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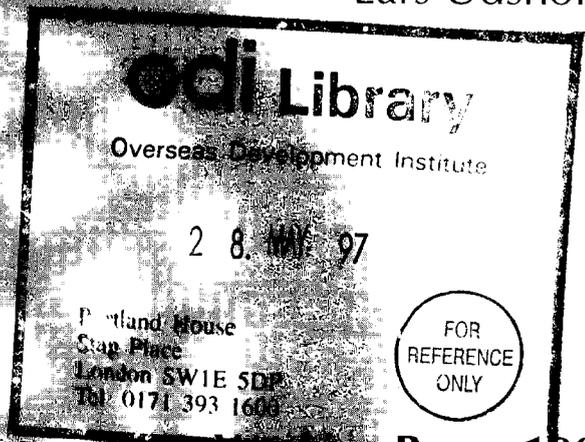
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Danish Aid Policies for Poverty Reduction

Lars Udsholt



Working Paper 100

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DANISH AID POLICIES FOR POVERTY REDUCTION

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Foreword

This paper is one of a series on the experiences of European donors with the use of aid for poverty reduction and is the product of a major research programme involving ten European development research institutes. This programme breaks new ground in its intention to compare and to draw from the collective experience of donors of the European Union and also perhaps in the degree of collaboration involved by European development research centres. Each Institute is funding its own participation, with ODI playing a co-ordinating role. The institutes involved are:

Asociación de Investigación y Especialización sobre Temas Ibero Americanos (AIETI), Madrid;

Centre for Development Research (CDR), Copenhagen;

Centro Studi di Politica Internazionale (CeSPI), Rome;

Deutsches Institut für Entwicklungspolitik/German Development Institute, Berlin;

Développement des Investigations sur l'Adjustement à Long terme (DIAL), Paris;

European Centre for Development Policy Management (ECDPM), Maastricht;

Institute of Development Studies (IDS), Helsinki;

NordicAfrica Institute, Uppsala;

Overseas Development Institute, London;

Third World Centre, Catholic University of Nijmegen.

The objective of the first stage of this research programme is to describe and assess each donor's goals as they relate to bringing the benefits of aid to poor people, and to review each donor's organisation and management to implement this objective. The ten donor agencies are those of Denmark, the European Commission, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK. A matrix summarising the comparative donor positions will appear later in this series and will include some observations from the donor studies on the differences and similarities of the various approaches.

The second stage of the research consists of a series of seven incountry studies to examine the operations of the European donors in pursuit of poverty reduction in Bolivia, India, Nepal, Tanzania, Mozambique, Zambia, Zimbabwe and a Francophone country yet to be specified. An important part of this work will be to evaluate the effectiveness of different types of povertyrelated donor interventions. Special attention will be paid to the nature of the processes involved. Collective and comparative experience of poverty reduction effectiveness will be explored, including any 'best practices', and the main determinants of effectiveness will be examined. These studies will be completed during 1997 and will also be published as ODI *Working Papers*.

I am most grateful for the co-operation of each Institute in this endeavour and for the help of all those donor officials and advisers who have responded to enquiries and interviews by the collaborating researchers. I would like to acknowledge the financial support provided by the UK Overseas Development Administration which has made possible ODI's contribution to the programme. However, neither they nor any others who have assisted in this programme necessarily agrees with the facts presented and the inferences drawn.

John Healey
Overseas Development Institute

Summary

The paper provides an analysis of Danida policies in the field of poverty reduction. Current Danish aid efforts to address poverty issues are based on a long-established understanding among policy-makers and aid bureaucrats that a basic premise of Danish aid has been its focus on alleviating poverty. The paper argues that the lack of a more explicit and operational poverty focus throughout the last two decades has placed important constraints on the effectiveness of past poverty reduction efforts. Thus, Danish aid displays both specific results at the level of individual interventions and 'missed opportunities' in terms of failing to address a number of institutional and structural constraints on poverty reduction. Recent important advances in Danida's approach to poverty reduction are acknowledged. Nevertheless, the paper also points to a number of critical challenges and constraints related to further implementation of the new policy framework. These include institutional constraints in Danida's organisation, constraints in rooting poverty reduction efforts in recipient strategies, and the critical importance of interaction between Danida and the wider Danish aid policy community.

Acronyms

Danida	Danish international development assistance
DAC	Development Assistance Committee (of the OECD)
DG	Directorate General (of the European Commission)
DKK	Danish kroner
GDP	Gross Domestic Product
NGO	Non-Governmental Organisation
oda	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
SPA	Special Programme of Assistance for Africa
SPS	Sector Programme Support
TSA	Technical Advisory Service (of Danish Ministry of Foreign Affairs)
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WID	Women in Development

1. Introduction¹

Current Danish efforts to address poverty issues take place against the background of a long-established understanding among policy-makers and aid bureaucrats that a basic premise of Danish aid is indeed its focus on alleviating poverty. Furthermore, it has been argued that Denmark has enjoyed a strong position in this field in comparison with several other bilateral donors. In view of this background it is notable that, prior to the most recent analytical work, neither the Danish aid administration nor others have tried to define more specifically how Danida's² activities can and/or have contribute(d) to poverty alleviation (Sano, 1993).

However, the presentation of the most recent strategy for Danish aid (Danida, 1994a) gave rise to both public and internal Danida debates on the future role of poverty reduction in Danish development assistance. While the strategy statements on this issue were the most elaborate seen in Danida policy documents so far,³ it was still a matter of opinion whether the paper dealt adequately with this area of central concern to many actors on the aid policy scene. Thus, NGOs demanded the drafting of a plan of action for poverty reduction – a call initially rejected by the government. Instead, it was proposed that poverty reduction should be put at the centre of individual Danish aid strategies for the 20 main programme countries.

Subsequently, and in continuation of this debate, the Parliamentary Foreign Affairs Committee asked the government to 'ensure the operationalisation of the overriding objective of poverty reduction' and to report back to the Committee. In response, Danida prepared a policy paper, which it presented to Parliament in mid-1996 (Danida, 1996a). In early 1995 Danida also initiated a major 'Evaluation of Poverty

¹ This paper is a revised and updated version of the paper 'Danish Aid Policies for Poverty Reduction' (CDR Working Paper 96.7, Copenhagen 1996).

² Since 1991 the Danish aid administration has been an integral part of the Ministry of Foreign Affairs where it is managed by the South Group, the section of the Ministry in charge of handling all Denmark's relations with developing countries. Hence, in formal terms the 'Danida label' is not currently applied to a specific administrative entity but rather to the *activities* taking place within the framework of Danish development co-operation policies. However, in line with common practice this paper will equate Danida with the South Group, unless otherwise stated.

³ Cf. Svendsen (1995: 52): 'This strategy may be seen as a milestone in the journey over several decades towards a more explicit and action-oriented formulation of poverty alleviation as the central objective of Danish development assistance'.

Reduction' to be carried out by private consultants. This effort was completed by the end of 1996.⁴

Thus, during 1995–6 a number of documents have provided new perspectives on the relationship between aid and poverty, plus a fresh impetus to regard poverty reduction as 'the prime goal of Danish development co-operation policy' (Danida, 1996a: 5). Accordingly, an examination of the current state of Danish aid policies for poverty reduction is *both* assisted by the availability of new documents *and* hampered by the fact that most of the new policy statements have yet to be put into operation by means of strategies, the design and implementation of programmes, etc.

This paper attempts to provide a snapshot of the situation prevailing in 1996, based on an analysis of current documents with brief references to past Danida policies, practices and experience in the field of poverty reduction.⁵ Following this introduction the subsequent chapter gives a brief historical overview of how poverty issues have been approached in Danish aid policies since the early 1970s.⁶ Against this background, the remainder of the paper provides an account of the most recent approach to poverty reduction as presented in Danida policy papers emerging during the last two or three years. Recent important advances in Danida's approach to poverty reduction are acknowledged. Nevertheless, the paper also points to a number of critical challenges and constraints related to further implementation of the new policy framework.

In accordance with the general framework for the comparative study as a whole, the paper seeks to address three interrelated objectives. First, it describes the evolving policy framework for Danish aid in regard to poverty reduction. Secondly, it reports on results emerging from Danida's own evaluation of its performance, and finally it

⁴ The reports listed in the references as Development Associates (1995a–d) were outputs from the first two phases of the study. The third phase – carried out during the course of 1996 – resulted in the reports listed as COWI 1996b–h. As part of the evaluation process, Danida also hosted a seminar for the DAC Expert Group on Aid Evaluation, see Danida, 1995.

⁵ A more general introduction to the evolution of Danish aid policies and the composition and role of the 'aid policy community' during recent years can be found in Olsen and Udsholt (1995). See also the recent DAC review of Danish aid (OECD, 1995a) and the poverty reduction evaluation reports with a policy review of Danish aid (COWI, 1996e and f).

⁶ During the period under review the terminology of Danish aid policy has changed in line with general trends in the international donor vocabulary. Thus, during recent years 'poverty reduction' has come to replace 'poverty alleviation'. In Danish reference is often made to 'poverty orientation' as a basic aid objective. Throughout this paper the term 'poverty reduction' is employed, as no significant conceptual or strategic distinctions for Danish aid appear to have been incorporated in the changing terminology.

aims to provide an outsider's assessment of the consistency of the poverty reduction policy framework (cf. Healey and Cox, 1996). Issues such as effectiveness at the field level and the poverty-reducing impact of interventions supported by Danish aid are therefore not addressed in the paper.

2. A brief overview of changing approaches to poverty reduction, 1971–94¹

Danish aid policy may be conceived of as a separate field characterised by the existence of strong norms and morally based attitudes. Its emphasis on normative elements is well in line with the findings of more general studies of foreign policy behaviour among smaller Western states. Here, norm-based behaviour features as a central determinant of foreign policy performance. Analysing the North–South policies of four Western ‘middle powers’ (Canada, Norway, Netherlands and Sweden) Pratt (1989) has characterised attempts to link key domestic policy concerns with international norm-setting as ‘humane internationalism’.

In more general terms the concept embodies ‘an acceptance by the citizens of the industrialized states that they have ethical obligations towards those beyond their borders and that these in turn impose obligations upon their governments’ (Pratt, 1989: 13). This includes support for efforts ‘to alleviate global poverty and to assist the development of the less developed countries’ as the core policy component (*ibid.*: 16). In this perspective aid policy may be perceived as representing a ‘natural and uncomplicated extension’ of domestic social welfare policy (*ibid.*: 15; see also Svendsen, 1995; Stokke, 1989).²

¹ The period prior to 1971 has not been included in the analysis. In the 1960s the Danish aid programme was in its initial stages and not much attention was paid to general aid objectives. Nevertheless, the poverty reduction evaluation report argues that poverty reduction ‘has been the rationale of Danish development assistance since it started in the 1960s’ (COWI, 1996b: i).

² Obviously, ‘humane internationalism’ is based on much more than global ethics. Thus, ‘as middle powers in danger of being overshadowed by their much more powerful neighbours, each wanted to demonstrate its capacity to conduct an independent foreign policy. Each was searching for foreign policy initiatives that were congruent with its political culture. The North–South arena offered greater scope for the articulation of distinctive and appropriate contributions to the international scene than they could hope to achieve in regard to national security or to East–West relations’ (Pratt, 1990: 15). In a historical perspective Stokke argues that among the above-mentioned countries plus Denmark there has been a general trend since the mid-1970s away from ‘humane internationalism’ towards ‘liberal internationalism’ (Stokke, 1989: 307).

2.1 General aid objectives

The underlying poverty reduction rationale for Danish aid has been only vaguely reflected in the stated policy objectives mentioned above. When the Act on Danish development co-operation was first passed in 1971 reference was made to 'social progress', but poverty as such was not addressed.³ The general emphasis among international aid agencies on 'trickle down' as the best approach to poverty reduction appears also to have affected the Danish statement of objectives. On several occasions during the 1970s debates touched on the balance between 'economic growth' and 'social progress', prompting the government to emphasise the linkage between the two concepts (Danida, 1982a: 70–71; COWI, 1996e: 6).

During the second half of the 1970s, however, a more explicit concern with the living conditions of poor people was gradually introduced. The international debate on basic needs was thus also influencing Danish aid policy statements. This paved the way for a predominantly project-based focus on achieving poverty reduction through individual aid interventions in support of social sector investments and rural development (Danida, 1982a: 68–9, 113). Accordingly, it seems appropriate to regard the late 1970s as indicating the beginning of the 'poverty orientation' of Danish aid policies (COWI, 1996e: 8).

The question of whether these trends would in turn necessitate a revision of general aid objectives did in fact create severe tensions in the Danish aid policy community in the early 1980s. In 1982 a government-appointed committee was split on the question of the need to make the poverty reduction focus of Danish aid explicit. A majority found the existing statement of objectives too elastic. It was therefore proposed to amend the Act on development co-operation to specify the objective of Danish aid as being to aim at lasting improvements in the economic, social and political conditions of poor people. Furthermore, it was suggested that Danish aid should primarily be extended to poor (i.e. low-income) countries. The committee further recommended that Danish aid projects should increasingly focus on activities in support of employment and production among poor people. There would still be a need for support for social sectors in rural areas, but concern was expressed with

³ The Act presented the objective as supporting 'the efforts of developing countries to achieve economic growth, through co-operation with these countries' governments and authorities, as a contribution to social progress and political independence'. This wording has remained unchanged for the last quarter of a century. Elsewhere I have argued that the general continuity in terms of the basic aid policy framework relates, *inter alia*, to the fact that 'the explicit objective of seeking the broadest possible public support for the aid programme has led to an incremental approach to policy making with a strong emphasis on consensus and broad compromises' (Olsen and Udsholt, 1995: 45).

regard to problems relating to the increasing recurrent costs associated with such donor-led investments (Danida, 1982a: 116).

When debating the committee's recommendations, a parliamentary majority in 1983 agreed to maintain the wording of the 1971 Act, thus supporting the minority of the committee. It was argued that there was a need to keep the aid objectives at a general level in order to allow for the continuous and flexible accommodation of aid policies to experiences gained during their implementation (ibid.: 73). While maintaining the aid objectives as stated in the 1971 Act, Parliament nevertheless agreed to a resolution 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' (Svendsen, 1989: 97).

Neither the Parliamentary Foreign Affairs Committee nor the Ministry of Foreign Affairs followed up this statement in terms of more precisely worded strategies, operational guidelines, etc. Furthermore, there were no assessments of the extent to which the proposals to focus more on employment and production were actually addressed in project design and country programming during the 1980s.

The basic human needs philosophy and the emphasis on project rather than programme assistance remained important features of the untied part of Danish bilateral aid during most of the 1980s. This occurred within the context of increasing emphasis on economic conditionalities and policy-based assistance on the part of influential actors in the international donor community. However, during the second half of the decade some attention was paid to the social impact of adjustment policies. Efforts made by Danida in this regard were stronger in multilateral organisations and at the headquarters level in Copenhagen in comparison with what appeared to be only limited changes in the design and implementation of Danida-supported interventions in recipient countries.

It should be further emphasised that prior to 1987 Danida country programming was essentially reactive and based on project proposals emerging from field staff and others. Danida's management would promote ideas thought to be in line with current aid policies, while discouraging others. During annual negotiations with the recipient authorities, the focus would be mainly on specific project issues, with virtually no proactive approach to country programming (Administrationsdepartementet 1986: 14–15). In essence, therefore, the poverty focus of Danish bilateral aid combined GDP per capita-based criteria for country allocations with a project-focused approach to reaching poor target groups, while the potential 'bridging element' of country programming processes, including country strategies and policy dialogue, was totally lacking.

2.2 Tied aid

Much of Danish aid debates during the 1970s and 1980s mirrored the fifty–fifty division of the bilateral aid budget between untied grant assistance primarily extended to the four main recipient countries, on the one hand, and tied loans on concessional terms provided in support of supplies from Danish industry to a multitude of purposes and countries, on the other. Thus, discussions on the poverty focus of Danish aid tended to present a dichotomy between the poverty-oriented untied grant assistance and the tied aid programme with no explicit concerns for its wider developmental impact. Provision of basic services in low-income countries (in Africa and South Asia) has often been contrasted with tied aid programmes in support of productive enterprises in the ‘modern sectors’ of middle-income countries (in East and South-East Asia).

Representatives of Danish companies repeatedly expressed concern that a narrow interpretation of the poverty reduction objective would mean less flexibility in terms of meeting a broader range of needs in developing countries. Furthermore, it has been argued that Denmark lacked the preconditions for ‘solving problems related to basic needs in primitive village societies’, while it ‘commands considerable knowledge and experience in fields such as infrastructure development and industrial manufacturing’ (Danida 1982b: 117–18).⁴

During this period scepticism in the aid policy community with regard to the limited impact of tied aid on poverty reduction appeared to be based on two different assessments. First, criticism was expressed in Danida evaluations and elsewhere that the technology used had been too sophisticated, that needs had been overestimated, resulting in plants that were too large being delivered, and that cultural and socio-economic issues were not sufficiently considered (Svendsen, 1990: 105). Accordingly, the basic quality of this aid instrument left much to be desired. Secondly, tied aid had primarily been extended to the ‘modern sector’ in developing countries. The growing concern about the limits of ‘trickle-down’ in aid debates during the 1970s inevitably produced a more critical perspective on this part of the Danish aid programme (cf. Danida, 1982a: 68–79).

2.3 The Danida Plan of Action

With the presentation in 1988 of the Danida Plan of Action (Danida, 1988), a new basis for addressing poverty reduction in Danish aid policy was established.

⁴ The quotation stems from comments forwarded from the interest group Danish Industry to the government committee on aid policy in 1981 (Danida, 1982b: 117–18); similar positions have been presented on a number of other occasions.

Compared with the Act on development co-operation, the Plan presented a somewhat more outspoken poverty orientation. Adopting the wording of the 1983 Parliamentary resolution, it introduced the objective 'of creating lasting improvements in economic and social conditions for the world's poorest population groups through long-term, continuous, goal-oriented and effective efforts seeking to assist the respective countries in mobilising human and natural resources'. This was not, however, identified as *the* main objective but appeared alongside five other objectives, including issues such as human rights, women, sustainability, and dialogue with recipient authorities (ibid.: 2–3).

Elements of the Action Plan proposing new modalities for involving Danish industry caused concern among NGOs that Danish aid policy was moving away from poverty reduction as an overriding objective. Parliament was asked to ensure the reinforcement of this principle and it was felt that an action plan for poverty reduction was felt to be the natural next step as a follow-up to the Action Plan (Svendson 1990: 100). This was not carried forward in the subsequent activity, however, as attention centred mainly around the criteria for the selection of programme countries.

Subsequent poverty reduction efforts in Danida came to be affected by the introduction of strategic planning as a key management tool in connection with future aid programming. Of importance in the present context was the introduction of the 'programme country' concept, implying that 20–25 low-income countries would receive the major part of Danish bilateral assistance on the basis of country strategies being prepared for each recipient.⁵ In the following years a range of policy papers on sectors and thematic areas began to emerge. Nevertheless, project support remained the main mode of intervention.

Strong demands on Danida's capacity, caused by the introduction of strategic planning combined with more acutely felt concerns about issues such as women in development, human rights, and environmental considerations, tended to preoccupy

⁵ The 'programme country' concept was originally launched as a means of concentrating Danish bilateral aid. In effect, however, it also implied the abandonment of the previous 'main recipient' status accorded to four countries since the early 1970s: India, Bangladesh, Kenya and Tanzania. Furthermore, it has taken considerably longer than was initially expected to reduce assistance to bilateral recipients other than the 20 programme countries. The impact of the Action Plan in terms of concentration was very limited. Currently, Danish bilateral assistance remains dispersed among a number of different purposes, implying that out of the total budget for bilateral aid only 55% is allocated for official bilateral assistance in the 20 programme countries (DKK 2,765m. out of 4,995m. in 1996). The remainder of the bilateral budget (DKK 2,230m. in 1996) is mainly spent on bilateral assistance to other countries, different technical assistance programmes, support for Danish NGOs, external consultants, the mixed credit programme, and asylum seekers in Denmark.

decision-makers (COWI 1996: 18). Consequently, not much attention was paid to putting into effect the implications of a focus on 'the world's poorest population groups'. Commenting on the Action Plan, Svendsen points to 'great confusion' with regard to what should be read into the poverty reduction objective. The result was that average GDP per capita measures mistakenly came to be seen as a proxy for actual intervention impact (Svendsen, 1990: 104). Finally, the many demands made on Danida during the administrative reorganisation carried out in 1991 (see Olsen and Udsholt, 1995) also had the indirect effect of constraining the available capacity to address poverty concerns.

2.4 Lack of reporting on poverty reduction

The lack of attention in general policy papers to bringing poverty reduction into operation is repeated at the level of intervention design, implementation and evaluation. One example is the fact that, while the Board of Danida reported regularly on issues such as human rights, women, and the environment as part of Danida's annual reports, it did not address poverty issues (Ravnborg and Sano, 1994).⁶ Similarly, no assessment – from within Danida or from outside the Ministry of Foreign Affairs – has been made of the treatment of poverty issues in project appraisal and review documents.

Similar conclusions are reached from the study of past evaluation efforts. In an overview of the first decade of more systematic Danida evaluations (Vilby, 1993), poverty does not feature at all prominently. While some reference is made to the successful targeting of intended beneficiaries, the report primarily discusses issues of long-term sustainability, evaluation management, organisational learning and involvement of recipient authorities. Seeking further to assess the apparent deficiency in terms of reporting on the poverty reduction objective, Sano and Ravnborg in 1994 prepared a survey of how Danida evaluation reports within the agriculture, forestry

⁶ The Danida Board consists of nine members appointed by the Minister for Development Co-operation, recruited from outside the Ministry of Foreign Affairs, e.g. among key organisational actors in the aid policy community. The Board considers all project applications above DKK 5m. which are then submitted to the Minister for Development Co-operation. Projects with a budget above DKK 20m. are presented to the Parliamentary Finance Committee. The Board's annual report on its deliberations (usually c.10 pages) is included in Danida's Annual Report (see Olsen and Udsholt, 1995).

and fishery sector dealt with poverty perspectives.⁷ Existing Danida guidelines for project preparation, progress reporting and evaluation were also studied.

In general, Danida's poverty reduction objective was found to be hovering

somewhere in the background and at the general level in Danida's overall work. The concept is not given status in the day-to-day work in Danida projects and programmes, with the result that little is said and can be said concerning progress on poverty in Danida's evaluations (Ravnborg and Sano, 1994: 53–5).

As a concept, poverty was therefore only 'arbitrarily integrated into Danida activities' (ibid.).

With specific reference to Danida's evaluation studies, 'poverty' in terms of an explicit concept, appears only in relation to three of the reports. The terms of reference for one report prompt the evaluation mission to consider the 'socio-economic standards of the rural poor' (ibid.: 43), while two other reports make brief reference to poverty issues as part of their overall findings. Nevertheless, several reports address issues relevant to poverty issues by means of debating the characteristics of target groups. Ravnborg and Sano point out that this has implied a focus on marginal groups, women, and small farmers. This is found to be a poor substitute for a more elaborate concern with poverty, however. 'A more loosely defined concern for the weak, the marginal, the small and women' has reduced the ability to tackle specific poverty-relevant issues in individual interventions (ibid.: 53).

In the past some Danida project documents and more general policy papers may have based their rationale on addressing poverty reduction as a development objective (as understood within the Logical Framework Approach). However, interventions are rarely designed so that immediate objectives are specified with an explicit poverty reduction objective in mind (see Development Associates, 1994a: 98). The lack of attention to poverty implies that there are no or only few available data on poor people, their problems and priorities, and considerable variations with regard to how

⁷ According to Ravnborg and Sano other sectors than agriculture 'could have been selected for examination, but rural areas contain some of the major poverty problems in the developing countries. Therefore, donor efforts in poverty alleviation must be expected to find expression in activities within these areas and within this sector.' The survey covered 13 Danida evaluation reports published in the period 1989–93 (Ravnborg and Sano, 1994: 42–3). It should be added that in August 1994 Danida published a major agricultural sector evaluation with one (out of 12) overall evaluation objective being 'to provide evidence on the extent to which the development assistance to the agricultural sector has contributed to poverty alleviation' (Development Associates, 1994a).

poverty is addressed in the various reports (Ravnborg and Sano, 1994: 43–50).⁸ Obviously, this has important methodological implications for attempts to assess *ex post* the position of poverty concerns on Danida's agenda. On the basis of stated project/programme objectives, inferences may be made in a number of cases on the relevance of interventions in light of the poverty reduction objective. Nevertheless, the extent to which such individual interventions in the past have been able to reduce poverty, let alone achieve more long-term sustainability, is bound to be extremely difficult to judge (see Development Associates, 1995c; COWI, 1996b).

2.5 Conclusion: general commitment but scant evidence

From the mid-1970s to the early 1990s Danish aid displayed a general commitment to poverty reduction as a basic policy objective. The issue was repeatedly debated, but little was achieved in terms of clarifying and putting into operation its strategic implications for aid management and intervention design. Discussions often tended to reinforce a simple dichotomy between general measures to promote economic growth, on the one hand, and project-based interventions to support delivery of basic services on the other. This distinction was not solely a question of different conceptual approaches among the actors in the aid policy community. To a large extent it reflected the carve-up of the aid budget into untied grant assistance versus the tied aid programme involving major Danish commercial interests. Government policy statements would emphasise the necessity of reconciling both approaches without seeking to elucidate further the implications for future policy and implementation procedures.

Despite the lack of transparent policy statements to elaborate and substantiate the poverty reduction objective, it seems clear that, for the Danish aid management, poverty orientation in this period implied a focus on least developed and low-income countries as the main recipients of Danish aid. This was combined with support for

⁸ Assessing the poverty alleviation component of the Danida programme in Nepal, a recent evaluation report notes that, with regard to the largest projects in the portfolio, 'the term poverty alleviation is not used for any of the projects. Indirect references to poverty reduction are at best found in the formulations referring to increased rural income and equity. Otherwise, the relationships between the individual development objectives and the overall Danida poverty alleviation objective are at best assumed but these assumptions are not specified at any length. ... The absence of the poverty alleviation objective in the individual interventions constitutes a barrier to raising the issue in relation to the implementation at various levels, and provides no incentive to develop indicators for poverty alleviating effects' (Development Associates, 1995c: 61). This finding is also confirmed in the subsequent country studies of Danish aid interventions in Zimbabwe and Uganda (see COWI, 1996b: 44).

the provision of basic services plus some emphasis on identifying deprived local areas in relation to district development programmes and integrated rural development projects (see Madsen, 1994). The absence of clear and operational policy statements on poverty reduction was also mirrored in lack of information on the treatment of poverty issues in documents stemming from the design, approval, implementation and evaluation of Danida-supported interventions. Very little is therefore known about the extent to which Danish aid in the past has sought to address poverty by means of targeting groups of poor people, regions, etc. or by prioritising intervention modalities according to their perceived effectiveness in poverty reduction. Even less evidence is available in terms of assessing the effectiveness of aid programmes in reducing poverty.⁹

Meanwhile, the 1994 aid strategy has implied renewed attention to this policy objective. The following chapter will attempt to summarise the main thrust of the strategy and the more recent policy paper on poverty reduction by means of the inherent conceptualisation of poverty and the stated objectives for poverty reduction.

⁹ This conclusion parallels those of other studies on like-minded donors. Commenting on the poverty orientation of the aid policies of Canada, the Netherlands, Sweden, Norway and Denmark, Stokke notes that least developed and other low-income countries have been targeted to a greater extent than the general DAC average. Concerning performance on other poverty-relevant aspects of bilateral aid programmes, the conclusions are more cautious. Despite general policy statements on the need to target aid on poor social groups, 'the follow-up seems feeble if not neglected. As far as the actual effects are concerned, very little can be concluded with certainty.' Finally, 'very little has been done to operationalize' the demand expressed by some donors in this group 'that the recipient government pursues a social justice policy' (Stokke, 1989: 291–2).

3. Recent conceptualisation of poverty in Danish aid policy

As in a range of other donor agencies, poverty resurfaced in Danish aid policy at the beginning of the 1990s. Three international trends (all closely intertwined) probably served to reinforce a fourth trend with a more specific Danish origin. First, declining standards of living during the 1980s in many low-income countries – particularly in sub-Saharan Africa – proved to be much more enduring than was first assumed in the early 1980s. Secondly – and closely related to this – the adjustment agenda widened in the second half of the 1980s to encompass growing concerns with social dimensions. Finally, a ‘new poverty agenda’ emerged among international aid agencies at the onset of the 1990s and prompted a broad consensus among aid practitioners on a ‘new conventional wisdom’ (Lipton and Maxwell, 1992).¹

In the Danish setting the introduction of strategic planning, and more specifically the strong emphasis in Danish aid debates on the selection of the future 20 programme countries, prompted a renewed focus on basic aid objectives. Debating the virtues of a range of developing countries as potential recipients of Danish aid led members of the aid policy community to restate their commitments to different parts of the overall policy framework for Danish aid. In the immediate follow-up to the Action Plan no specific attempts were made to address the poverty issue in a more substantial way. Nevertheless, the international trends referred to above and, more specifically, recent international reports – notably by the World Bank and UNDP (World Bank, 1990; UNDP, 1990) – provided proponents of a poverty-focused aid policy with new arguments and enhanced legitimacy. Questions could be posed as to why a progressive donor like Danida would linger at the level of blanket statements devoid of operational implications when even conservative institutions like the World Bank were seen as capable of drafting explicit strategies for poverty reduction.²

¹ See Sano (1993) for a succinct presentation and discussion of the new poverty agenda perceived from the Danish aid policy perspective.

² It has not been possible, within the context of this paper, to consider in more detail the extent to which the change of government in Denmark in January 1993 (from a conservative/liberal to a Social-Democratic-led coalition) provided proponents of poverty reduction with enhanced opportunities to argue their case. It seems likely that the scope for influencing government positions in this direction was indeed improved, *inter alia* because of the new government’s more positive approach not only to general welfare values but also to the aid programme. Furthermore, during the drafting of the 1994 aid strategy the aid policy community was invited to participate actively in the process (see Olsen and Udsholt, 1995: 12).

The significance of these trends for Danish aid policy became evident with the presentation of the new aid strategy document (Danida, 1994a), which provided a much more substantial and detailed approach to poverty reduction. The paper identifies a range of different but interconnected features related to poverty: lack of access to land, lack of education, poor health conditions, limited capacity to cope in situations of crisis, women's particular exposure to poverty (ibid.: 55). This is further elaborated in the 1996 policy paper which contains an elaborate presentation of the characteristics and causes of poverty. Here, there is a deliberate emphasis on moving away from perceiving poverty as primarily related to lack of income to focusing instead on an inability to cater for basic needs, lack of opportunities to exploit human resources, isolation, lack of status and power, and a high degree of vulnerability because of a very limited economic base (Danida, 1996a: 6).

In line with international assessments, the policy paper argues that poverty is most serious in sub-Saharan Africa, while somewhat more positive expectations with regard to future trends are expressed for Latin America and South Asia. It is emphasised, however, that in absolute terms the largest number of poor people will continue to live in South Asia. The paper refers to data emphasising the gender dimension of poverty and stresses its rural dimensions. It refrains from analysing poverty in terms of occupational status.

A quite long list of 'closely related causes of poverty' is presented in the policy paper emphasising, among other things, lack of political will, lack of economic infrastructure, lack of access to social services, degradation of natural resources, population growth, and adverse international conditions. The paper does not attach any priority to the different causes – let alone identify one 'fundamental cause' – but emphasises how its many complex causes hamper efforts to break out of poverty (Danida 1996a: 8–9).

4. Poverty reduction objectives

The 1994 aid strategy states that ‘poverty orientation constitutes a fundamental principle of Danish development assistance’. More recent policy documents have identified poverty reduction as *the* fundamental principle/prime goal of Danish development assistance (Danida, 1996a, 1996b). Prior to 1994 no explicit strategy or guidelines existed on how to approach poverty reduction in aid interventions.

The 1994/6 documents identify three main elements in the current Danida approach to poverty reduction:

- promoting sustainable and socially balanced economic growth, with distribution policy being an integral element of economic policy;
- developing the social sectors, including the promotion of education and health care services as prerequisites to the development of human resources;
- promoting popular participation in the development process.

The first two elements resemble the current mainstream international donor approach (see, for example, World Bank, 1990), while the third replaces the World Bank emphasis on social safety nets. Danida officials refer to the mixed experience with such programmes, particularly in low-income countries in Africa, as a major reason for this change. More generally reference is made to the problems inherent in designing and targeting safety nets in countries where close to half the population falls below the poverty line. Finally, it is argued that the explicit emphasis on participation by the poor serves to set current donor orientations towards good governance and democracy in a more focused and progressive perspective.

As seen from the perspective of poor people the current Danida strategy with regard to poverty reduction embodies, in principle, a three-dimensional emphasis on enhancing the economic capacities and productivity of poor people, providing them with access to social services, and strengthening their participation in the political life of the country.

4.1 The three pillars of the strategy

Enhancing productivity and growth

Conceptually, the growth part of the poverty reduction strategy can be seen as partly comprising a set of general efforts to stimulate economic growth and partly relating

to specific measures aimed at directly enhancing the position of poor people in economic development. In the poverty policy paper this distinction is not elaborated in any detail, although more emphasis seems to be attached to the former component. Thus, the paper puts considerable emphasis on the virtues of creating general economic growth, thereby making more resources available in poor societies where redistribution is unlikely in itself to yield substantial results (Danida, 1996a: 10–11). It is notable, however, that while ‘distribution policy’ was introduced as an important element in the 1994 approach to poverty reduction, the 1996 poverty policy paper does not dwell on this subject.¹

With regard to directly enhancing poor people’s participation in economic development, the poverty policy paper is primarily concerned with underscoring the key role of agricultural sector growth. This is argued to be the most directly relevant in a poverty reduction perspective, and several specific measures are suggested for the receipt of Danida support, including: training, advisory services and research; adapting technology; access to credit; access to land through land reform; and support for popular organisations rooted in the rural population (Danida, 1996a: 15).

Social sector development

In comparison with the rather general approach to promoting economic growth among the poor, the paper addresses social sector development in more precise terms. Four areas of intervention are suggested: setting national budget priorities to increase the capacity and improve the quality of social services, including redistributing public expenditure to the benefit of basic education and primary health care. Secondly, emphasis is put on enhancing the quality of national programmes for primary education, basic health care and access to drinking water. Thirdly, Danida will strengthen decentralisation measures to achieve greater user involvement, while a fourth area concerns support for targeted interventions to assist marginalised groups. While user charges are not generally resisted, emphasis is put on not denying poor people access to basic social services (ibid.: 19–20).

¹ Commenting on this aspect of the policy paper, the poverty reduction evaluation report notes that ‘what precisely constitutes “socially balanced economic growth” is a key area which deserves concerted research in different socio-economic contexts. ... The strategy emphasises rural development and assumes that migration to the urban centres can be alleviated if productivity in the rural areas can be increased. ... Economic growth as a means of reducing poverty may benefit from a more diversified approach which considers the prospects of rural as well as urban poverty alleviation and reduction’ (COWI, 1996f: 7).

Participation and governance

The third part of the strategy focusing on the virtues of participation and good governance resembles the growth component in that it tends to remain at a rather general level. The emphasis is more on universal measures to ensure the overall preconditions for popular participation in the development process. It is argued that 'an essential element of the Danish poverty reduction strategy is ... to contribute to creating the preconditions for popular participation in the development process' (ibid.: 20). Such measures include promotion of the rule of law in order to avoid discrimination against the poor; free elections at both national and district levels; the development of a strong and pluralistic civil society; and promotion of good governance to ensure openness, transparency in the decision-making process and the effective deployment of resources.

Some more specific and targeted interventions are also included among areas for potential Danida support. These include support for organisations of poor farmers and women,² and emphasis on policies and development strategies being in accordance with the needs and priorities of poor people. Only in one area do concerns with potential trade-offs between general governance measures and poverty reduction objectives appear. It is stressed that decentralisation programmes must be designed so that 'the poor are in fact given an opportunity to influence the process and that decentralisation does not merely result in cementing existing local power structures and the continued marginalisation of the poor' (ibid.: 21).³

4.2 Poverty reduction and cross-cutting objectives

In 1994 the aid strategy rephrased previous policy commitments into three cross-cutting objectives: promoting women in development, environmental conservation and sustainable development, and promoting respect for human rights and democratisation. Subsequently, the Parliamentary Foreign Affairs Committee reiterated that poverty reduction was *the* fundamental principle and that this principle should *also* be the guideline for the three cross-cutting objectives (COWI, 1996e: 20).

² In this regard there is some discrepancy between the consideration that 'the poor are not a homogenous group with common interests and views' and the subsequent insistence that 'the poor must be organised so that they can make their input in the political process' (Danida, 1996a: 6,20).

³ In a recent Danida evaluation report on the Nepal country programme Development Associates have provided a lucid illustration of the inherent difficulties related to achieving poverty reduction objectives in a project primarily aimed at strengthening local government authorities (Development Associates 1995c: 99ff)

The 1996 policy paper elaborates on the close relationship between these elements and the overall poverty reduction objective.

In this context relatively more emphasis is put on the importance of approaching poverty reduction from a gender perspective, while the two other objectives receive somewhat less attention. To some extent the difference is probably explained by the stronger institutional standing of Women in Development (WID) perspectives on the Danida agenda compared with environmental and participation/human rights concerns.⁴ More important, though, is the fact that the gender dimensions of poverty have become more established among aid organisations and in development research. In this context the move from a 'women in development' perspective to a 'gender and development' approach has been particularly significant. In contrast, the interaction between environmental sustainability/degradation and poverty appears much more ambiguous and both practical and conceptual efforts to reconcile environmental concerns with poverty reduction objectives are of a much more recent nature.

With regard to the environment, the poverty policy paper argues that potential conflicts exist between poverty reduction by means of increases in production and economic growth, on the one hand, and natural resources conservation, on the other. However, 'in many cases this conflict is of short-term duration only and it is much more expedient to address the problem in a manner that maintains or improves the natural resource base' (Danida, 1996a: 22). While constructive, this perspective may also gloss over the fact that Danida's current policy paper on environmental assessments (Danida, 1994b) does not dwell on the linkages between poverty and the environment. Rather, it tends to see potential conflicts between poverty and the environment from a conservation perspective (COWI, 1996f: 11).

The poverty policy paper deals only very briefly with human rights and democratisation as a cross-cutting issue, and its relation to poverty reduction. Probably this is because a number of related questions have already been addressed in relation to the participation/good governance component of the poverty reduction strategy (see above). In this context it may be worthwhile to consider briefly the 1993 policy paper on 'human rights and democracy' (Danida, 1993), which pays considerable attention to a number of vulnerable groups such as women, torture victims, minorities, etc. Accordingly, this policy area is certainly not devoid of poverty-relevant perspectives. More work is required, though, to address the question

⁴ Clearly, this does not imply that 'all is well' with regard to the position of the WID dimension on Danida's crowded policy agenda. A 1994 Danida evaluation report observes that 'in the midst of heavy work loads, policy reforms and organizational restructuring in Danida, the risk of WID and gender fatigue is paramount and already discernible in some circles. Momentum can quickly be lost, as experienced in other donor organisations' (Cowi-consult and Development Associates, 1994: vi).

of how general and targeted support for good governance and participation can lead to the lasting empowerment of *poor* people. However, in terms of putting into operation and – not least – prioritising Danida efforts in this field, there is a risk that support for general measures to promote democracy and human rights might lead to a *relative* neglect of initiatives that specifically address the political participation of poor people in society (see COWI 1996f: 11).

In the poverty policy paper Danida underscores the need to accommodate the various considerations but points to the heavy demands on its analytical capacity and on ‘the ability to operate on an interdisciplinary basis’ implied by such an approach. To the extent that conflicts between poverty reduction and the three cross-cutting objectives do occur, Danida argues that it must be left to the recipient country to decide which will be given precedence (Danida, 1996a: 23).

By making explicit the linkages between the overall poverty reduction objective and the three cross-cutting objectives the poverty policy paper obviously seeks to address a prevailing shortcoming in Danish aid policy: so far substantial attention – both policy-wise and in terms of practical operationalisation – has been paid to each of the three cross-cutting themes. Often this has been helped by pressures from interest groups external to Danida: the ‘WID-lobby’, the ‘environment lobby’ and the ‘human rights lobby’ have all been active and influential throughout the last decade at least (COWI, 1996e: 40). Existing Danida policies in these areas have accordingly gained a considerable momentum, without having poverty concerns as an overall principle. In fact, no joint format appears to have been prepared for the thematic policy papers, and each paper reflecting specific policy concerns, with particular purposes in mind (COWI, 1996f: 10). In addition to accommodating the three cross-cutting objectives with general poverty concerns as mentioned above, there may therefore be a need to reconsider Danida’s approach to each of the objectives in the light of the renewed attention being paid to poverty reduction.

4.3 Conclusion

In terms of intervention levels, the strategy presents a mixture of support for efforts at the macro level (policy reform, budget restructuring, etc.) and complementary interventions aimed at more focused interventions (organisations of poor farmers and women, targeted social sector interventions in support of marginalised groups, etc.). Each of the strategy’s three pillars contains both general measures and examples of more targeted interventions, though it appears from the textual presentation that the growth and participation/governance elements base themselves more on bringing about changes at the macro level. In contrast, support for social sector development contains a more balanced view on complementary measures.

The policy paper argues in favour of 'broad-based sustainable growth', comprising policies to increase employment (i.e. labour-intensive growth in the World Bank terminology) as well as raising agricultural productivity (i.e. increasing returns to labour). The distinction, complementarity, interaction and potential trade-offs between these two approaches are not dealt with in more detail. Moreover, the paper does not touch on the debate as to whether different growth patterns may have significantly different distributional impact (Lipton and Maxwell, 1992; Ravnborg and Sano, 1994: 30f).

More generally, one can argue that the specific balancing of general measures against targeted interventions cannot be resolved at the level of a general policy paper, since such concerns often need to be addressed at the level of country and sector strategies. It should be emphasised, however, that the parallel move in Danish aid policy towards sectoral programme support (see below) may serve to reinforce the inherent emphasis on policy and macro-related efforts (in contrast to targeted interventions) incorporated in the poverty policy paper. There may therefore be a need for further operationalisation of the balancing between different priorities and modes of intervention to assist in implementing the general poverty reduction objective (COWI, 1996e: 21).

5. Country distribution, programming and policy dialogue

This chapter begins by giving an overview of country allocation patterns of bilateral aid during the past decade, including a brief introduction of the current criteria for the selection of bilateral programme countries.¹ Danida's approach to country programming is then briefly summarised, with an emphasis on the potential of country strategies in the context of the poverty reduction objective. Finally, Danish experience with regard to policy dialogue and public expenditure restructuring is presented.

5.1 Country allocation of bilateral aid: past trends and current criteria

Country allocations of bilateral aid have traditionally focused on the least developed and other low-income countries as illustrated by Table 1.² These patterns have generally been used by Danish authorities to demonstrate the poverty focus of the aid programme, and the Danida poverty policy paper identifies the continued concentration of Danish aid on low-income countries as one of the criteria determining future compliance with the poverty reduction objective (Danida, 1996a: 34).

Since 1989 Danish aid policies have emphasised that bilateral assistance would be focused on approximately 20 programme countries. The Parliamentary Foreign

¹ In this chapter as well as more generally in the paper attention is devoted to the application of the poverty reduction objective in relation to the 20 programme countries. The current distribution of Danish bilateral aid implies that features such as policy dialogue with recipient authorities, country programming and sector programme support apply only to approximately half of bilateral assistance. The position of the poverty reduction objective in relation to the other half, which includes features such as bilateral aid to Danish NGOs, the mixed credit programme, and support for regional projects, is not dealt with in this context.

² While the share of least developed countries has remained fairly stable, Table 1 also shows how the category 'other low-income countries' has been affected during the 1990s by increased spending on non-country allocations and the use of bilateral aid budgets to cover expenditures related to asylum seekers in Denmark. In 1993 it was agreed to set a ceiling of DKK 500m. on asylum-related expenditures to be reimbursed by the aid budget. It was furthermore agreed that aid financing of asylum seekers would be phased out during the rest of the decade, parallel to the growth of the new budget framework for environmental and emergency assistance which is targeted to reach 0.5% of GDP in 2002 – in addition to the 1% of GDP for official development assistance.

Table 1 The distribution of bilateral aid on country groupings, 1984–95

	1984	1986	1988	1990	1992	1994	1995
Least developed	42.7	37.5	49.9	47.0	40.3	42.7	41.7
Other low-income	44.7	38.2	34.2	31.9	24.7	27.1	23.5
Other developing	8.1	18.8	4.4	5.1	8.4	7.2	10.3
Non-country	4.5	5.5	11.5	16.0	10.9	12.0	15.2
Asylum seekers	–	–	–	7.9	15.7	11.0	9.3
Total bilateral aid (DKKm.)	2,098	2,839	2,761	3,416	4,040	4,544	4,309

Note: Calculated in % of total bilateral aid (gross disbursements). 'Non-country' includes support for regional and international projects as well as projects in Denmark.

Source: Danida Annual Reports.

Affairs Committee has currently identified seven criteria which continue to constitute the basis for the selection of programme countries:

- i) the level of economic and social development and the development needs of the country and its own development objectives;
- ii) the supply of aid from other bilateral and multilateral donors and the capability of the country to utilise and benefit from aid;
- iii) the possibility of promoting sustainable development, i.e. a development which in the long run will be economical and ecologically sustainable, and which aims to bring about lasting improvements for the poorest population groups;
- iv) the possibility of promoting the advance of and respect for human rights;
- v) the possibility of ensuring that women's issues have a central and fully integrated position in the development process;
- vi) Danida's experiences of previous bilateral assistance;
- vii) provided that the above-mentioned points have been considered, the possibilities for promoting participation of the Danish business sector in development co-operation – and thus Danish employment – should be taken into consideration.

The Parliamentary Committee reiterated that bilateral assistance would be provided only to countries with a GDP per capita of two-thirds of the World Bank limit for long-term credits (currently US\$ 1,930). In practice, however, the vast majority of programme countries for Danish bilateral assistance remain low-income economies: in the current portfolio only Bolivia and Egypt fall on the borderline between middle- and low-income countries (see Table 2).

Table 2 GDP per capita and aid planned for Danish programme countries

<i>Country</i>	<i>GDP per capita (US\$)</i>	<i>Danish Aid in 1997 (DKK m.)</i>	<i>Country</i>	<i>GDP per capita (US\$)</i>	<i>Danish Aid in 1997 (DKK m.)</i>
Bangladesh	240	167	Kenya	260	130
Benin	370	75	Mozambique	80	150
Bhutan	420	50	Nepal	210	100
Bolivia	800	65	Nicaragua	390	120
Burkina Faso	230	146	Niger	220	50
Egypt	790	215	Tanzania	130	300
Eritrea	n.av.	60	Uganda	240	242
Ghana	390	165	Vietnam	250	180
India	350	185	Zambia	370	106
Malawi	160	75	Zimbabwe	540	115
Total					2,696m.

Notes: 1997 figures for Danish aid are reported according to the current five-year plan and do not include technical assistance and funds channelled through Danish NGOs.
n.av.: data not available.

Source: Danida, 1996e.

Obviously, the criteria provide a relevant starting point for addressing poverty concerns not only in the selection of countries but also as regards efforts related to poverty-focused policy dialogue and the country programming of bilateral assistance. However, in the 1989–94 period GDP per capita criteria appear to have been given priority over more detailed assessments of the nature of poverty in individual countries and the preparedness of recipient authorities to promote development strategies that would reduce poverty. Nor are there examples of *ex ante* assessments of the potential of Danish aid programmes in reducing poverty having been instrumental in the choice of individual programme countries. Indeed, it has been argued that '(a) not all of the seven criteria were equally important for the actual selection; (b) in practice, the interests of the Danish business community played a more important role than the wording of the seventh criteria suggests' (COWI, 1996e: 15).

This seems to imply a departure from existing practice, with the poverty policy paper stating explicitly that – in addition to quantitatively oriented GDP per capita criteria – 'in the selection of programme countries, increasing emphasis is placed on good

and constructive dialogue with the recipient country on policies and strategies to reduce poverty', and quoting the 1995 choice of Malawi as a future Danish programme country as an example (Danida, 1996a: 27).

5.2 Country programming approaches and poverty reduction

Since 1987 Danida has been introducing various elements of strategic planning in aid management. In continuation of the 1988 Plan of Action considerably more work was initiated with regard to the preparation of country analyses and strategies. However, it was only in 1992 that the Danida management initiated the preparation of actual country strategies aimed at proactive country programming (Fenger et al., 1993: 9–10).

The emphasis on country strategies was reinforced with the 1994 aid strategy which envisaged that, for each of the 20 programme countries, a country strategy would be drawn up on the basis of an overall assessment of the national economic and political situation. The country strategies are required to set out guidelines for the overall allocation of bilateral assistance, and for its allocation to 2–4 priority sectors in each country. Finally, the papers will address issues related to the three cross-cutting themes (Danida, 1994a: 12–13). All 20 countries were expected to be covered by a country strategy by the end of 1996. Upon completion all the strategies are made publicly available and are translated into the main language of the respective programme country.

While poverty issues did not figure at all prominently when the drafting of country strategies was first initiated in 1992, they soon gained substantially more attention. Thus, in response to debates surrounding the preparation of the 1994 aid strategy, it was agreed that country strategies would address the implementation of Danida's poverty reduction objective as a key issue. Country strategies are now required to contain not only data on poverty in the respective countries but also assessments of the likely poverty-reducing impacts of the areas proposed for future Danish interventions (COWI, 1996f: 15–16).

In view of the fact that the country strategy paper is a very recent innovation in Danish aid management, it is not surprising that the process has been rather uneven with regard to the content and approach of individual papers concerning treatment of the poverty reduction objective. Thus, not all papers provide for a clear linkage between the poverty profile of the country and the subsequent rationale for the envisaged focus of future Danish assistance (*ibid.*: 17). In addition, the country strategies do not provide any rationale for the potential trade-offs and complementarities between the different policy concerns of the Danish aid programme and the overarching objective of poverty reduction. Thus, 'there is a risk

of concealing both possible synergies and conflicts' between the various objectives (COWI, 1996b: 44).

Furthermore, none of the papers finalised so far has attempted to identify indicators to be used in monitoring the performance of the Danish aid programme in terms of the poverty reduction objective.³ It is still too early to tell if the preparation of country strategies has significantly affected the profile and performance of individual interventions and country programmes – or whether the momentum of the established project portfolio could not in effect be changed.⁴

5.3 Policy dialogue and public expenditures

Despite a long record of substantial financing for multilateral development organisations (approximately half of total Danish aid is allocated to UN agencies, multilateral development banks, emergency assistance and the European Union), Danish aid policy has had no strong tradition of influencing general policy dialogue between, for example, the World Bank and recipient authorities (COWI, 1996e: 38). Until the early 1990s it is hard to identify deliberate Danish positions on adjustment and poverty concerns in the policy dialogue at recipient country level.⁵ Danish

³ The recent *Guidelines for Sector Programme Support* (Danida, 1996b – see below) are very explicit on this aspect, however.

⁴ Currently, only one such assessment has been made: a study of the Nepal strategy which belongs to the first generation of Danida country strategies. Accordingly, the findings from the consultants' report deserve a quoting at length: 'A country strategy paper was prepared by Danida in 1993 identifying poverty alleviation, economic development and democratisation as programme objectives. The strategy paper has not had any significant operational impact on the programme, which has gradually evolved out of an initial assistance over the last two decades based on tied loans and grants. The poverty alleviation objective is at best only vaguely reflected in the development objectives of the individual interventions. The casual linkages between project activities and reduction of poverty are not specified in any of the project documentation. This has caused uncertainty in the country programme with respect to how the poverty alleviation effects are working and can be supported. Monitoring of impact and qualitative aspects is very weak. This is caused both by lack of baseline information and weak monitoring and evaluation systems' (Development Associates, 1995c: 118).

⁵ At the headquarters level initiatives were taken from 1986 at the World Bank, with the Nordic constituency asking the Bank to address the social impact of adjustment programmes (Bodelsen, 1989). These concerns were voiced in parallel analyses emerging from UNICEF studies aimed at promoting the 'adjustment with a human face' approach.

At recipient country level the efforts of the Danish aid programme in Bangladesh

attempts to influence the course of adjustment then appear to have taken place primarily during the implementation rather than the appraisal and design phases, although options have existed for such initiatives. Meetings of the respective Consultative Groups have often provided an occasion to raise adjustment-related issues (T&B Consult, 1994: 67ff).

In the period 1987–93 Danish balance-of-payments support was equivalent to approximately 7% of the bilateral aid budget, a smaller share than for most other like-minded countries.⁶ Thus, while Danida acknowledges that co-financing or parallel financing of World Bank adjustment operations can be viewed as an ‘admission ticket’ to a position in the policy dialogue on macroeconomic issues, this option was not used very often (T&B Consult, 1994: 8,70; Tarp and Kragh, 1996: 16).

While budget allocations remain low, Danish aid policies are currently more concerned with adjustment policies. Emphasis is put on the social aspects and impact of adjustment and on increasing local capacity and ensuring ownership during programme design and implementation (Danida, 1994a: 44ff; Nielson, 1995). Since 1992 Danida has participated more actively in the Special Programme of Assistance for Africa (SPA) managed by the World Bank. Efforts have focused on restructuring public expenditures, for example, in relation to World Bank-initiated public expenditure reviews. On the basis of a Danish initiative a sub-group of the SPA working group on poverty and social policy was set up in 1995 to establish a consensus among official donors on the guiding principles for donor approaches to poverty reduction.

The growing concern about more general policy measures was also reflected in the Danida poverty policy paper, which contains a list of issues to be included in the evaluation of ‘to what extent the [recipient] government has the political will and a sense of necessary ownership to implement policies and strategies aimed at reducing poverty’. These included: the existence of relevant policy statements; government willingness to take responsibility for policy and strategy formulation, and for poverty analysis and statistics; budget performance (including adherence to the 20/20 agreement);⁷ willingness to consult with civil society; willingness to implement

represents an important and interesting exception to this trend. Thus Danida supported local research on ‘the analysis of poverty trends’, and co-ordinated subsequent efforts among like-minded donors to raise poverty issues with the Bangladeshi authorities (COWI, 1996b: 9).

⁶ Five countries, Nicaragua, Uganda, Tanzania, Mozambique and Bangladesh, received more than 80% of Danish balance-of-payments support during this period.

⁷ An agreement to a mutual commitment between interested developed and developing country partners to allocate and average 20% of oda and 20% of the national budget respectively to basic social programmes (basic health and education, water supply,

legislation to promote the participation of the poor in development. The paper points to the necessity of distinguishing between 'lack of political will' and 'insufficient institutional capacity', and to the need to alleviate problems related to the latter aspect (Danida, 1996a: 29).

5.4 Conclusion

During the past decade Danish bilateral aid has maintained an allocation pattern which focuses on least developed and other low-income countries to a greater extent than the general DAC average (OECD, 1995b: Table 34). In recent years, however, the rising allocations to asylum seekers have tended to crowd out resources available for the poorest developing countries. Moreover, moving beyond the level of country allocation performance, very little emphasis has been given so far to explicitly assessing the relevance of the policy framework of recipient governments in the light of Danish poverty reduction objectives.

Within Danida the drafting of country strategy papers to provide a focus for bilateral assistance in the programme countries is still a recent phenomenon, and its potential is therefore still to be fully exploited. The novelty of this planning instrument further implies that very little can be said about the effectiveness of country strategies in terms of affecting intervention design and implementation modalities. Similar conclusions are reached concerning the uncertainty related to whether policy dialogue can provide Danida with an appropriate vehicle to cause recipient government priorities to become more poverty-focused.

Two observations can be made, however, on critical areas that may influence Danida's future poverty reduction efforts at the level of country programming and policy dialogue. First, the move to address more general poverty issues as outlined in the poverty policy paper may place heavy demands on capacity within the Ministry of Foreign Affairs, where both poverty-focused and more general experience with strategic planning and policy dialogue is limited and of recent origin. In addition, it is likely that the relative roles of Danida headquarters versus Danish embassies in the programme countries may have to be reconsidered in order to achieve a more effective division of labour, for example, by means of devolving competence on these issues to the embassy staff.

Secondly, the use of policy dialogue to promote poverty reduction will require a careful institutional mapping of relevant actors in the programme countries. While close working relations with key government authorities such as the Ministry of Finance will be vital, it is essential to move beyond such fora. This relates to the role

of various key government institutions in recipient countries (which may often have very different and not necessarily consistent commitments and approaches to poverty reduction) as well as various non-state actors such as NGOs and private enterprises. But it also concerns the role of other donors and the implications of different donor approaches to poverty reduction for the effectiveness of Danish aid.⁸

⁸ See the evaluation of the Danida country programme in Nepal: 'Seen from a poverty alleviation perspective, the policy dialogue tends to be somewhat narrow. ... The strongest dialogue impact is undoubtedly made through the current contacts with the departments responsible for implementation of the Danida supported projects. ... Much of the dialogue concerns technical and administrative implementation issues, and it is more difficult to find examples where the dialogue focuses on the poverty alleviation effects.' (Development Associates, 1995c: 65,67). Regarding donor collaboration the report argues that '(a)t the programme level there is little indication of donor co-operation strengthening the poverty alleviating aspects of the [Danida] programme (ibid.: 67).

6. Sectoral allocation patterns and policies

It is only very recently that Danish aid has begun to address aid interventions explicitly by means of their role as elements in a larger sectoral policy framework. Nevertheless, sectoral allocation patterns – the outcome of a range of individual project-related decisions – have received considerable attention in public debates during most of Danish aid history. It is only in the 1990s, however, that more regular information has been made available on this issue (in Danida's annual reports).¹ Thus, the role of sector-specific targets (for example, in relation to poverty reduction objectives), and the possibility of monitoring performance, are new phenomena.

During recent years the sectoral distribution of Denmark's bilateral aid has seen a decline in aid to 'productive sectors' and 'economic infrastructure', while 'social infrastructure' has increased its high share of total bilateral aid, as shown in Table 3. Health, water supply and sanitation, agriculture, transport, and education stand out as major sectors in the 1990s, each with a share of 7–10% on average and jointly accounting for 46% of bilateral assistance during 1990–5.

6.1 Recent allocation objectives

The declining allocations to the productive sectors in particular prompted the announcement in the 1994 aid strategy that increased shares would be allocated for productive sectors (especially agriculture, for which a target of 20% has been cited) and for economic infrastructure. According to the paper, Danish aid for social infrastructure should in future lie in the range of 30% of bilateral assistance, a relative reduction of approximately 15% compared with the 1990–95 average (Danida, 1994a: 22). In the 1996 poverty policy paper the attention paid to the productive sectors is reinforced. In addition to agriculture, there is emphasis on promoting the informal sector outside of agriculture as well as support for small- and medium-sized companies, and on the provision of economic infrastructure (Danida, 1996a: 12–17).

Danida has supported the 20/20 principle adopted at the World Summit on Social Development in 1995. The poverty policy paper identifies the future allocation of 20% of Danish aid to primary social services as one of the evaluation criteria for the fulfilment of the overall poverty reduction objective (*ibid*: 34). Neither Danida's

¹ In the past Danida sectoral reporting to the DAC (as reproduced in Table 3 for example) has not received much attention, either within Danida or among the aid policy community.

Table 3 Sectoral distribution of bilateral aid as percentage of total, 1985–95

	1985/6	1987/8	1990	1992	1994	1995
<i>Social infrastructure</i>	25.8	14.2	34.4	32.1	38.9	37.4
education	3.0	3.6	5.6	6.7	9.2	9.3
health	5.9	3.7	8.7	8.5	10.8	11.2
water & sanitation ^a	(16.6)	(6.9)	9.7	10.5	10.6	8.3
<i>Economic infrastructure</i>	27.1	19.8	22.4	15.6	16.4	18.3
transport	6.8	13.4	6.5	8.9	7.3	9.3
<i>Productive sectors</i>	32.7	26.8	26.5	18.7	14.9	15.3
agriculture & other primary products	16.1	19.2	16.5	8.8	9.8	8.1
<i>Multi-sector</i>	0.3	4.0	0.4	2.9	3.1	4.3
<i>Programme aid</i> (incl. debt relief)	...	10.6	0.0	6.8	4.3	5.9
<i>Asylum seekers</i>	7.9	15.7	11.0	9.3
<i>Unspecified</i>	14.2	24.7	8.1	8.2	11.4	9.5
<i>Total bilateral aid</i> (DKK m.)	2,610	2,875	3,416	4,040	4,544	4,309

Note: Data on sectoral allocations prior to 1990 are based on DAC Annual Reports since Danida reports included only project-specific information. Note that DAC sectoral data are commitment amounts, while data for the 1990s refer to disbursements. Thus, the data are not directly comparable between the two periods. Nevertheless, the table provides information on overall trends. DAC data have been adjusted to exclude the weight of administrative expenses in tables for sectoral allocation. 1985/6 and 1987/8 columns indicate average annual commitments for the two-year periods.

^a DAC reports for the 1985–9 period contain only general data for ‘other social and administrative infrastructure’ including water supply without identifying sub-sectoral trends.

Sources: Danida, *Annual Reports and DAC Annual reports.*

Annual Reports nor the poverty policy paper are very informative on this issue, however, as no data are provided on how Danida has performed so far in terms of the 20/20 concept. Furthermore, no suggestions have yet been made about the construction of future reporting systems in this respect. Data in Table 3 may support

a tentative conclusion that the share exceeds the World Summit's target, particularly so if one takes into consideration the percentages for health, and water and sanitation, and that support for the education sector has comprised only limited allocations for primary education.

A more cautious position appears to have been taken on the 20/20 proposal regarding the direct applicability of the concept to monitor the poverty reduction performance of donors and recipient governments. Such reservations have not been included in the poverty policy paper. In the light of the immediate positive response to the 20/20 concept on the part of the Danish public it might be important to qualify this notion further by means of raising concerns about the need also to consider issues such as the general availability of resources at the level of recipient countries. There are widely different capacities in terms of internal revenue generation across different countries and between different sectors and regions within individual countries. Furthermore, international official and private financial flows display significant diversity. Thus, a preconceived level of 20% of donor allocations for basic services may be inadequate in some countries, while being excessive in other circumstances.

In more general terms one could argue that the quest for quantifiable sector-based indicators may carry a risk of such budgetary perspectives supplanting other critical factors, including issues such as assessments of the consistency and relevance of the existing policy framework for basic service delivery, and analyses of institutional capacity to employ budgetary resources efficiently and in a manner conducive to poverty reduction. The poverty policy paper abounds with statements emphasising the need for this more qualitative approach, since preconceived allocation targets are not considered sufficiently pertinent.² Still, demands from senior management as well as from the aid policy community at large for uncomplicated measures to assess Danida's fulfilment of its poverty reduction objective may compromise more complex approaches.

6.2 Sector policies and poverty reduction objectives

Since 1992 a number of 'Danida Sector Policies' have been prepared covering the following sectors: energy, fisheries, health, forestry and agroforestry, the private

² See, for example, statements such as: 'In terms of sector distribution it cannot be determined in advance which sector concentration has the greatest effect on poverty reduction. Equally it is impossible to draw up objectives in advance for the correct distribution of development assistance between target-directed poverty relief efforts and the promotion of broad-based growth and the development of human resources. Sector distribution and distribution between target-directed and broad-based efforts must be based on an evaluation of the concrete situation in each recipient country' (Danida, 1996a: 34).

sector development programme, vocational education and training, water supply and sanitation, and agriculture. The individual papers differ considerably in their approach to poverty issues, and most of them contain no identification of the characteristics of poor population groups. Thus, while several papers may refer to poverty reduction as an overall objective there is most often no further exploration of how to meet this objective by means of specific sectoral policies or project interventions. In some areas, however, cross-subsidisation across income groups to the benefit of poor people is envisaged, although concern is often expressed about the potential trade-off between donor-financed subsidies and financial sustainability.

The general lack of poverty-specific concern seems to be a reflection of the absence until very recently of Danida corporate understanding of poverty, poverty reduction, and its implication for Danish aid policy (COWI, 1996f: 21ff). Probably in acknowledgement of the record so far, the poverty policy paper seeks to make good the deficiency by stating that 'from now on sector policies will lay particular emphasis on analysing the sector's importance to poverty reduction' (Danida, 1996a: 31).

A recent draft Danida policy paper on agriculture (Danida, 1996c) provides an interesting illustration of the current virtues and constraints related to approaching sectoral policies from a poverty reduction perspective. The paper puts poverty reduction as the primary objective for agricultural sector support and moves on to identify smallholder agriculture as the most important area of focus, with needs to be addressed both directly and indirectly. Obviously, this framework provides a relevant starting point for designing aid interventions in favour of the poor by means of sectoral programming as well as more specific interventions.

Two areas would appear to deserve more attention in the draft policy paper to make the poverty reduction focus more convincing.³ First, while the paper pays substantial attention to smallholders, it does not offer much in terms of differentiating this very broad category. Depending on the definition employed, smallholder agriculture may comprise 75% or more of the farming population in many Danida programme countries. Within the general smallholder category there will often be a need to identify in more detail subgroups of particular relevance as perceived from a poverty reduction perspective.⁴ Thus, 'poor producers' would appear to be a more precise and

³ The following points are based on Centre for Development Research (1996).

⁴ Lipton and Maxwell (1992: 3) argue that 'the "small farmer" model of the 1970s is decreasingly relevant as, where the incidence of poverty increases, it is principally among rural and urban employees'. Furthermore, in its emphasis on *small* rather than *poor* farmers the Danida paper resembles the approach adopted in the 1990 *World Development Report* (see Ravnborg and Sano, 1994: 30).

relevant concept. The role of women who are often excluded from holding land would also require special attention in this context. It is notable that the paper does not devote much attention to the position of the landless and land-poor as small agricultural producers and agricultural labourers.

Secondly, it appears from the paper that the main emphasis is put on support for pro-poor sector policies rather than targeted interventions in order to achieve the poverty reduction objective.⁵ Thus, the policy paper does not address in much detail the potential option to combine support for overall pro-poor policies with efforts to strengthen relevant government support services (such as extension and research) and support for specific sub-sectors of high relevance to poor smallholders. Finally, it should be added that the paper appears to argue for further commercialisation of agricultural development without making clear the poverty impact of this approach.

6.3 Sector programme support

The adoption of the 1994 aid strategy has implied a major reorientation of Danish bilateral assistance. Thus, the bulk of the Danida portfolio in the 20 programme countries will be in the form of a limited number of sector support programmes, typically 2–4 in each country. The sector programme support (SPS) concept aims at providing a longer framework for Danish assistance to national sector-based policies and programmes in recipient countries. It is argued that this will mean 'a significant shift of emphasis in Danida's strategy compared to the traditional way of defining projects, where the focus has been on results, paying less attention to institutional, organisational and financial management aspects (process aspects)' (Danida, 1996b: 12).

Three points are of particular importance in this context. First, compared with previous Danida guidelines for project preparation (Danida, 1992), the new SPS guidelines embody a much stronger emphasis on integrating concerns for poverty reduction. Thus, considerable attention is given to analysing relevant policies in a poverty reduction perspective and to ensuring the provision of gender-specific poverty indicators for programme monitoring and evaluation. In fact, the guidelines explicitly state that 'the main objective of the SPS strategy is to promote effective and sustainable reduction of poverty by emphasising national ownership of development efforts ...' (Danida, 1996b: 9).

⁵ Having presented a number of arguments against targeting, the paper states that 'instead of seeking refined targeting on the poorest agricultural households, Danida will emphasize that the recipient government follows a pro-poor macroeconomic and agricultural development strategy aiming at broadly based economic and social development' (Danida, 1996c: 15).

Secondly, the guidelines are of very recent origin (April 1996) and their practicability has therefore still to be tested. This relates to problems with lack of experience in such analysis within Danida and among the external resource base. It also concerns the more basic challenge of proceeding with a poverty-focused sector programme framework in situations where no national or sectoral policies in relation to poverty reduction have yet been formulated (COWI, 1996f: 38–9). Thirdly, in abandoning the familiar project concept, it may be that the balance between specific intervention results and broader process aspects has tipped to another extreme. Within a poverty reduction perspective it would still appear to be important to provide concrete evidence on achievements in terms of improving the livelihoods of poor people.⁶

Bearing in mind these reservations, it is therefore appropriate to consider previous Danida project-based experience with poverty reduction as discussed in the first part of this paper. There is a current tendency in the Ministry of Foreign Affairs to argue that the SPS approach constitutes a decisive break with the past, but it seems obvious that the past record of approaching poverty at the level of individual interventions is unlikely to disappear overnight. On the contrary, it may be important to pay explicit attention to how poverty has been approached hitherto within a project-based framework in order to be able more directly to assess the strengths and weaknesses of the SPS concept.

Moving from stand-alone projects to a set of activities combined in a sectoral programme also affects the monitoring and evaluation of poverty reduction objectives. It is hardly possible to monitor and evaluate sectoral programmes at the level of policies and programmes only. Such assessments will also have to address the implementation of specific activities, i.e. 'projects'.

6.4 Conclusion

The recent move towards sector programme support appears to be a significant initiative in the quest for more effective Danish aid efforts for poverty reduction. A number of important but unresolved issues remain, however. The introduction of the SPS concept is likely to require adjustments and revisions of existing sector policy papers, which have often been prepared with project-based interventions in mind (COWI, 1996f: 30). Furthermore, Danida's sectoral policies would benefit from explicitly debating the relationship to each of the three elements in its poverty

⁶ This may imply that future monitoring efforts will primarily address the potential poverty reduction impact of Danish aid interventions. In contrast, a more challenging and demanding – but also a more promising – approach would be to put the major emphasis on designing monitoring tools to assess more broadly the role of recipient institutions and policies in poverty reduction.

reduction strategy: broad-based growth, social sector development and participation/good governance. In addition, the Danida poverty policy paper is correct in arguing that the SPS framework will often imply complex trade-offs between targeted interventions in support of particular vulnerable groups, on the one hand, and the emphasis on long-term capacity-building at the level of central ministries, etc., on the other (Danida, 1996a: 26–7).

While the choice of programme countries has received considerable attention in Danish aid debates during the last 7–8 years, the selection of 2–4 priority sectors in each of the 20 programme countries has not been subject to the same degree of scrutiny. Accordingly, there has been less opportunity to test the rationale for the sectors actually selected, as perceived from a poverty reduction perspective. This is in contrast to the 1994 aid strategy which explicitly invites representatives from the Danish resource base to participate in discussions on draft country strategies when the choice of sectors is first presented. The reason for this is partly pragmatic: the sheer magnitude of the exercise (approximately 60 sector programmes, three in each programme country) and the related host of very specific interests at stake make it difficult to take the multitude of often very diverse interests into consideration. The explanation is also partly political, as public debates on the choice of sectors may serve to expose contrasting positions in the Danish aid policy community – disagreements that Danida may want to keep at a distance from specific decisions on future aid interventions.

The choice of sectors may also be significantly affected by the aid policy objective of securing the delivery of Danish supplies. Sub-sectors such as electrification, dairy production, telecommunications, and road construction may often open up opportunities for ‘hardware’ projects with a large share of equipment supplies from Denmark. Furthermore, such interventions are ‘fast-disbursing’ and are thus often seen as putting fewer demands on Danida staff as compared with ‘software’ projects in the social sectors (Development Associates, 1995c: 57,66f).

Finally, attention should be paid to the demands made on Danida’s organisational capacity in relation to the implementation of the SPS concept (see COWI, 1996a). While this approach obviously has many virtues in terms of addressing poverty concerns, more ‘bureaucratic aspects’ (such as designing new tools for appraisals, reviews and evaluations; acquainting Danida staff and the external resource base with the basic concepts; ensuring sufficient disbursements to achieve budget targets, etc.) may command considerable attention within Danida’s management as well as among technical specialists, staff in regional departments and at the embassies (COWI, 1996e: 24). Despite attempts to make the poverty reduction principle more explicit and operational, it is still somewhat loosely defined compared with the more pressing administrative demands stemming from the SPS concept (COWI, 1996b: 45).

7. Concluding perspectives: the effectiveness of Danish aid policies for poverty reduction

For approximately two decades the poverty orientation of Danish bilateral aid has implied a focus on least developed and low-income countries. This was combined with support for the provision of basic services, plus a certain emphasis on identifying deprived local areas in relation to district development programmes and integrated rural development projects. Since the mid-1970s reference has repeatedly been made to the basic poverty orientation of Danish aid policies, but it is only very recently that poverty reduction has been explicitly presented as *the fundamental principle* of the aid programme. The absence of clear policy statements and the failure to spell out the operational consequences of the poverty orientation for country programming and project design have implied less attention to poverty-relevant issues compared with other pressing concerns on the Danish aid agenda: women in development, tied aid, environmental concerns, support for Danish NGOs, etc.

In this respect the Danish experience parallels that of other 'like-minded' donors, although this would not imply that poverty issues have been absent from Danish aid debates and aid policy. Concerns about the poverty orientation of Danish aid have been expressed throughout the period under review here, but often at the level of rather general statements: on untied aid, support for least developed countries, focus on the social sectors, directing assistance to NGOs and local communities, etc. The poverty reduction objective was not translated into operational, agency-wide policies and procedures until very recently. Partly this reflects the complexity of the poverty issue as such; only limited efforts in Danida and among NGOs and researchers have been devoted to exploring poverty issues and the potential of Danish bilateral aid in reducing poverty. Partly it mirrors the carve-up of Danish bilateral aid into separate budgets for untied grants and the tied aid programme.

While the tied programme was, correctly, seen as primarily accommodating Danish business interests, untied project assistance came to be perceived as poverty-oriented *per se*. This unsound dichotomy appears to have blocked attempts at understanding under what conditions different forms of aid interventions might lead to poverty reduction. Prior to the changes being implemented since the late 1980s, investments financed by tied aid were probably the least poverty-oriented form of Danish bilateral aid. It could be argued that one important reason for not spelling out the poverty reduction objective at an earlier stage was the fear among key decision-makers in Danida that this might alienate support from Danish business interests.

The conspicuous absence of an explicit poverty focus in much of the untied portion of the aid programme has also had serious effects, however. These deficiencies have hampered lessons being drawn from previous Danida assistance to guide future efforts to reduce poverty by means of Danish aid interventions. Thus, as with poverty reduction seldom being spelled out, for example, as an immediate objective for policy papers and project interventions, it is extremely difficult to employ what often amounts to only anecdotal evidence in a systematic effort to assess the overall effectiveness of Danish aid for poverty reduction. Only rarely have poverty-relevant indicators been established from the outset of the interventions.

Still, despite the lack of clear data, it can be argued that, as perceived from within the contemporary approach of international donors to poverty reduction, Danish aid has been effective in reducing poverty. The focus of bilateral allocations on least developed and other low-income countries, and the emphasis in intersectoral allocations on the social sectors (education and health) and water supply, are important features of an aid programme aimed at poverty reduction. These characteristics of Danish bilateral aid have not happened by default; they are the result of individual and joint attempts by many actors inside and outside Danida to focus important elements of the aid programme on meeting the needs of poor people in developing countries.

On the other hand, to use the phrase 'by design' to describe Danida's poverty reduction profile in the 20 programme countries would be considerably stronger than can be warranted by actual experience up to the mid-1990s. The lack of a more explicit and operational focus for the acclaimed Danish 'poverty orientation' is likely to have implied important constraints on the efficient use of the often substantial resources devoted to the above-mentioned purposes.

It appears that only in a few cases has Danida attempted to combine interventions at various levels (linking project support with policy dialogue; combining country-based experience with efforts to influence multilateral agencies; selective use of technical assistance, etc.). The resulting picture is of a donor 'punching below its weight'¹ by not *combining* available resources and experience to address issues of strategic concern. Donor support for poverty reduction will often require simultaneous and complementary interventions at different levels and using various aid modalities. In effect Danish aid for poverty reduction displays both specific results at the level of individual interventions and 'missed opportunities' in terms of failing to address a number of institutional and structural constraints on poverty reduction.

¹ The phrase has been borrowed from IDS (1996) where it is employed to characterise certain aspects of the EU Commission's programme in Ethiopia.

7.1 The reach of recent initiatives

Throughout this paper it has been argued that the 1994 aid strategy, the policy paper on poverty reduction and the new guidelines for sector programme support all go a long way not only to making the poverty reduction objective more explicit, but also to stating its relation to other policy concerns. Furthermore, the emphasis on assessing the potential relevance and impact of the policy framework in the respective programme countries can lead to more substance, focus and direction in Danish aid for poverty reduction. Finally, the attention paid to providing individual interventions with poverty-focused, verifiable indicators will be important for future Danida monitoring and evaluation efforts.

During this process of refining and putting into operation previous glossy policy declarations on the poverty orientation of Danish aid, evaluation studies initiated by Danida have played an important role. Thus, the major study of poverty reduction in Danish development assistance was undertaken in the wake of public and internal Danida debates on this issue (see Development Associates, 1995a–d; COWI, 1996b–h). The choice of such a broad and thematic focus was in line with the general trend to increase the role of such studies compared with individual intervention assessments. Indeed, the study has been the most comprehensive Danida evaluation exercise so far. Compared with most other evaluation reports, it is more ‘forward-looking’, with a deliberate emphasis on suggesting new methods and modalities for enhancing the poverty reduction focus of Danish aid. As reported elsewhere in this paper, its recommendations include proposals for new monitoring approaches as well as considerations about achieving the optimal mix of different aid delivery mechanisms.

Still, recent initiatives will not alleviate overnight more systemic constraints affecting the effectiveness of Danish aid for poverty reduction. This paper therefore concludes by highlighting three critical areas with a potentially strong bearing on the envisaged implementation of the new policy framework.

Institutional constraints in Danida's organisation

Recent Danida-initiated evaluations on women in development and on the environment and development underscore the difficulties the Ministry faces in handling issues cutting across conventional sectoral definitions. These tend to put heavy demands on multi-disciplinary analysis in a setting dominated by ‘generalist’ staff (Cowi-consult and Development Associates, 1994; Rambøll and Water and Power Planners, 1996). Furthermore, the current approach to segregating ‘policy’ and ‘technical’ issues institutionally (between the Danida policy office and the Technical Advisory Service, respectively) means that country strategic issues and sector

programme specific concerns are separated. Obviously, such divisions of labour are implied in any bureaucratic organisation, but they may cause difficulties in identifying ministerial entities which are unambiguously charged with integrating the more general principles in Danish aid policy. In addition, rapid staff rotation may not help attempts to enhance corporate memory and experience in the poverty field (see Administrationsdepartementet, 1986; Bruszt et al., 1990; COWI, 1996a; Rambøll and Water and Power Planners, 1996: 30).

It seems to be a general feature that the Danish aid administration is characterised by a continuous balancing of aid *policy* issues against aid *operational* concerns, with primary attention often being attached to the former (Olsen and Udsholt, 1995). This tendency may be reinforced by the importance assigned to strategic planning (including country strategies) and the move towards sector programme support, a trend which also puts heavy strains on Danida capacity (COWI, 1996a). The introduction of new and demanding administrative procedures for aid management may create a skewed balance between project preparation and implementation, leaving little attention for the latter.²

Proper preparation is, of course, essential for successful poverty reduction interventions. It is important, however, to address explicitly the risk that during implementation the attention paid to complex and demanding poverty-related objectives may taper off, in the face of more urgent day-to-day administrative problems or as a result of attempts by powerful elites to siphon off project resources to their own benefit. Furthermore, it has been noted that, in the practical management of the aid programme, achieving already fixed disbursements targets may be perceived to conflict with having sufficient capacity to address the poverty reduction objective, which is itself more difficult to quantify (COWI, 1996: 23–24).

The recent nature of explicit poverty reduction policies, the complexities involved in dealing with poverty, and the continued pressure on Danida to take up new issues point to the need for further attention to poverty reduction policies.³ The poverty

² Cf. Development Associates (1994a: 90): 'It is a major finding of this evaluation that planning procedures have in recent years been strengthened to such an extent, that the balance of attention to planning vis-à-vis implementation has become inappropriate, and it is necessary to redress this imbalance'.

The evaluation of Danish aid for poverty reduction observes that 'it is easier to change and adjust policies in aid agencies than to change and adjust programming procedures and capacities of the agency to match the new policies. Aid delivery systems, large systems in particular, tend to do whatever the capacity of the systems are geared to in spite of policy changes, which take place at other levels of the organisation' (COWI, 1996f: 41).

³ As argued by the 1996 evaluation: 'A clearer understanding of the poverty-reduction potential across the different dimensions of the country programme would enable Danida to

policy paper identifies, among other things, the need for further training efforts aimed at both Danida staff and the external resource base (Danida, 1996a: 31). In addition, a more precise location of institutional responsibility for poverty reduction efforts may need to be considered.⁴ This could possibly entail an existing organisational unit being charged with this mandate or it might involve establishing a specific poverty unit within the South Group.

Finally, modalities for monitoring performance on the poverty reduction objective take up an important part of the 1996 evaluation report. It is argued that the present monitoring system is geared largely towards disbursement management. Thus it is not suitable as a basis for management assessments of how policy concerns such as poverty reduction are optimised, either in individual interventions, or at the level of country programmes, or in relation to Danida's global programme (COWI, 1996f: 42). Enhancing monitoring capacity in relation to the aid programme may require a difficult balancing act, however. On the one hand, it involves refining and professionalising such tools and methods at the level of the Danida organisation, and on the other hand working to integrate such devices in relation to Danida partners in the programme countries, with the ultimate aim of enhancing monitoring capacity among recipient institutions.

Rooting poverty reduction efforts in recipient strategies

The renewed focus on poverty reduction in Danida policies and among other donors comes at a time when the current donor vocabulary abounds with references to the concept of 'recipient ownership'. This issue is addressed in the poverty policy paper by pointing to sector programme support as a particular feature that will bring ownership concerns to the fore (Danida 1996a: 25). Nevertheless, only limited importance has so far been attached to assessing explicitly the relevance of the recipient government's policy framework in the light of Danish poverty reduction objectives.

The poverty policy paper is therefore right to reinforce the important role of policy dialogue. In the Danida vocabulary this 'aid modality' has hitherto been related primarily to the general policy framework, but it is important to move beyond this level to include a larger group of actors on the basis of careful institutional mapping

achieve an appropriate match between the programme requirements and the capacity of the aid delivery system' (COWI, 1996b: 51).

⁴ Commenting on the 1996 evaluation report on poverty reduction, Danida insists that a 'mainstream approach' to poverty reduction implies 'that regional departments/embassies remain responsible for practical implementation at country level' (Danida, 1996d: 6).

in the programme countries. Such efforts are bound to put severe strains on Danida's capacity. Furthermore, in all but one (Bhutan) of the 20 programme countries Danish development assistance makes up less than 10% of total aid inflows. Policy dialogue must therefore be conducted in concert with parallel efforts by other donors at the macro as well as the sectoral levels. Danish impact in the process of policy dialogue will often require focused efforts which emerge from experience in managing individual country portfolios.

Such efforts also relate to a careful assessment of the national action plans for poverty reduction currently being drafted in a number of Danida programme countries. While the preparation of such a poverty-focused policy framework is clearly a major advance, the limited capacity in the programme countries for formulating and implementing poverty reduction activities stands out as a major constraint in need of attention (see COWI, 1996b: 49). One should therefore be careful not to identify the mere existence of such an overall planning framework for poverty reduction as evidence of the existence of government commitment and capacity.

Rooting Danida poverty reduction efforts in recipient policies and institutions also means choosing appropriate levels of intervention. The poverty policy paper correctly argues for a mixture of efforts at the macro level and complementary efforts aimed at more focused interventions. It is emphasised that the SPS framework will often involve a trade-off between interventions targeting vulnerable groups and long-term government capacity-building.

It is argued that the specific balancing of general measures against targeted interventions is not easily resolved and needs explicit attention at the level of country and sector strategies. Nevertheless, the move towards sector programme support may serve to reinforce the inherent emphasis on policy and macro-related efforts embodied in the poverty policy paper. A decisive issue concerns the extent to which future sector support programmes (and sub-components within them) are designed on the basis of achieving a high degree of 'poverty incidence', i.e. ensuring that policy, institutional and investment support is directed towards areas with strong potential for making a positive impact on poor people's livelihoods.

Individually targeted interventions may also be of significance in relation to pilot projects testing new approaches to poverty reduction. In addition, in a number of individual sector programmes and with regard to particular geographical regions, targeting will be necessary to reduce the risk that vested interests may block efforts to support and empower poor and vulnerable groups.

While advocating a more systematic approach to targeting – and in view of the capacity constraints in Danida – the evaluation study of Danish aid for poverty reduction proposes that targeting in general be made dependent on an assessment of

the macro-policy framework. Thus, in 'countries where governments show strong commitment to pro-poor macro-policies and where donors have confidence in the quality of the management of public resources', Danida may increase the proportion of policy- and performance-based programme assistance. On the other hand, in programme countries where the above is '*less evident*', Danish aid may be targeted more directly to assist poor regions or poor sections of the population (COWI, 1996b: 48).

There are obvious important variations among the group of 20 Danish programme countries with regard to the status of poverty concerns in the national policy framework. Still, it is a moot point whether this general approach is appropriate to ensure a sufficient poverty reduction focus for Danish aid. One might question the feasibility of carrying out such an assessment at the level of macro policies. Furthermore, even assuming that this could be done satisfactorily, one cannot expect a clear and smooth correspondence between such pro-poor policies at the macro level and the situation at the level of individual sectoral policies and the related institutions. On the contrary, such institutions will often display a significant momentum of their own rather than merely reflecting trends at the macro-policy level. This issue is particularly decisive, as most of Danida's future bilateral assistance will be directed towards such meso-level interventions.

Poverty reduction and the Danish aid policy community

In Denmark recent poverty-related policy initiatives have mirrored similar efforts within the international donor community. Whether these measures can be seen as a general return to 'humane internationalism' for Danish aid is highly doubtful, however. The scope for promoting such an approach in the international arena is radically different in the 1990s as compared with the 1970s. The multilateral institutional framework has changed significantly and – more importantly – so has the global framework with its emphasis on a liberalised trade regime and the enormous expansion of global financial flows.

On the domestic scene, however, values relating to maintaining and developing the welfare society still serve as an important ideological underpinning for the aid programme. With the arrival of a new Social Democratic-led government coalition in 1993, it is probable that this factor may even have increased its significance in recent years. Combined with favourable international trends, this situation proved to be supportive of efforts among the aid policy community to make Danida prepare a more elaborate poverty reduction policy than was contained in the 1994 aid strategy. The course of future interaction between Danida and the aid policy community with regard to poverty reduction policies will depend on several different, though interrelated, aspects.

The future course of Danida's poverty reduction policies may be affected by certain current trends in international aid. Thus, the poverty policy paper argues that in implementing the poverty reduction objective two conflicting tendencies will be manifested (Danida 1996a: 27). In recent years one has witnessed the emergence of strong demands in donor countries to demonstrate the results and outcomes of aid-supported interventions. On the other hand, substantial experience points to the long-term nature of assistance aimed at addressing poverty reduction, especially with regard to capacity-building at local and central levels. The current move to sector programme support will further reinforce this development.

Clearly, this dilemma is not easily resolved. It is bound to lead to demands for increased monitoring and evaluation efforts to substantiate Danida's claim that the poverty reduction objective is being met in Danish bilateral assistance. Danida has recently initiated efforts in this field as reflected in its guidelines for sector programme support as well as in the fact that two major Danida evaluations have recently been designed to address such issues (see Development Associates, 1994b, 1995a-d; COWI, 1996b-h).

General Danida policy statements imply that the poverty reduction objective encompasses the full aid programme, including multilateral contributions, support for Danish NGOs, the private sector programme and support for mixed credits. In practice, however, primary attention is attached to the Danida portfolio proper in the 20 programme countries, as also reflected in this paper. It is to be expected that Danish NGOs will maintain their emphasis on poverty reduction as the overarching Danida objective with an emphasis on the social sectors and low-income countries. Likewise, support for modern sector investments will be advanced by Danish business interests as the preferred approach to poverty reduction. Concern may also be expressed that Denmark is not sufficiently involved with what is perceived to be a more dynamic development in middle-income countries. It remains to be seen whether actors in the aid policy community will take up debates on the general policy environment and its conduciveness to poverty reduction with respect to individual countries or sectors.

External actors putting demands on Danida with regard to poverty reduction policies for bilateral aid are only one element in the interaction between the Ministry of Foreign Affairs and the aid policy community. Thus, Danida might also demand that Danish NGOs and private enterprises should tackle such concerns if they are to receive support from the bilateral aid budget. However, neither Danida's NGO strategy, nor the various policy documents related to private sector development have so far dealt in any substantive manner with how NGOs or Danish companies can contribute to poverty reduction.

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