

The Future of Danish Foreign Aid: the Best of the Second-best?

Lars Engberg-Pedersen¹

International development assistance is developing fast at present. New actors, new aid modalities and new development discourses have emerged in the last five to ten years. At the same time, significant changes are taking place in the context of aid. The need for global and regional public goods has increased sharply in recent years, the differentiation of low-income countries has accelerated since the end of the Cold War, and the interaction between countries and societies across the globe has intensified in many different areas, with the consequence that development and poverty reduction are now being influenced by a wide variety of trends and policies.

The changes have created new and intensified old contradictions that inhibit the effectiveness of foreign aid. Both collectively and individually some donor agencies have tried to respond to these contradictions to the extent possible. However, it is argued in this article that there are clear limits to what donor agencies can do because the contradictions are caused to a large extent by factors beyond their scope of influence. Like development assistance from other countries, Danish foreign aid is also affected by the contradictions. In some respects Denmark is strongly pursuing what may be called 'a development perspective' in her aid policies while this is less pronounced with respect to other issues. Thus, the article seeks to locate Danish aid in relation to the contradictions that characterise international development assistance, and it is argued that specific conditions particularly in domestic politics limit the extent to which Danish aid can move towards a development perspective in rela-

¹ Lars Engberg-Pedersen, Ph.D., is a Senior Researcher at the Research Unit on Politics and Governance, DIIS.

tion to all contradictions. However, there is a constant struggle taking place in Denmark between different views on aid, and the direction that this struggle may take is far from evident.

The paper begins with an historical account of Danish foreign aid and relates its development to changes in international aid. Subsequently, the article presents five different contradictions that jeopardize the usefulness of development cooperation, and Danish aid is located in relation to each contradiction. This leads into an analysis of some major factors influencing Danish aid. It is argued that the interplay between changes at the international level and domestic processes is likely to influence how Danish aid will develop in the future.

DANISH AID

The history of Danish development policies can be traced back to the end of the World War II and the creation of a new international system.² However, the Law on cooperation with developing countries was not to be adopted until 1962, when the process of decolonisation had changed the international configuration of sovereign states and had opened up a space which a fairly rich, albeit small country like Denmark could not and would not leave unoccupied. In 1971, this legislation was complemented with an overall objective which continues to form the legal basis for Danish development policies:

The purpose of Denmark's national assistance to developing countries should be, through cooperation with the governments and authorities of these countries, to support their efforts to achieve economic growth and, in this way, to contribute to ensuring their social progress and political independence...³

While many different concerns and interests exercise their influence on Danish aid (see below), there is little doubt that a very widespread view among politicians and in the population in general holds that, as a rich country, Denmark

2 Bach et al., 2008.

3 Translated by the author on the basis of Bach et al., 2008: 121.

should make its contribution to development and poverty reduction elsewhere. One may interpret this feature as a consequence of the development of the Danish welfare state during the first three quarters of the twentieth century. Rooted in an egalitarian context where a good society is believed to be one in which “few have too much and still fewer too little”,⁴ an underlying concern for Danish aid has always been to address inequality and injustice. Although at times overshadowed by other interests, this concern has been turned into a fairly strong focus on poverty reduction.

In the early period of Danish development assistance, the criteria for selecting countries for cooperation were not very clear. Language, experience of private associations and a favourable response to Danish initiatives appear to have been important factors in explaining why a large share of development assistance went to eastern and southern Africa, including Tanzania as the primary recipient of Danish aid, and to India and Bangladesh. However, between the late 1960s and the early 1990s, projects were carried out in more than fifty countries.⁵ The policy combined, accordingly, a concern with establishing long-term, comprehensive cooperation in specific countries with the interest in making Denmark known in a large number of countries.

During the 1970s and 1980s, Denmark followed largely international tendencies in aid, albeit with a certain Nordic flavour. Back in the 1950s, Denmark had cooperated closely with Sweden and Norway, particularly in relation to the UN and the Bretton Woods institutions. However, while Norway and Sweden sometimes positioned themselves in opposition to other OECD countries on international questions and sometimes in favour of views promoted by developing countries, Denmark, as a member of NATO and later the EEC, often adopted a position in between. Thus, in the beginning Denmark was sceptical of UN discussions concerning a New International Economic Order in the 1970s, but became more favourable later. A similar shift took place regarding the introduction of Structural Adjustment Programmes in the 1980s, as Denmark turned towards more policy conditions for her assistance by the early 1990s.

4 N.F.S. Grundtvig (1820), ‘Langt højere bjerge så vide på jord’, a song describing the Danes in comparison with other peoples. The quote has been translated by the author.

5 Bach et al., 2008: 163-169.

One of the major characteristics of Danish aid is its continuously high level. It constituted 0.53 per cent of GNP in 1975 and 0.77 per cent of GDI in 1985, when Parliament decided to raise aid to 1 per cent of GDI by 1992. The target was met, and subsequently the volume of aid stayed at this level until a liberal-conservative government took power in 2001.⁶ In recent years, Danish development assistance has stabilised at around 0.80 per cent of GDI, clearly a reduction compared to the 1990s, but not even the most aid critical political party in Parliament is suggesting a reduction below the UN target of 0.7 per cent. Accordingly, compared to many other countries, Denmark maintains significant support to development assistance.

Another characteristic has been the long-held view that Danish aid should be channelled equally through bilateral and multilateral channels. This relates historically to the small-state concern with having a strong international system harnessing the influence of the larger countries. In the last twenty years or so, political support for the fifty-fifty division has been dwindling, although the principle was maintained up to the change of government in 2001. However, in reality, almost two thirds of total aid has been bilateral for quite a long time, as certain activities have erroneously been categorised as multilateral.⁷ During the 1990s, a new approach to the international system emerged under the heading of Active Multilateralism. The idea was to engage more critically with the different multilateral institutions and to try to promote Danish views in that context.

In 1989 it was decided that Danish bilateral aid should be concentrated on twenty so-called programme cooperation countries. It took some years to get this process going, but the idea was clearly that Danish aid was too thinly spread out and that focus was needed if Denmark wanted to have an impact. This thinking was also an important element in the first major development strategy adopted in 1994.⁸ Poverty reduction was established as the overall objective, complemented with three cross-cutting issues related to gender, the environment and democratisation. Moreover, the strategy announced a change from project aid to sector-wide approaches. The project modality was criticised

6 Olsen, 2005: 185.

7 Bach et al., 2008: 504.

8 Ministry of Foreign Affairs of Denmark, 1994.

for creating islands of development, being expensive and establishing 'parallel' organisations with no basis in public policies and institutions. Thus, the ambition was to have a stronger impact, partly by linking aid to sector policies and institutions, and partly by focusing on a few sectors in each country. Underlying this new orientation was, moreover, an understanding that sustainable development cannot be created by outsiders. Denmark should engage in negotiations with programme cooperation countries to determine how Danish aid may contribute to the implementation of national legislation and policies.

This point was reinforced in a revised strategy six years later with the title *Partnership 2000*. The new strategy, which is still applicable, changed neither the overall objective, nor the three cross-cutting issues. It did, however, complement these with a number of priorities in relation to globalisation, conflict prevention, children and youth, and HIV/AIDS. Despite the realisation that implementing a sector-wide approach was a huge challenge, the strategy did not question this way of organising Danish bilateral aid.

The use of the sector-wide approach was in line with the international tendency emphasising institutional development and 'getting institutions right'. Since the mid-1990s this concern has been pronounced in international development assistance.⁹ Institutions defined as the rules of the game are seen as crucial in development processes. Markets cannot function without a wide variety of institutions to reduce uncertainties and create an enabling environment for production, trade and commerce. Political processes are ineffective if they are not framed by institutions able to hold decision-makers to account and to provide access to decision-making for significant political actors. Peace and stability are unlikely if institutions sanctioning violence are absent. In academia too, it has been argued forcefully that institutions are vital for economic development.¹⁰

The concern with institutions has led to support for governance reforms in most areas, which has moved the attention of donors, including Denmark, from direct service provision towards capacity building and policy development. The change has been accompanied by a relative move from project to

9 World Bank, 1997.

10 Rodrik et al., 2004.

programme modalities, with a strong focus on building public structures that can facilitate and manage the national development of particular themes or sectors. This is reflected in the monitoring of the Paris Declaration, signed by most donor countries, where the set of indicators include the following:¹¹

- How much aid for government sectors uses country systems?
- How many project implementation units are parallel to country structures?
- How much aid is programme-based?

Currently, there is very little disagreement that aid should help countries develop appropriate institutions: the key problem is perceived to be governments in recipient countries that are not 'willing' to carry out the institutional reforms and policies desired by the donors. Denmark subscribes fully to this donor consensus.

The change of government in 2001 not only brought about a cut in overall aid levels, it introduced a tougher stance towards Danish development NGOs that had benefitted for many years from secure public funding, and it entailed a quick phasing out of bilateral support to Eritrea, Malawi and Zimbabwe. The liberal-conservative government also developed a so-called 'regions of origin initiative' with the purpose of helping refugees and internally displaced people either to return or to acquire a reasonable existence as close as possible to their homeland. This initiative was a clear reflection of Danish domestic politics, the migration issue having been important in bringing the government to power.

Other changes taking place in these years were more related to 9/11 and the general securitisation of development assistance. Since 2003 the government has issued a yearly publication setting out its priorities in relation to development assistance, and in the first couple of years these priorities were heavily influenced by the issue of terrorism. 2003 also saw a publication called *Denmark's international efforts*, which identified four significant themes for Denmark: (i) European development, environment and democracy; (ii) international stability, democratisation, refugees and the fight against terror; (iii) social and economic development; and (iv) the global environment. The document strongly

11 OECD, 2007a; 2008a.

emphasises that all foreign policy instruments should be used in a coherent and integrated manner on the most highly prioritised issues. This could be interpreted as meaning that the poverty reduction objective of Danish aid should depend on specific circumstances, since development assistance can be a useful instrument in relation to the three other themes in Denmark's international efforts.

Alongside these developments an international discussion took place regarding the *harmonisation* of donors' administrative procedures, the *alignment* of donor support with recipient country policies, and recipient country *ownership* of development activities. Starting with its publication, 'Shaping the 21st century: the contribution of development co-operation' of 1996, DAC spearheaded the process leading to the Paris Declaration on Aid Effectiveness of March 2005, which was endorsed by more than 120 countries. The Declaration establishes a number of indicators to be monitored so as to achieve the targets set for 2010. In addition to ownership, alignment and harmonisation, the five principles of the Declaration include managing for results and mutual accountability. Thus, while the Declaration is framed in terms of increasing the effectiveness of aid, it also clearly seeks to build trust between donor and recipient countries by emphasising ownership and mutual accountability. The Declaration includes several demands on the donor countries, which is – the frequent calls for more action by rich countries aside – a new phenomenon in international development cooperation.

The Paris Declaration has had a significant impact on Danish bilateral assistance. One may argue that the Declaration is being applied primarily in areas where Danish aid was already well under way before 2005. Issues like harmonisation and alignment fit nicely with the efforts to institutionalise the sector-wide approach, and ownership is not an alien notion, given the Danish concern with developing partnerships. However, in international forums general budget support is increasingly recognized as a significant modality with respect to ownership, but so far it has only received lukewarm support in Denmark. Also, on certain of the indicators related to the principles in the Paris Declaration, Denmark has fared poorly compared to other donor countries with which Denmark likes to compare herself.¹²

12 Booth, 2007.

CONTRADICTIONS IN INTERNATIONAL AND DANISH AID

Contradictions and trade-offs are relatively unproblematic facts of life for most people who do not perceive the world in terms of 'black and white' or 'good and bad'. They typically characterise policies pursuing complicated goals with diverse implications for different social groups. They should be acknowledged and dealt with, but they do not in themselves constitute an issue of serious concern. However, if the number of contradictions characterising a particular policy field increases, and if the contradictions are of a fundamental nature in the sense that they cannot be resolved by the actors within the policy field, they should be an issue of concern, since they may undermine the effectiveness of the policies pursued in that field.¹³ The contention here is that, as a policy field, international development cooperation is increasingly marked by fundamental contradictions that are seriously questioning its effectiveness. The argument is not that aid is meaningless and should be abandoned. Rather, the point is that the way in which international development cooperation has been organised is increasingly being challenged by internal and external changes that are creating contradictions to the extent that a serious consideration of reform measures should come on to the agenda. Five different, but related contradictions are described below, and it is discussed how Danish foreign aid fares with respect to each of the contradictions.

Proliferation and fragmentation versus coordination and effectiveness

The large number of countries that individual donors choose to support (proliferation) and the large number of sources from which individual countries receive aid (fragmentation) are not new phenomena, but they seem to be on the increase. Tendencies towards increased proliferation could be the conse-

13 Others have used the notion of contradictions when describing international development assistance. Nicolas van de Walle (2005: 37ff) has identified contradictions between performance-based aid or selectivity and the poverty reduction objective of aid, between donor fragmentation and the search for ownership, and between government ownership and more aid to private sectors, civil society and local communities. Paolo de Renzio et al. (2005: v) note that 'political factors ... highlight some of the contradictions that exist in fostering incentive systems which are favourable to harmonisation' in aid agencies.

quence of foreign policy interests, of the growing concern with 'fragile states' and of the reallocation of aid to Sub-Saharan Africa, as donors find it difficult to leave countries unless it becomes politically unsustainable to maintain relations with them. Regarding fragmentation, the twelve Eastern European countries that joined the EU in 2002 are currently building aid programmes as an obligation of their membership; certain other countries, notably China, are increasing their hitherto limited development assistance; and global funds have begun to channel significant amounts of money into development goals. Based on data from 1999-2001, one study concludes that the average number of countries supported with significant aid (above USD 500,000) by each of the 22 bilateral donors was 72 and that the average number of bilateral donors per recipient country was 14 out of the 22 members of DAC.¹⁴

There is little doubt that the proliferation and fragmentation of aid reduce the effectiveness of international development cooperation. Both among donors and in academic circles,¹⁵ there is agreement that aid suffers from large transaction costs; that scarce administrative resources in recipient countries are diverted from the most compelling needs, notably policy development and implementation; that aid fragmentation makes both donors and recipient governments less accountable to the beneficiaries; and that proliferation provides more room for non-development concerns to influence aid, notably in the context of donors cutting down on their administrative expenses in relation to development cooperation.

These problems are significant and not easily overcome. Given the weak capacity of governments in poor countries, the multiplicity of aid sources, each having their specific administrative requirements, policy concerns and preferred approaches, undermines governments' ability to formulate and implement policies effectively. Moreover, donors often exacerbate these problems by competing for activities that provide quick and visible results. The collective result of this system is a serious reduction in the effectiveness of aid. The Paris Declaration directly addresses this issue by advocating harmonisation and alignment. It has had a significant impact on certain donor agencies as it has become a primary framework for discussions on how to organise aid.

14 Acharya et al., 2006.

15 Knack & Rahman, 2007; Acharya et al., 2006.

Substantial efforts are being undertaken in these donor agencies in order to improve their performance with respect to the indicators. However, the overall evaluation in the most recent *Survey on Monitoring the Paris Declaration* is not overly optimistic in its statement: “Unless they seriously gear up their efforts, partner countries and their external partners will not meet their international commitments and targets for effective aid by 2010”.¹⁶ The key problems identified in the report have to do with: (i) The weakness of country systems for managing aid and donors’ limited use of these systems; (ii) the poor relations of accountability, both domestically in recipient countries and between donors and recipient countries; and (iii) the high costs of managing aid for donor and recipient countries alike. The last issue actually points to a high degree of ‘business as usual’, given that, for example, donors continue to field missions that are not being coordinated with other donors. Although the Paris Declaration has had a considerable impact on the rhetoric of development cooperation, the real challenge seems to be to infuse day-to-day aid with its principles. This challenge may be related to a lack of strong political support for the Declaration in both donor and recipient countries.¹⁷

One may argue that it is too early to bring in a verdict on the likelihood of the Declaration being implemented. However, the Declaration does not address the fundamental problems of proliferation and fragmentation in two ways. First, it proposes a particular action – harmonisation and alignment – without paying attention to the causes of the existing system. Significant interests exist to explain why individual donors disperse their aid and why they may not be prepared to abandon their specific policies and approaches (see below). Just by prescribing an ideal behaviour, the Declaration does not change the conditions under which aid is being carried out. Secondly, the alignment of donor support with the policies of recipient governments presupposes that these governments have clear policies that donors can and will align with. If such policies are not in place the prescription is of little use, and if, moreover, recipient governments are unwilling to make clear policies because these may push away certain donors, it is difficult to see how the conditions for alignment can be put in place.

16 OECD, 2008a: 9.

17 Wood et al., 2008.

Comparatively speaking, Danish aid is doing relatively well with respect to the contradiction between proliferation/fragmentation and coordination/effectiveness. Arnab Acharya et al. conclude that around 2000 Denmark was number seven out of the 22 DAC donors in terms of her ability to concentrate aid on a few countries.¹⁸ Thus, the focus on a limited number of programme cooperation countries has had a certain concentrating effect in a context where Danish aid continues to flow to other countries, and at the political level in Denmark there are regular calls for further concentration. Still, around 2000 Denmark was undertaking aid activities of some importance in more than sixty countries.¹⁹ In recipient countries, Denmark is also relatively open towards coordination and close collaboration with other donors, particularly at the sector level. Basket funding and sector budget support are appreciated modalities, though they are not employed everywhere. Moreover, a policy of not engaging in more than three sectors in a programme cooperation country is implemented with some vigour. On the other hand, Denmark has so far not chosen to focus on a limited number of sectors across recipient countries as suggested by the EU.²⁰ Such a sector focus could, if other donor agencies follow suit, diminish aid fragmentation at the sector level.

Recipient ownership versus aid accountability to taxpayers

Many of the problems linked to the proliferation and fragmentation of aid are also the product of a contradiction between the strong emphasis on recipient countries' ownership of development activities and aid's accountability structures, which are centred on taxpayers in donor countries. Ownership is very central to current discussions of international development cooperation, but it is not always clear what is meant by it. Some believe that ownership means governments being committed to implementing their policies irrespective of how these policies have been produced, while others make the additional claim that governments should have control over the process of elaborating the policies.²¹ No matter what, a significant element of the historical background to

18 Acharya et al., 2006:5.

19 Ibid

20 EU, 2007.

21 Whitfield & Fraser, 2009.

the concern with ownership is the ineffectiveness of ex-ante conditionalities that recipient governments frequently evade. It is therefore an increasingly widespread view that aid can only be effective if it supports policies and programmes that the recipient country is eager to implement.

On the other hand, aid flows from the resources that taxpayers in donor countries provide. These resources are part of the citizen–state relationship and accordingly form part of the accountability system of elected politicians and voters. In some countries, for example France, the system of accountability does not place very narrow restrictions on politicians and state bureaucracies, who may therefore have significant leeway to pursue development policies independently of domestic politics. In other countries, such as Denmark, accountability relations are tighter, and domestic politics become an important determinant of development policies.²² Aid is particularly useful for politicians as a policy field in which values and visions can be promoted substantially free of charge because the people that aid affects are not part of the electorate, and there is very little chance that the possible harmful effects of value-based development policies will become public knowledge in the donor countries. This partly explains why ‘single issue aid’ is a prevalent phenomenon, as exemplified by the great interest in HIV/AIDS programmes.

If international development cooperation were to place more emphasis on ownership in the sense that donors reduce their demands on recipient governments, this would require a weakening of the existing accountability system, at least in some donor countries. In other donor countries, the obstacles for alignment and ownership may be related to foreign policy concerns, but there is little reason to believe that the influence on aid of factors unrelated to development should diminish. Thus, if the aid discourse places more and more weight on ownership, development practitioners and donor agencies will have to deal with an increasingly strong contradiction between formal and real objectives when managing development cooperation.

Danish aid is in an ambiguous position in relation to this contradiction. Historically, the use of a partnership approach has been emphasised strongly in general strategy documents²³, while alignment with national policies has been

22 Engberg-Pedersen, 2007.

23 Ministry of Foreign Affairs of Denmark, 1994; 2000.

a major concern in the elaboration of sector support programmes. However, Danish aid is characterised by a very long list of cross-cutting concerns, principles, strategies, priorities and the like. The elaboration of sector programmes is therefore far from being only a matter of aligning with recipient countries' policies: it is also an extended affair of integrating very diverse Danish priorities, sometimes with limited relevance to the sector in question.²⁴ Moreover, Denmark is hesitant to move into general budget support, which, despite its weaknesses, is considered to be a major instrument in creating ownership. In the guidelines drafted for the provision of budget support, ten criteria have been established as conditions for considering general budget support, and there is, moreover, the provision that no more than 25 per cent of aid resources to a programme cooperation country can be provided as general budget support.²⁵ In 2007, Denmark provided 4.4 per cent of her bilateral aid as general budget support,²⁶ and it does not seem that the Danish Government is prepared to increase this percentage. When answering a question from the opposition why Denmark does not provide general budget support to Bhutan, given that the Public Accounts Committee has described Bhutan as performing 'very satisfactorily' with respect to the ten criteria mentioned above, the Development Minister replied:

The choice of modality in the individual programme cooperation countries not only depends on an assessment of the country's management capacity, but also on other factors, such as an assessment of how Danish assistance may have the biggest impact. Ultimately, the choice is therefore also political.²⁷

The poverty reduction objective versus the allocation of aid resources

International aid has for many years been allocated according to non-development-related objectives. Israel and Egypt were for long the major recipients of

24 Engberg-Pedersen, 2007.

25 Ministry of Foreign Affairs of Denmark, 2007.

26 Ministry of Foreign Affairs of Denmark, 2008a: 172.

27 Ministry of Foreign Affairs of Denmark, 2008b, author's translation.

international development assistance, and recently a significant reallocation of resources has taken place, with an increase in the share of overall ODA going to Iraq, Afghanistan and Pakistan from 2 per cent in 1999 to a quarter in 2005.²⁸ The three countries also appeared on the list of the top ten recipients of aid from relatively poverty-focused donor countries such as Canada, Norway and Sweden in the years 2003-4.²⁹ While poverty is widespread and severe, notably in Afghanistan and Pakistan, and while the extraordinary share of ODA going to these countries in 2005 was linked to a one-off debt relief for Iraq, it is quite obvious that this allocation of aid has had several aims in addition to poverty reduction.

The importance of the non-developmental objectives of aid has varied over time, and the general conclusion appears to be that political and commercial objectives have battled with development concerns on a continuing basis “with different interests gaining or losing ground in different time periods”.³⁰ Until the end of the Cold War, geopolitical interests significantly influenced aid allocation. During the 1990s, foreign policy-related concerns were less predominant, though development cooperation was increasingly influenced by political objectives linked to human rights and democracy. Recently, security issues have affected the aid discourse thoroughly, although the tendencies in aid allocation are not unambiguous, as the case of Afghanistan and the increased share of aid going to Sub-Saharan Africa demonstrate. Commercial interests seem to have lost importance in recent years among some donors, as the increase in the proportion of untied aid from 75 per cent in 2005 to 88 per cent in 2006 indicates.³¹

The contradiction between the developmental and non-developmental objectives of aid is, accordingly, not a new phenomenon, and based on a general interpretation, it seems that there are no reasons to believe that the contradiction will necessarily be sharpened in the coming years. However, it is noteworthy that the Paris Declaration, with its various demands on donor countries, in no way addresses the voluntary basis on which aid is provided and which

28 Riddell, 2007b.

29 Riddell, 2007a.

30 Riddell, 2007a: 97.

31 OECD, 2008a: 10.

explains the contradiction. The UN target of allocating 0.7 per cent of GNI for ODA – a completely arbitrary target with no relation to the need for aid – is also just an attempt to influence national decision-making processes in donor countries. There have been few serious attempts to link the supply of aid to the needs for it. Recently, however, a discussion of ‘aid orphans’ – countries in need of support and with few significant obstacles for donors, but still receiving disproportionately little aid – and ‘donor darlings’ has emerged,³² which demonstrates that aid is allocated in a somewhat arbitrary manner, seen from a developmental perspective. Still, the proposals do not go any further than recommending that, in their voluntary decision-making process, donor countries should take the problem of ‘aid orphans’ into account. The contradiction between the poverty reduction objective of aid and the allocation of aid resources is therefore likely to characterise development cooperation in the future as much as in the present.

The contradiction is also relevant in relation to Danish aid. In 2003 the government published a document stating that Denmark’s international efforts will be directed towards four themes of the same standing.³³ One of these themes is social and economic development, while the others concern European development, international stability and the global environment. While the majority of the resources are directed towards social and economic development, the document goes to great length to say that the government will swiftly move resources between these headings according to what is perceived to be in Denmark’s interests. The government’s annually issued development priorities since 2003 have emphasised security issues, though with declining intensity, and aid resources have increasingly been allocated to Afghanistan, so that the budget set aside for this country in the coming years will only be surpassed by the budget provisions for four or five programme cooperation countries. Afghanistan is, indeed, a poor and troubled country, but it is hard to see aid allocations to this country in terms of the poverty reduction objective alone. However, more generally there is little doubt that this objective has played a significant role in determining Danish aid allocations. Over the years, poverty has been a decisive criterion for selecting programme cooperation countries,

32 OECD, 2007b; EU 2007.

33 Government of Denmark, 2003.

and the proportion of Danish aid allocated to least developed and other low-income countries in 2006-07 was only exceeded by the UK and Ireland.³⁴

National versus international development

Development is typically regarded as a national process. Independent countries and sovereign states constitute the framework for development. Poverty Reduction Strategy Papers (PRSPs) are national development strategies elaborated by recipient governments in dialogue with bilateral and multilateral donors, and they have become the central instrument in the attempt to get the various development actors to pull in the same direction. The PRSPs are currently moving from a relative focus on social sectors to a stronger concern with production, employment and growth, but the perspective continues to be strictly national. In the discussion of the so-called fragile states, the dominant approach within international development assistance is also limited to individual countries. The central challenge in 'fragile states' is said to be "when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction".³⁵ The lack of a 'social contract' between citizens and the state creating a disequilibrium in mutual expectations is believed to be "the critical if not sole determinant ... of fragility".³⁶ The causes as well as remedies of the problems in 'fragile states' are, accordingly, perceived to be national.

At the same time, the international dimension of the development challenge is becoming more significant. The global crises have become numerous in recent years and they are having a profound impact on poverty reduction. The consequences of the current financial and economic downturn are still unknown, but they are likely to be profound.³⁷ The food crisis has pushed 100 million people into poverty according to some estimates,³⁸ and though prices have gone down recently, this may only be a temporary decline.³⁹ Climate

34 OECD, 2009: 209.

35 OECD, 2007b: 2.

36 OECD, 2008b: 7.

37 Cali et al., 2008.

38 Ivanic & Martin, 2008.

39 'The rich get hungrier' *The New York Times*, 28 May 2008.

changes are another worrying global issue, with significant implications for poor people. In Africa, current trends indicate that the number of people suffering from water shortages will have doubled by 2020, and crop yields may fall by 50 per cent in some African countries by that date.⁴⁰ There is little doubt that poor people will suffer most from these changes. The global trade regime has also been criticised for its impact on developing countries and its curtailing of the industrial policy options of governments in poor countries.⁴¹ And the growing energy shortage is likely to have substantial and detrimental impact on the economies of oil-importing low-income countries, while in other poor countries the abundance of natural resources often appears to be a mixed blessing when prices go up.⁴²

One problem is that, whatever improvements aid manages to accomplish in terms of poverty reduction in specific countries, these may be wiped out by trends and changes at the global level. Another problem is that aid's conceptual focus on national development is inappropriate in a world where international phenomena and processes in some countries have a decisive impact on both poverty reduction and poverty creation in others. Though political initiatives unrelated to aid seek to address some of the global challenges – and despite the fact that development cooperation increasingly acknowledges regional and international contexts for poverty reduction, as well as the need for 'whole-of-government' approaches – the case for bilateral development assistance in its current form seems significantly questioned.

Like most other official donor agencies, Danida has been strongly concerned with national development and has looked less into international development issues. The focus on programme cooperation countries and the use of sector support programmes as the primary modality evidently go a long way in explaining this. Moreover, Denmark has not taken any significant steps to coordinate her different policies affecting poor countries. The issue of policy coherence for development – most strongly put forward by the EU⁴³ and sub-

40 IPCC, 2007.

41 Wade, 2003.

42 Collier, 2007.

43 e.g. EU, 2006.

sequently taken up by other countries such as Norway⁴⁴ – is one way of integrating international issues in development policies. However, in recent years the issue of climate change adaptation has been integrated forcefully into Danish aid.

Differentiation of low-income countries versus across-the-board approaches to development

Nepal, Sierra Leone, Liberia and southern Sudan are all societies having emerged recently after years of conflict and violence, while Zimbabwe and Nicaragua are moving in the opposite direction, and North Korea and Burma do not appear to be moving anywhere at all. Other low-income countries like Mozambique have experienced consistent and significant growth rates the last decade or longer, while neighbours Ghana and Côte d'Ivoire have taken substantially different paths with respect to governance: the losing candidate, with 49.77 per cent of the votes in the presidential elections in Ghana on 2 January 2009, accepted his defeat, while Côte d'Ivoire collapsed into civil war in 2002 and has had tremendous difficulties in getting on its feet again. Thus, in terms of parameters like growth, conflict and governance, low-income countries fare very differently. Country-specific factors typically explain these differences, but cross-cutting structural factors, such as being landlocked, natural resource-abundant, etc., may also influence countries' diverse developments.⁴⁵

Despite the significant emphasis on adapting to country-specific conditions in the international development discourse,⁴⁶ there is a strong tendency to adopt across-the-board standards, approaches, modalities and objectives. Take the international aid discourse: the Paris Declaration advocates alignment with the policies of the recipient governments, but where there is no government or a government with very little capacity to establish clear policies, this principle – which is also explicitly adhered to in relation to fragile states⁴⁷ – is of little use. Take concrete activities in 'collapsed states': they

44 Utviklingsutvalget, 2008.

45 Collier, 2007.

46 See, e.g., OECD, 2007b, where the first of ten principles for good international engagement in fragile situations is: 'Take context as the starting point.'

47 OECD, 2007b; OECD, 2008c.

typically place strong emphasis on building liberal democratic governance,⁴⁸ whether or not the society in question has experience of this kind of institutional set-up or the political conditions for such a development are in place. Take individual donor countries: they often pursue the same set of objectives and make use of the same modalities, irrespective of the particularities of the recipient countries.

Aid involves substantial money aimed at pushing very complex processes towards development and poverty reduction. Accordingly, it is no wonder that the administration of aid is strongly dependent on general rules and ideas about how to stimulate development. There is a need for fixed points when addressing chaotic and unpredictable social processes. General principles may, however, be counterproductive if recipient countries become increasingly diverse. Some bilateral donors have begun to decentralise authority to their representations at country level, but it remains to be seen whether such initiatives can sufficiently accommodate the diverse needs of different countries. As long as political processes in donor countries heavily influence bilateral aid, it is doubtful whether bilateral development cooperation can adequately acknowledge the particularities of individual countries.

At the policy level, Denmark has not done much to adapt to the increased differentiation of low-income countries. The organisation of Danish bilateral aid based on sector-support programmes is conditioned on reasonably developed sector policies and implementation capacities in the recipient countries, and they are therefore difficult to use in so-called fragile states. Moreover, using the same modality in countries as different as Ghana, Niger, Afghanistan and Malaysia does not reflect a high degree of context sensitivity, nor does the fact that which of the numerous Danish concerns and priorities receives consideration depends more on the theme or sector than on the recipient country.⁴⁹ Within the general policy framework of Danish aid, there is, however, scope for flexibility in the implementation of development activities. During the state of emergency connected with the King's coup d'état in Nepal, Danish aid was maintained but significantly restructured, and something similar is currently going on with respect to Denmark's engagement in Nicaragua. Accordingly,

48 Ottawa, 2002.

49 Engberg-Pedersen, 2007.

there is a certain tendency to be more context sensitive during implementation than at the policy level.

Denmark positions herself differently in relation to the different contradictions. If one accepts the view that, from a development perspective, aid should be well coordinated, based on strong recipient ownership, focused on poverty reduction, be international in its outlook and accommodate the very different contexts of recipient countries, the closer a donor agency is able to move towards these poles of the contradictions, the better. While this article is based on the assertion that no donor agency can overcome the contradictions completely and accomplish what the development perspective prescribes, it also argues that, given the constraints and opportunities in their home country, individual agencies can move closer to the development perspective. In this view, the most salient feature of Danish bilateral aid is probably its relative success in straddling, on the one hand, a domestic political economy that puts particular constraints on its room for manoeuvre, and on the other hand, fairly high development ambitions permeating the implementing bodies and organisations of Danish aid.

Generally, Danish bilateral aid is comparatively well focused and coordinated, with a strong commitment to poverty reduction. On two of the five contradictions it is, accordingly, doing reasonably well from a development perspective, despite elements of fragmentation and a non-poverty-oriented allocation of aid resources. Regarding the three other contradictions, Danish aid is less successful. The many priorities and concerns limit the scope for ownership; the organisation of aid based on programme cooperation countries compromises the scope for addressing international causes of poverty; and the preferred aid modality of sector-support programmes is not always facilitating adaptation to differentiated country contexts. Still, within these constraints the concern with flexibility and ownership is strong at the level of implementation.

FACTORS INFLUENCING THE DEVELOPMENT OF DANISH AID

Altruism, solidarity and the welfare role of the state have often been referred to as important factors explaining the level of official Danish aid.⁵⁰ It is true that opinion polls demonstrate a significant, though currently dwindling popular support for official foreign aid, although they also indicate that people have little faith in its effectiveness.⁵¹ Despite the government's emphasis in recent years on aid as an instrument to pursue Danish interests abroad, the issue of altruism is probably an important reason why the allocation of aid continues to focus on low-income countries, particularly in Africa. Recently, Mali was adopted as a new programme cooperation country, which is hard to explain with reference to commercial or foreign policy interests.

Commercial interests have for long influenced Danish aid strongly.⁵² The percentage of aid resources returning to Danish firms and creating Danish jobs was until recently a key issue debated at the political level. Yet, with market liberalisations in the EU and the mounting criticism of tied aid, this concern is no longer tenable. Instead, specific business and private-sector programmes respond partially to the various commercial interests. However, these have not been able to influence the choice of programme cooperation countries to any great extent.

Foreign policy and security interests have historically coincided with the poverty reduction focus of aid in the sense that aid in general and aid through multilateral institutions in particular has been used to pursue an institutionalised, cooperative world order.⁵³ Over the last ten to fifteen years, however, Denmark has begun to engage in peace-keeping and other missions, often in parts of the world where Danish aid has been directed only to a limited extent. Aid resources have been used in Afghanistan in relation to military activities, in areas with large numbers of refugees to facilitate their return, and in the Middle

50 Bach et al., 2008: 524f; Lancaster, 2008.

51 TNS Gallup, 2008.

52 Lancaster, 2008.

53 Bach et al., 2008: 514.

East to further democratisation. Still, only a minor part of the aid budget is set aside for such foreign policy concerns.

To explain the particular features of Danish aid, it is useful to refer to the specific corporatist tradition that characterises Danish policy-making in many different fields. A variety of stakeholder interests are represented on the Board of Danida giving advice to the development minister. Perhaps of declining importance since the change of government in 2001, the Board is nevertheless an institutional reflection of a very ingrained practice of stakeholder influence on Danish development policies. Unions, employers' associations, NGOs and other interest groups have a legitimate right to pursue their particular interests in relation to aid, and few development ministers have dared to disregard these concerns. When criticised at a recent meeting (March 2009) for not having taken people with 'functional inabilities' into account in aid policies, the development minister was quick to list all her achievements in that particular field. Meetings between the minister and the public very often take the form of calls from a long list of interest groups complaining that their particular concern is not being sufficiently recognised. In such an environment, it is not surprising that Danish development policies are filled with objectives, priorities, strategies, etc. While defensively these serve the purpose of fighting off criticism from interest groups, offensively they may attract popular support for the government. The corporatist tradition has accordingly created both a relative consensus among major stakeholders concerning Danish development policies and a tradition for politicians to signal particular Danish values in relation to development cooperation.

The only thing that can seriously jeopardise the consensus and stability concerning Danish aid is a growing scepticism in the population and in the media. This is why public criticism of aid activities is generally met by strong rejection or suppression, and it explains why financial control of aid resources is pursued so vigorously so as to avoid scandals of misappropriation. The efforts to prevent criticism come, however, with a cost:

While Denmark's strong consensus-based culture brings a flexible, pragmatic approach, it may inhibit innovative thinking and risk-taking. Denmark tends to be cautious about taking risks, in particular regarding financial management issues. This may lead to insufficient scope for learning, experimenta-

tion and initiative, both for the recipient country and Danida, thereby weakening the ability to improve performance and implement the ownership and alignment principles. It may also lead to Denmark favouring relatively stable and well-performing countries over more risky environments.⁵⁴

The corporatist tradition, the use of aid in domestic politics and the financial control induced by fears of criticism go a long way to explaining why Danish aid is constrained from fully supporting recipient country ownership of aid. The government has few incentives to engage in general budget support or to reduce the number of Danish development priorities. Furthermore, it is not very appealing to start activities in risky environments or to adapt aid modalities to recipient country contexts. All such initiatives are likely to shake the consensus on Danish aid and to incite criticism due to failures.

A further significant factor preventing initiatives to rock the boat has to do with bureaucratic interests. The Ministry of Foreign Affairs has over the years become a key institution in relation to both development policy formulation and aid implementation. With few politicians being interested in the nitty-gritty of aid, and given the limited capacities of NGOs and other organisations, the Ministry has had a *de facto* monopoly on the conceptualisation of aid issues and on priority-setting.⁵⁵ However, from 2001 to 2004 Danida's administrative resources were cut by 25 per cent,⁵⁶ and tasks and staff were to a large extent decentralised to country representations. Accordingly, capacities for overall strategic development have been reduced, as have the incentives to develop new policy initiatives that challenge political interests and the consensus on Danish aid. On the other hand, there is little doubt that the bureaucracy is greatly interested in keeping Danish aid aligned with international tendencies. The influence of peer review processes and of sheer competition in implementing aid according to the latest international ideas or standards is significant. The current development minister often refer to Danish aid as 'world-class' development assistance based on assessments published by various international organisations.

54 OECD, 2007c: 12.

55 Olsen, 2005: 199-202.

56 OECD, 2007c: 17.

The present interpretation of Danish aid, which emphasises its use in Danish domestic politics to signal particular values and attract popular support, provides some explanation for why Denmark is less development-oriented on three of the five contradictions. However, the strong focus on poverty reduction and on Sub-Saharan Africa is partly an anomaly in that interpretation, given the growing public scepticism towards aid. Recently, the major political party in the government published a call for further concentration on Africa and for a reduction of the number of programme cooperation countries. This does not seem to be in line with either broader foreign policy and security interests or popular concerns about the ineffectiveness of aid. One may hypothesise that the disjunction between, on the one hand, the community of development stakeholders, including certain politicians and, on the other, the public and the foreign policy constituencies is rather strong. Alternatively, an erroneous idea may have emerged among politicians that, by focusing on fewer countries, Danish aid will be able to 'lift them out of poverty' and thereby address the public concerns about aid ineffectiveness. No matter what, the significant mismatch between those who seek to pull Danish aid in the direction of ownership and context-dependent approaches and those who primarily see aid from a domestic politics perspective is creating a tension, making future Danish development policy somewhat unpredictable.

CONCLUSION

International development cooperation is faced with a number of contradictions that undermine its effectiveness. Given the increasing pressures on low-income countries and poor people coming from food and financial crises, climate change, energy shortages, etc., now and in the future, there is all the more need for effective aid. However, the contradictions are unlikely to be overcome by donor agencies, recipient governments and NGOs themselves. Despite all the good intentions behind the Millennium Development Goals and the Paris Declaration, the 'aid industry' cannot address the structures through which it operates by itself. A thorough improvement in the effectiveness of aid is therefore dependent on changes in the broader context of development cooperation: changes in the relationship between rich and poor countries; changes

in the financing mechanisms of aid; changes in the way different policy fields (security, environment, development, etc.) are conceptualised; and changes in how national interests are shaped.

Comparatively speaking, Danish aid is doing reasonably well, not least with respect to its focus on poverty reduction and its concentration of aid resources. It is doing less well on issues like ownership, adaptation to different contexts and international factors causing poverty. Moreover, it is not currently changing as fast as international development cooperation. A number of issues explain this: (i) the Danish corporatist tradition has established a consensus among different stakeholders around aid which inhibits significant innovation at the policy level; (ii) aid in its current form can be used in domestic politics to signal values and show determination (like stopping aid to corrupt countries); (iii) the nervousness of the 'aid industry' in relation to misappropriation of resources and criticism creates a concern with controlling financial resources, which reduces the scope for risk-taking and change; and (iv) strategic and administrative capacities have been curtailed in the Ministry of Foreign Affairs, which for a number of years has been the leading institution on new thinking in Danish aid.

With these constraints rendering the development of Danish aid difficult, it is unlikely that Denmark can spearhead either international thinking on or the implementation of aid in the future. However, the basic concern with poverty reduction that is shared by all stakeholders is likely to keep Denmark in the 'progressive' part of the donor countries, and changes in domestic political struggles may facilitate a more daring development policy. On the other hand, a significant change in Danish aid is dependent on the broader international context referred to above. Given the long history of positioning herself close to US policies, Denmark is not likely to make independent foreign policy contributions to the emergence of a new world order.

REFERENCES

- Acharya, Arnab, Ana Teresa Fuzzo de Lima & Mick Moore (2006), 'Proliferation and fragmentation: Transactions costs and the value of aid', *Journal of Development Studies*, vol. 42, no. 1: 1-21.
- Bach, Christian et al. (2008), *Idealer og realiteter: Dansk udviklingspolitikshistorie 1945-2005*, Copenhagen: Gyldendal.
- Booth, David (2007), 'Denmark's performance in implementing the Paris Declaration: insights from the 2006 Baseline Survey' Unpublished paper, London: ODI.
- Cali, Massimiliano et al. (2008), 'The global financial crisis: financial flows to developing countries set to fall by one quarter', *Project Papers*, 13 November, London: Overseas Development Institute.
- Collier, Paul (2007), *The bottom billion: why the poorest countries are failing and what can be done about it*, Oxford: Oxford University Press.
- de Renzio, Paolo et al. (2005), 'Incentives for harmonisation and alignment in aid agencies', *Working Paper*, no. 248, June, London: Overseas Development Institute. Online, HTTP: [www.odi.org.uk] (accessed 05-06-2008).
- Engberg-Pedersen, Lars (2007), 'Dansk indenrigspolitik, Paris-erklæringen og udvikling – en harmonisk relation?', in *Den Ny Verden: Tidsskrift for Internationale studier*, vol. 40, no. 3, Copenhagen: Danish Institute for International Studies (DIIS): 45-56.
- EU (2007), 'Code of Conduct on Complementarity and Division of Labour in Development Policy', May 2007. Online, HTTP:[www.europa.eu] (accessed 25-05-2009)
- EU (2006), The European consensus on development (2006/C 46/01), *Official Journal of the European Union*, 24 February 2006. Online, HTTP:[www.europa.eu] (accessed 25-05-2009).
- Government of Denmark (2003), 'Danmarks internationale indsats – nye udfordringer i en verden i forandring', Copenhagen. Online, HTTP:[www.um.dk] (accessed 25-05-2009).
- IPCC (Intergovernmental Panel on Climate Change) (2007), *Climate change 2007: impacts, adaptation and vulnerability*, Fourth Assessment Report, Cambridge: Cambridge University Press.
- Ivanic, Maros & Will Martin (2008), 'Implications of higher global food pri-

- ces for poverty in low-income countries', *Policy Research Working Paper*, no. 4594, April, Washington: The World Bank.
- Knack, Stephen & Aminur Rahman (2007), 'Donor fragmentation and bureaucratic quality in aid recipients', *Journal of Development Economics*, vol. 83, no. 1: 176-197.
- Lancaster, Carol (2008), 'Danish and US Foreign Aid Compared: a View from Washington', In Nanna Hvidt & Hans Mouritzen (eds), *Danish Foreign Policy Yearbook 2008*, Copenhagen: Danish Institute for International Studies (DIIS): 31-55.
- Ministry of Foreign Affairs of Denmark (2008a), 'Denmark's Participation in International Development Cooperation', *Danida's Annual Report 2007*, Copenhagen: Danida. Online, HTTP: [www.um.dk] (accessed 05-06-2008).
- Ministry of Foreign Affairs of Denmark (2008b), *Spørgsmål 142 fra Udenrigsudvalget til Ministeren for udviklingsbistand af 18. maj 2008 stillet af Steen Gade (SF)*, 11 June 2008, Copenhagen. Online, HTTP: [www.folketinget.dk] (accessed 05-06-2008).
- Ministry of Foreign Affairs of Denmark (2007), *Guidelines for the provision of budget support*, September, Copenhagen: Danida. Online, HTTP: [www.um.dk] (accessed 05-06-2008).
- Ministry of Foreign Affairs of Denmark (2000), *Partnership 2000: Denmark's development policy*, Copenhagen: Danida. Online, HTTP: [www.um.dk] (accessed 05-06-2008).
- Ministry of Foreign Affairs of Denmark (1994), *Developing world: strategy for Danish development policy towards the year 2000*, Copenhagen: Danida.
- OECD (2009), 'Development Co-operation Report 2009', *OECD Journal on Development*, vol. 10, no. 1, Paris: Organisation for Economic Co-operation and Development. Online, HTTP: [www.oecd.org] (accessed 05-06-2008).
- OECD (2008a), *2008 Survey on monitoring the Paris Declaration: effective aid by 2010? What will it take*, vol. 1, Paris: Organisation for Economic Co-operation and Development. Online, HTTP: [www.oecd.org] (accessed 05-06-2008).
- OECD (2008b), *Concepts and dilemmas of state building in fragile situations: from fragility to resilience*, OECD/DAC Discussion Paper, Paris: Organi-

- sation for Economic Co-operation and Development. Online, HTTP: [www.oecd.org] (accessed 05-06-2008).
- OECD (2008c), *Accra Agenda for Action: statement adopted at the 3rd High Level Forum on Aid Effectiveness*, September 2-4, Accra. Online, HTTP: [www.oecd.org] (accessed 05-06-2008).
- OECD (2007a), *2006 Survey on monitoring the Paris Declaration: Overview of the results*. Paris: Organisation for Economic Co-operation and Development. Online, HTTP: [www.oecd.org] (accessed 05-06-2008).
- OECD (2007b), *Principles for good international engagement in fragile states & situations*, April, Paris: Organisation for Economic Co-operation and Development. Online, HTTP: [www.oecd.org] (accessed 05-06-2008).
- OECD (2007c), *Denmark: peer review*, Development Assistance Committee (DAC), Paris: Organisation for Economic Co-operation and Development. Online, HTTP: [www.oecd.org] (accessed 05-06-2008).
- Olsen, Gorm Rye (2005), 'Danish aid policy in the post-Cold War period: increasing resources and minor adjustments', in Paul Hoebink & Olav Stokke (eds), *Perspectives on European development co-operation: policy and performance of individual donor countries and the EU*, London: Routledge: 184-214.
- Ottaway, Marina (2002), 'Rebuilding state institutions in collapsed states', *Development and Change*, vol. 33, no. 5: 1001-1023.
- Riddell, Roger C. (2007a), *Does foreign aid really work?*, Oxford: Oxford University Press.
- Riddell, Roger C. (2007b), 'Effective aid requires new structures', *Poverty in Focus*, International Poverty Centre, no. 12, October.
- Rodrik, Dani et al. (2004), 'Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development', *Journal of Economic Growth*, 1 June 2004: 131-165.
- TNS Gallup (2008), *Danida Kendskabsmåling 2007*, February, Copenhagen.
- Utviklingsutvalget (2008), 'Samstemt for utvikling? Hvordan en helhetlig norsk politikk kan bidra til utvikling i fattige land' *Norges offentlige utredninger*, NOU 2008: 14, Oslo. Online, HTTP: [www.regjeringen.no] (accessed 05-06-2008).
- van de Walle, Nicolas (2005), *Overcoming stagnation in aid-dependent countries*, Washington: Center for Global Development.

- Wade, Robert (2003), 'What strategies are viable for developing countries today? The World Trade Organization and the shrinking of "development space"', *Review of International Political Economy*, vol. 10, no: 621-644.
- Whitfield, Lindsay & Alastair Fraser (2009), 'Introduction: aid and sovereignty', in Lindsay Whitfield (ed), *The politics of aid: African strategies for dealing with donors*, Oxford: Oxford University Press.
- Wood, Bernard et al. (2008), *Evaluation of the implementation of the Paris Declaration, phase I, synthesis report*, Copenhagen: Ministry of Foreign Affairs of Denmark. Online, HTTP: [www.um.dk] (accessed 05-06-2008).
- World Bank (1997), *World Development Report 1997: the state in a changing world*, Washington: World Bank.

