, a slight difference of emphasis can be discerned between the two major parties (Conservatives and Liberals). The Conservatives added an ideological emphasis to this orientation.

Denmark: Balancing 'commercialized' financial aid with 'altruistic' grants

Denmark, too, has tied a large part of its aid (about one quarter—its bilateral financial assistance⁴²), although at a lower level, for largely similar reasons to those of Canada. The balance was struck in the mid-1960s, and the main objective was to accommodate Danish business interests. As noted above, strenuous efforts by Danish industrialists to increase 'their share' failed in 1977, even at a time when the Danish economy was under severe strain.

During the late 1970s and early 1980s, aid which was untied in formal terms also came under pressure to produce a higher return flow. One result of this was the freezing of contributions to the UNDP at the current level, partly because of complaints of a low return flow. However, the motives behind that decision were mixed, and included an uneasiness about the effectiveness of the UNDP. Svendsen observes that in recent years, changing Danish governments have 'been keen to show that there are large return flows from the *untied* bilateral aid programme. The procurement office of DANIDA is praised for its endeavours to secure contracts for Danish companies for Danish financed projects. . .'⁴³

During the early 1980s, there were also pressures in the opposite direction, namely for a partial untying of the development credits and for a development orientation of commercial credits even outside the ODA programme. Although business interests were accommodated, their record was not without set-backs. In 1985, Parliament turned down a proposal from the government (Conservative-Liberal) to make the mixed credits more flexible for matching purposes, which would reduce the quality of aid.⁴⁴ However, the recent action plan for DANIDA (1988) suggests the formal tying of one-quarter of ODA (the bilateral financial assistance) replaced by a guideline stating that at least 60 per cent of bilateral Danish aid should result in Danish procurements.

Danish business interests were accommodated, from the inception of the aid programme, in order to enlist their support for the ODA programme. There has been broad agreement between the political parties on this policy—although a Right-Left axis is discernible, where the Conservatives and the

Liberalists (Progress Party) are seen to be more in favour of accommodating business interests than the parties in the centre and to the Left. However, pressures to extend the 'share of the cake' enjoyed by business have so far been contained. Still, business interests have exerted a strong impact as far as this dimension of Danish aid is concerned.

The Netherlands: Moderate commercialization due to conflicting private sector interests

The picture of Dutch aid tying which emerges from OECD statistics (in the General Introduction) is contested in the country study. It argues that the tying status has, by and large, been unchanged over the years. A study of the tying of bilateral aid in the period 1970–82, involving 37 recipient countries, revealed that 60–70 per cent was tied. However, credits and grants to the LLDCs have been open to bidding by other developing countries; outside the LLDCs the grants have been tied. Efforts by the Social Democrats to untie aid have been resisted by the other main political parties.⁴⁵

However, tying of aid is only one of the instruments used to ensure a high return flow. ODA has been used for export promotion. Return flow considerations have influenced the choice of recipient countries and the distribution of aid between them. Such considerations have influenced the choice of sector, the specific project designs and the forms of aid, too. The actual return flow from bilateral Dutch aid has been estimated at around 78 per cent for 1967–76 and between 90 and 70 per cent during the subsequent few years, though with a declining trend.⁴⁶

In 1982, the Centre-Right government declared its intention to increase the involvement of the private sector in aid policy. A series of mechanisms were proposed to stimulate the private sector both in the Netherlands and in the developing countries. Cooper and Verloren van Themaat conclude, however, that the private sector's relative involvement has not increased much during the last decade, owing to the lack of strong lobbying. This is attributed to a conflict between the interests of the big transnational companies and those of the smaller companies. The large transnationals are traditionally in favour of a liberal economic climate, implying a minimum of direct government intervention, including subsidies and aid tying, whereas smaller and medium-sized companies, on the other hand, are more dependent on government action and contracts and therefore constitute a stronger lobby for commercialization of aid.⁴⁷

The systemic and business interest in export promotion has strongly influenced this dimension of Dutch aid policy. A Right-Left division line is clearly discernible, in particular with regard to the tying of aid. During the 1980s, the Centre-Right government added an ideological emphasis to this orientation.

Norway and Sweden:

Walking backwards into increased commercialization

Norway and Sweden, in contrast, have established a general guideline of untied aid, and argued consistently for untying of aid in international fora. However, this guideline, established during the late 1960s, has been under strong attack from private sector interests in the two countries.

Sweden was the first to adapt to such pressures, in 1973, by earmarking a defined (minor, but increasing) part of the bilateral programme for tied aid, against considerable opposition from the Liberals. Although, in principle, all political parties agree on untied aid, the Conservatives have asked for a greater tying of aid designed for import support, which, during recent years, has been about 40 per cent of the country-programmed aid, arguing that otherwise Swedish aid would be used for purchases from Sweden's competitors in the industrialized world. When tied aid was introduced in the early 1970s, it met with strong opposition. No similar resistance to the efforts to increase the return flow from aid is discernible today. Karre and Svensson argue that this is because of Sweden's present economic **difficulties**.⁴⁸

In the Swedish tradition, Social Democratic governments started out with a sharp distinction between aid and the promotion of Swedish commercial interests. Pressures from Swedish business interests for mechanisms conducive to export promotion, which increased with an increasing ODA volume, were contained until the mid-1970s. However, a modified approach was well under way when a non-Socialist government came to power in 1976.

The opportunities available for accommodating the Swedish systemic and business interest in a high return flow, viz. reducing the multilateral aid, tying aid and using ODA in a direct way to promote Swedish exports and investments, were all utilized during the late 1970s and early 1980s. The establishment of some new aid programmes outside SIDA—the Agency for International Technical and Economic Co-operation (BITS) and the Swedish Fund for Industrial Cooperation with Developing Countries (SWEDFUND)—along with new and expanded aid forms such as mixed credits and **balance-of-payments** support, reduced the need for formal tying in the traditional sense. Out of government, the Social Democrats opposed the introduction of **concessional** credits and SWEDFUND; in government, however, they adopted a revised system of mixed credits and increased the funding of SWEDFUND. Still, the actual return flow has been rather modest—it has been estimated at about 40 per cent of total ODA and about 50 per cent of bilateral ODA. Karre and Svensson conclude that there has been continuing commercialization of Swedish ODA, although it has been modest compared with that of other countries.⁴⁹

Norway has maintained the guideline of untied aid. During the late 1970s, however, it was increasingly violated. Norwegian commodities were used even at the cost of reducing quite substantially the actual value of aid to the reci-

pients.⁵⁰ During the 1980s, exemptions to the guideline were formalized both for bilateral and for multilateral aid (viz. commodity aid, mixed credits and parallel financing). The guideline itself was redefined to allow for a limited favouring of Norwegian commodities and services. The main political parties agreed, by and large, with regard to these policy changes.

From 1976 onwards, the commercialization of aid increased. A series of old mechanisms were expanded and some new ones added. Guarantees for exports to Third World countries obtained an increasingly enlarged financial framework and less attention was paid to the risks involved. A scheme for interest-rate support (though not financed by ODA) was introduced (1976—81), as was parallel financing with the development banks, tied to procurement in Norway, and mixed credits. Although these mechanisms have attracted much attention because of the principles involved, they have been systematically circumscribed in financial terms and, during the 1980s, amounted to only 1—2 per cent of total ODA.

Since 1976, the Norwegian Agency for International Development (NORAD) was increasingly exposed to expectations, from the private sector and governmental authorities, of an increased return flow. However, several of the guidelines established for Norwegian aid ran contrary to this drive, and Parliament repeatedly gave emphasis to the continued validity of these guidelines. Although, at times, they were practised with great flexibility, as noted with reference to the guideline of untied aid, they represented stumbling blocks and were also used by the aid administration to protect aid against pressures from Norwegian commercial interests.

During the 1980s, the Conservatives (in a non-Socialist government) succeeded in highlighting the development potential of the private sector without distinguishing too sharply between its role in the aid programme and in the export drive."

At an early stage, these two countries established a tradition where it was distinguished between aid and commercial interests, as manifested in the guideline stating that aid should be untied. During the 1960s, this policy was pursued most forcefully by the Swedish government (Social Democrats). Since the mid-1970s, however, this policy has been modified in both countries, at times almost reversed, and aid has become increasingly commercialized. Parties to the Right have been more willing to accommodate business interests than have parties to the Left, although this division has been blurred by the ambivalence of the Social Democrats, since the mid-1970s, when confronted with the prospect of increased unemployment. The major resistance to commercialization has, therefore, come from the political centre (Liberals and Christian Democrats) and parties to the Left of the Social Democrats, but also from within the Social Democratic parties themselves.

The general trend: Increased commercialization of aid since 1975

In all five countries, the aid policy has increasingly been adapted to the systemic and business interest in export promotion. It follows, therefore, that this interest has increasingly become the major determinant of the dimension of the five countries' aid policies which is of most direct relevance to vested business interests.

In the cases of the two most prominent altruists among the five, Norway and Sweden, commercial influence increased markedly during the late 1970s and early 1980s, affecting the guideline of untied aid and leading to the establishment of a number of mechanisms to ensure a high return flow from aid. An increasing aid volume attracted increased attention from industrialists and from trade unions because of their respective interests in exports and employment, especially at a time when the economy was under strain. Systemic interests geared towards these objectives worked in the same general direction. These were the main determinants of the policy changes, reinforced by the systemic interest in reversing the negative balance-of-payments situation prevailing at the time that these policy changes gained momentum, as illustrated in the case of Norway. However, these influences were balanced by altruistic forces (NGOs, particularly the Churches) in combination with the political centre (Liberals, Christian Democrats) and the political Left (Left Socialists, Communists). In both countries, the commercialization drive was circumscribed. Even so, the altruistic forces were not able to prevent the changes from taking place, but only to reduce the impact.

A similar trend is also discernible in the other three countries, although the systemic and business interest in export promotion was stronger from the outset, as viewed from the policy manifestations.

In Denmark, business interests had already obtained their share in the 1960s, and experienced a rebuff when, at a critical time for the Danish economy, they tried to double their slice of the cake. In Denmark, and even more so in Canada, business interests have been accommodated both because of their general influence on politics and because the policy-makers wished to rally these interests behind the aid package. In both cases, procurement tying has been the main instrument. Business interests, combined with the systemic interest in export promotion, have been the main determinants for this dimension of their aid policies. The international recession and its repercussions at the national level facilitated the increased commercialization which has taken place during the last ten years.

This applies to the Netherlands, too, although the effects there have been moderate, in particular when assessed against the bleak economic situation, high unemployment rates and the fact that Centre-Right governments have been quite willing to accommodate aid to Dutch business interests. The moderate degree of commercialization of aid was not for any lack of vigour on the part of the system to promote exports, but owed more to the ambivalence of a private sector divided by conflicting interests.

In all five countries, the private sector has gained increased influence over aid policy since 1975 because of the recession. During the 1980s, this trend has, at least partly, been reinforced by the ideological wind of change towards Liberalist orthodoxy originating in the Reagan Administration in Washington and the Tory government in London and given emphasis by the Bretton Woods institutions, too. As a consequence, greater emphasis has been given to the productive sectors and market mechanisms, and less to the welfare infrastructures. It is remarkable that this trend applies to countries almost regardless of the political colour of the governments, although it has been particularly furthered by governments where the Conservatives have held a dominant position, in line with their predominant interest basis and even their ideology.

Tying of aid represents a grey zone between humane and realist internationalism. Humane internationalism does not preclude pursuance of self interest. Tied aid falls, therefore, broadly within the concept. After all, ODA represents concessional transfers of resources whether tied or not, although tying may affect the degree of concessionality by reducing the real value to the recipient of ODA. However, if used in order to obtain favours of one kind or another, aid will be within a realist tradition. Tied aid, like other mechanisms to commercialize aid, would, accordingly, fall within the category of realist internationalism, if used as an instrument in a trade strategy to gain markets for exports.

Efforts by donor governments to expand private sector involvement in Third World development constitute a similar grey zone between liberal and realist internationalism. Activating the private sector of the donor or recipient country (business and industry as well as NGOs) to this end is considered liberal internationalism; the problem arises when the 'normal' market forces are manipulated by public interference (ODA). Although such interference is clearly contrary to Liberalist orthodoxy (in principle, but not so much when it comes to the applied policies of the major champions of this ideology), such manifestations are included among expressions of liberal internationalism. Some elements of the commercialization of aid packages, such as explicit procurement tying of aid, are expressions of protectionism and, therefore, contrary to liberal internationalism, although falling within the broader concept of humane internationalism. Within the latter, they may represent traces of realist internationalism.

It follows from the above that even the more commercialized form aid has taken during recent years with the 'altruists', Norway and Sweden, and more permanently with Canada, falls broadly within the concept of humane internationalism. After all, as underlined by Lavergne with reference to Canadian aid, where the self-interest aspect has been most openly stated, the primary motivation for the aid policy is not a commercial one.⁵² Even so, certain aspects reflect traces of realist internationalism. This applies particularly to protectionist measures, especially such as an explicit, extensive or rigid tying

of aid. These features are more pronounced in some countries (particularly Canada) than in others and, within countries, more pronounced by some governments (particularly Conservatives) than by others. However, several other aspects reflect liberal internationalism, a tendency which has increased since the mid-1970s.

There is a certain irony in this development. In some of the more 'altruistic' countries, particularly the Netherlands and Norway, the origin of this trend was a policy clearly oriented towards reform internationalism: an effort to extend aid policy to traditional North-South economic relations, such as trade and investment, in order to follow up the demands from the Third World for a New International Economic Order (NIEO). This policy combined efforts to negotiate for reforms in the international economic system with an aid policy which professed to aim at structural reforms at the domestic level too. However, under the strain of international recession in the second half of the 1970s, the direction changed towards an increased commercialization of aid. With slight variations, this took place across the political spectrum. The strongest resistance came from the Scandinavian Christian Democrats, Liberals and Socialist Left/Socialist People's and Communist parties.

Policy conditionality

In several of the dimensions of the aid policy discussed above, conditionality of aid has played a part, especially in the case of bilateral aid. Conditionality is involved in the financial terms of aid, the selection of programme countries, and, by definition, in procurement tying and other mechanisms for ensuring a high return flow from ODA. However, it also has other dimensions.⁵³ The comments here will be restricted to the general level: the involvement and interference of donors within bilateral aid programmes.

Country programming and long-term commitments

The policies of the five countries have several common features in this regard, as well as aspects that differ. However, the most important observation is that their policies show several common features which differ from those of most other OECD countries. At the level of declared policy, they adhere to a non-interference norm for a variety of reasons. In the case of Norway and Sweden, this norm has been formalized as a policy guideline: ODA should be recipient-oriented. As interpreted, this means that aid should be given in accordance with the plans, priorities and requests of the recipients.⁵⁴ The other three countries have also, in various ways, oriented their aid towards the wishes of the recipients.

The main instrument of this policy has been a planning system which includes country programmes with a certain number of main recipients, involving long-term commitments and planning (3–5 years). This system differs

from the most common pattern elsewhere, where bilateral aid relations are characterized by short-term commitments which are often restricted to projects, too (although these may have a multi-year perspective). The country programmes are reviewed and extended annually, and are preceded by a dialogue on the general orientation of the aid programme. The Scandinavian countries and the Netherlands developed this system during the early 1970s. Based on ODA volume targets related to GNP, the Canadian aid agency compiles five-year indicative planning figures, adjusted and agreed every year with the Ministry of Finance, which are broken down for the various development programmes and for the pertinent country programmes.⁵⁵ The Scandinavian countries have established offices with resident representatives in the main recipient countries to facilitate planning and follow-up. Also the Canadian aid agency has local offices in the large recipient countries.

Norway and Sweden:

Strong recipient orientation, with a declining trend

During the early years of the country programming of *Swedish* aid, recipient orientation of aid was the major guideline to the extent that, in retrospect, some analysts have called these years 'the flower-power period'.⁵⁶ Country programming aimed to combine planning security for the donor with a reasonable degree of influence on the part of the recipient. This made it possible for the recipients to integrate aid into their overall development strategies rather than receiving support for isolated projects.⁵⁷

This planning system, introduced by the Social Democrats, was continued by non-Socialist governments in the 1980s, but somewhat hesitantly, as the Conservatives opposed the system. There were also different views on the strategies for pursuing Swedish development objectives. The Social Democrats preferred to pursue these objectives through the country programmes, in dialogue with the recipient. The non-Socialists, on the other hand, withdrew important items (such as support for research, energy and environment) to be pursued outside the country programmes by separate agencies. This was also the case with the programmes oriented towards an increased return flow from Swedish aid (SWEDFUND, BITS).⁵⁸

The main political parties also disagreed on the core question involved: while the Liberals and Communists have been the strongest supporters of recipient flexibility, the Conservatives have been the most restrictive.⁵⁹ The trend during the late 1970s and 1980s has been towards increased direct involvement from the Swedish side—not only in the follow-up and control, but also in the planning and even the implementation of aid within the recipient country's planning and implementation system.⁶⁰ Even macro-economic questions entered increasingly into the dialogue, although without concrete conditions being expressed. More recently, there have been clear indications that here too change is taking place, resulting in increased conditionality. Even so, Karre

and Svensson argue that there is 'no wish to establish a sort of bilateral conditionality of the IMF kind.'⁶¹

The three Scandinavian countries have by and large followed a similar course. They have several programme countries in common, and their policies *vis-a-vis* these countries are coordinated. Still, there are nuances in their policies.

Norway established the guideline of recipient orientation in 1972. It remained a major guideline in this country after it had been considered obsolete elsewhere. In 1984, however, it was modified by the non-Socialist government, giving equal weight to the objectives established for Norwegian aid. The country programmes were to result from a genuine dialogue between the two parties. The government went one step further: aid targeted according to Norwegian objectives, but not given priority by the recipient and therefore not included in the country programme, might be provided outside the financial frame of the country programme. Examples are aid to improve the situation for women or for environmental concerns. In 1987, the Labour (Social Democrats) government agreed to these modifications. And Parliament justified the modifications with the argument that recipient governments did not always pursue a development-oriented policy aimed at social justice. Parliament argued that the guideline of recipient orientation should not hinder Norwegian authorities from championing the interests of the weak groups—ethnic minorities, women, peasants in the periphery—or from responding to such needs as family planning, protection of the environment and securing of human rights for minorities. Parliament emphasized that the modification should not be used to further Norwegian political or economic interests.⁶²

Denmark: Developmental objectives matter the most

Denmark deviates somewhat from the Swedish and Norwegian patterns. The recipient orientation, involving automatic transfers, general financing and no conditions attached to the funds, has not been prominent in the Danish debate.⁶³ Svendsen argues that the general trend has been towards an increased concern for the use of aid funds in accordance with the objectives of Danish aid, that is to ensure that poor groups benefit from the aid. General and more specific Danish aid objectives have, as a result, been strongly signalled to recipients, and this 'concerned participation' has more recently been extended to general policy issues.⁶⁴

Canada: Responsive programme and project aid, but lining up on IMF conditionality

Canadian government-to-government aid is characterized by the relatively non-interventionist approach of CIDA *vis-a-vis* recipient countries' requests for aid. The responsiveness—and flexibility—is greatest for programme aid and balance-of-payments support, and these aid forms increased during the early 1980s to reach 40 per cent of total bilateral aid in 1984–85, primarily

as a response to the growing need for this type of assistance. A responsive approach has been taken with regard to project aid, too—projects are selected either at the initiative of, or in close cooperation with the recipient country. However, CIDA has recently become a more active participant than before in this relationship. The responsive approach to the project selection reflects, in Lavergne's understanding, a respect for the sovereignty of recipient countries. However, CIDA has become increasingly concerned with the policy environment, too, much in line with the World Bank/International Monetary Fund (IMF) strategy of stimulating policy reforms in exchange for aid.⁶⁵

The responsiveness referred to (the greater use of programme aid and balance-of-payments support) is at the same time well adapted to enhance the type of aid which furthers Canadian commercial interests, especially if it is tied (which it almost always is to a significant degree), and it has the additional benefit of low administrative costs. The aid forms referred to also have implications for the general orientation of aid.

Dutch aid: Implications in the Netherlands matter the most

This dimension of aid policy does not seem to attract the primary attention in the Netherlands. Commenting on Dutch aid, Cooper and Verloren van Themaat note that the political parties appear to be more interested in whether aid is given or not, and the general orientation of aid, than the specific purposes it serves and what happens to it. They seem to be more interested in the political implications of aid in the Netherlands than in its effects in the Third World.⁶⁶

Recipient orientation: May combine adherence to sovereignty norms with pursuance of economic self-interest

Recipient-oriented aid may serve many objectives at the same time. It corresponds well with the international norm of non-interference in the internal affairs of another country. However, this norm is in no way absolute, as demonstrated when human rights are violated, most convincingly *vis-a-vis* the apartheid policy of the Republic of South Africa. Recipient-oriented aid also corresponds with the norm of self-reliance, strongly emphasized by most Third World governments since the mid 1970s, at least at the level of declared policy. An aid policy with this orientation places the main responsibility for development with those directly concerned; ODA should assist in this process, not direct its orientation. Utilitarian considerations regarding the long-term effectiveness of aid have also been part of the justification for this orientation: if not given priority by the political authorities at the recipient end, the project or activity supported would become dependent on continued support to cover recurrent costs and run the risk of being discontinued as soon as the external resources dried out. In such a setting, the demand for short-term efficiency may conflict with the long-term effectiveness of aid. Some forms of recipient-oriented aid (such as balance-of-payments support) are well adapted

to serve donor interests in export promotion and attract attention for this reason. In addition, there is the concern of the donor government for the ultimate effectiveness of aid as related to the aid mandate (the major objectives). The objectives and priorities of the donor government may conflict with those of the recipient government.

It is difficult to identify which of these factors have been the most decisive for the recipient orientation of aid for the countries ascribing to this policy, as most explicitly expressed in the formal guidelines to this end (Norway and Sweden). During the late 1970s and the 1980s, a more restrictive attitude was taken by most donors, including the five. However, the motives and intentions differed. There was the increased political conditionality pursued by the Bretton Woods institutions, which made aid dependent on policy reforms in the recipient countries concerned, such as currency adjustments and a market and export orientation of the economy. Confronted with the combined pressures of the international development finance agencies and the major bilateral donors, a government of a poor developing country is not left with much choice. This policy reflected the predominant view of the Reagan Administration and the British government, in the direction of Liberalist orthodoxy. The governments of the five countries joined in this policy. This applies even to the Social Democratic governments of the Scandinavian countries, although they followed suit both hesitantly and at a late stage, when some modifications in the attitude of Western donors were in progress.

However, it is important to distinguish between this kind of conditionality and the one pursued by the Scandinavian countries—even if both confront the recipient orientation of aid. Although the Scandinavian countries gradually conformed with IMF/World Bank conditionality, however hesitantly, their change in policy *vis-a-vis* recipient orientation had a different primary motivation, which also affected the orientation that conditionality took. It was directed less to the macro level of the economy, and more towards the micro level. The demands were not so much directed to policy changes, as to the effects of aid on target groups, such as the poor or women, and on particular areas of concern, such as the environment. Their declared policy, confined to the micro level, has not been consistently followed up in the implementation; however, their main concern was to make aid effective *vis-a-vis* the development objectives established (such as the poverty orientation). The policy was attuned to their domestic *equity and social justice values*. These values were the basic determinants of the modifications which took place in recipient orientation.

There were other implications as well. The orientation of aid towards forms considered recipient-oriented (balance-of-payments support in various forms) was clearly a response to the foreign currency needs of the recipient countries. As these crises had severe consequences for the economy at large and consequently also for the ordinary people, the response may be considered an expression of humane internationalism. At the same time it paved the way for

an orientation of aid which was conducive to higher return flows, if combined with mechanisms to this end, as has usually been the case. The response was therefore also an expression of liberal internationalism, though with traces of realist internationalism as well, particularly when protectionist measures, especially explicit, extensive or rigid **tying** of aid, were involved.

Another trend has been the increasingly active donor interference at project level, primarily by means of consultancy firms based in the donor country. The change in policy was most striking in the case of the Scandinavian countries with guidelines for the recipient orientation of aid. This direct interference originated from two different sources. Firstly, there was an increasing demand for effectiveness of aid, viewed in the short-term: the time schedules had to be followed and the funds allocated had to be spent within the time limits set. The national and local administrative capacity of the recipients very seldom met the expectations of the donor. At times, this resulted in a direct take-over of planning and even implementing functions. This reorientation came in the first place as a response to demands from the aid administrators, including the politicians who had the direct responsibility for aid matters and were eager to show results. Short-term efficiency was given priority over long-term development effectiveness. Secondly, the private sector (entrepreneurs and consultants) had a stake, for both economic and professional reasons, in efficient project implementation, which worked in the same direction.

This change took place in a period when the international recession made international competition harder, leading to increased protectionism (tied aid and other mechanisms to ensure higher return flows), and when the ideological wind of change in the Western world led to increased privatization of public activities. The self-interest of the private sector, reinforced by the changed international environment, was also an important determinant of the modification of recipient orientation which took place during the early 1980s.

General conclusions and their implications for the future

The aid policies of the five countries are expressions of humane internationalism. This is the main conclusion, although the policy varies somewhat from country to country and from one policy dimension to another within the same country.

A general move towards liberal internationalism since the mid-1970s

There is a general trend in all five countries towards liberal internationalism. This orientation started during the second half of the 1970s.

The Canadian aid policy has basically reflected humane internationalism.

The features of liberal internationalism have been strongly pronounced throughout and have been growing during the 1980s, with, increasingly, some traces of international realism, too. Predominantly humanitarian motives have been combined with a desire to promote Canadian economic interests and influences abroad. Although opinion surveys have shown that most Canadians were not willing to sacrifice development effectiveness on the altar of commercial benefits, many authors have considered the commercial interests of Canadian business of major influence in questions of foreign aid policy. However, if self-interest had been the prime determinant, Canadian aid policy would have had very different features. Aid is supported, in the first place, because it is considered an international public good.⁶⁷

The balance between self-interest and altruism tips more to the latter in the *Danish* case than in the Canadian. Business interests were at an early stage granted their share of the aid cake (one quarter) in the form of tied financial assistance. This balance has been maintained since the late 1960s—although increasingly allowing for the use of part of the credits for local purchases. As indicated by the recently proposed action plan for DANIDA, however, the efforts to adapt bilateral aid to Danish business interests are continued. Danish aid policy basically reflects humane internationalism. It contains features of reform internationalism. Features of liberal internationalism have always been present, with traces of realist internationalism.

The *Dutch* aid policy is basically a reflection of humane internationalism. However, features of realist internationalism are also discernible. ODA has been used as a means to maintain good relations with former colonies and dependencies once they became independent, a pattern which fits into the realist tradition. This feature was a dominant one during the early years of Dutch aid. It has remained throughout, but decreased in importance during the 1970s and 1980s. During the mid-1970s, Dutch aid policy—under Social Democratic leadership—had features of reform internationalism, especially if assessed on the basis of declared policy. It was adapted to demands from Third World governments for reforms in the existing international economic and political system. During these years, Dutch aid policy transcended the NIEO demands by focusing on redistribution aspects of the recipients' domestic policies too, with the aim of stimulating reforms oriented towards social and economic growth. During the late 1970s and the 1980s, these policy features were gradually weakened (by successive Centre-Right governments) and increasingly replaced by a trend towards liberal internationalism.

Norwegian aid policy also reflects humane internationalism, with the inclusion, since the early 1970s, of elements of reform internationalism, particularly if assessed on the basis of declared policy. During the mid-1970s, the Norwegian government—together with the Dutch—was most active, within the group of Western industrialized countries, in pressing for reforms in the international economic system in favour of the Third World. This drive was pursued into the 1980s, when the North-South dialogue hardly appeared on

the international agenda. As in the Dutch case, aid policy was also oriented towards reforms at the national level, in the way the poverty orientation was defined. From the early 1970s, a few fragments of radical internationalism have also been manifested, particularly in the support for southern African liberation movements. Since 1976, some **dimensions** of the aid policy, in particular the commercialization drive, have increasingly reflected liberal internationalism. The protectionist aspects of this drive, in particular the introduction of tied aid, represents small traces of realist internationalism.

The *Swedish* aid pattern has been very similar to the Norwegian, although with some differences in emphasis. Basically, the policy reflects humane internationalism. Several elements have, from the very start, reflected reform internationalism, especially in terms of motives for providing aid. Elements of radical internationalism can also be identified, more strongly articulated than in the Norwegian case and especially related to the support for African liberation movements and the selection of recipients for bilateral aid. From the mid-1970s, the policy has increasingly reflected liberal internationalism, too, with small traces of realist internationalism.

The major determinants

The aid policies of the five countries reflect, for most dimensions, the dominant socio-political values of the domestic environments. These are, according to the point of departure of this study, the main determinants of most dimensions of the aid policy. However, systemic and private sector interests have also influenced these countries' aid policies, as have their systemic interests related to the international common good, particularly the quest for international peace and stability. Some influence has also been exerted by international organizations and even by the recipients.

The relative influence of these determinants varies from country to country and also, within each of the five countries, from one dimension of the aid policy to another, as noted above. In some of the five countries, such variations have also been dependent on the political colour of the government of the day and, in general, on the prevailing parliamentary situation.

The dominant *socio-political values* referred to have had the strongest impact on the aid policy of the Scandinavian countries and the Netherlands. Different values have exerted the strongest influence on the various dimensions of aid policy. The values connected with the welfare state, in particular social justice, have been most strongly expressed in the Norwegian and Swedish aid policies and, during the mid-1970s, in Dutch aid policy too, as assessed from the declared policies. The prime expression of this is the poverty orientation of the stated aid policy, involving poor countries as the main recipients, the poor as the major target group and the expectation of a policy of equity and social justice on the part of the recipient governments. Human rights con-

cerns, including the concern for democracy, have had a more or less strong impact on the stated policy of the five countries, but have only occasionally exerted a decisive influence on aid relations.

The private sector and systemic *interest in export promotion* has had the strongest impact on the Canadian aid policy. It has also influenced the aid policy of the other four countries, but to a lesser degree. Its strongest impact has been on the dimensions of aid policy where business interests had the most direct stake. Even here, their influence has been circumscribed—as, in the Danish case, where procurement tying was restricted to bilateral financial assistance and, in the Norwegian case, where the financial frames for the various mechanisms designed to ensure an increased return flow were quite limited.⁶⁸ However, the influence of the combined systemic and business interest in export promotion increased during the late 1970s and 1980s.

A common feature of the five countries is the strong impact of their (systemic) interest, as small and middle powers, in *peace and international stability* and an international system to pursue and maintain these objectives. This is expressed, in the first place, through their large aid contributions through the multilateral aid agencies. The five countries differ somewhat on this account, too. Systemic interests related to *foreign policy* concerns have also occasionally influenced some aspects of aid policy, in particular the selection of recipients. The more particular interests of the *administrative structures* have also had their impact, both on the main policies, such as the large multilateral aid components, and on the structure of aid, including its forms and the guidelines for co-operation.

It is difficult to assess the influence which the international organizations have exerted on the national policies outlined above. At an early stage, *international norms* certainly had some impact, in particular those established for the volume of aid. Since the early 1970s, the four European countries have pursued aid policies ahead of these norms. In the case of Canada, international norms have exerted some influence both with regard to the poverty orientation and the volume of aid.

Major changes in the international environment have affected aid policies. The international *recession*, contrary to our expectations, had only a marginal impact on the ODA volume performance—although some temporary setbacks were caused. Again contrary to expectations, its impact on the financial terms of aid was even less. In fact, these terms improved after 1975. However, the strained economic situation, resulting in high unemployment rates in some of the five countries, facilitated the increased commercialization of aid which took place in all five countries during these years.

The *ideological reorientation* towards Liberalist orthodoxy, which occurred during the late 1970s and early 1980s in some of the major governments of the Western world, worked in the same general direction. It influenced several dimensions of aid policy, and spurred on the drive towards commercialization of aid which had gained momentum at an earlier stage. It also had an impact

on the trend, in the 1980s, towards increased privatization of aid—including the enhanced role of NGOs as aid and development agents, although these were motivated by other concerns as well.

The changed conditions in the Third World—the desperate economic crises involving soaring debt burdens, balance-of-payments deficits and low productivity as well as famine caused by politics and natural disasters—affected, in particular, the volume, the financial terms and the forms of the five countries' aid. The humanitarian response to the deteriorating economic situation of so many developing countries probably offset the negative effects on the volume and financial terms of aid, caused by the strained economic situation of the donors during the recession. It led, too, to forms of aid, such as balance-of-payments support, which were adapted to the foreign currency needs of the recipients. However, these forms of aid were also easily adapted to the commercialization drive.

Consensus seeking in the domestic setting

There exists a strikingly high degree of national consensus between the major political parties of the five countries on most aid issues. This is not because aid policy is considered of minor importance in the national political arena, as is the case in several other OECD countries.⁶⁹ Aid policy has attracted considerable attention.⁷⁰ This does not necessarily imply that an aid issue has much likelihood of toppling a government. However, it is indicative of the importance of this policy area that, in the Scandinavian setting, one major political party (the Liberals of Sweden) made a strong pro-aid stance one of its top issues to profile the party in consecutive general election campaigns.

Although the high degree of consensus is the predominant feature, we have also identified, at the level of national politics, several disagreements between the main political parties, save for Canada, where conflicts between the two major parties on aid issues have been fairly rare. Although the positions have been shifting from one policy dimension to another, the picture that emerges contains an element of Right-Left conflict, although this pattern is blurred in the Scandinavian countries by the strong pro-aid positions of the Liberals and the Christian Democrats. These parties, which hold a central position on a Left-Right axis, have, together with the parties to the Left (Left Socialists/People's Socialists, Communists), outflanked the Social Democrats in the core issues, such as the volume of aid (they favour an increase) and the question of commercialization (by and large, they take a more purist view). However, participation in coalition governments—and policy adaptations in order to make such alliances credible—have blurred this pattern at times, in particular when parties belonging to the political centre have found themselves in a government coalition with the Conservatives. Participation in such government coalitions—or even the intention of forming such an alliance—has also

affected the policy positions of the Conservatives and contributed to the national consensus on aid issues. Liberalist political parties aiming at reduced public spending and less intervention by the state (in Denmark and Norway) have attacked the very idea of development assistance.

The major political parties have actively sought consensus on aid issues. The main motive has been to 'protect' aid and to promote it as a national concern of major importance. One strategy to this end has been to create domestic alliances by combining interests. This has been the case in Denmark, where a balance was struck between the different forces from the very start. The ODA programme was equally divided between multilateral and bilateral aid, and the bilateral programme was equally divided between grants and development credits, in order to accommodate different interests: the multilateral component constituted the tribute of a small state to an international system and was a way of reaching a large number of recipients; the tied bilateral credits represented a recognition of Danish business interests and an attempt to enlist its support; and the grants were a tribute to the specific Danish aid objectives in order to accommodate the altruistic friends of aid. The selection of main recipients for bilateral grant aid represents a balancing of Right-Left interests: the four priority countries pursue different development policies."

In the Norwegian case, a similar balancing has occurred in the selection of priority countries: 'Left' recipients are balanced by 'Right', that is Socialist Tanzania is balanced by market-economy Kenya, as is Mozambique by Sri Lanka. At the regional level, India was balanced by Pakistan, and later on Bangladesh by Pakistan—where foreign policy (diplomatic) considerations also had some impact. However, the consensus between the political parties has been broken in other cases, such as the aid programme to Nicaragua, where East-West considerations have had some impact, thus reinforcing the conflict between Right and Left. The 1984 White Paper of the non-Socialist coalition government illustrates another type of trade-off between the Conservatives, who obtained the inclusion of mechanisms supportive of export promotion, and the Christian Democrats, who obtained the inclusion of a poverty orientation of aid and the maintenance of a high ODA volume. The main political parties, especially the Social Democrats, have actively sought consensus on aid issues. As a result, issues are seldom pressed through Parliament by a majority against strong objections from a major opposition party: compromises are the most common outcome. The minor parties to the Right (Liberalists) and Left have not always taken part in this consensus seeking, especially the Liberalists.

Implications for the future

What are the main implications of the conclusions above for future aid policies? While the future may contain unforeseen changes in the domestic

and external environments, one observation about past performance is of particular importance: the aid policies of the five countries have shown a high degree of continuity and a low degree of change, despite the substantial changes which have taken place both in the domestic environment of the five donor countries and in the international environment, particularly in the Third World. The continuity of the main patterns of their aid policies covers a relatively long period of time—15-20 years. This implies that few dramatic changes may be expected in the basic patterns of their aid policies.

A major conclusion of the above analysis is that socio-political values in the donors' domestic society have been the main determinants of most dimensions of aid policy. It follows from this that aid policy is strongly value-related. Particularly in the context of the four European countries, values connected with the welfare state (equity, social justice) have been decisive, especially at the level of stated policies.

The crucial questions, therefore, are the following: What are the prospects for the continuation of these values as dominant? What are the prospects, in terms of political power positions, of the main champions of these values in the political arena: the political Left (Social Democrats and parties to their Left) and, in the Scandinavian context, the Christian Democrats and the Liberals? Will welfare state values be able to resist the attacks from the Liberalist orthodoxy—the emerging ideological force of the 1980s, which has increasingly been capturing the minds of the younger generation within several of the five countries?

This trend to the Right is most dramatically illustrated in the case of Norway, where the tiny, Liberalist, tax-refusing Progress Party has captured almost one-fourth of the voters, according to a recent opinion poll.⁷² However, the values on which the welfare state is founded may also be revitalized and gain new ground. Here, too, a recent opinion poll may illustrate the point: in Canada, Social Democratic values seem to have gained strength.⁷³ At this stage, however, it is difficult to assess the nature and consequences of these two recent manifestations. They may reflect a general uneasiness with the situation evolving in the two countries which the more established political parties have not yet managed to accumulate and accommodate (or even result from the charisma of political leaders) and, therefore, be of temporary importance only. But they may also signal some fundamental changes in the socio-political value systems, with more far-reaching and lasting consequences.

The outcome of this ideological conflict within the five countries will be decisive for the orientation of future aid policy. If the values of societal solidarity remain dominant at the domestic level, the probability is that this solidarity will also be reflected in the future aid policy. If they disintegrate at the national level and are replaced by Liberalist values, those emerging values will be reflected in the aid policy as well. These are the two main alternative

scenarios on which an analysis of future aid policy may be based.

The above analysis of the main determinants of past policy leads us therefore to the following propositions with regard to the future direction of the five countries' aid policy:

1. The prevailing economic situation of the donors has in the past influenced their ODA volume performance, although this influence has been less than expected. However, the aid volumes have, by and large, been maintained at the established level even at times when the five countries experienced severe balance-of-payments problems, high unemployment rates and weak economic growth. At times, the ODA budget of some countries has even been exempted from general budget cuts. Although ODA has shown a remarkable resistance to negative changes in the donor countries' economic situation, these changes have prevented further increases in aid volume.

Not all political parties have been equally sensitive to negative changes in their country's economic situation. Whereas political parties with a strong pro-aid commitment (like the Norwegian Socialist Left Party and the Christian Democrats) have seen the recession as a good reason for increasing aid, arguing that the poorest Third World countries had suffered the most severe consequences, political parties with a weaker pro-aid profile (like the Swedish Conservatives and more recently the Norwegian Conservatives, too) have argued that ODA should be reduced because of the recession and that foreign aid should not be financed with borrowed money.

It is reasonable, therefore, to suggest that if the weak economic growth of the 1980s remains largely unchanged, the probability is that ODA will stay at its present level—regardless of commitments to higher volumes by strongly pro-aid political parties. If Liberalist values become more influential, the probability is that ODA volume would be reduced. Should the economy of the five countries improve, their ODA volumes would probably increase, too. The strongly pro-aid political parties would then be able to honour their commitments, provided the socio-political value basis for aid has not crumbled away. If their economy were to deteriorate drastically, their ODA would become vulnerable. The extent of the decline would then depend on whether the present value basis had disintegrated or not.

2. The large multilateral aid components have been under attack from many directions and for different reasons, most consistently from selfish private sector economic interests because of low return flows, but also, in a milder form, from altruists and even systemic interests because their effectiveness as aid agencies has been considered weak. However, these attacks have been largely resisted. The Bretton Woods institutions have been under attack from the political Left, mainly because of the strong position of the US in the policy formulation of these bodies. The main determinant as far as the large multilateral aid components are concerned, has been the systemic foreign policy interest of middle powers in peace and stability and in a global system for the maintenance of these international common good concerns.

The five countries have considered a large multilateral development assistance component an instrument to this end.

If this is the case, the probability of reduced multilateral aid as a consequence of weak performance *vis-a-vis* development objectives is small. If, however, the interest basis sketched above was to crumble away, multilateral aid would become more vulnerable to the forces working for a larger bilateral aid component. The effectiveness of the various multilateral agencies as agents for development would then tend to determine the distribution of multilateral aid to a larger degree than has been the case so far. A change in this direction has gradually taken place during the 1980s, and this development is likely to continue.

3. Future ideological change within the five countries is likely to affect the poverty orientation of aid most profoundly. The general tendency in the 1980s has been to emphasize one of the components—the poverty of the recipient country as measured in terms of GNP per capita. Some concern has also been expressed, particularly in the stated policy, for the second component—namely, poor social groups. This concern has been more pronounced in the Scandinavian countries, even when under non-Socialist rule, than in the other two. The third component—the concern for a policy orientation of equity and social justice on the part of the recipient government—has been given little attention, even by governments which have formulated a criterion to this end for the selection of their main recipients (the Netherlands, Norway and Sweden). Non-Socialist governments have paid less attention to this criterion than have Social Democratic governments—and Conservatives have, by and large, neglected or even opposed it.

If the values connected with the welfare state were to crumble, little if any attention would be paid in future to the third component of the poverty orientation; and the second would probably be neglected too. If, on the other hand, these values were revitalized, both components would probably be given added weight. However, basic values of the kind referred to do not disintegrate overnight, although we have presented indications to the contrary. Even if the ideology should move in the direction of Liberalist orthodoxy, humanitarian values would most probably be strong enough to direct aid to poor countries and even to poor social groups. However, an ideological reorientation in this direction would probably involve a change in the perspective: humanitarian aspects would be more pronounced than developmental ones.

4. If the socio-political values which have formed the basis of aid policies so far disintegrate, ODA is likely to become increasingly commercialized. It would be adapted to the economic interests of the donors who would seek to ensure a higher return flow—or even more forcefully—a multiple return effect.

5. If the present trend of ideological change continues, involving a slow disintegration of welfare state values, a dual aid policy may be the outcome.

One share of ODA would then be earmarked for developmental purposes and given a poverty orientation, with NGOs playing an increasingly prominent role as aid channels. This aid would be directed towards poor groups, mainly in poor countries. Humanitarian aspects (such as relief efforts) would be given priority over the developmental objectives of sustainable social and economic growth. The other share of the ODA programme would be explicitly adapted to the business interests of the donors, related to activities in the Third World, and, in particular, oriented towards export promotion. Commercial logic would direct this aid increasingly towards countries offering attractive business opportunities, rather than to the poor developing countries (LLDCs, LICs). Such a re-orientation would probably also affect the multilateral aid component. The aid policy of the five countries would, more than previously, serve both the Bourse (pursuing economic self-interest) and the Cathedral (pursuing idealism, viz. developmental objectives), but separately. And the balance would increasingly tip towards the Bourse.

6. Aid-giving countries may pursue self-interest in an extensive and direct way and aim at harvesting the fruits in a short time perspective. Self-interest may, on the other hand, also be pursued less extensively (approaching altruistic aid), be oriented towards more general objectives (such as the international common good) to be obtained within a long-term perspective. The quality of future aid will depend on which of these two approaches is given preponderance.

The main trend so far has been increasingly to emphasize the self-interest aspects of ODA. The Brandt Commission placed itself in this tradition, justifying the need for more extensive aid by the increased interdependence of North and South.⁷⁴ The five middle powers have from the very start justified their development assistance with similar arguments: foreign aid is necessary to bridge the gap between rich and poor nations in order to maintain peace and international stability. Aid has been considered an instrument to this end. The large multilateral aid components have been explicitly justified in such terms. Yet the links between the ultimate objective and the means have been indirect and weak—and increasingly unconvincing outside the congregation of believers, although rituals are seldom put on trial.

However, the world will still need global institutions. With the more favourable attitude the new Kremlin leadership has signalled towards the United Nations system⁷⁵—and even towards the Bretton Woods institutions—there is also a possibility that the multilateral institutions may be revitalized and be able to play a more important role in the future than in recent years, when they have been undermined by increased bilateralism in international relations. A development in this direction would be in line with systemic (foreign policy) interests of the five middle powers and ODA would probably continue to be a convenient way of financing the multilateral system.⁷⁶

If the main trend so far continues, it is likely that in the future, foreign aid

will be even more strongly directed towards the international common good than in the past. Although social and economic development will remain the core objective, foreign aid is likely to be increasingly used as a tool to attack more immediate threats to mankind, where the connections between objectives and means would appear immediate and direct. What are these threats? Three examples may serve as illustrations of areas of increasing interdependence, where concerted international action is necessary to produce the results aimed at, and where ODA fits in as one instrument among others:

(i) The threat to the future of our planet earth and to our common destiny, caused by the pollution of the biosphere and environmental degradation. The report of the Brundtland **Commission**⁷⁷ is an expression of the international concern which has recently been given to this area. A re-orientation of aid to deal with this threat is already under way, and has been particularly marked in some of the five countries included in this study. This trend is likely to grow.

(ii) The threat to health. A virus knows no national boundaries. Many of the earlier diseases have been brought under control, thanks to extensive international efforts. The recent threat caused by AIDS illustrates the fact that diseases and ill-health constitute a continuous problem for mankind, which has to be addressed through international co-operation.

(iii) During the period under review, macro-economic problems have increasingly come to the fore because of the immediate crises caused by debt, balance-of-payments problems, growing protectionism in the industrial world and low productivity in the poorest, most underdeveloped countries. It is probable that ODA will be increasingly used for *crisis management* with a short-term perspective, thus de-emphasizing efforts directed towards sustainable growth within a long-term perspective. A case in point is the debt crisis of the Third World, which has been given top priority on the international agenda because of its effects on Third World development opportunities, but probably even more because of the threat it represents to the international economic system and the private sector (the banking system) of some major powers in the North.

In all three areas, developments along the paths indicated are already under way in each of the five Western middle powers that are the focus of this volume.

Notes

1. This applies, in the first place, to analyses of the foreign aid of the United States, from the inception of its development assistance—the Point Four programme of 1949. See, *inter alia*, L.B. Black, *The Strategy of Foreign Aid*, Toronto, 1968; S.P. Huntington, 'Foreign Aid for What and for Whom', I, *Foreign Policy*, No. 1, Winter 1970—71, and II, *Foreign Policy*, No. 2, Spring 1971; and Douglas C. Dacy, *Foreign aid, war, and economic development. South Vietnam, 1955—1975*, Cambridge University Press, Cambridge, 1986.

Two recent studies, penetrating and with new perspectives, focus on core aspects of foreign aid, viz. Paul Mosley, *Overseas Aid: Its Defence and Reform*, Wheatsheaf Books Ltd., Brighton, 1987; and Roger C. Riddell, *Foreign Aid Reconsidered*, ODI, The Johns Hopkins University Press, Baltimore & James Curry, London, 1987. Another recent publication which provides new insights is Robert Cassen & Associates, *Does Aid Work?*, Clarendon Press, Oxford, 1986, a study commissioned by the Task Force on Concessional Flows set up by the joint Development Committee of the World Bank and International Monetary Fund (IMF).

Interesting recent contributions, focusing on national aid policies, include, *inter alia*, volumes on Australian, Austrian, Norwegian and Swedish aid, viz. Philip Eldridge, Dean Forbes and Doug Porter (eds.), *Australian Overseas Aid: Future Directions*, Croom Helm, Sydney & London, 1986; Otmar Holl, *Osterreichische Entwicklungshilfe 1970–1983. Kritischer Analyse und internationaler Vergleich*, Wilhelm Braumiiller, Vienna 1986; Tore Linné Eriksen (ed.), *Den vanskelige bstanden. Noen trekk ved norsk utviklingshjelps historie*, Universitetsforlaget, Oslo, 1987; and Pierre Fröhling (ed.), *Swedish Development Aid in Perspective. Policies, Problems & Results Since 1952*, Almqvist & Wiksell International, Stockholm, 1986.

2. See Gerhard Helleiner (ed.), *The Other Side of International Development Policy: Non-Aid Economic Relations with Developing Countries in Canada, Denmark, the Netherlands, Norway and Sweden* (forthcoming).
3. The term 'systemic interest', when referring to a national system, includes national interests as conceived by the central governing structures — Parliament, the government and the central administration. Although the interests of *the state* are given predominance (and these may coincide with those of the private sector, but may conflict with these, too), private sector interests may be of a kind or magnitude that even the interest of the state in this narrower sense is involved. However, the distinction between public and private interests should not be carried too far, as private sector interests are integrated and internalized in the governing structures, through the representative system (political parties, Parliament, government) as well as through the mechanisms of the corporate state — although the type of private sector interests and the emphasis may vary from one political system to another. Still, the term 'systemic interest' is preferred to that of 'national interests' even with reference to a national system.
4. Their importance is, in particular, highlighted by Cooper and Verloren van Themaat (pp. 127–28) with reference to the Dutch multilateral contributions.
5. Karre and Svensson, pp. 231 and 240.
6. Stokke, p. 171.
7. *Ibid.*, p. 170.
8. Lavergne, pp. 37–38, 42 and 49. However, as reported by Lavergne, the commercial interest of Canadian business is considered, by many analysts, as being of prime explanatory importance in issues of foreign aid policy.
9. Paul Mosley (op. cit., p. 3, note 4) offers the following definition of 'international public good', related to a discussion of the international redistribution of income achieved by aid: a service desired by many which, however, cannot be satisfactorily brought into existence by the efforts of individuals acting in isolation.
9. Svendsen, pp. 94–98.
10. Stokke, pp. 173–74.
11. Karre and Svensson, pp. 231 and 252–54.
12. Lavergne, pp. 44 and 48. A recent study by Michael Hofmann (*Canada's Development Cooperation Policy*, German Development Institute, Berlin, 1986) arrives at a similar conclusion, arguing (p. 13) that development cooperation has always been seen in Canada as a vehicle for more extensive relations with developing countries. 'As a foreign policy instrument, it has traditionally performed the function of generating good will (particularly in the Commonwealth and the francophone world) so that Canada might be seen as a credible mediator between North and South. Judging by Prime Minister Trudeau's prestige in the Third World, it has not been unsuccessful in this respect. At the same time, development cooperation is intended to help diversify Canada's external economic relations: the tying of aid to Canadian exports and the provision of food aid reveal Canada's interest in penetrating Third World markets. Nonetheless, CIDA's orientation towards the poorest countries in itself shows that "developmental goals" are rated higher in development cooperation than "commercial in-

terests''.

13. Lavergne, p. 46.
14. Ibid., p. 47.
15. Ibid., p. 48.
16. Svendsen, pp. 92—93, 98—99 and 108—9.
17. Cooper and Verloren van Themaat, pp. 119—20 and 143—44.
18. Stokke, pp. 207—9 and 217.
19. Karre and Svendsen, pp. 263 and 266—67. The Conservatives have recently proposed a reduction of the 1 per cent target, arguing that they find it immoral to finance aid with borrowed money.
20. Lavergne, p. 72.
21. See Cooper and Verloren van Themaat (p. 127), who refer to the return flow to France and the United Kingdom from their contributions to the United Nations Development Programme (UNDP) for the period 1977—81, which amounts to 236 and 176 per cent, respectively, as compared with 21 per cent for the Netherlands.
22. See Cooper and Verloren van Themaat (p. 127—28), with reference to the Netherlands.
23. Denmark is a case in point. In 1977, when Denmark found itself in an economic crisis, the Federation of Danish Industries attacked the established distribution of ODA between the aid channels, demanding that multilateral aid should be reduced from half to one quarter of total ODA, and tied development credits doubled to half of total ODA. These business interests failed to tip the balance established in the second half of the 1960s. According to Svendsen, the tied development credits were intended to ensure support for the aid programme from Danish business and its related political forces. See Svendsen, p. 95 and 99.
24. Ibid., p. 99.
25. According to the action plan for DANIDA, proposed in 1988, the number of countries which receive bilateral aid from Denmark is to be reduced from more than 60 (of which about 30 have received only 5 per cent) to 20—24 recipient countries, which are each to receive at least 100 million Danish *kroner* (DKK) yearly. Although presented as a design for concentrating bilateral aid, its effects will probably be the direct opposite since the number of major recipients is extended (among the probable choices are countries such as Thailand, Indonesia, the Philippines and Sri Lanka). The plan will be discussed by Parliament during the autumn of 1988.
26. Canada has, however, formulated criteria for the distribution of its bilateral aid, though of a looser kind. Until 1987, government-to-government aid was divided between a group of 31 countries with a 'core' status, which shared 75 per cent, and two other categories, 'non-core' countries, which shared 20 per cent, and countries in which Canada wanted to maintain a 'visible presence', which received the remaining five per cent. In addition, some countries were defined as ineligible for political reasons (Cuba, Laos, Vietnam, etc.), others were non-recipients because of their high income level. In 1987, the classification of countries as 'core' and 'non-core' was abandoned, following the publication of the new aid strategy, *Sharing the Future*.
27. Cooper and Verloren van Themaat, pp. 131—32 and 137—38.
28. Ibid., pp. 131—32.
29. Lavergne, pp. 44—45 and 59.
30. Karre and Svensson, pp. 251—52.
31. Verloren van Themaat, pp. 120—22 and 129—37.
32. The Canadian government defines 'low income countries' more loosely than the World Bank or the UN does when defining their equivalent category.
33. One indicator, which gives emphasis to burden-sharing, is the contribution to the LLDCs and the LICs as a share of GNP. According to OECD *Development Co-operation*, 1987 report, the average 1985—86 net disbursements as a percentage of GNP were for Canada 0.14 per cent (LLDCs) and 0.30 per cent (LICs); for Denmark 0.37 per cent and 0.69 per cent, for the Netherlands 0.32 per cent and 0.73 per cent, for Norway 0.41 per cent and 0.79 per cent and for Sweden 0.28 per cent and 0.63 per cent. For comparison, the average DAC performances were 0.08 per cent and 0.20 per cent and those of the United States even lower: 0.04 per cent and 0.10 per cent.
34. Lavergne, pp. 61—62. Cooper and Verloren van Themaat, p. 136, make a similar observation with reference to the Netherlands: export promotion hardly played any role in the selection

- of recipients after 1968.
35. Cooper and Verloren van Themaat, pp. 121 and 133—34, observe that, in the mid 1970s, this criterion resulted in the inclusion of some new recipients (Cuba, Jamaica, Sri Lanka) and more aid to others (Tanzania), but not to the removal of countries included on the list. In the late 1970s, however, Cuba and Jamaica were removed from the list.
36. Karre and Svensson, pp. 251—53.
37. Lavergne, p. 61, with reference to, *inter alia*, Canadian aid to Ethiopia and Mozambique.
38. Svendsen, p. 102.
39. This argument is further developed in Olav Stokke, 'European aid policies: Some emerging trends', in Olav Stokke, ed., *European Development Assistance*, Vol. 1, EADI, Tilburg (Netherlands), 1984, p. 37 ff.

The concept of return flow normally refers to the part of ODA (disbursements) which 'remains' in the donor country in the sense that aid funds have been used to buy commodities or services on the home market. These commodities and services are, by and large, transferred to the recipient.
40. Lavergne, pp. 47, 49, 64—65, 67—68 and 72—73. However, with reference to the claim by CIDA that prices quoted in national bidding procedures correspond to international prices, since the sectoral emphasis in development cooperation largely matches the comparative advantages enjoyed by domestic suppliers, Michael Hofmann (op. cit., pp. 44—45), shows to calculations by the North-South Institute to the contrary: Canadian supplies are 20 per cent more expensive in relative terms, 'meaning that part of the grant element from which the developing countries are supposed to benefit is converted into subsidies to Canadian firms'. Hofmann maintains that 'Insiders also complain about the arbitrary nature of the bidding procedures, "lobbying", "patronage", "balancing between the provinces", "export interests of the Crown corporations", etc. allegedly resulting in major departures from ideal bidding procedures'.
41. Lavergne, pp. 46—48 and 68—70.
42. The formal tying involved the bilateral credits, which constituted 45—50 per cent of the bilateral ODA. Since 1986, this financial aid has been provided on a grant basis to low income countries and as credits (on a long-term basis and interest-free) to the middle income countries.
43. Svendsen, p. 104—5.
44. Ibid., pp. 105—6.
45. Cooper and Verloren van Themaat, pp. 129 and 150.
46. Ibid., pp. 149—50.
47. Ibid., pp. 151—52.
48. Karre and Svensson, pp. 242 and 248—50.
49. Ibid., pp. 240—45, 248 and 268—69. A study by Hans H. Lembke (*Sweden's Development Cooperation Policy*, German Development Institute, Berlin, 1986) arrives at a similar conclusion. In the summary, it is argued, *inter alia*, that 'With the increasing spread of neoconservative and liberal economic ideas, the intellectual basis for a "radical" development policy in the style of the early 1970s has now been definitively curtailed'. It is maintained that although Swedish development policy had 'displayed a high propensity to learn and an intelligent adjustment to changing circumstances', the altruistic orientation of aid policy has been largely safeguarded. 'The broadened cooperation policy is comparatively clearly motivated by vested interests, but here too, the essential development intention cannot be denied (cautious use of associated financing, programme country orientation in investment promotion, moderate approach to procurement tying, etc.)'.
50. Stokke, pp. 206—7.
51. Ibid., pp. 182—88.
52. Lavergne, p. 68. Karre and Svensson portray the Swedish commercialization drive in somewhat different terms (p. 249): Increasing purchases of Swedish products or services is not considered a decisive factor, but a positive side-effect of ODA cooperation.
53. For a comprehensive discussion, see Gus Edgren, 'Conditionality in aid', in Olav Stokke, (ed.), *European Development Assistance*, Vol. 2, EADI, Tilburg (Netherlands) 1984, pp. 153—62, particularly p. 160; and Mosharaff Hossein, 'Aid conditionality: Some comments', *ibid.*, pp. 163—73.
54. The implications of the concept have been open to different interpretations. If interpreted

at its face value, the role of the donor is limited to deciding the financial frame of the aid to be transferred in a convertible currency. Although budgetary support is one possible form of aid, few donors have interpreted the concept in such a way. The common interpretation is that the donor should be sensitive and responsive to the demands of the recipient, but that the outcome should be the result of a mutual understanding. As Karre and Svensson (p. 251) have pointed out with reference to the Swedish country programming, the wishes of the recipient have never been followed 100 per cent. There have always been ample opportunities for Sweden to promote areas it considers important, such as family planning, research, rural development, women in development, environment, energy, etc. The power of the purse has always been present, though in the background.

55. Michal Hofmann, *op. cit.*, p. 27, observes, with reference to the Canadian system, that although the data contained in the financial framework based on the indicative planning figures are formally intended as no more than planning information for the government's eyes only and are not revealed to Parliament or recipients, they do enable the aid agency (CIDA) to make pledges.
56. Gus Edgren, *op. cit.*, p. 155.
57. Karre and Svensson, p. 250. According to these authors (p. 234), the country programming system aimed at reducing the inherent inequality between donor and recipient, giving the latter a real opportunity to plan its own development.
58. *Ibid.*, pp. 234 and 251—52.
59. *Ibid.*, p. 268. According to these authors (p. 233—34), the non-Socialist parties have wanted to exert more influence and control and allow less autonomy to the recipients.
60. *Ibid.*, pp. 255—56. According to the authors, the way the country programming was originally carried out had led some of the developing countries to feel that Sweden took too little interest in development problems, and resulted in a demand for greater involvement: 'concerned participation'. However, according to Professor Gelase Mutahaba, with reference to the Swedish support for rural water schemes in Tanzania, Sweden went further than to strengthen the local administration. The planning and implementing was in fact taken over by consultancy firms hired by the donor, with negative effects for the building of local administrative competence ('Foreign assistance and local capacity building in Tanzania', paper presented at the EADI General Conference, Amsterdam, September 1987).
61. Karre and Svensson, pp. 255—56.
62. Stokke, pp. 200—2. Structural arguments were also used: Recipient countries often have a weak planning and implementing capacity. Requests did therefore not always correspond to the actual needs. Structural aspects work against a poverty orientation of aid, since the counterpart is the Ministry of Finance or the Ministry of Planning, which were inclined to give preference to external economic relations rather than to the needs of the poor.

One of the indicators of recipient-oriented aid, programme aid, increased during the late 1970s. This trend was reversed during the 1980s. In Stokke's analysis (pp. 204—5), the reasons for this change included inefficiency on the recipient side in the aid implementation, demands at home for greater return flow and the recipient countries' increased need for balance-of-payments support.

When the guideline of recipient-oriented aid was modified in the 1984 White Paper, the more narrow interests of the aid administration were, in his view, the decisive ones. However, these interests coincided with and were reinforced by the dominant socio-political values of the donor society. The change was also conducive to the systemic and business interest in export promotion. Although working in the same general direction, this interest is not considered decisive for the outcome.
63. Svendsen, p. 109. 'Only a small left-wing party has argued for the "sovereign" use of Danish aid funds by the recipient countries (which should therefore only include countries with an acceptable development policy).' Still, until 1973—74, the way that development credits were issued was different: Denmark followed the 'crossed arms' principle and did not ask what the credits were to be used for. Later, however, the use of credits too was expected to be in line with the general objectives of Danish aid (p. 101—3).
64. *Idem.*
65. Lavergne, pp. 63—64.
66. Cooper and Verloren van Themaat, p. 143—44.
67. Lavergne, pp. 37—38, 42, 49 and 73.

68. This is illustrated by the allocations to the various mechanisms established to stimulate Norwegian export promotion to and investments in the Third World. During 1984–1986, the allocations varied between 1.28 per cent and 2.28 per cent of total ODA, and the disbursements during 1981–86 varied between 0.48 per cent and 1.46 per cent of the total ODA budget. The political tensions caused by these, in relative financial terms, arouse almost negligible amounts because they signalled a policy orientation that ran contrary to the guidelines established for this particular policy area.
69. See the contributions in Olav Stokke, (ed.), *European Development Assistance*, Vol. 1, Tilburg 1984.
70. The importance of the political dimension of aid is most strongly emphasized by Svendsen with reference to Denmark. He states (p. 92) that 'important changes in policy will have to be based on serious political consultations, primarily in Parliament. Aid is politics. Since the beginning of the 1970s, aid policy has been an active field of parliamentary work.' This observation is true of the other two Scandinavian countries as well.
71. Svendsen, pp. 95–96.
72. According to the opinion poll of Norsk Gallup for June 1988 (*Aftenposten*, 2 July 1988, p. 3), the Progress Party (Fremskrittspartiet) was supported by 24.1 per cent, as compared with 3.7 per cent at the last general election for Parliament (1985) and 3.2 per cent in the opinion poll of May 1987. According to the poll referred to, the two major political parties had both lost ground since the 1985 general election, the Labour Party from 40.8 per cent to 27.4 per cent and the Conservatives from 30.4 per cent to 20.3 per cent.

In principle, the Progress Party insists that all ODA should be abolished. In Parliament, however, the party suggested that the ODA budget for 1988 should be cut by almost 50 per cent, which implies that it accepted an ODA budget of more than 0.5 per cent of GNP, which is higher than the DAC average and even higher than the Canadian performance.
73. According to an opinion poll from February–March 1988, the Canadian Social Democrats have increased their support from 18 per cent in the last general election to 40 per cent, while the Conservatives have experienced a decline from 50 per cent to 26 per cent during the same period.
74. *North-South. A programme for survival*. The Report of the Independent Commission on International Development Issues under the Chairmanship of Willy Brandt, The MIT Press, Cambridge, Massachusetts, 1980.
75. See, *inter alia*, an article by Secretary-General Mikhail Gorbachev in *Pravda* and *Izvestija* of 17 September 1987, entitled 'Security in the World: Reality and Guarantees'.
76. The UNDP serves, in the absence of formal United Nations diplomatic representation in the member nations, as the formal UN presence in the Third World and even outside. The European Community has also established a similar presence in the Third World through ODA channelled through the EC. See Adrian P. Hewitt, 'The EEC aid: Policies and performance', in Olav Stokke, (ed.), *European Development Assistance*, Vol. 1, Tilburg 1984.
77. *Our Common Future*. The World Commission on Environment and Development, Oxford University Press 1987.

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List of Abbreviations

ACP	African, Caribbean and Pacific countries, signatories the Lomé Conventions
AF	Associated financing
AQOCI	Association Québécoise des Organismes de Cooperation International
BITS	Beredningen for Internationellt och Tekniskt Samarbete (Swedish Agency for International Technical and Economic Cooperation)
C-FAR	Citizen for Foreign Aid Reform (Canada)
CAD	Comite d'Aide au Developpement (Development Assistance Committee (DAC) of OECD)
CBIIAC	Canadian Business and Industry International Advisory Committee
CCIC	Canadian Council for International Cooperation
CDA	Christen-Democratisch Appel (Christian Democrats, Netherlands)
CIDA	Canadian International Development Agency
CP	Centre Party (Norway)
CPN	Communistische Partij van Nederland (Communist Party, Netherlands)
CPP	Christian People's Party (Norwegian Christian Democrats)
D.kr.	Danish Crowns (currency)
D'66	Democraten 1966 (Netherlands)
DAC	Development Assistance Committee (of the OECD)
DANIDA	Danish International Development Agency
DD2	Second Development Decade (1970s)
DKK	Danish Crowns (currency)
EADI	European Association of Development Research and Training Institutes
EC	European Community
EDC	(Canada's) Export Development Corporation
EEC	European Economic Community
EKN	Exportkreditnämnden (Swedish Export Credit Guarantee Board)
FAO	Food and Agriculture Organization
FRELIMO	Frente de Libertação de Mocambique
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development/World Bank
ICOD	International Centre for Ocean Development
IDA	International Development Association
IDB	Inter-American Development Bank
IDRC	International Development Research Centre (Canada)
IFAD	International Fund for Agricultural Development
IFU	Industrialization Fund for Developing Countries
ILO	International Labour Organization
IMF	International Monetary Fund
IMPOD	Importkontoret for u-landsprodukter (Swedish Import Promotion Office for Products from Developing Countries)

Abbreviations

KrF	Kristelig Folkeparti (Christian People's Party (CPP)/Christian Democrats, Norway)
LDC	Less developed countries
LIC	Low income countries
LLDC	(List of) Least developed countries (UN definition)
LMIC	Lower middle income countries
LP	Liberal Party (Venstre (V), Norway)
MNC	Multinational corporation/company
MPLA	Movimento Popular de Libertação de Angola
NATO	North Atlantic Treaty Organization
NDP	New Democratic Party (Canada)
NGO	Non-governmental organization
NIEO	New International Economic Order
NNI	Net National Income
NOK	Norwegian Crowns (currency)
NORAD	Norwegian Agency for International Development
NORDFUND	Special Fund for Industrial Development Cooperation
NORIMPOD	Norwegian Import Promotion Office for Products from Developing Countries
NUPI	Norsk Utenrikspolitisk Institutt (Norwegian Institute of International Affairs)
ODI	Overseas Development Institute (London)
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PAIGC	Partido Africano de Independência de Guiné e Cabo Verde
PANAFTEL	Pan-African Telecommunications
PCIAC	Petro-Canada International Assistance Corporation
PM	Prime Minister
PP	Progress Party (Denmark and Norway)
PSP	Pacifistisch Socialistische Partij (Pacifists, Netherlands)
PTI	Philips Telecommunications
PvdA	Partij van de Arbeid (Labour Party, Netherlands)
RV	Radikale Venstre (Radical Liberal Party, Denmark)
SADCC	Southern African Development Coordination Conference
SAREC	Swedish Agency for Research Co-operation with Developing Countries
SEK	Swedish Crowns (currency)
SIDA	Swedish International Development Authority
SLP	Socialist Left Party (Norway)
SV	Sosialistisk Venstreparti (Socialist Left Party (SLP), Norway)
SWEDFUND	Swedish Fund for Industrial Co-operation with Developing Countries
UMIC	Upper middle income countries
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations (International) Children's (Emergency) Fund
US	United States (of America)
USAID	United States Agency for International Development
USD	United States Dollars

Abbreviations

V	Venstre (Liberals, Norway)
VPK	Vansterpartiet Kommunisterna (Communist Party, Sweden)
VVD	Volkspartij voor Vrijheid en Democratie (Liberal Party, Netherlands)
WFP	World Food Programme

Index

Indexer's note. The headings and sub-headings in this index are arranged in alphabetical order, not letter by letter but word by word. When a word appears within parentheses, for example, (total), this means that this word also occurs occasionally in a few of the references. An extra indentation in the run-on sub-headings, followed by a sub-heading in semibold type, indicates the beginning of a particularly important set of sub-headings. A subsequent extra indentation denotes the resumption of the ordinary sub-headings. Singular headings include the plural.

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This study is focused on the aid policies of Canada, Denmark, the Netherlands, Norway and Sweden, with emphasis on the period after 1975. These countries are all small or medium-sized, Western industrial nations with a marked international orientation. They have actively pursued policies aimed at international peace and economic stability for a variety of reasons—both norms and vested interests. Their economies are to a large extent open and vulnerable, hence they have a vested interest in international arrangements that regulate rights and duties and secure international stability.

Foreign aid is an integral part of the foreign policy of a nation; it may be conceived of as a foreign policy objective in its own right or as an instrument to achieve other objectives. However, its roots are to be found in domestic politics. The aid policy is part of a cluster of domestic policies which emerge from the same or related traditions. Aid policy, therefore, is moulded in a setting in which traditions, norms and interests of both the domestic and the external environment influence the outcome. Such determinants vary from one system to another.

The framework chosen as a point of departure for this study is that of humane internationalism. The core of this concept is an acknowledgement that rich countries have an obligation to alleviate poverty in the Third World and considers that fair North-South relations are in the best, long-term interest of the North.

The Canadian aid policy is examined by *Réal P. Lavergne*, the Danish aid policy by *Knud Erik Svendsen*, the Dutch aid policy by *Charles Cooper* and *Joan Verloren van Themaat*, the Norwegian aid policy by *Olav Stokke*, and the Swedish aid policy is examined by *Bo Kärre* and *Bengt Svensson*. In a concluding chapter Olav Stokke identifies the basic determinants of aid policy emerging from the comparative analysis. He also attempts to answer why the policies of the five countries chosen are marked by a greater degree of humane internationalism than those of most other Western countries, and what it is that causes the variations between the policies of these five countries.

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