

# BELGIUM

## 1) QUANTITY OF AID

### 1.1. Current/Recent Quantity Performance:

Net ODA US\$m	2381
% of GNI	0.47%

Source: OECD/DAC, preliminary 2008 data.

Since 2001, Belgian ODA has increased in absolute amount (up from US\$867m) and relative to GNI (up from 0.37%). It should be noted that 24% of Belgian aid in 2004 was accounted for by debt relief - debt deals made from 2003-05, especially for the DRC, have inflated Belgian ODA figures for 2004-07.

### 1.2. Future Quantity Intent

Belgium has committed to giving 0.7% of GNI as ODA by 2010, and this has been written into law since 2002. The DAC estimates that, should Belgium meet its commitments, US\$3361m will be disbursed in 2010 (DAC, 2009). A growth framework has been drawn up to ensure compliance with Belgium's 0.7% commitment. However, because of the contribution that debt forgiveness operations made to the recent increase in ODA figures (accounting for as much as 40 % of ODA in 2003), other types of aid will need to rise rapidly in future years to enable Belgium to meet its commitments.

## 2) KEY AGENCIES/MECHANISMS

### 2.1 Agencies and Structures

The federal government is responsible for 95% of Belgian development co-operation. The two main federal agencies are Foreign Affairs, Foreign Trade & Development Cooperation and Finance (DGDC, 2006). There have been discussions of devolving more responsibility to regional Flemish and Walloon agencies. Although this process is currently on hold, in certain recipient countries, regional agencies have their own representation (see also section 5.5).

*Directorate-General for Development Co-operation (DGDC):* DGDC is part of the Federal Public Service for Foreign Affairs, Foreign Trade and Development Co-operation (FPSFA). DGDC has overall responsibility for aid policy and coordination and directly or indirectly manages 60% of ODA.

*Belgian Technical Co-operation (BTC):* BTC is the DGDC's sole partner for the implementation of direct bilateral aid. BTC can also carry out projects for third parties e.g. multilateral agencies.

*The Belgian Investment Corporation for Developing Countries (BIO):* BIO provides long-term financing under market conditions to 43 local micro, small and medium-sized enterprises in 19 countries. Its activities are regarded as indirect aid.

## 2.2 Key Policies and Documents

*The Law on International Cooperation of 25 May 1999* (Loi relative à la Coopération internationale belge de 25 Mai 1999)

This sets the legislative basis for Belgian aid. It gives the goal of Belgian aid as sustainable human development, achieved through poverty reduction, on the basis of partnership. The law states that strategy papers must be drawn up for each partner country involved in direct bilateral cooperation. It also establishes the principle of geographical and sectoral concentration of aid (see below).

*2004 Political Note – Policy Outline for the Development Cooperation Department (DGDC, 2004)*

This paper establishes the Millennium Development Goals as central to Belgium's development policy and sets out two strategic priorities for development co-operation: streamlined procedures for greater effectiveness; and greater continuity and coherence between different aspects of Belgian policy (e.g. aid and trade).

*Plan for the Harmonisation and Alignment of Aid (DGDC, 2007a)*

In June of 2007, the Belgian Government produced an implementation plan to improve the quality of its aid through the 5-pillar framework of the Paris Declaration. The most important changes in policy that are suggested are taken up in the relevant sub-sections of sections 4 and 5 below. They include long-term programming, donor specialization by sector, encouraging recipient country implementation of programmes, and improving predictability.

The DGDC has recently adopted a results-based approach whereby projects and programmes are evaluated based on their tangible impacts and compatibility with the Millennium Development Goals.

## 3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

### 3.1. Recipient Countries

Top ten countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Congo, Dem. Rep.	9.6%	14.0%	192
Nigeria	8.5%	12.4%	170
Iraq	6.2%	9.0%	124
Cameroon	2.1%	3.1%	42
Rwanda	1.6%	2.3%	32
Burundi	1.4%	2.0%	28
South Africa	1.1%	1.5%	21
Senegal	1.0%	1.5%	20
Ecuador	1.0%	1.5%	20
Viet Nam	1.0%	1.4%	19

Source: OECD/DAC, 2005-2006 data.

The top ten recipients listed above received 48.7% of bilateral ODA in 2005-06.

Distribution among different groups of recipients (% country allocated / region specified bilateral ODA disbursements):

Least Developed Countries	41.0%
Other Low Income Countries	27.2%
Sub-Saharan Africa	64.7%

Source: OECD/DAC, 2005-2006 data.

Belgium's largest regional foreign aid recipient is Sub-Saharan Africa. However, it does maintain significant programmes in North African and Latin American middle-income countries.

### 3.2. Allocation Criteria

#### 3.2.1. *Pre-selection criteria*

The 1999 law on international co-operation limited the number of partner countries for direct bilateral co-operation to 25, subsequently reduced by royal order to 18. The 18 partner countries (for a list see [http://www.dgdc.be/en/partner\\_countries/index.html](http://www.dgdc.be/en/partner_countries/index.html)) were selected on the basis of criteria contained in the law, taking the following principles into account: i) absolute priority to Central Africa; ii) evaluation of co-operation over the last five years; iii) Belgium's contribution to aid actions in the country; iv) the quality of existing projects in each country; v) the quality of the political dialogue with each country. Of those countries which were cut from the list, those which had projects in progress were guaranteed that they would be completed and then transferred to local partners for continued maintenance.

However it is important to note that the restriction to these 18 countries concerns only direct bilateral aid; it does not apply to special programmes (including humanitarian aid), nor does it apply to indirect aid, to government loans, to BIO equity interests, or to projects carried out by the regions, communities and local authorities. This means that Belgium gives aid in a much wider range of countries than this concentration policy might imply.

#### 3.2.2. *Allocation criteria*

No formal criteria are given for allocation within priority countries.

## 4) AID POLICIES

### 4.1. Concessionalality

Belgium provides almost entirely grants to low-income countries. The exceptions are a *Local Currency Fund* of the BIO which provides commercial financing to enterprises (equity stakes and local currency loans), and an SME support fund which provides loans on highly concessional terms.

Grant element of total ODA commitments (excluding debt reorganisation)	99.5%
Grant element of bilateral ODA to LDCs	99.9%

Source: OECD/DAC, 2005-2006 data.

## Terms of ODA bilateral loan commitments

Grant element	72.9%
Average maturity	29.3 years
Average grace period	10.3 years
Average interest rate	1.2%

Source: OECD/DAC, 2006 data.

**4.2. Types of Assistance**

Breakdown of different types of ODA (disbursements):

	US\$m	% of gross bilateral ODA disbursements
Stand-alone technical cooperation (disbursements)	580	40.6%
General budget support	29	2.0%
Sectoral projects and programmes (including some technical cooperation)	159	11.1%
Action related to debt	401	28.1%
Developmental food aid	-	-
Other commodity assistance	-	-
Emergency and distress (disbursements)	58	4.1%

Source: OECD/DAC and DGDC, 2006 data.

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

Belgian aid is predominantly in the form of projects and technical cooperation but Belgium has since 2005 taken steps to develop a programme approach to aid. It has launched a 3-year pilot phase during which between 15 and 20% of bilateral aid is scheduled to be granted in the form of budget support (whether overall or sectoral), with Mozambique as a test country. Spending on budget support increased from 7m Euro in 2005 to 18m Euro in 2006, with smaller co-financing programs in Burundi and Tanzania.

Belgium does not want to give up the project mode however: *'In order to avoid that budget support loses contact with reality, a portfolio approach – made of a balanced mix of cooperation tools – is useful'* (DGDC, 2007a, p16).

Best practice (i.e. most program support) can be found in Burundi, Cameroon and Mali (HIPC-CBP survey). According to Paris indicator 9, most program support can be found in Cambodia (100%), Uganda (78%) and Tanzania (52%).

Technical Co-operation is aligned with partner countries' priorities (Paris indicator 4) in Cambodia, Niger and Peru. The Belgian cooperation is committed to reorient its TC towards supporting in a *harmonized way the national strategies for 'capacity development'* (DGDC, 2007a, p8), without specifying targets however.

**4.3. Channels of Assistance**

Belgian bilateral ODA is delivered via two channels: i) direct co-operation which is made up of the different forms of aid managed by the federal government (e.g. BTC, see below); ii) indirect co-operation, which consists of programmes co-financed by the DGDC, but prepared and implemented by other parties (recognized NGOs,

Belgian universities and scientific establishments etc). Indirect cooperation accounts for around a third of Belgian aid (excluding debt relief), and this system means that there are a very large number of implementing agencies for Belgian aid. DGDC only implements directly (via BTC) around a third of its aid.

Belgium allocates around 31% of its net ODA via multilateral organisations, of which 63% goes to the EC, 8% to UN agencies and 17% to the World Bank (Source : OECD/DAC, 2006 data).

The share of total ODA which was channelled to or through NGOs was on average 11.8% in 2005-06. As a member of the EU, Belgium signed up to commitments in Paris in 2005 to channel 50% of government-to-government assistance through country systems.

A lot of Belgian ODA still by-passes national accounting structures. However, this is least the case in Ethiopia and Mali (HIPC-CBP survey), where most Belgian aid is recorded on-budget, as reflected in those two countries giving the Belgian cooperation top scores for that indicator.

#### 4.4. Sectors and Projects

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	39.0%
Of which: Education	11.0%
Health	6.7%
Population	1.7%
Water supply and sanitation	4.0%
Government and civil society	10.4%
Economic Infrastructure	5.9%
Of which: Transport and communications	2.1%
Energy	0.2%
Production	5.5%
Of which: Agriculture	4.5%
Industry, mining, construction	0.9%
Trade and tourism	0.2%
Multi-sector	3.1%
Programme Assistance	0.6%
Action relating to debt	29.8%
Emergency aid	6.2%
Administrative expenses	3.9%
Unspecified	6.8%

Source : OECD/DAC, 2006 data.

The 1999 law identifies five priority sectors for Belgian aid:

- i) basic (including reproductive) health care;
- ii) education and training;
- iii) agriculture and food security;
- iv) basic infrastructure; and
- v) conflict prevention and the consolidation of society (including human dignity and fundamental rights and liberties).

The law also outlines three cross-cutting themes: gender, the environment and a socially inclusive economy. Activities in each sector and theme are based on strategy documents prepared in Brussels and updated every four years.

In principle, direct bilateral cooperation falls in line with the concerns of the PRSP. By financing actions listed in the PRSP, Belgian cooperation interventions are consistent with national and sector-based objectives, strategies and plans. However, the DAC notes that a ‘focus on the five concentration themes of Belgian co-operation without taking sufficient account of national priorities or of the need to build the partner’s capacity to define and implement its own anti-poverty strategies’ (DAC, 2005, p63). There is a willingness to address this through limiting active engagement to two (sub) sectors in partner countries, and entering into silent partnerships for other sectors. The only exception to this is where ‘Belgium belongs to the group of major bilateral donors’ (DGDC, 2007a, p5). This is basically the Region of the Great Lakes in Central Africa, encompassing Belgium’s former colonies Rwanda, Burundi and DRC.

The degree to which Belgian aid is aligned to the partner country’s PRSP is varied, with top scores given only in Mali and Rwanda (HIPC-CBP survey).

#### **4.5. Flexibility**

Until recently Belgian aid has had no components budget or balance of payments gap-filling or related contingency allowances – but the new focus on budget support could change this. As a result it is not very flexible in financing against economic shocks. Nor does it change priorities in line with changing recipient government priorities – because priorities are generally defined centrally. This is very much borne out by the very low scores on the flexibility indicator of the HIPC-CBP survey, with best practice found in Ethiopia, which considers between 20 and 30% of Belgian aid to be flexible to fill possible budgetary gaps, which is just below the top score for this indicator.

#### **4.6. Predictability**

Aid funds are approved annually, so no formal multi-year commitments are made. Hence it is unclear how the recommendation of DGDC (2007a, p14) to have long-term perspectives of 5 to 10 years will be operationalized. In the operational guidelines for budget support agreements, there is only a 3-year timeframe suggested to be linked with the indicative cooperation programme (ICP) cycle.

Regarding projects, if there are any changes to the disbursement schedule laid out in the project documentation, it should be brought to the attention of the authorities ‘*during the first week of November of year N-1*’ (DGDC, 2007a, p14). HIPC-CBP indicators pick up on the changes that are currently being made in the Belgian aid agencies, with high variability and top scores on predictability given by Mali, Rwanda and Senegal. Paris indicator 7 finds that the highest percentage of scheduled ODA recorded by Government is in Mozambique (93%), Niger (93%) and Cambodia (81%).

#### **4.7. Conditionality**

Due to its lack of programme support, Belgium has not insisted on macro-economic or sectoral conditionalities. However, in negotiating the ICPs every three years, it is

very sensitive to questions of human rights and good governance. Belgium also defines the following 4 conditions before it will consider budget support (eligibility criteria): (i) overall CPIA score of minimum 2.5, (ii) IMF programme on-track, (iii) multi-donor setting (EC needs to be present as a budget support donor, plus at least one other bilateral donor), (iv) quality dialogue between donors and recipient country. These are assessed only once every three years – according to the cycle (see DGOS, 2005b, p13). On top of these, the decision whether a country will really get Budget Support from Belgium and the exact modalities (General or Sectoral) will also depend on the quality of the PFM system and the quality of the PRSP/sector for which budget support is considered (see DGOS, 2005a). There is no formal distinction between fixed and variable tranches, with guidelines vaguely referring to a possible 20% difference between commitment and disbursement – only in one (lower) direction (DGOS, 2005b, p14).

Best practice on conditionality issues (not being too harsh on enforcement and not causing major delays) are to be found in Rwanda, Senegal and Ethiopia (HIPC-CBP survey).

#### **4.8. Policy Dialogue**

In general, ICPs are not linked in any way to the level of cooperation with the IMF or World Bank. In the few countries where it is involved in sector and general budget support however, Belgium does defer to IMF macro conditionality. It further plans to delegate its General Budget Support to the EC (DGDC, 2007a, p16). However, in some (Central African) countries Belgium plays a much more important role in the policy dialogue, focusing on governance and human rights. Belgium is seen as being very active in the policy dialogue in Ethiopia, Mali (top score), Rwanda and Senegal, whilst Burundi gives Belgium the top score regarding decisions related on disbursing independently from the BWIs (HIPC-CBP survey).

### **5) AID PROCEDURES**

#### **5.1 Conditions Precedent**

Under the 1999 law, Belgium draws up country strategy papers (indicative cooperation programmes) for each of the 18 countries where it has direct bilateral programmes. These are agreed at joint commission meetings every three years, but the DAC judges that ‘this institutional mechanism is cumbersome and ill-suited to partnerships that give priority to ownership and alignment’ (DAC, 2005, p63). There are some indications that the Belgian cooperation is willing to change this practice. DGDC (2007a, p7) intends to approve the 3-yearly Indicative Cooperation Programmes (ICPs) according to the partner country’s PRS cycle, and align with the EC-programming-cycle, ‘*in so far as it corresponds with the PRS cycle in the partner country*’. It is not clear which would take precedence if the EC’s cycle is not aligned with the partner country’s PRS cycle.

After completing a formal ICP agreement with the recipient country, the DGCD conducts a project appraisal or a formal feasibility study (if this has not been done by the recipient or another donor). The feasibility study evaluates whether or not the project has a clear economic and social impact, is viable technically and financially,

has an efficient execution procedure, and respects gender equality and environmental protection.

For sectoral basket financing, Belgium insists on detailed sectoral strategic plans, a clear public spending strategy including an MTEF integrated into the budget, and transparent precisely-defined mechanisms for budget monitoring and control.

All projects have separate commercial bank accounts, and Belgium often demands that the government provide the project implementation office as an in-kind contribution. In general, there is no demand for counterpart funding however (see HIPC-CBP indicator for example). On the other 'conditions precedent' indicators of the HIPC-CBP, best practice can be found in Senegal and Mozambique (which are given top scores).

Belgium still has a lot of Project Implementation Units (PIUs) in partner countries. However, best practice according to Paris indicator 6 is to be found in Afghanistan, Benin, Burundi, Colombia, Mozambique, Peru, Senegal and Tanzania which have no Belgian PIUs. The European Development Consensus commits the EC and member states to avoid the establishment of new PIUs. However DGDC (2007a, p12) states that PIUs should be possible when either the recipient Government asks for one or when it is clear *'they will not weaken national institutions'*.

## 5.2 Disbursement Methods

The project manager submits a letter co-signed by the Ministry of Finance and BTC which then refers this application to the Bank. When the project receives a first disbursement, it must justify all expenses incurred under this disbursement before benefiting from a second disbursement. Apart from the bank account opened in the country, the programme/project has a cash-call account through which disbursements are made following a quarterly financing plan corresponding to project needs.

Budget support guidelines foresee 2 disbursements per annum (DGOS, 2005b).

Best practice (=top scores) on disbursement methods can be found in Burundi and Ethiopia, delays are being kept to the minimum, with top scores given by Burundi, Ghana and Sierra Leone (HIPC-CBP survey).

## 5.3 Disbursement Procedures

Information on Belgian disbursement procedures is currently being assembled.

For a detailed description of the preparations involved for Belgian budget support, see DGOS (2005b).

Best practice on the number of disbursement procedures can be found in Burundi (one below top score) according to the HIPC-CBP survey. Paris indicator 5a indicates the partner countries where most use was made of the Public Financial Management system by Belgian aid agencies were Uganda (100%), Ethiopia (93%) and Morocco (87%).

## 5.4 Procurement Procedures

According to 2006 OECD/DAC figures, 9.3% of Belgium's bilateral commitments were tied (this excludes TA), while it untied all aid to LDCs in 2002. In recent years Belgium has been expanding programmes which subsidise Belgian companies to trade with developing countries on favourable terms, but it is not clear how this is recorded

in DAC tying data. All companies executing projects must include a local expert from the recipient country.

Interestingly, Belgium scores much better in using partner countries' procurement systems (Paris indicator 5a) than its general PFM system (as measured by budget execution, financial reporting and auditing systems – Paris indicator 5a). According to the 2008 Paris Survey, averages are 20% for PFM alignment, and 45% for procurement alignment. Belgium considers itself also as having comparative advantage in investing in the reinforcement of national procurement systems rather than PFM systems (DGDC, 2007a, p11).

According to recipient countries (HIPC-CBP survey), best practice in Belgium procuring with the least delays possible can be found in Ethiopia and Sierra Leone, which give the Belgian cooperation top scores on this indicator.

### 5.5 Coordination

Belgium is committed to the Paris Declaration on aid effectiveness, and has been developing a strategy to improve coordination with other donors (DGDC, 2007a). As a member of the EU, Belgium committed in 2005 to reduce uncoordinated missions by 50%. Policy documents show a great willingness for delivering better quality aid DGOS (2005a) and (2005b) or DGDC (2007a; 2007b), even though there are very few targets in these documents (beyond Paris), i.e. operationally it is not always clear how progress will be made. There is overall great appetite to harmonise aid with EC procedures, and willingness to be a silent partner. E.g. Belgian *'assessments of the partner country's anti-poverty policies, (...) institutional capacity as well as of (...) other donors co-operation strategy are made on the basis of the 'EC-common framework for Country Strategy Papers'* (DGDC, 2007a, p17).

Joint missions (Paris indicator 10a) are still the exception rather than the rule, and the highest scores are found in Mali (67%) and Rwanda (50%). All analytical work undertaken (indicator 10b) is done jointly with other donors in Burkina Faso, Benin and Cameroon. Best practice on alignment with Government financial systems can, according to the HIPC-CBP survey, be found in Senegal and Mali (just below top score).

In-country coordination has been assisted by greater decentralisation to Belgian Embassies since 2000, with new development co-operation attachés given an increasingly central role in drawing up and monitoring co-operation programmes. In financial and decision-taking terms, however, decentralisation is very limited. Finance Inspectorate approval in Brussels is needed for any expense in excess of EUR 67 000, and decisions about projects are taken centrally by DGDC project review committees. In-country co-ordination has probably also suffered from the presence of Flemish (e.g. Mozambique) and Walloon (e.g. in Morocco) representation, which makes dealing with Belgian aid agencies confusing for partner countries, even though the number of such representations and the resources they represent have until now been quite small. Further, one of the exigencies of the budget support guidelines (DGOS, 2005b) is that donor staff has to prepare a report for HQ every 2 months, which will almost by definition involve meetings with partner country officials.

**Key Sources** (*all internet sources were accessed in October 2008*)

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