



Iceland's Policy on Development Co-operation 2005 - 2009



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Preface



It is now approximately 35 years since the Government of Iceland began to provide development assistance to poor countries. During the first decade, the assistance was limited in scope and projects were undertaken in co-operation with the bilateral development agencies of the other Nordic countries. The founding of the Icelandic International Development Agency (ICEIDA) in 1981 was a milestone in this work, and since then Icelandic official development assistance has been growing and evolving. Another important milestone was passed with the establishment of the Icelandic Crisis Response Unit, when peace building and post-conflict reconstruction became an integral part of the Icelandic contribution to international development co-operation. In addition, the Government of Iceland has taken on increased responsibilities within international development organisations in recent years, including the United Nations and the World Bank Group.

When the current government took office in 1995, Iceland's official development assistance (ODA) amounted to approximately ISK 490 million. Now, ten years later, it amounts to approximately ISK 2,000 million. Measured as ratio of ODA to Gross Domestic Product (GDP), this represents an increase from 0.11% to 0.21%. The target set by the Government is for Iceland's ODA to reach 0.35% of GDP by 2009.

Clearly, assistance to developing countries has become a prominent aspect of Icelandic foreign policy. But the resolve of the Government to contribute more to the international fight against poverty brings with it increased responsibility, both to Icelandic taxpayers and to the recipients. The principal criterion of development assistance is that resources allocated to development projects must be used in a sound manner and the best ways have to be sought to ensure that the assistance is both efficient and effective.

The purpose of this document is to give an overview of Icelandic development co-operation and present the points of focus of the Government until the year 2009. The document covers bilateral assistance, participation in multilateral development co-operation, emergency relief and Iceland's involvement in peace building. It lays down the actions which will mark the road forward in the implementation of Iceland's development co-operation and which will be used as benchmarks for the Government to assess the progress and results of this important work.

A handwritten signature in blue ink, appearing to read 'Davíð Oddsson'.

Davíð Oddsson
Minister for Foreign Affairs

Abbreviations

DAC	Development Assistance Committee of the OECD
FAO	Food and Agriculture Organization of the United Nations
HIPC	Heavily Indebted Poor Countries Initiative
ICEIDA	Icelandic International Development Agency
IBDP	Icelandic Business Development Program
IDA	International Development Association
JPO	Junior Professional Officer
NDF	Nordic Development Fund
NGO	Non-governmental Organisation
ODA	Official Development Assistance
OBS	Overseas Business Service
OECD	Organization for Economic Co-operation and Development
OSCE	Organisation for Security and Co-operation in Europe
PRS	Poverty Reduction Strategy
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
WFP	World Food Program
WTO	World Trade Organization

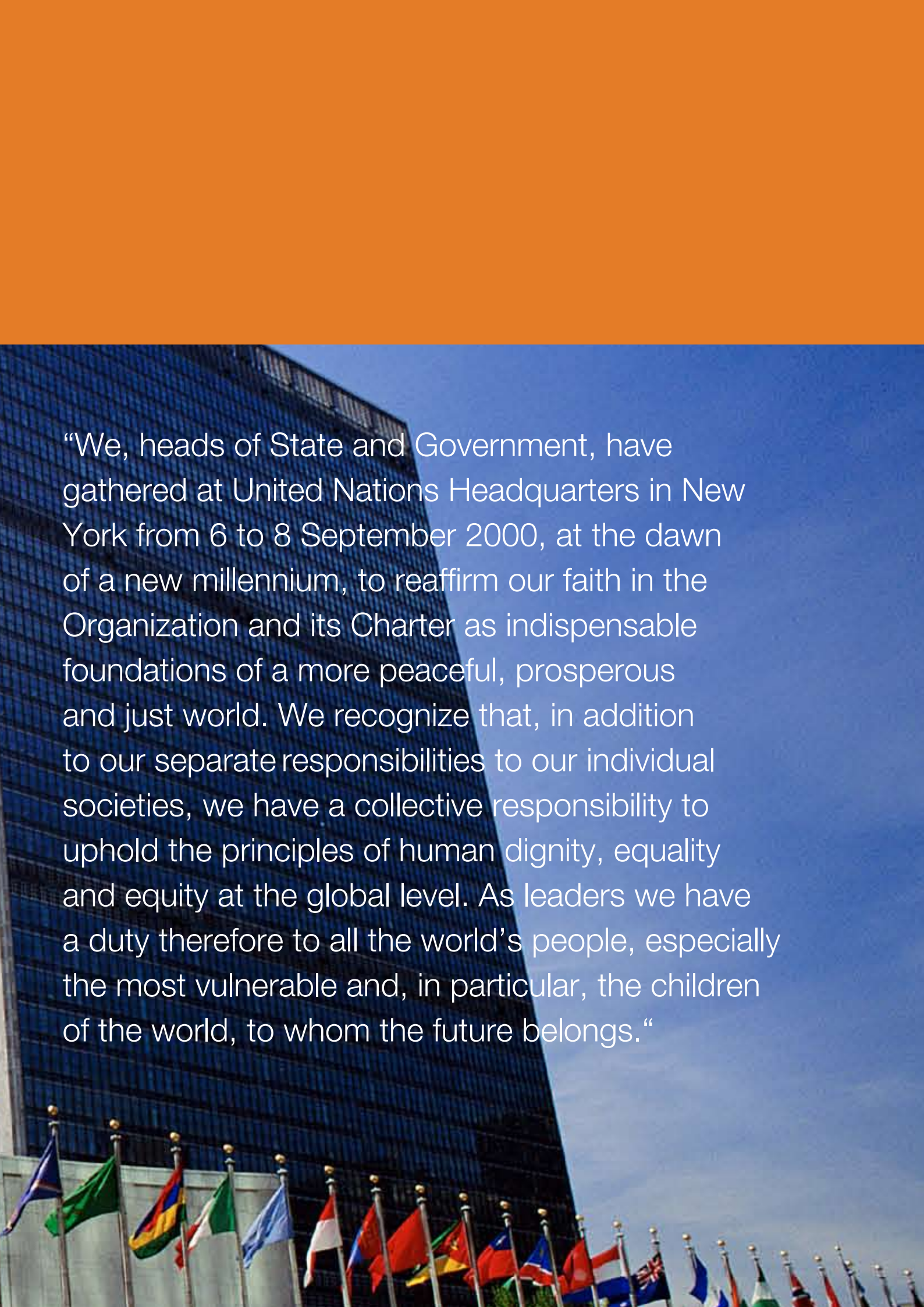
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Opening words of the UN Millennium Declaration



The image features a low-angle shot of the United Nations Secretariat Building, a tall skyscraper with a blue-tinted glass facade, reaching towards a clear blue sky. In the foreground, a row of numerous national flags on tall poles is visible, partially obscuring the base of the building. The top of the image is covered by a solid orange horizontal band.

“We, heads of State and Government, have gathered at United Nations Headquarters in New York from 6 to 8 September 2000, at the dawn of a new millennium, to reaffirm our faith in the Organization and its Charter as indispensable foundations of a more peaceful, prosperous and just world. We recognize that, in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level. As leaders we have a duty therefore to all the world’s people, especially the most vulnerable and, in particular, the children of the world, to whom the future belongs.”

I. Iceland and the Developing Countries

The twentieth century was a time of tremendous progress in Iceland, based, among other things, on technological advances in fisheries, agriculture and industry, improved communications and the strengthening of education and health services. Although foreign and domestic investments in economic development have been crucial for the Icelandic economy, it should not be forgotten that Iceland has also enjoyed external economic aid in the course of its development, including post-conflict aid in the wake of the Second World War.

Through sensible utilisation of the country's natural resources, the Icelandic economy has grown and strengthened. Market access for Icelandic exports has been one of the keys to this trend. Also, the cross-border expansion of Icelandic companies in recent years is evidence of the ways in which globalisation and international co-operation can assist a country lacking in economic diversity in strengthening its economic foundations through the creation of new and diversified export sectors. But a strong and vigorous business sector will find it difficult to survive if economic management and public governance are weak. Icelanders know from their own experience that a stable economy is the foundation for lasting progress in any country.

Iceland now enjoys economic prosperity, secure and democratic government, legal certainty for its citizens, good employment, a sound system of social security and a sophisticated education and health system. Through perseverance and industriousness, Icelanders have achieved the status of ranking among the wealthiest nations in the world, and in the UNDP Human Development Index Iceland is listed among the highest nations.

It remains a fact, however, that approximately 80% of the world's population, about five billion people, live in developing countries where poverty is a feature of daily life, and almost a fifth of the Earth's inhabitants, about 1.2 billion people, live in extreme deprivation. About 800 million of the world population suffer from malnutrition, and about 15 million starve to death each year. Every day, over 30,000 children die from preventable diseases, and 113 million children of school age do not attend school.

Poverty is not only an obstacle to the future prospects of

developing countries. The report of the Secretary General's High-level Panel on Threats, Challenges and Change from 2004 identifies economic and social threats among six clusters of threats which the world must address in order to improve security in the decades ahead.

Notwithstanding the difficult situation in many developing countries, important results have been achieved in the fight against poverty. Over the past 40 years life expectancy in the developing countries has increased by 20 years. During the period from 1970 to 2000 infant mortality in the world was reduced from 96 to 56 per thousand inhabitants. Over the past 30 years adult illiteracy in the developing countries has fallen from 47% to 25%. Through the years numerous development projects have failed, but experience has shown that if proper methods are used, and in proper circumstances, aid returns results and can make a significant difference. To give an example, Uganda, one of the partner countries of the Icelandic International Development Agency, has achieved favourable results in the fight against poverty: over a five-year period in the 1990s the proportion of poor people in the country fell by 2.4 percentage points per year, and according to research conducted by the World Bank a third of this success can be attributed to assistance from development agencies. Funds contributed to sound development projects therefore represent an investment which can generate good returns, and development co-operation will continue to play an important role in the fight against world poverty.

International Agreements

The United Nations Millennium Declaration, endorsed at the 55th General Assembly of the UN in September 2000, stresses the fact that rich and poor nations must work together in the fight against poverty. The eight principal points of emphasis in the Declaration are referred to as the Millennium Development Goals. In the Monterrey Consensus on Financing for Development of 2002, the developing countries undertake to work toward economic and social reform and improved governance and to maintain the rule of law. At the same time, the industrialised countries will, among other things, make efforts to increase allocations to development co-operation,



continue to work toward a fair and open international trading and financial system, reduce the debt burden of poor countries and take special regard of the needs of landlocked countries and small island states.

The Millennium Declaration emphasises that an open and equitable system of world trade is one of the basic premises for success in the fight against world poverty. It also states that the nations of the world undertake to avoid discrimination and inequality in international trade.

In the current round of negotiations of the World Trade Organisation concerning the future arrangements of world trade, the Doha Round, special emphasis is placed on the interests of developing countries.

At the United Nations Conference on Environment and Development in Rio de Janeiro in January of 1992, the nations of the world agreed, by approving the Rio Declaration and Agenda 21, to oppose the negative impact of human activity on the environment and biosphere of the world. Since that time,

The Millennium Development Goals

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/Aids, Malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

The coming years will see a significant increase in official allocations to development co-operation.

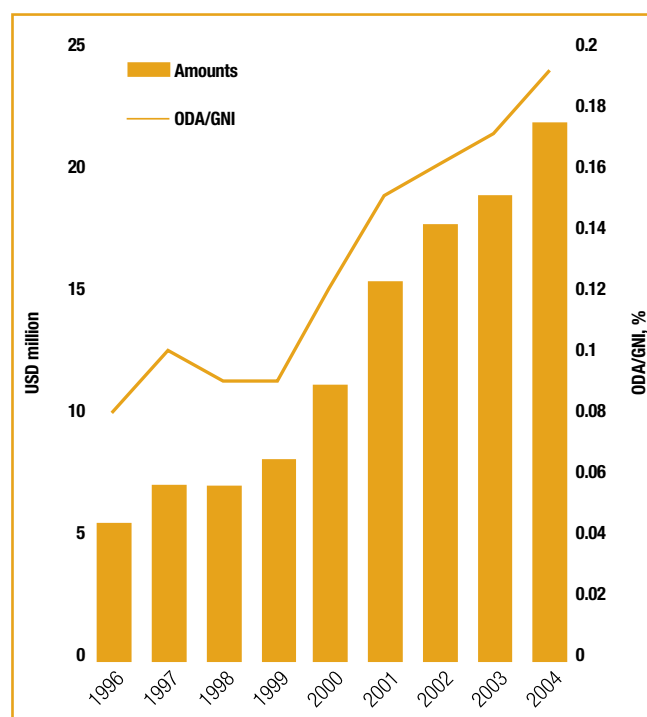
work has been in progress on the creation and implementation of international agreements and regimes designed to promote an improved environment and increased welfare. The approach chosen has been referred to as sustainable development. The main principle of sustainable development is to meet contemporary needs, while at the same time refraining from curtailing the opportunities of coming generations to meet their needs. The commitments of the Rio Conference were renewed at the Johannesburg Summit in 2002. That meeting also laid down the principal areas of focus in environmental and development affairs in the coming decade.

Official Development assistance (ODA)

Development co-operation is an important aspect of Icelandic foreign policy. Increased participation in this area represents Iceland's fulfilment of its political and moral obligations as a responsible member of the international community.

The coming years will see a significant increase in official allocations to development co-operation. The Government of Iceland decided in April 2004 that official development assistance (ODA) as a proportion of Gross Domestic Product (GDP) should rise from 0.19% in 2004 to 0.35% in 2009. When this target is achieved, Iceland's contributions to development co-operation will have increased from 0.09% to 0.35% of GDP in ten years, which represents a fourfold increase. In order to enable systematic implementation of the goals laid down in this document it is assumed that the increase in ODA will take place in stages. This underlines the intent of the Government of Iceland to contribute to the achievement of the UN Millennium Development Goals and to shoulder the responsibilities laid down in the Monterrey Consensus.

One of the basic requirements for increased allocations, however, is that contributions to development projects must be employed in a sound manner, and efforts will be made at all times to assist the developing countries in an efficient and effective manner.



The Government of Iceland will:

- Increase the weight of development co-operation in Icelandic foreign policy.
- Promote bilateral relations with developing countries. Iceland's foreign missions in the developing countries will become more actively engaged in the implementation of Iceland's comprehensive foreign policy.
- Promote the achievement of the goals established at UN summit meetings in the last decade.
- Increase Official Development Assistance to 0.35% of Gross Domestic Product by 2009.



Official Development Assistance (ODA)

Thous. US\$	2001*		2002*		2003*		2004**	
	US\$	%	US\$	%	US\$	%	US\$	%
Bilateral Assistance	6,644	59	7,073	51	10,903	62	14,676	66
Icelandic International Development Agency (ICEIDA)	4,916	44	4,813	35	5,717	32	6,958	31
Post-Conflict Peacebuilding Operations	1,728	15	2,260	16	5,186	29	7,718	35
Multilateral Assistance	3,063	27	3,980	29	3,346	19	4,437	20
United Nations	677	6	657	5	757	4	834	4
The World Bank Group	1,113	10	1,211	9	1,945	11	2,273	10
Nordic Development Fund	297	3	613	4	632	4	668	3
HIPC Trust Fund	702	6	1,244	9			428	2
International Monetary Fund	269	2	240	2				
Doha Development Agenda Global Trust Fund			10	0	12	0	13	0
The Global Fund to Fight AIDS, Tuberculosis and Malaria							214	1
International Fund for Agricultural Development	5	0	5	0			7	0
Other	1,588	14	2,824	20	3,408	19	3,175	14
UNU Geothermal Training Programme	531	5	689	5	880	5	960	4
UNU Fisheries Training Programme	370	3	535	4	713	4	767	3
Refugee Assistance	154	1	301	2	505	3		
Contributions to NGOs	219	2	155	1	182	1	284	1
Emergency Assistance	1	0	684	5	227	1	93	0
Administration	313	3	460	3	575	3	572	3
Nordic-Baltic Coordination, World Bank					326	2	499	2
Total ODA	11,295	100	13,877	100	17,657	100	22,288	100
ODA/GNI (%)^	0.15		0.16		0.17		0.19	

* Audited figures

** Based on budget figures and information from MFA

^ The ODA/GDP ratio was used until 2004



II. The Four Pillars of Icelandic Development Co-operation

The Government of Iceland supports the Millennium Declaration of the United Nations, and Iceland's development co-operation will be conducted in the spirit of the summit declarations on sustainable development, financing for development and the UN Millennium Development Goals.

Development is a complex issue which needs to be addressed simultaneously on numerous fronts. Owing to its small size, Iceland cannot participate actively in all the tasks which are relevant to international development work. Nevertheless, it is important for Iceland's development policy to be based on a comprehensive vision, and for this reason Iceland's development co-operation in the coming years will rest on four principal pillars. They are:

- **Human and Economic Development, and Equality**
- **Democracy, Human Rights and Good Governance**
- **Peace, Security and Development**
- **Sustainable Development**

Pillar 1: Human and Economic Development, and Equality

Iceland's development co-operation will focus on reducing poverty and on the promotion of the Millennium Development Goals. It is an inherent aspect of the Millennium Development Goals that one of the principal conditions for social and economic progress, and thereby the principal means of conducting the fight against poverty, is investment in human development. Iceland's own experience of promoting human development is evidence that increased education, improved health and equal rights broaden the opportunities for citizens to participate in creating wealth and welfare for their communities and thereby promote economic growth and social progress. The driving force of economic growth, which is a prerequisite for poverty reduction, is the private sector, and it is important that the economic, institutional and legal environment combine to create a conducive environment for private sector development.

Icelandic development co-operation contributes to social and economic development in the poorest countries in the world. Over 70% of the assistance provided by ICEIDA has gone to

countries which rank among the poorest developing countries in the world, and support for the International Development Agency (IDA), which directs its efforts principally at assisting this group of countries, has been at the core of Iceland's multilateral development activities. Iceland will continue to maintain its policy of channelling the largest share of its development assistance to the poorest countries. Co-operation with countries which are regarded as being better situated economically is also important, particularly in countries with high income inequality, where certain social groups live in extreme poverty, where natural disasters call for international response and where reconstruction is needed following armed conflict. Also, Iceland's development co-operation will extend to areas requiring Icelandic expertise in cases where requests are received from developing countries, which in most cases will have reached a stage where more sophisticated and complex technological know-how is required. In these areas projects are frequently of global significance, e.g. in an environmental context.

From the start, food security has been an important aspect of Icelandic development co-operation. Fish is one of the principal sources of protein for millions of people in the developing countries. ICEIDA's fisheries projects have therefore contributed to the improvement of food security and reduction of malnutrition. In recent months and years the Government of Iceland has also increased its emphasis on food security through increased support for the UN World Food Programme, which operates both in the area of emergency relief and traditional development co-operation. The campaign against hunger will continue to be an important aspect of Icelandic development co-operation.

Education has been a core aspect of Iceland's development co-operation for a number of years. Projects in this area have primarily involved special delimited fields, particularly the education of fishermen in the partner countries of ICEIDA and of experts in the field of geothermal technology and fisheries in the UN University training programmes in Iceland. In recent years increased emphasis has been placed on the education and training of the poorest people in the countries where ICEIDA is engaged. Thus, support for primary education has been increased and adult literacy programmes have become a significant part of the Agency's work. Education, including

primary education, will be one of five project areas of ICEIDA in the coming years and will therefore continue to represent a significant aspect of the Agency's activities.

Iceland currently holds a seat on the Executive Board of the United Nations Educational Scientific and Cultural Organisation (UNESCO), which has among its tasks the implementation of a global education initiative under the heading of Education for All. The Government supports the Education for All initiative and intends to contribute to its international progress.

The lack of health services and poor health care are among the principal problems of the developing countries. People living in poor health cannot participate fully in their communities, and the same applies to their relatives who, as a result of poor health services, have to spend a significant amount of time caring for sick members of their family. The need for assistance in this area is extremely pressing, and for this reason ICEIDA has launched efforts to support the health sector in two of its partner countries. Health will be one of ICEIDA's project areas in the coming years, and in addition support will be given to multilateral projects in this field. The government has supported the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the Government will continue to support multilateral efforts in this area.

It is important to assure a secure environment, education and health for children and young people. Iceland is a party to the UN Convention on the Right of the Child, which has the goal of securing adequate sustenance for children. The Government has placed great emphasis on the affairs of children in the developing countries, e.g. through its support for the United Nations Children's Fund (UNICEF). In addition, ICEIDA has supported children's education in several of its partner countries. The emphasis on children's affairs will continue to be prominent in Icelandic development co-operation, both within ICEIDA and within international organisations such as UNICEF.

Women play a fundamental role in the development of the world's poorest countries, and experience has shown that support for the education, health and economic activities of women has a multiplier effect for their communities. For this reason, Iceland's development co-operation has increasingly been directed at the affairs and interests of women in the developing countries with the goal of enhancing their role in

society. The Government of Iceland has also supported the work of the United Nations Development Fund for Women (UNIFEM) in countries emerging from conflict. In its bilateral work, ICEIDA has supported equal rights, e.g. through its support for the evolution of the Ministry of Women's Affairs in Mozambique and in various social projects which are specifically intended for women. Women's affairs will continue to be a key feature of Iceland's development co-operation and an effort will be made to obtain a better perspective of projects relating to equal rights through the increased linkage of Icelandic participation in bilateral co-operation, multilateral co-operation and post-conflict reconstruction. Special emphasis will also be placed on education for girls. Until the year 2008, Iceland will have a seat in the Committee on the Status of Women (CSW), whose tasks include promoting the implementation of the action plan of the Beijing World Conference on Women in 1995.

The objective of the Heavily Indebted Poor Countries Initiative (HIPC) is to break the vicious cycle of indebtedness of the developing countries and at the same time to render further development co-operation more effective. Like the other Nordic countries, Iceland has participated actively in the HIPC Initiative and will continue to support the initiative in the course of its representations within international organisations, particularly the World Bank.

Iceland will continue to advocate increased liberalisation of international trade and will maintain that position within the World Trade Organisation (WTO). The Government of Iceland has emphasised the importance of international trade for the developing countries and has underlined this position through measures which include unilaterally removing all tariffs on industrial goods from the poorest developing countries. Iceland will work toward a satisfactory conclusion to the Doha round, as it would not benefit any country if the negotiations were to founder. Iceland also supports the Doha Development Agenda Global Trust Fund, which is intended to assist developing countries in taking advantage of the opportunities created by increased trade liberalisation. The Government has also participated in the Nordic-Africa initiative, whose goal is to campaign to increase awareness and knowledge of the international trading system in Africa. Projects of this kind will continue to form a part of Icelandic development co-operation.





Iceland's development co-operation will focus on reducing poverty and on the promotion of the Millennium Development Goals.

Pillar 1

The Government of Iceland will:

- Continue to pursue the policy that Icelandic development assistance is primarily intended for the poorest developing countries in the world.
- Emphasise aid which improves food security in the developing countries, e.g. through co-operation with the World Food Programme and non-governmental organisations.
- Continue to emphasise the importance of education and training in the developing countries, e.g. through participation in multilateral development work in this field. At the same time, education will remain one of the fields of operation of ICEIDA and the Agency will continue to support primary school education in the communities where it operates.
- Work toward increased co-ordination of ICEIDA's equal rights projects with corresponding work conducted in co-operation with international organisations.
- Continue to emphasise the importance of health issues, as such projects are among the points of focus of ICEIDA.
- Increase support for the United Nations Children's Fund.
- Increase support for the United Nations Population Fund, with special stress on women's health.
- Continue support for the Global Fund to Fight AIDS, Tuberculosis and Malaria.
- Continue support for the HIPC Initiative, which is designed to reduce the debts of developing countries.
- Campaign for increased liberalisation of international trade and for a successful conclusion of the Doha round.

Pillar 2: Democracy, Human Rights and Good Governance

The preamble to the Universal Declaration of Human Rights begins with the following passage: *"recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world."* The Declaration also says that *"Everyone has the right to life, liberty and security of person"*. These few words express the core of the reason that the international community has declared war on world poverty.

In the last quarter century, democratic reform in the world has made considerable progress. According to the UNDP Human Development Report, democracy has grown stronger in over eighty countries since 1980, and today 140 of almost 200 countries of the world have a multiparty political system. Notwithstanding these positive gains, democracy is both weak and insecure in many places, and according to the UNDP restrictions on political activities still exist in over 100 countries.

The Government of Iceland supports the view that the promotion of human rights is an inseparable part of the global fight against poverty, oppression and conflict. It is also the Icelandic position that a democratic order, based on the rule of law and good governance, is a prerequisite for states to be able to provide acceptable sustenance for its citizens. Human rights violations, democratic deficit and poor governance affect the poorest people in the developing countries most severely. People who do not live in a democracy and who cannot rely on their governments to observe their own laws and rules see their futures in a negative light and are therefore less likely to participate in the development of their communities. Leaders who do not need to answer for their deeds in democratic elections are also less likely to perform their duties to the citizens of their countries, e.g. by ensuring rational use of public resources and making available the services expected of public authorities.

The rule of law is the foundation of democratic progress. But in addition, the rules of the game in democracy revolve around more than political participation and elections. Effective democracy is no less dependent on public participation in the free and open exchange of views, strong, independent media and the freedom of the public to organise and run interest groups. Icelandic development co-operation has to some extent



touched upon these areas, e.g. through support for the activities of NGOs and various local grassroot projects in ICEIDA's partner countries.

People who can neither read nor write have little or no possibility of pursuing their rights and even less possibility of calling for increased rights and participating in any current public discussion. One way to strengthen the democratic progress and human rights is therefore to support the training and education of the poorest inhabitants of the developing countries. ICEIDA has in recent months and years embarked on new initiatives in social projects by supporting adult literacy projects designed for both women and men.

Weak governance is one of the principal reasons that progress in the developing countries has often been slower than anticipated. Governance refers, among other things, to the traditions, customs and rules of procedure that apply in public administration. Stable and secure governance is also based on transparent and clearly defined roles of the legislative and administrative powers, the independence of courts of law and adequate expertise and financial resources for the public sector to fulfil its role. All of these are key premises for economic and social progress to benefit the entire community and to secure the legal rights of all citizens. Weak governance leads to inefficiency and undermines the responsibility of the public sector to the citizens. Last, but not least, feeble governance creates an environment where corruption can thrive.

Improved governance is an area which in recent years has been given increased priority in the work of development agencies. The Government of Iceland has been part of this development, e.g. through its active participation in the dialogue of the Nordic and Baltic constituency within the World Bank. In the opinion of the Government, all development agencies must take account of governance in the preparation and implementation of their development projects. In addition, the Government is of the opinion that the international organisations which are best equipped to provide assistance of this kind, including the World Bank and the UNDP, should enhance even further their support for projects designed to promote good governance. At the same time, governance and success in government reform will be used as criteria in the selection by

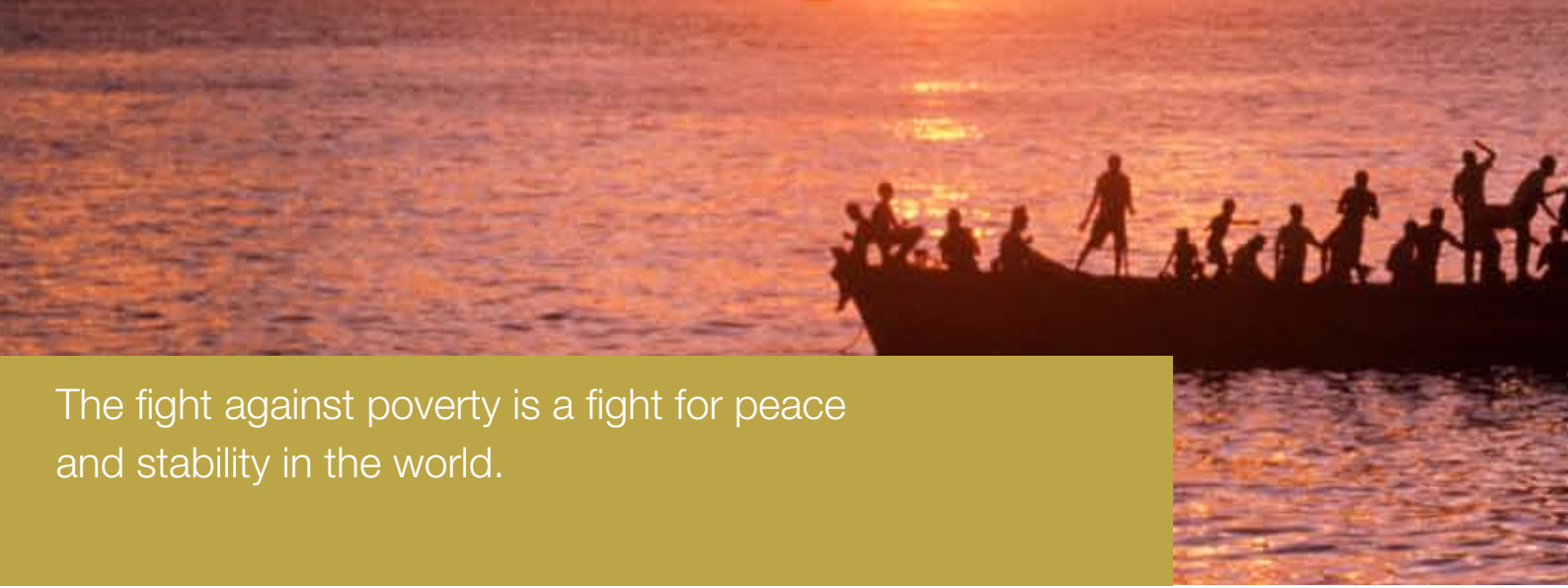
Icelandic authorities of partners and development projects in the coming years.

Today, a large proportion of the world's population lives in an environment where property rights do not exist, or such rights are not respected. As a result, people cannot mortgage their assets to secure loans, which means that they have scarce opportunities for investment and the formation of assets. It is therefore an important issue in the developing countries to secure legislative reforms for the benefit of poor people, with particular stress on the importance of property rights.

Social discrimination and gender discrimination are an obstacle to progress in the developing countries. The Government of Iceland emphasises the importance of women and men deriving equal benefits from Iceland's development co-operation, and therefore the needs of both genders are taken into account in the preparation and implementation of all bilateral development projects. The Government will also make every attempt to assist social groups which do not enjoy equality in their communities as a result of their gender, habitation, race, religion, disabilities or other social discrimination.

Iceland will also focus on adapting its assistance to the poverty reduction strategies (PRS) of its partner countries and will continue to promote the strengthening of such strategies within the UN agencies and the Bretton Woods Institutions. The objective of the poverty reduction strategies is for the developing countries to take the lead in their own affairs and for development agencies to tailor their assistance to the goals and priorities established by the developing countries themselves. Well founded development strategies can be a powerful way of strengthening democracy, particularly when they are based on extensive consultation with NGOs, associations of employers, labour unions, the academic community and, last but not least, the elected members of municipal governments and national parliaments.

The Government of Iceland has also increased its participation in the work of the Organization for Security and Co-operation in Europe (OSCE), which has as one of its roles to promote the progress of democracy and human rights in post-conflict countries. Approximately half of the



The fight against poverty is a fight for peace and stability in the world.

member states of the OSCE are developing countries, and the organisation is most active in the reconstruction work in the Balkans. Iceland's principal emphasis within the OSCE is on human rights, women's and children's rights and the campaign against trafficking in human beings and sexual

Pillar 2

The Government of Iceland will:

- Continue to take a strong international position on democratic government, human rights and equal rights as the principal prerequisites of economic and social progress.
- Take account of democratic reform, the state of human rights and governance in its choice of partner countries for ICEIDA.
- Underline the campaign for improved governance as an important condition for support to multilateral development agencies.
- Support actions designed to secure legislative reforms for the benefit of poor people in developing countries with particular stress on the importance of property rights.
- Work toward the goal of integrating equal rights perspectives into Iceland's bilateral development co-operation.
- Focus on supporting human development and strengthening the institutional and technological environment of partner countries, where public administration is often underdeveloped and governance is weak.
- Strengthen its participation in election monitoring.

exploitation. Furthermore, Iceland participates in the election monitoring activities of the OSCE, which represents an important aspect of the work of the organisation to strengthen democracy and human rights in its member states. In addition to its work in the OSCE, Iceland will continue to support the progress of human rights and democracy within the UN Human Rights Commission and the Council of Europe.

Pillar 3: Peace, Security and Development

Increased economic and social development strengthens the faith of the citizens of developing countries in the future, as opposed to the fear that comes with stagnation and uncertainty. In this way, development and progress contribute to peace and security in the world. By the same token, peace and stability are an inevitable prerequisite for successful development co-operation. A peaceful environment in the developing countries and successful development co-operation are therefore closely linked.

Armed conflict can be either the cause or consequence of poverty and can obstruct all progress or undo previous progress and results. Many poor countries are the sites of armed conflict and require special assistance. Most of the victims are civilians, particularly the poorest citizens, who are most defenceless. Armed conflict and instability also cause emigrations of refugees, tension in neighbouring countries, increased risk of disease and a fertile environment for organised crime and terrorism, which respects no borders. The fight against poverty is therefore at the same time a fight for peace and stability in the world.

Civil wars are the type of conflict that have the most extensive impact on the development of countries. International agreements apply to wars between states, but not to civil conflict. A study conducted by the World Bank shows that cross-border wars usually last for no more than six months, while civil wars go on for an average of seven years, which is double the time of just over 20 years ago. The social and economic consequences of civil conflict are therefore usually both more profound and more serious than the consequences of other wars. It is therefore a matter of concern that in the 21st century civil conflicts are both more frequent and widespread



than forty years ago. The same study indicates that the likelihood of civil war is fifteen times greater in a poor developing country than in a wealthy country, and that the number of poor people grows by 30% in the course of armed conflict.

It is in this light that peace, security and development are intertwined and represent one of the key conditions for success in the fight against poverty in the world – war causes poverty and poverty increases the likelihood of war. It is also important for the international community to respond swiftly and decisively when peace is restored, because the same study shows that at the close of a civil conflict there is almost a fifty percent chance that conflict will erupt again within five years.

Although civil conflicts are restricted to delimited territories, they have an extensive impact, not only on neighbouring states or the continent in which they occur, but also internationally. The World Bank has identified three global problems that are linked to civil wars and their consequences: an increase in the supply of hard drugs, the spread of AIDS and international terrorism.

The production of drugs is often linked to war-torn countries, and 95% of all the production of opium in the world takes place in countries ravaged by civil conflict. Evidence suggests that the spread of the AIDS virus became epidemic when civil war broke out in Uganda, and experience shows that rape and prostitution, and thereby the spread of AIDS, increases in the chaos and anarchy of civil war. Although it would be wrong to link the activities of international terrorist groups with developing countries and poverty it is clear that such groups tend to make themselves at home in war-torn countries where conditions permit the training of thousands of terrorists without government interference.


Bearing this in mind, the Government of Iceland has steadily increased its role in international co-operation designed to preserve security and stability and contribute to post-conflict reconstruction. For almost ten years Iceland has supported such work in the Balkan Peninsula, first in Bosnia and Herzegovina and subsequently in Kosovo. Also, ICEIDA began its co-operation with Mozambique in 1995, shortly after the conclusion of decades of civil war. The positive results achieved by Mozambique since the end of the war is evidence of the

potentials of reconstruction work in post-conflict countries. With the establishment of the Icelandic Crisis Response Unit (ICRU) in 2001, the Government of Iceland took the important step of integrating peacebuilding and assistance to post-conflict countries fully into the Icelandic contribution to international co-operation. The efficient work of the ICRU in Bosnia and Herzegovina and Kosovo, its contribution to the peace process in Sri Lanka and difficult assignments in Iraq and Afghanistan are proof that Iceland has a role to play in this area of work.

In order to contribute to post-conflict security and stability and meet the further need for post-conflict reconstruction Iceland will continue to increase its participation in this field, both through contributions to international organisations and funds and through co-operation with non-governmental organisations. The ICRU will continue its active work, which is directed without exception to developing countries and the activities supported are of a civil nature. The activities of the ICRU and Iceland's participation in international development work represent two closely related routes to the same objective. The Government of Iceland will continue to work on this basis, with long-term progress as an objective.

Emergency relief can also be an important precondition for the advancement of peace, and Iceland will seek to provide such relief where applicable. With this in mind, co-operation has been established between Iceland and the World Food Programme, one of the United Nations' principal emergency relief agencies. Iceland's contribution to emergency relief will be planned in co-operation with international agencies and NGOs, as appropriate at any time.

In the course of its work within international organisations, Iceland has placed great emphasis on the issue of women in war-torn societies. Studies have shown that up to 80% of all refugees in the world are women and children. Women and children are not only the principal victims of conflict, but women and girls are also particularly vulnerable to various forms of abuse where conflicts rage and law and order are ignored. In post-conflict reconstruction women play a key role, as in the case of development activities in general. UN Security Council Resolution 1325 on women, peace and security of 2000 lays the foundation for a further focus by the international community



It is in the interests of both the wealthy and the poorer nations that economic development, social welfare and environmental protection are based on the principle of sustainable development.

on the affairs of women in war zones and post-conflict territories. The Government of Iceland has emphasised the role of women in peacebuilding operations, e.g. in co-operation with UNIFEM in Kosovo. Also, the expertise and experience gained by ICEIDA from projects related to women's issues is useful for participation in multilateral work in this field.

Pillar 3

The Government of Iceland will:

- Strengthen still further its participation in peace building and assistance in countries emerging from conflict.
- Continue to develop ways of deploying civilian experts in post-conflict reconstruction work.
- Strengthen its co-operation with non-governmental organisations possessing expertise and experience of work in conflict areas.
- Emphasise the issues of women and children in conflict areas, e.g. in co-operation with UN Agencies such as UNIFEM and UNICEF.
- Provide emergency aid in co-operation with key agencies such as the World Food Programme (WFP) and with the support of non-governmental organisations.

Pillar 4: Sustainable Development

Owing to rapid population growth and economic growth, human activities are having a growing impact on the environment and biosphere of the world. In some places the use of natural resources is unsustainable and the environment

has been polluted with consequent damage for the foundations of life on Earth. These changes in production and habitation conditions frequently have the most severe consequences for the poorest inhabitants of the poorest countries. If nothing is done, this can threaten prosperity, security and stability in the world. Concurrently with this trend, globalisation has emerged as a new influence on international relations, which now has a significant impact on national economies. With globalisation and with improved understanding of the extensive impact of human activity on nature, countries have had to pay increasing attention to the fact that the actions of one nation have an impact on other nations.

It is in the interests of both the wealthy and the poorer nations that economic development, social welfare and environmental protection are based on the principle of sustainable development. The UN Conference on Environment and Development in Rio de Janeiro drew special attention to the links between environmental affairs and resource utilisation and the economic progress of individual countries, in particular the poor countries. The Rio Declaration addresses the fact that the nations of the world are jointly responsible, and that efforts have to be made to improve the position of poor countries. The Declaration also provides for a global partnership in promoting sustainable development. Agenda 21, the action plan of the Rio Declaration, further addresses development co-operation and international co-operation on sustainable development.

In international treaties and conventions concerning the ocean, the affairs of developing countries are almost invariably mentioned specifically. The United Nations Convention on the Law of the Sea stipulates that special consideration should be given to the interests of developing countries. The UN Fish Stocks Agreement, the FAO Code of Conduct for Responsible Fisheries, the Reykjavik Declaration, approved at the Reykjavik Conference on Responsible Fisheries in the Marine Ecosystem in 2001, also recognise the needs and special position of developing countries as regards marine resources and the marine environment.



Furthermore, the action plan of the Johannesburg Summit contains recommendations that international financial institutions should play an increased role in the development of sustainable fisheries in the developing countries.

Through international co-operation, and ratification of international agreements, the Government of Iceland has committed itself to contribute to the sustainable utilisation of natural resources. From the outset, this field has figured prominently in Icelandic development co-operation. For a long time, ICEIDA's activities were almost exclusively limited to the fisheries sector, i.e. fisheries research, training and, most recently, guidance in quality control for fish products and assistance in the development of the foundations of fisheries control. Fisheries will continue to be among the principal points of focus of ICEIDA, but they will be supplemented, as part of the increased emphasis on sustainable development, by energy development, focusing in particular on renewable energy resources.

In addition to ICEIDA's bilateral co-operation, the Government of Iceland has supported the developing countries in the area of sustainable utilisation of natural resources through its administration of the UN University Geothermal Training Programme and the UN University Fisheries Training Programme. For over 25 years the Geothermal Training Programme has been building up expertise in the utilisation of geothermal energy, and since 1997 the Fisheries Training Programme has contributed to the promotion of knowledge in fisheries. Increased emphasis will be placed on the activities of the two training programmes through measures which include enabling them to admit a greater number of students.

In addition to strengthening the current Icelandic development co-operation as regards sustainable development, with a special focus on fisheries and geothermal energy, collaboration with international organisations in the same areas will also be increased. Special emphasis will be placed on co-operation with small island developing states (SIDS), where the development of fisheries and energy are important economic factors.

Co-operation with the UN Food and Agriculture Organisation (FAO) and the World Bank with regard to fisheries will be increased with emphasis on sustainable fisheries. In the choice of projects special regard will be given to targets and projects provided for in international agreements and action plans, such as the United Nations Convention on the Law of the Sea and the Johannesburg plan of implementation on sustainable development.

The co-operation with international development agencies will also be increased through secondment of Icelandic experts for specific projects benefiting developing countries.

Pillar 4

The Government of Iceland will:

- Increase its focus on sustainable development, emphasising the sustainable utilisation of natural resources.
- Strengthen the United Nations University Fisheries Training Programme and Geothermal Training Programme by enabling the programmes to admit more students and set up training courses in developing countries.
- Make energy a point of focus in ICEIDA's bilateral development co-operation.
- Strengthen collaboration with international institutions, including FAO and the World Bank, in the field of fisheries and renewable energy.
- Increase the emphasis on development co-operation with small island developing states.



III. Poverty Reduction Strategies, Co-ordination and Harmonisation

Recent years have seen significant changes in the methodology of development co-operation. The emphasis is on the developing countries themselves planning and defining their own priorities, often in the form of poverty reduction strategies (PRS), thereby securing their ownership of the development process. There are increased demands for donor countries to collaborate and co-ordinate their work in the developing countries. There is also an emphasis on programmatic support for entire sectors, through the so-called sector-wide approaches, instead of employing the traditional project-oriented approach. Concurrently with the evolution of sector-wide approaches, development co-operation has increasingly been financed through direct budget support.

Poverty Reduction Strategies

Experience has shown that one of the principal prerequisites for effective development assistance is to secure the ownership and leadership of the developing countries themselves. Poverty reduction strategies (PRS) play an important role in securing the ownership of the recipient countries, and partner countries are increasingly planning their support on the basis of these strategies. The emphasis on the PRS is based on the need for a holistic approach to development, which means that the ownership of the recipient country in the development process must be at the core of all development co-operation and that the PRS must be planned in co-operation with all stakeholders, including the civil society and the private sector, as well as with the broad participation of political parties. It is important for the PRS to cover both economic and social issues, they must emphasise the importance of governance, and they must involve long term planning.

Iceland will continue to take measures to ensure that the ownership of the recipient countries is at the core of both Iceland's and international development assistance. In its bilateral co-operation, ICEIDA will carefully consider existing development strategies of its partner countries when choosing and preparing new projects. All new projects undertaken by the Agency will therefore be based on the priorities and requests of the partner countries in the sectors where ICEIDA

operates and their details will be decided in accordance with the strategies of each country and in close co-operation with their governments. To this end, the Agency will focus increasingly on hiring local staff to work on the implementation of development projects.

Co-ordination and Harmonisation

In any given developing country a number of parties will be involved in development assistance. Unfortunately, different participants will often be involved in solving the same problems and their projects will overlap without any benefit of synergy. At the same time the administrative systems of the developing countries need to give their attention to numerous partners where the requirements for methodology, monitoring and reporting are often different, causing severe strain and resulting in great inefficiency for the recipient country. For this reason, the requirements of the development agencies have the effect that human resources, which otherwise might be employed in useful tasks, are instead wasted on bureaucracy. It is therefore important for both bilateral and multilateral development agencies to work systematically on disseminating their expertise and experience, promoting further co-ordination and harmonisation in the developing countries.

Icelandic development co-operation will focus on the importance of co-ordination and harmonisation, both within international organisations, such as the World Bank and the United Nations, and in the bilateral co-operation of ICEIDA.

Also, ICEIDA will aim at increased co-operation with development partners at the country level. The staff of ICEIDA is increasingly participating in the consultations already in progress between the developing countries, international organisations and bilateral development agencies. Most of ICEIDA's larger projects have been carried out in co-operation with international organisations and the development agencies of other countries, particularly the Nordic countries, in addition to the co-operation with the governments of the recipient countries themselves. In addition to its current co-operation, ICEIDA will explore ways to participate in larger development projects with a view to promoting donor co-ordination.



Experience has shown that one of the principal prerequisites for effective development assistance is to secure the ownership and leadership of the developing countries themselves.

Sector-wide Approach, Budget Support and Project Approach

In recent years development agencies have increasingly been adopting sector-wide approaches. This involves a shift in focus from individual projects to support for the development efforts of the recipient country in a specific sector. This methodology calls for closer consultation and collaboration between the developing country, international organisations and donor countries. The anticipation is that poverty reduction strategies and the sector-wide approach will increase development effectiveness. Work is conducted on the basis of a strategy established by the developing country itself and within entire sectors, where the donors work together. Concurrently with this trend there is an increased tendency for support to be provided through the state budgets of the recipient countries. The goal of the sector-wide approach and budget support is to simplify the development co-operation, promote increased efficiency in the use of resources and enhance the ownership of the partner countries by entrusting them with greater responsibility.

In addition to budget support, the sector-wide approach offers various other support routes for partners. These include pooling of resources, co-financing, where each party finances a delimited project component, or a traditional project approach within single sectors, where each party assumes responsibility for both the funding and implementation of certain project components.

The Government of Iceland is of the opinion that the sector-wide approach can be appropriate for countries which are prepared to shoulder increased responsibility. The basic premise for such support is good governance and that public administration has adequate capacity to ensure normal and judicious project implementation and administration. Even more stringent requirements have to be made of developing countries as regards financial administration if projects are to be funded through budget support.

ICEIDA has from the outset worked on the basis of the project approach, providing support to delimited projects within individual sectors. ICEIDA's scope of activities has the effect

The Government of Iceland will:

- Continue to build upon ICEIDA's bilateral development co-operation in line with the current trends in international development co-operation.
- Take steps to ensure that Icelandic development projects are carried out in the context of the co-ordinated actions of the recipient countries, international organisations and bilateral development agencies.
- Study the poverty reduction strategies of its partner countries in the choice and preparation of new ICEIDA projects to ensure that the projects are consistent with the partner country's plans.
- Participate in promoting co-ordination and harmonisation in international development work, e.g. between international development organisations and donor countries.
- Increase Iceland's participation in international co-operation designed to improve the quality of development work, e.g. through continued participation in the work of the Nordic Countries and neighbouring states under the auspices of the so-called Nordic+ group.

that the project approach is regarded as an advantageous option in that objectives are easily defined, the Agency can without undue difficulty monitor the progress and success of projects, and, in addition, financial administration is maintained within the Agency itself. On the other hand, the project approach has the limitations that administrative and operating costs can be proportionally high. It also renders the co-ordination of development aid more difficult and cumbersome.



IV. Dissemination of Information and Knowledge Creation

Active dissemination of information and creation of knowledge concerning the issues of developing countries are a significant aspect of deepening interest and understanding among the Icelandic public of this important issue. At the same time, the participation of Icelandic institutes of education, non-governmental organisations and the private sector in Icelandic development co-operation is important.

In recent years, increased emphasis has been placed on disseminating information and enhancing knowledge of the issues of the developing countries in Iceland, and in fact the Act on the Icelandic International Development Agency stipulates that ICEIDA should make efforts to promote public awareness of the developing countries and development issues in order to deepen the interest of the public, interest groups and associations of all kinds. Furthermore, the legislation provides that ICEIDA should organise consultation among domestic parties, e.g. by means of seminars and conferences, in order to secure the most effective development co-operation possible. ICEIDA has conscientiously carried out this task, as witnessed by the Agency's co-operation with the academic community and various NGOs. Also, ICEIDA and the Ministry for Foreign Affairs, in co-operation with the University of Iceland and other institutions, have organised seminars and conferences on the affairs of the developing countries. In addition, ICEIDA has engaged in high-quality publication activities and promotion, at the same time that the Agency's website has increasingly been used as a powerful medium to promote the work of the Agency and the affairs of the developing countries.

ICEIDA has expanded its co-operation with the academic community, and in the course of 2003 to 2005 the Agency has entered into agreements with the University of Iceland, the University of Akureyri and the Iceland University of Education concerning co-operation between these institutions in the field of training and research projects, as well as co-operation on the organisation of conferences and seminars on development issues. ICEIDA funds a lecturer's position in development

anthropology in the Faculty of Social Sciences of the University of Iceland, and in addition the Agency offers grants to students at the masters and doctoral level to conduct research projects in areas relating to the field of ICEIDA's activities. Also, ICEIDA's co-operation with the Nordic Africa Institute in Uppsala, of which Iceland has been a member for years, will be increased still further.

Icelandic universities have also taken the initiative in addressing development issues. For instance, the University of Iceland and the Reykjavik University have recently taken up membership of the Researchers Alliance for Development (RAD), and the University of Akureyri has organised courses in development studies.

The Government will continue to focus on mobilising the Icelandic public discussion of the affairs of the developing countries and thereby increase interest and knowledge of this issue. One route to this objective is the secondment of Icelandic experts to international development agencies, which is well known arrangement in development co-operation and particularly well suited to deepen knowledge and strengthen Iceland's position in the area of development co-operation. Iceland will also participate in the United Nations' Junior Professional Officers (JPO) Programme by sending young experts to work for UN agencies. Furthermore, ICEIDA will offer young Icelandic professionals opportunities for internship in connection with the Agency's projects with the objective of giving young people an insight into the work of the Agency and assist them in their choice of studies and careers in the future. The internship programme of the Ministry for Foreign Affairs, which is conducted in the Icelandic embassies and permanent missions at international organisations, will also be geared to the increased focus on development co-operation.

The Government will also continue to develop its co-operation with Icelandic academic and educational institutions, and ways will be sought of linking the work and research of these institutions with the planning and implementation of Icelandic development co-operation.



The Government of Iceland will:

- Promote public discussion of development affairs through conferences, seminars and consultation meetings. This work will be conducted in co-operation with educational institutions, non-governmental organisations and the private sector, as appropriate at any time.
- Improve access to information about Iceland's development co-operation through improvement of the ICEIDA and Foreign Ministry websites.
- Strengthen still further co-operation with academic and educational institutions, e.g. in the fields of research and seminars.
- Link the work and research of academic and educational institutions with the strategic planning and implementation of Icelandic development co-operation.
- Start up junior professional officer's programme in co-operation with the United Nations in order to provide young Icelandic experts with an opportunity to work in international development organisations.
- Second Icelandic experts to international development agencies.
- Provide young Icelandic professionals with opportunities for internship at ICEIDA and in the foreign service.

V. Implementation of Iceland's Development Co-operation

The Ministry for Foreign Affairs is responsible for overall co-ordination of Iceland's official development co-operation. The implementation of Iceland's development co-operation is conducted for the most part under the auspices of the Ministry, which is responsible for multilateral development co-operation and peacebuilding operations, and under the auspices of the Icelandic International Development Agency (ICEIDA), which is responsible for bilateral development co-operation. Also, Icelandic non-governmental organisations involved in development co-operation are steadily growing in strength and increasingly participating in development co-operation projects. In addition, the Icelandic private sector has increasingly been turning the attention to the issues of the developing countries.

Multilateral Development Co-operation

Iceland's participation in international development co-operation has a threefold objective. In the first place, the objective is to seek the best and most efficient ways of providing assistance to developing countries. Bilateral aid provided by ICEIDA is in some cases the appropriate channel, but in other cases multilateral co-operation may be more suitable. In the second place, active participation in multi-governmental co-operation provides opportunities to exert international influence. International co-operation is important to all countries, particularly to the smaller countries, since international organisations provide a platform for all countries – big and small, rich and poor – to work toward their common goals on an even footing. Increased globalisation has created a still greater need for strong international co-operation and for this reason the Government of Iceland will place great emphasis in the future on active participation in co-operation of this kind. In the third place, participation in multilateral co-operation is important for the creation of knowledge and the strengthening of Icelandic public administration. In the opinion of the Government, it is important for its development co-operation to be based on professional and sound working methods, taking into account the experience and expertise of other countries and international organisations.

The Ministry for Foreign Affairs is responsible for the formulation of an overall development policy, relations with international organisations, collaboration and consultation

with ICEIDA and relations with Icelandic non-governmental organisations engaging in development co-operation. The Ministry is also responsible for Iceland's participation in post-conflict reconstruction work through the contributions of the Icelandic Crisis Response Unit.

In light of the three-part objectives of Icelandic multilateral development work, the principal emphasis will be placed on participation in the work of the World Bank and its agencies and the principal agencies of the United Nations. Results and efficiency will be the criteria in determining the Icelandic contribution to these organisations. Also, the Government will continue to seek more prominent ways of representing its views in the United Nations and the World Bank. Last, but not least, attempts will be made to strengthen relations with individual organisations, particularly in areas of particular interest to Iceland and where Icelandic expertise could have special significance for the organisations in question. The Icelandic Crisis Response Unit will continue to develop its co-operation with organisations where experience of co-operation has already been established, but at the same time other routes will be explored, such as co-operation with non-governmental organisations. The principal partners of the ICRU are the United Nations, NATO, the European Union and the Organisation for Security and Co-operation in Europe.

The External Trade Department of the Foreign Ministry is responsible for matters relating to the World Trade Organisation and thereby contributes to the structuring of the global trade environment of the developing countries. The External Trade Department includes the Overseas Business Service (OBS), which has the purpose of reinforcing the competitive position and success of Icelandic businesses in the international markets, including the developing countries. The Icelandic Business Development Programme (IBDP) falls within the scope of the OBS and has the objective of facilitating the activities and market advances of Icelandic companies and investors in the developing countries. IBDP assists Icelandic companies in analysing new business opportunities in these areas and in locate projects commissioned by international organisations. It is important for the knowledge and experience gained through the activities of the IBDP to be preserved and developed still



further, and this element will form a part of the formulation of a strategy for the involvement of the Icelandic private sector in development co-operation.

Iceland's permanent missions to international organisations play a significant role in Iceland's development co-operation. These missions include the Permanent Mission to the Agencies of the United Nations in New York, Geneva, Paris and Rome, the World Trade Organisation in Geneva, the Organization for Economic Co-operation and Development (OECD) and the Organization on Security and Co-operation in Europe in Vienna.

An Icelandic embassy was opened in Mozambique in 2001 with the objective of strengthening relations with Iceland's partner states in Africa and to provide further support for the activities of ICEIDA in Mozambique itself. ICEIDA's country offices in Malawi, Namibia and Uganda have now been transformed into diplomatic missions for the same reasons. For reasons of efficiency, the ambassador currently posted in Mozambique will be transferred to a new Icelandic embassy in South Africa, which will reinforce still further Iceland's co-operation with the countries of Sub-Saharan Africa.

In addition, Iceland is a member of the Nordic and Baltic constituency at the World Bank. The constituency appoints an Executive Director to the Executive Board of the World Bank. The constituency represents a forum for extensive and close discussions among the constituency members concerning the points of focus, methodology and implementation of development assistance. The participation of the Ministry for Foreign Affairs in the work of the constituency has been substantially reinforced in recent years, and the constituency will remain one of the cornerstones of Iceland's strategic planning in development co-operation.

Bilateral Development Co-operation

The Icelandic International Development Agency (ICEIDA) is an independent government agency subject to the authority of the Ministry for Foreign Affairs. ICEIDA follows the policy of the Government in international development co-operation and is responsible for Iceland's official bilateral development assistance. This support is based on bilateral development co-operation agreements between the Government of Iceland and the governments of partner countries. With ICEIDA's increasing scale of activities in recent years, its projects have become more varied and the Agency currently works in the social, education and health sectors, in addition to its fisheries projects. ICEIDA will continue to focus on these fields, but has now included the energy sector on its agenda. Thus, the Agency is planning to work in five fields in its partner countries over the coming years.

In order to achieve the maximum possible effectiveness of its development assistance, ICEIDA will continue to concentrate on few partner countries where the need for support is acute. Co-operation with countries other than the current partners, including countries on continents other than Africa, will be implemented in conjunction with the expansion of ICEIDA's scope of activities. The Agency will also explore possibilities of participating in delimited and temporary projects outside the formal partner countries, particularly in fields where Icelandic expertise is most extensive, e.g. in the fisheries or energy sector.

United Nations University in Iceland

One of Iceland's largest undertakings in multilateral development co-operation is the operation of the UN University Geothermal Training Programme and the UN University Fisheries Training



Programme. The training programmes provide experts from the developing countries with an opportunity to engage in specialised studies in geothermal energy matters and fisheries in Iceland. The Government of Iceland funds approximately 85% of the activities of the training programmes in Iceland. The policy of the Government is to reinforce both programmes in order to enable them to accept a greater number of students.

Non-governmental Organisations

Non-governmental organisations are important participants in development co-operation and represent a valuable input, both through their own conduct of development projects and through their public discussion of issues related to developing countries and development co-operation. In recent years, the number of NGOs participating in this field has grown in Iceland, and many of them are engaged in extensive activities. Among the strengths of NGOs are their active grassroot work and strong funding campaigns. In addition, many of them are conducting their work in the developing countries, e.g. through affiliation with international NGOs or through co-operation with local NGOs.

The Government of Iceland has enjoyed good co-operation with NGOs, and the extensive co-operation of ICEIDA with NGOs has provided the Agency with important experience and knowledge. In addition, the Government has supported NGOs through direct financial contributions. As allocations to official development assistance increase, the Government will reinforce co-operation with NGOs and increase its support for their activities. Any such increase will always be based on the criterion that allocations to development must be spent in an efficient and organised manner.

It is important that all NGOs should be able to apply for government support on an equal footing and any such co-operation must be subject to allocation rules and criteria to be met by the organisations. With this in mind, the government will formulate a policy and develop comprehensive rules governing co-operation with NGOs. In its co-operation with NGOs, ICEIDA will also emphasise contract-based and clearly defined projects which are carefully prepared and regularly reviewed.

The Icelandic Private Sector

Private sector development and increased investment in developing countries are the key to increased economic growth and thereby the possibility of reducing poverty. Since the Icelandic private sector is currently in a phase of significant cross-border expansion and Icelandic enterprises have increasingly had their eyes on potential business opportunities in the developing countries, the Government is interested in supporting this aspect of their expansion. The Government is interested in facilitating relations and co-operation between enterprises in partner countries and similar undertakings in Iceland. In order for any such support to take place, both partners have to perceive an advantage in the partnership.

There are various ways available to reinforce the private sector in the developing countries through development co-operation between public and private entities. The Government of Iceland will examine in closer detail any potential opportunities in this area, e.g. through consultation with representatives of the business community, NGOs and universities. At the same time, the Government will explore avenues of mobilising the Icelandic business community in co-operation with international organisations.

The Government of Iceland will:

- Continue to focus on the activities of the United Nations University in Iceland.
- Formulate a policy and develop comprehensive rules governing co-operation with and support for NGOs.
- Support the formulation of a strategy for the participation of the Icelandic private sector in development co-operation.

Annex I: ICEIDA's Policy and plan of operations

Introduction

The Millennium Development Goals (MDGs), adopted at the United Nations' 55th General Assembly in September 2000, constitute the common criteria for both bilateral and multilateral international development co-operation. The main objective of the MDGs is to ensure that by the year 2015 the proportion of people suffering from poverty and hunger will be no more than half of what it was in 1990. Furthermore, the MDGs emphasise education, health care, gender equality, environmental sustainability and increased fairness in international co-operation. Inherent in the MDGs is the recognition that economic growth and social development are of equal importance in combating poverty. The policy of transparent economy and sound economic management, which has been the norm in international development co-operation since the 1980s, remains the goal but in addition to that, considerable emphasis is placed on democratic reform, a more equitable distribution of income and increased fairness of international trade practices.

Recent years have seen considerable changes in the ideas and approaches governing bilateral development co-operation, the field of activity of the Icelandic International Development Agency (ICEIDA). Many international development agencies currently focus on budget support and sector-wide approaches (SWAps) instead of the earlier project-based approach. This change has led to greater emphasis being paid to closer co-operation with the governments of the recipient countries, increased co-ordination of development assistance and increased co-operation between bilateral and multilateral development organisations. In the wake of the MDGs many industrial countries have committed themselves to definite goals involving increased contributions to developmental co-operation in the coming years. This is especially important as contributions from many industrial countries did decrease over the past decade despite regular reiterations of the United Nations Assembly resolution of 1970 to the effect that industrial countries should aim to contribute approximately 0.7% of their GDP to developmental assistance to the world's poorer countries.

ICEIDA follows the policy of the Icelandic government in international development co-operation and operates on the basis of Act No. 43 from 1981 on bilateral co-operation between Iceland and developing countries. Furthermore, ICEIDA operates in accordance with the DAC Guidelines and the DAC Good Practice Papers on development assistance and its implementation. Iceland's contributions to bilateral developmental assistance are expected to increase considerably over the next few years and that will require clearer strategy and increased focus. ICEIDA will align its approach to the changed emphasis in international development affairs and seek to observe and participate in co-operation between international development institutions and international organisations. In light of the MDGs, greater emphasis will be placed on aligning ICEIDA's projects to the poverty reduction

strategies (PRS) adopted by partner countries and to the work done by comparable organisations in those countries. The Agency will continue to operate on a project basis and harmonise its approach with new procedures in international development co-operation.

General Criteria

Under Icelandic law, ICEIDA is responsible for the implementation of official Icelandic bilateral development assistance. The assistance is based on mutual international agreements on developmental co-operation between the government of Iceland and the governments of the partner countries, and is therefore primarily based on co-operation between public entities. However, this does not preclude ICEIDA from involvement in individual development projects which do not fall within the scope of formal bilateral international agreements.

The principal criteria underlying Icelandic bilateral development co-operation are based on combating poverty; accordingly, special emphasis is placed on co-operation with countries where the living standards are among the lowest according to the assessment of internationally recognised organisations. These criteria are in line with the United Nations MDGs, to which Iceland subscribes as a member of the UN. Increased and more focused international co-operation in the field of poverty reduction forms the foundation of the goals.

ICEIDA puts emphasis on supporting people and institutions in its partner countries towards self-sufficiency, e.g. through the transfer of knowledge and skills in those fields where Icelanders are in possession of particular expertise. ICEIDA has also placed increased emphasis on improving the conditions of the poorest through increasing funding earmarked for basic education and health care. The Agency's overall aim is to promote democracy, human rights and gender equality, while taking full account of the particular needs and individual culture of the partner country. All projects undertaken by ICEIDA are carried out in accordance with the requirements of the partner country, in the spirit of the government policy of the country in question while taking into account the activities of other international development agencies operating in the country. ICEIDA will focus on adapting and simplifying the implementation of assistance based on the DAC criteria. Furthermore, the Agency will observe the DAC rules with respect to the abolition of tied aid and reporting on procurement and tenders.

Economic Development

One of the prerequisites for poverty reduction is the concurrence of economic growth and social reform. ICEIDA will seek to promote economic growth in partner countries through providing assistance towards the development of a strong and fair economic environment. This can, inter alia, involve assistance to government authorities regarding the drawing up of laws and regulations aimed at strengthening and supporting the private sector, increased international trade, greater employment opportunities and just labour laws. In this field, the Agency will also increasingly facilitate relations and co-operation between companies and



organisations in partner countries and corresponding entities in Iceland. ICEIDA's intermediation in such co-operation will always primarily be based on the interests and requirements of the developing countries in question with the goal in mind of increasing economic growth and reducing poverty in these countries. Furthermore it will be expected that Icelandic partners participating in such projects will themselves contribute resources, knowledge and manpower to the co-operation projects.

Environmental Sustainability

The United Nations World Summit on Sustainable Development held in Johannesburg in September 2002 renewed the commitments made at the Rio Summit concerning development and environmental sustainability as well as establishing the main emphasis for the environmental and developmental issues for the coming decade. The principal goals of sustainable development, i.e. economic growth, social welfare and environmental protection are an important part of the activities of most international development agencies, and ICEIDA intends to incorporate these views into all its activities. The Agency's projects in the field of resource utilisation, e.g. fisheries and geothermal energy, will emphasise environmental sustainability in particular. Most international development agencies include environmental impact assessment in their preparation of development programmes. ICEIDA plans to adapt itself to this policy in the coming years and have such assessments carried out in preparation of the Agency's projects, particularly in the abovementioned fields of fisheries and geothermal energy.

Gender Equality

The MDGs emphasise the need for increased social equality in the fight against poverty. Most international development agencies currently emphasise the importance of gender equality in their activities, as repeated evidence shows that social discrimination, be it based on gender or other aspects, hinders progress and the fight against poverty in the world. In accordance with existing policies in international development co-operation, ICEIDA intends in the coming years to integrate perspectives of gender equality into all its activities. Account will be taken of the needs and roles of both women and men during the preparation and implementation of the Agency's projects in an attempt to ensure equal opportunity for men and women to influence, participate in and benefit from the projects.

Support of Grassroots Activities and Democratic Development

In recent years ICEIDA has increased its financial allocations to grassroots projects, e.g. through co-operation with NGOs in Iceland and the partner countries. The Agency intends to strengthen this co-operation even further in the coming years and thereby endeavour to increase its support for civil society and democracy promotion in partner countries while enhancing public understanding of international development work in Iceland through co-operation with Icelandic NGOs. Co-operation of this kind will, however, always be conducted with the approval of, and in consultation with, government authorities in partner countries. Co-operation of this kind will emphasise contract-based, carefully prepared, clear and delimited projects, which will be subject to regular assessment. Furthermore, steps will be taken to ensure that the financial

management of such projects, accounting practices, custody of funds and supervision of their use are in accordance with requirements that ICEIDA must comply with.

Criteria for the Selection of Partners

Partner Countries and Scope of Activities

ICEIDA's activities have mainly been focused on the poorest countries in Africa and were until 2000 mainly concentrated in the field of fisheries. In order to ensure maximum effectiveness of ICEIDA's development co-operation, the Agency will continue to focus on a small number of partner countries, mostly in Sub-Saharan Africa where the need for development assistance is great and the Agency has accumulated extensive experience. Co-operation with countries other than the current partners, including countries outside Africa, will be considered in conjunction with the expansion of ICEIDA's scope of activities. The Agency will also explore the possibility of participating in delimited and temporary projects outside the formal partner countries, particularly in fields where Icelandic expertise is most extensive, that is in the fisheries and energy sectors.

Through ICEIDA's growth in recent years its projects in partner countries have become more varied and the Agency currently works in the social, education and health sectors as well as in fisheries projects. In order to ensure efficient and effective development assistance, ICEIDA will continue to focus on these fields but plans to add the energy sector to its scope of activities. This means that the Agency will be working within five sectors in the coming years.

Matchmaking

When selecting the projects ICEIDA will thoroughly assess the partner country's ability to receive the development assistance that Iceland can offer in the sectors where the Agency operates. This criterion is important for the effectiveness of projects and the sustainability of the development assistance. ICEIDA plans to carefully examine the technical and administrative ability of partner countries to receive its development assistance and to make this an important factor in the preparation of future projects. This involves the need for ascertaining whether a partner country has the appropriate human resources, technical know-how and administrative capacity to receive and make use of specialist advice. In the absence of these factors, the emphasis of the development co-operation must be on capacity building and the development of the institutional and technical environment. In the future, ICEIDA plans to reduce the unilateral technical assistance by Icelandic experts and place greater emphasis on utilising and developing knowledge and human resources in the partner countries. For this purpose the Agency will increasingly utilise the expertise and knowledge already in existence in the partner countries. When selecting new partner countries and new projects it is important to ascertain that there is political will on the part of the government to attain the MDGs in the sectors where ICEIDA operates, e.g. in the education and health sectors.

Evaluation of the Need for Development Assistance and of the Potential for Project Success

Current trends in international development co-operation emphasise directing as much as possible of the development assistance to poor

countries with clear policies (policy environment) and the will to work efficiently toward attaining the MDGs. This policy should, however, not mean that countries coping with conflicts, corruption or other administrative problems are left out completely. ICEIDA intends to integrate this policy in its future activities. The Agency will continue to emphasise development co-operation with countries where poverty is severe, but will endeavour to assess more effectively than it has before whether the development co-operation is likely to have the intended results. Such assessments will take account of the following:

- Development assistance should be provided where it is most needed, i.e. to the world's poorest countries. Assessment of poverty in a country will be based on national income per capita weighed by purchasing power.
- In the selection of partner countries notice should be taken of government policy performance in the sectors where ICEIDA intends to operate.
- Countries selected for partnership will be countries supported by relatively few international development agencies, rather than countries where many donors are active and development assistance per capita is high.
- Countries to be selected should have stable regimes free from civil war and armed conflict.
- Developing countries with a relatively small population will be preferred, especially small island nations.
- Countries selected for co-operation should have an efficient administrative environment and economic management, which promote human rights, democracy and income equalisation. Internationally recognised yardsticks, such as the GINI income distribution coefficient and the CPIA administrative effectiveness rating of the World Bank, and the GDI and GEM gender equality indices of the United Nations Development Programme (UNDP) will be used for the evaluation of partner countries in this respect.
- Efforts will be made to select partner countries that have prepared and are implementing effective poverty reduction strategies (PRS) and are committed to attain the MDGs.
- Emphasis will be placed on co-operation with countries where democracy is in place and progressing.
- Partner countries where corruption is on the wane and where authorities actively discourage corruption will be selected. Internationally accepted indices will be used for the purposes of assessing the scope of corruption, e.g. the Transparency International Corruption Perceptions Index.

Co-operation and Co-ordination of Development Assistance

Most international development agencies now place greater emphasis on increased and more effective co-operation with other development agencies and international donor organisations in their strategic planning and implementation of partnership development activities. Also, greater emphasis is placed on the harmonisation of the activities of these organisations in each country and their adaptation to the development strategies of the countries in question. It is believed that this will make international development assistance more efficient and effective.

Harmonisation of Development Activities

In the next few years ICEIDA will adapt to the altered circumstances in international development co-operation and seek to establish its own role in such co-operation. The selection of new partner countries and projects will take into account the scope of the total development activities already in progress in the country and account will be taken of projects and programmes in which other international development agencies, institutions and NGOs are involved. In this way, ICEIDA will endeavour to direct its activities towards countries where the availability of development assistance is less than in other comparable countries, and also avoid the risk of its projects conflicting with the work of others.

Ownership and Participation

In each partner country ICEIDA will closely examine existing poverty reduction strategies during the selection and preparation of all new projects. This will be done in order to ensure that the development co-operation meets the criteria of the partner country and is in accordance with its policies. All new projects undertaken by ICEIDA will be based on requests from the partner countries for development co-operation in sectors where the Agency operates. The objectives of the co-operation shall be in accordance with the policies of the partner country and the project proposals shall be formulated in close co-operation between ICEIDA and the government authorities in question. Furthermore, the Agency will, to the extent possible, endeavour to ensure the active participation of stakeholders in the preparation and implementation of its projects. This policy is in line with the participatory approach in development co-operation; an approach which has gained support in international development assistance over the past decade and is intended to increase the success and sustainability of development work. The above strategy is intended to facilitate the transfer of ownership of ICEIDA's projects to the partner countries.

Participation in Donor Co-ordination

In the coming years, ICEIDA plans to participate more effectively in donor co-ordination in the partner countries. This will include increased participation by the Agency in development co-ordination groups that may exist in each partner country. Increased participation in such co-ordination will mean increased awareness of and alignment to the activities of other international development agencies active in the country. Moreover, such participation will further enable ICEIDA to adapt itself to the overall policies of the international community as regards the implementation of development assistance in each country, e.g. by building up expertise and human resources in partner countries. For this purpose ICEIDA will focus on employing local staff to work on the implementation of projects much like most international development agencies have increasingly done in recent years.

Co-operation in the Implementation of Development Projects

In addition to the co-operation and co-ordination already mentioned, ICEIDA will examine possibilities of direct participation in larger development projects implemented in co-operation with multilateral and/or bilateral institutions in partner countries. The opening of the Icelandic Embassy in Mozambique and the conversion of the ICEIDA country



offices into diplomatic missions will facilitate such co-operation, as well as strengthen the Agency's position and facilitate its activities in the countries in question. Furthermore, Iceland's membership in DAC will open new opportunities for consultation and co-operation regarding development projects and their implementation.

Financial Administration

The funds allocated to ICEIDA come from Icelandic taxpayers, a fact which imposes a requirement for transparent policies regarding their disposal. This involves, inter alia, careful preparation of projects and their budgets, precise monitoring of the disposal of allocations in partner countries and regular reports on project progress. The Agency must always be able to satisfactorily account for its financial and accounting affairs, and its finances must always stand up to critical third-party review. The same requirements will apply to co-operation projects between ICEIDA and other parties.

Civil Society, Communications, Information and Development Education

Co-operation with Research and Educational Institutions

In 2003 an agreement was signed between ICEIDA and the University of Iceland regarding co-operation between the two institutions in the field of academic teaching and research, as well as in organising conferences and lectures on development issues. This co-operation marks the beginning of the implementation of ICEIDA's strategy of substantially increasing systematic co-operation with Icelandic as well as foreign research and educational institutions. Plans for increased co-operation with the Nordic Africa Institute in Uppsala, Sweden where the Agency has been a member for a number of years exist as well. The academic research and educational activities involved in such co-operation provide important support for the preparation of development projects and effective work in partner countries. Moreover, this plays an important part in the dissemination and promotional activities of ICEIDA in Iceland. Over the next few years the Agency plans to substantially increase its co-operation with Icelandic organisations in the field of science and technology, in both the academic and business sectors. In addition to this ICEIDA will continue its information and promotional activities inside schools and various associations in Iceland.

Co-operation with NGOs

In recent years, ICEIDA has been involved in co-operation with the Icelandic Red Cross Society, Icelandic Church Aid, the Icelandic Federation of Labour, ABC Children's Aid and other organisations on the basis of formal agreements regarding defined projects in the Agency's partner countries. Co-operating with NGOs has many advantages, one of which is the opportunity to work with NGOs in partner countries and with strong international organisations such as the Red Cross. NGOs are often engaged in grassroots activities and through co-operating with them ICEIDA gains important experience and knowledge. Moreover, co-operation with Icelandic organisations is an important part of the Agency's domestic public dissemination and

promotion efforts and is likely to increase interest in and understanding of international development work. In light of this, ICEIDA intends to strengthen its co-operation with NGOs even further over the next few years. In co-operation of this kind, ICEIDA will put the emphasis on contract-based and clearly defined projects, which are carefully prepared and regularly reviewed. Such projects must always be carried out with the full knowledge and acceptance of the government authorities of the country in question and in accordance with their current policies and development strategies.

Training and Preparation of Employees

Owing to its small size, ICEIDA is unable to offer its employees the extent of training that many larger international development agencies offer their staff. In recent years the Agency has offered one-day preparatory briefing courses for first time employees off to work in one of the partner countries. The course covers policies and trends in international development issues, as well as the principal aspects of moving to a partner country and working on development projects. ICEIDA intends to continue these briefing courses and extend them and over the next few years a detailed strategy regarding these matters will be established.

Furthermore, ICEIDA intends to prepare the ground for offering young Icelanders, especially university students, opportunities for in-service training in connection with the Agency's projects in the partner countries. The ultimate objective of that training is the vision that it will assist them in their studies as well as in their career choice.

Publications

ICEIDA's publication strategy is undergoing comprehensive review. A new website has been designed to replace the printed newsletter previously published by the Agency. The website is intended to provide comprehensive information about ICEIDA and its activities, and at the same time serve as a medium for the latest news from the field and from the partner countries. An effort will be made to make the website as useful as possible with frequent updates organised by an on-staff web editor. The purpose of the website is, on the one hand, to serve as a source of information for the public and, on the other hand, to provide news and research material for the media. Texts on the website are both in English and Icelandic. A yearly review of the Agency's work is published in the ICEIDA Annual Report whose layout has been redesigned in order to improve it as a source of information. Annual Reports will be published in English. In addition, publications will be produced in Icelandic, both information booklets and periodicals, which will focus on issues relating to development assistance and its implementation. Plans for producing documentary films about the life and work of people in the partner countries of ICEIDA and about the Agency's development activities are also under way.

Cultural Relations with Partner Countries

Through the years, the work of ICEIDA in Africa has contributed to certain cultural relations between Iceland and the partner countries, including friendship ties between Malawian and Icelandic primary schools mediated by the Agency. During the next few years efforts will be made to increase relations of this kind and develop a more systematic plan of action in this field.

Annex II: Official Development Assistance (ODA)

Thous. US\$	1999*	2000*	2001*	2002*	2003*	2004**
Bilateral Assistance	3,602	5,407	6,644	7,073	10,903	14,676
Icelandic International Development Agency (ICEIDA)	3,163	3,797	4,916	4,813	5,717	6,958
of which: Malawi	775	1,027	1,745	1,573	1,955	2,238
Mozambique	557	1,168	1,311	1,071	1,024	1,177
Namibia	1,315	1,055	971	1,182	1,003	1,264
Uganda			364	477	956	1,145
Other	515	545	526	510	778	1,135
Post-Conflict Peacebuilding Operations	439	1,610	1,728	2,260	5,186	7,718
of which: ICRU (Kosovo, Sri Lanka, Afghanistan)		1,402	1,711	2,248	3,941	6,129
Bosnia & Herzegovina	439	208	17	12	57	48
Iraq					1,188	1,540
Multilateral Assistance	2,705	3,309	3,063	3,980	3,346	4,437
United Nations	757	496	677	657	757	834
of which: FAO	97	93	104	125	108	63
UNDP	253	233	223	245	229	260
UNICEF	132	121	97	127	136	134
UNIFEM	35	32	26	34	37	36
UNRWA	7	8	32	32	40	47
UNESCO					29	34
OCHA	10		32			
UNFPA	8		10	12	13	14
UN-HCR	145		113	66	57	58
WFP	5	5	37	11		56
UNV/FVT	7	5	4	5	5	
WHO					91	112
ILO					12	20
The World Bank Group	1,104	1,211	1,113	1,211	1,945	2,273
of which: IDA	1,104	1,211	974	1,040	1,894	2,068
Icelandic Trust Funds			139	172	50	205
Nordic Development Fund	564	450	297	613	632	668
HIPC Trust Fund		865	702	1,244		428
International Monetary Fund	274	281	269	240		
Doha Development Agenda Global Trust Fund				10	12	13
The Global Fund to Fight AIDS, Tuberculosis and Malaria						214
International Fund for Agricultural Development	6	6	5	5		7
Other	1,768	1,447	1,588	2,824	3,408	3,175
UNU Geothermal Training Programme	609	640	531	689	880	960
UNU Fisheries Training Programme	321	387	370	535	713	767
Refugee Assistance	540	216	154	301	505	
Contributions to NGOs	188	75	219	155	182	284
of which: ABC Children's Aid	11	20	22	43		56
International Red cross	111	51	43	51	54	
Save the Children	3		2	33		7
Children's Support in India	3					
Icelandic Red Cross	71		108	27	65	214
Icelandic Church Aid		13	46	22		7
The Lutheran World Federation					13	
Icelandic Lutheran Mission					7	
Emergency Assistance	12	41	1	684	227	93
Administration	97	89	313	460	575	572
Nordic-Baltic Coordination, World Bank					326	499
Total ODA	8,074	10,162	11,295	13,877	17,657	22,288
ODA/GNI (%)^	0.09	0.12	0.15	0.16	0.17	0.19

* Audited figures

** Based on budget figures and information from MFA

^ The ODA/GDP ratio was used until 2004



