

**Convention Plus**  
**Issues Paper on Targeting of Development Assistance**  
**Draft, June 2004**

**Introduction**

1. In the High Commissioner's Forum meeting of 12 March 2004, Denmark and Japan reiterated their readiness to facilitate the work on targeting of development assistance within the framework of Convention Plus. To spur further discussion, they provided a discussion paper describing their respective experiences on including refugee needs in development assistance policies and outlining the way forward within this strand.

2. The purpose of this paper is to outline issues relating to targeting of development assistance in a Convention Plus context.

3. The paper will:

- identify the issues involved in the granting of development assistance by the donor community and in the spending of development assistance on the development of refugee hosting countries and countries of return
- outline and explore challenges to targeting development assistance to find solutions for refugees in refugee situations as well as returnees in post-conflict situations
- identify donor policies conducive to targeting development assistance to find solutions for refugees
- outline possible elements for a special agreement

4. The paper draws on the Agenda for Protection which calls on "States to consider allocating development funds, possibly a percentage thereof, to programmes simultaneously benefiting refugees and the local population in host countries" and "... to consider including refugee-hosting areas in their national development plans, and UNHCR to encourage multilateral and bilateral development partners to extend tangible support for such initiatives..."<sup>1</sup> It also draws on the Framework for Durable Solutions<sup>2</sup> which provides methodological models – i.e. Development Assistance for Refugees (DAR), Repatriation, Reintegration, Rehabilitation and Reconstruction (4Rs) and Development through Local Integration (DLI) – that facilitate the proper targeting of development assistance. Furthermore, it builds on the 'Omnibus' resolution on UNHCR<sup>3</sup> by the General Assembly calling upon UNHCR "to continue to play its catalytic role in mobilizing assistance from the international community to address the root causes, as well as the economic, environmental and social impact of large-scale refugee populations in developing countries, particularly least developed countries, and countries with economies in transition".

5. Targeting of development assistance for refugees are specifically relevant in two situations, i.e. in refugee situations (DAR and DLI) and post-conflict situations (4Rs).

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<sup>1</sup> The Agenda for Protection, goal 3, objective 5, action 1 and 2

<sup>2</sup> Framework for Durable Solutions for Refugees and People of Concern, UNHCR May 2003

<sup>3</sup> A/C.3/58/L.39, 13 November 2003

- From 1997-2001, developing countries hosted two thirds of the global population of concern to UNHCR. Of these, the Least Developed Countries (LDCs) hosted 35 per cent making the LDCs shoulder the biggest burden when comparing the refugee population with the GDP.<sup>4</sup> Refugees are often hosted in communities in remote areas where a high level of poverty prevails. Hosting refugees for protracted periods of time has a long-term economic and social impact which, if not adequately addressed, can create tensions, conflict and insecurity. Furthermore, refugees in many countries face restrictive asylum regulations which limit their freedom of movement and access to education, skills training and productive livelihoods. Their potential for human growth and development is stifled and they have therefore little or no opportunity to make a positive contribution to the economy and society of the asylum country. The hosting countries and communities need therefore to be encouraged and supported in their receptivity to refugees. Targeting of development aid will enhance burden-sharing with poor refugee hosting countries and communities, and allow refugees to become self-reliant, equipping them for one of the three durable solutions: voluntary repatriation, local integration and resettlement.<sup>5</sup>
- In post-conflict situations the reintegration of returnees poses a considerable challenge. After the initial assistance provided by humanitarian actors, the subsequent process of reintegration to longer-term reconstruction does not occur in a seamless fashion. In the politically and socio-economic fragile environment which is characteristic of post-conflict situations, returnees are left in deprived condition for extended periods without means and opportunities for the future. Many opt to return to their country of asylum or move further on.<sup>6</sup> Targeting of returnees in the allocation of development assistance in post-conflict situations will prevent back-flows that are often encountered so as to ensure that reintegration is sustainable and will allow development actors to come in at an earlier stage narrowing down or closing the gap between humanitarian assistance and development aid.

6. The common feature to both situations is that the needs of refugees and returnees are not systematically incorporated in national transition and development plans by governments concerned, the donor community and the UN system. Targeting of development assistance ensuring the inclusion of refugee and returnee needs would prevent further marginalization and destabilization of hosting communities and return areas. In both situations, security and stability are key concerns. Furthermore, it will contribute to attain the Millennium Development Goals (MDGs)<sup>7</sup>. Since the human development and basic rights of refugees often fall short of that of non-refugees, the MDGs are directly applicable to refugees, internally displaced populations and returnees.<sup>8</sup>

## **I. Objectives and Methodologies of Development Assistance**

### **Poverty reduction**

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<sup>4</sup> Selected Indicators Measuring Capacity and Contributions of Host Countries, UNHCR, Geneva, April 2002

<sup>5</sup> Framework for Durable Solutions, p. 1

<sup>6</sup> *ibid*

<sup>7</sup> See annex 1

<sup>8</sup> Practical Guide to The Systematic Use of Standards & Indicators in UNHCR Operations, January 2004

7. Poverty reduction is the overarching objective of development assistance. The principle of poverty reduction<sup>9</sup> is reflected in donor States' aid policies<sup>10</sup>, in the guidelines of the OECD Development Assistance Committee (DAC)<sup>11</sup> and in the Millennium Development Goals (MDGs).

8. UNDP, as the UN's global development network, links and coordinates global and national efforts to reach the MDGs. At the national level, the UN Country Teams help countries integrate the MDGs into their national development frameworks. Countries are tailoring the MDGs to national circumstances, building them into national development strategies and policies, and incorporating them in budgets and ministries' priorities. The goals are also integrated into assistance frameworks and programmes. For more than 70 of the poorest countries, the main strategic tool is a nationally-owned poverty reduction strategy, which relates to national budgets, development activities and other assistance frameworks.<sup>12</sup>

9. While the Millennium Development Goals represent a united global vision of the importance of poverty reduction, the Poverty Reduction Strategy Papers (PRSPs) are widely seen as a means of achieving the goals in countries where they exist. The PRSPs, initiated by the IMF and the World Bank in 1999, are prepared by governments in low-income countries, describing the macroeconomic, structural and social policies and programs that a country will pursue over several years to promote growth and reduce poverty. Five core principles underlie the PRSP approach. They should be *country-driven*, promoting national ownership, *result-oriented* and focused on outcomes that will benefit the poor, *comprehensive*, *partnership-oriented* involving coordinated participation of development partners and have a *long-term perspective* for poverty-reduction. Debt relief is tied to PRSPs, which also provide the operational basis for the IMF's and the World Bank's concessional lending.<sup>13</sup>

10. In recent years, PRSPs have become the basis for support, not only from the World Bank and the IMF, but also from bilateral and multilateral donors, who have increasingly embraced the PRSPs as a means of coordinating donor policies and efforts and improving aid effectiveness. Donors have therefore moved away from stand-alone, donor-driven projects to support the implementation of consolidated poverty reduction strategies.<sup>14</sup>

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<sup>9</sup> The concept of poverty applied by development agencies is multidimensional. In the DAC Guidelines on Poverty Reduction, poverty encompasses "different dimensions of deprivation that relate to the human capabilities including consumption and food security, health, education, rights, voice, security, dignity and decent work". Furthermore, the Guidelines establishes that "Social categories known for severe poverty in several dimensions are indigenous, minority and socially excluded groups, refugees or displaced persons, the mentally and physically disabled and HIV/AIDS victims." *The DAC Guidelines, Poverty Reduction, 2001, pp. 10 and 41*

<sup>10</sup> E.g. the British International Development Act establishes poverty reduction as the over-arching purpose of the British development assistance. (*The International Development Act, 2002*) and The German Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung states: "Poverty reduction is an important part of the government's overall policy. In the area of development policy, it is an overarching task. It is the goal we pursue in all spheres of our work." (*Concept Paper on Poverty Reduction, BMZ*)

<sup>11</sup> DAC Guidelines on Poverty Reduction, 2001

<sup>12</sup> [www.undp.org/mdg](http://www.undp.org/mdg)

<sup>13</sup> [www.imf.org/external/np/exr/facts/prsp.htm](http://www.imf.org/external/np/exr/facts/prsp.htm)

<sup>14</sup> E.g. the DAC High Level Meeting, 2001, commits to "...support goals as set out in national strategies for sustainable poverty reduction, which should be country-driven, participatory, comprehensive and results-oriented. To ensure ownership and sustainability, the development community should be moving from agency-driven to country-

## Partnership

11. Partnership is a cardinal development co-operation rule, underlining the importance and respect of national ownership and leadership. The partnership philosophy is based on recognition that recipient countries need to take responsibility and ownership of their own development if aid is to be effective.<sup>15</sup> Thus, programming of aid is planned jointly by recipient and donor States based on national strategies and priorities. As part of these efforts, an increasing number of donors are decentralising programming, resource allocation and consultations to their embassies in partnership countries.

12. In addition, there is a consensus that aid is most effective in 'good performance' countries. There is a marked trend among donor States to allocate aid in favour of the best performers in order to meet the Millennium Development Goals. A major portion of development aid is therefore granted to stable countries with some national institutional capacity, sound macro-economic management and political accountability, while a small portion is given to 'poor performers'<sup>16</sup>, or 'difficult partnership' countries. The nature of aid to good and poor performers, however, differs. Countries considered to be 'good performers' and thus major recipients of foreign aid often have an Interim-PRSP (I-PRSP) or a PRSP and receive conditional budgetary and sector-wide support. These countries are in a number of cases also hosting large numbers of refugees, like Nepal, Tanzania, Uganda and Zambia. 'Poor performers' often include countries in conflict or in post-conflict situations with very limited capacity and no PRSP, and support is most often given at project level and channeled outside government. These countries are characterized by having displaced populations, either IDPs or returning refugees.

13. Bilateral development aid makes up approximately two thirds of Official Development Assistance (ODA)<sup>17</sup> and is generally focused on a limited number of partner countries. Partner countries are most often selected among the group of 'good performers' and the partnership is based on country strategies and bilateral cooperation agreements laying down the purpose, scope, objective and parameters of aid. Bilateral agreements are based on a long-term commitment of 3 to 5 years or more and are usually subject to annual consultations on progress and results – or lack hereof – on parameters like human rights, rule of law, democracy, governance and gender equality.

14. One third of ODA is given as multilateral development assistance through international organisations like the United Nations and the International Financial Institutions. Generally, multilateral development assistance is perceived as having a number of comparative advantages

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led activities, creating space for partnership through integrated programme, project and sector-wide support." (*The DAC Guidelines, Poverty Reduction, 2001, p. 12*)

<sup>15</sup> "Ownership of their strategies by the partner countries is key to the success of development policies.", *The EU Development Policy Statement*

<sup>16</sup> 'Poor performers' or 'difficult partnerships' are problematic to categorise, but are normally characterized by the lack of ownership and commitment to good governance by the political leadership of the country. A number of common characteristics, however, include serious corruption, lack of transparency, severe human rights violations and repression of minorities. *DCD/DAC(2001)26/REV1, 27 November 2001*

<sup>17</sup> Official development assistance (ODA) comprises grants or loans to developing countries and territories on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) list of aid recipients that are undertaken by the official sector with promotion of economic development and welfare as the main objective and at concessional financial terms (if a loan, having a grant element of at least 25 percent). Technical cooperation is included. Grants, loans and credits for military purposes are excluded. Also excluded are aid to more advanced developing and transition countries as determined by the DAC. [www.oecd.org](http://www.oecd.org)

compared to bilateral aid, including international confidence that it is not granted in pursuance of a 'domestic policy agenda' or geopolitical interests; that it is better positioned to provide assistance and advice on politically sensitive issues like e.g. human rights; and, not least, to address issues of a regional nature.<sup>18</sup>

## **II. Challenges to target development aid to support durable solutions for refugees**

### **National ownership**

15. It is the experience of UNHCR that, most often, the needs of refugees and returnees are not systematically factored into national development plans, PRSPs, CCA/UNDAF or bilateral country strategies. There are a number of reasons for this. Poor developing countries hosting refugees, sometimes for decades, do not consider refugees as beneficiaries of development aid. Since refugees are not part of the government's political constituency, there is a lack of political will to incorporate refugees in development strategies. At the same time there is the expectation that refugees will benefit from humanitarian funds through UNHCR and other humanitarian actors. Concerned that humanitarian assistance will not be replaced by development funds, hosting governments are reluctant to change strategy, responsibilities and funding support. In post-conflict situations when refugees return home, they are often left without the means to provide for themselves for extended periods of time relying solely on humanitarian assistance. Compared to the enormous task of rebuilding an entire country, the problems and needs of relatively small numbers of returnees are of minor concern and often take the back seat to more pressing national reconstruction priorities. As a result, the principle of national ownership and partnership in development cooperation often means that refugees and returnees are excluded from benefiting from development cooperation. As such they cannot make use of their productive capacity to contribute to maximize the poverty reduction impact of ODA.

### **Funding and conceptual gap**

16. Whereas humanitarian aid provides short-term relief which involves immediate, survival assistance to the victims of crises and conflict, development aid is characterized by long-term support to improve the general economic, political and social climate of countries. Humanitarian aid will often bypass governments, whereas development aid presupposes strong government involvement. Furthermore, humanitarian aid is focusing on the individual needs of beneficiaries, e.g. refugees, returnees or Internally Displaced Persons, while development aid addresses the overall needs based on a development strategy for the country as a whole.

17. Relief and development are therefore different processes. This helps to explain the much discussed 'gap' between humanitarian and development aid arising in: 1) the post-conflict phase, when humanitarian agencies leave an area after crisis has subsided but before incoming development agencies have established programmes; and in 2) refugee situations, where refugee needs are considered to be of a purely humanitarian nature, even for decades, leaving refugees as passive recipients of humanitarian aid without access to development funds that have a much greater potential in terms of enabling refugees to develop their skills, contribute to society and to be better equipped to go home, be resettled or locally integrated.<sup>19</sup>

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<sup>18</sup> Denmark's Development Assistance, chapter 3, 2001 and Aid Effectiveness and Selectivity: Integrating Multiple Objectives into Aid Allocations - Summary Paper, OECD/DAC, March 2003, p. 6

<sup>19</sup> Framework for Durable Solutions, DAR

18. Among donors, there is a tradition to deal with humanitarian and development issues separately. This does not acknowledge that, following the immediate crisis, humanitarian assistance cannot stand alone and that humanitarian assistance, especially in post-conflict situations, lays the ground for the long-term reconstruction. Nevertheless, despite the fact that ODA has been declining as a share of donor countries' Gross National Income (GNI), humanitarian ODA has increased over the last decade and makes up 10 per cent of the total<sup>20</sup>, of which a large portion goes to support care and maintenance programmes for refugees. Investing development aid in refugees to help them regenerate their productive capacity would be a sound macro-economic choice, making the efficiency of funds spent on solving refugee problems high.

19. Not only donors, but also the UN system and the NGOs tend to see humanitarian and development as two distinct processes, planning and implementing humanitarian and development operations in isolation. The Framework for Durable Solutions advocates integrated planning by all stakeholders – the UNCTs, the World Bank, NGOs, bilateral agencies and governments – from the outset of an operation providing exit and entry strategies for humanitarian and development actors respectively.

### **Scope of Development Aid**

20. The emphasis on national ownership and the importance of political commitment and accountability for development co-operation entail a strong country-oriented focus. By giving development assistance to partner States donors often lose sight of the inherent *trans-boundary and regional nature* of the refugee phenomenon. The DAC Guidelines on Helping Prevent Violent Conflict, however, acknowledge this aspect: “Forced displacement and the related issue of refugees and internally displaced persons are especially important dimensions of regional peace building and conflict prevention approaches. The scale of the problem of forced displacement – both within and across borders – is one that calls for greater use of regional mechanisms and efforts (...) Donors should support momentum in existing cross border co-operation in different regions, as well as in transnational or regional exchanges on these issues.”<sup>21</sup> Furthermore the Guidelines stress the fact that “In most cases asylum extended by the host country does not imply that the presence of refugees comes without political strains which affect relations between the countries of the region. The consideration of problems of asylum and repatriation is accordingly an eminently regional concern that can often only be resolved within a regional political framework.”<sup>22</sup> In keeping with the DAC Guidelines and based on past experiences<sup>23</sup>, solutions to refugee problems will normally be found within a comprehensive, cross-border or regional framework.

## **III. Policies Conducive to Targeting of Development Aid**

### **Additionality**

21. The Framework for Durable Solutions advocates that in refugee situations “assistance given to promote self-reliance of refugees and to improve the quality of life of refugees and their host communities is additional. If not, developing refugee-hosting countries will see ‘their’ aid be lost to refugees”. Such situations would risk creating tensions between refugees and the local population

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<sup>20</sup> DAC and Good Humanitarian Donorship, February 2004

<sup>21</sup> DAC Guidelines on Helping Prevent Violent Conflict, p. 46

<sup>22</sup> Ibid, p. 151.

<sup>23</sup> The International Conference on Central American Refugees (CIREFCA), 1989, and the Comprehensive Plan of Action for the Indo-Chinese Refugees, 1989

and would not be in line with the spirit of burden-sharing inherent in DAR and DLI. Similarly, the Framework advocates that returnees in post-conflict situations become beneficiaries of development aid through the inclusion of their needs in development plans.<sup>24</sup>

22. Recent years have seen increased efforts to improve aid effectiveness in terms of achieving higher returns on funds spent. These include commitments to untie aid<sup>25</sup> to the least developed countries, to base aid on development criteria rather than political self-interest criteria, to prioritise partnerships and local ownership, to favour recipients with pro-poor policies and to coordinate and improve coherency of donor policies.

23. At the UN Conference on Financing for Development in 2002, states recognized that “a substantial increase in ODA and other resources will be required if developing countries are to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration. To build support for ODA, we will cooperate to further improve policies and development strategies, both nationally and internationally, to enhance aid effectiveness.” In addition, developed countries were urged “to make concrete efforts towards the UN target of 0.7 per cent of gross national product (GNP)<sup>26</sup> as ODA to developing countries and 0.15 to 0.20 per cent of GNP of developed countries to Least Developed Countries, as reconfirmed at the Third United Nations Conference on Least Developed Countries. In parallel, we encourage developing countries to build on progress achieved in ensuring that ODA is used effectively to help achieve development goals and targets<sup>27</sup>.”

24. Further to the Monterrey Consensus, the European Union Member States who have not yet reached the UN target of 0.7 per cent target have committed themselves “individually to increasing their ODA volume in the next four years within their respective budget allocation processes, whilst the other Member States renew their efforts to remain above the 0.7 per cent ODA, so that collectively an EU average of 0.39 per cent is reached by 2006. In view of this goal, all the EU Member States will in any case strive to reach, within their respective budget allocation processes, at least 0.33 per cent ODA/GNI by 2006”<sup>28</sup>.

25. In the light of above-stated commitments made to increase ODA and to improve aid effectiveness, the coming years will see an increase in ODA. This trend was confirmed by the High Level Meeting of the OECD/DAC in April 2004 noting that there has been an 11 per cent increase in ODA over the last two years, reversing the declines in aid of the previous decade<sup>29</sup>.

26. In order to bridge the funding and assistance gap and to increase aid effectiveness, there is a need to decompartmentalise humanitarian and development aid, to devise new and flexible funding mechanisms for transition situations, allowing development agencies with mandates to work with governments, to start operating even if the government is still facing capacity problems and does not fully comply with traditional criteria for aid, to rethink development aid to also cover durable

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<sup>24</sup> Framework for Durable Solutions, p. 5

<sup>25</sup> ‘Tied aid’ is aid restricted to the procurement of goods and services from the donor country. It has been estimated that tied aid raises the cost of many goods and services by 15 to 30 per cent. In 2001, the DAC High Level Meeting reached agreement on a Recommendation to untie ODA to the least developed countries. OECD Policy Brief, 2001

<sup>26</sup> In 1970 the UN resolved that development aid should account for 0.7 of GNI.

<sup>27</sup> Monterrey Consensus, paragraph 41 and 42.

<sup>28</sup> European Council Conclusion on the UN Conference on Financing for Development, 2002.

<sup>29</sup> Statement adopted by members of the OECD’s Development Assistance Committee, High Level Meeting, 15-16 April, 2004

solutions for refugees, and in refugee situations, to gradually replace humanitarian assistance with development aid. (See also III, 29-40).

27. The UN system has already taken steps to better address transitions. The United Nations Development Group (UNDG)<sup>30</sup> and the Executive Committee on Humanitarian Assistance (ECHA)<sup>31</sup> established a joint working group on transition issues in September 2002 to respond to “address the funding and strategic planning gap between relief and development activities in the context of natural disasters and complex emergencies” and to continue “to strengthen the consolidated appeals process as a coordination and strategic planning tool for the provision of humanitarian assistance and transition from relief to development.”<sup>32</sup> Furthermore, the UNDG was called upon to develop “an implementation plan to strengthen the effectiveness of the organization’s presence in developing countries” and “include[s] such features as ... integrated planning, budgeting and resource mobilization tools for countries emerging from conflict.”<sup>33</sup>

28. The work of the joint working group was informed by the 4Rs pilot programmes<sup>34</sup> and the report from the working group recommends that i.a.

- a) “Planning the UN’s response in transition contexts should be linked, to the extent feasible, to national development plans and budgets (if they already exist) or to their preparation”;
- b) A unified UN strategic plan should allow recourse by the UNCT to multiple resource mobilisation instruments (CAPs, ‘TAPs’, dedicated donor conferences, the Consultative Group (CG) mechanism, Round Tables, or agency-specific mechanisms, supported by a pro-active resource mobilization strategy;
- c) In certain circumstances, a multi-year resource mobilization mechanism for transition, the feasibility and utility of which should be explored in collaboration with donors, drawing on the experiences of the 2004 Transitional Appeals as well as the Trust Fund facilities established for Afghanistan and Iraq.<sup>35</sup>

29. In order to implement the Framework for Durable Solutions and strengthen the linkages with the other parts of the United Nations system with the objective of strengthening refugee protection and seek durable solutions for persons of concern, UNHCR joined the United Nations Development Group (UNDG) in 2003. General Assembly resolution A/C.3/58/L.41 welcomes the admission of UNHCR to the UNDG and “invites the Development Group to include, through the resident coordinator system and in full consultation with the Government concerned, consideration of the needs of refugees and, as applicable, other persons of concern to the Office of the High Commissioner in the Common Country Assessment and the subsequent formulation and implementation of their development programmes.”<sup>36</sup> Pursuant to the resolution, a working group was established in early 2004 to develop guidelines on durable solutions for refugees, returnees and

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<sup>30</sup> The United Nations Development Group (UNDG) is an instrument for UN reform, created by the Secretary General in 1997, to improve the effectiveness of UN development at the country level. The UNDG brings together the operational agencies working on development. The Group is chaired by the Administrator of the United Nations Development Programme (UNDP) on behalf of the Secretary General.

<sup>31</sup> The Executive Committee on Humanitarian Affairs (ECHA) is one of the four Committees created by the Secretary-General in the framework of the UN reform with the aim of enhancing the coordination among UN agencies in humanitarian fields.

<sup>32</sup> ECOSOC Resolution E/2002/32

<sup>33</sup> Action Point 14 in the Report of the Secretary General (A/57/387/2002)

<sup>34</sup> 4Rs programmes are being piloted in Sri Lanka, Afghanistan, Sierra Leone and Eritrea

<sup>35</sup> Report of the UNDG/ECHA Working Group on Transition Issues, December 2003

<sup>36</sup> General Assembly resolution A/C.3/58/L.41, 13 November 2003

IDPs for inclusion in UN transition policies in post-conflict situations and in the revision of the Common Country Assessment (CCA) and the UN Development Assistance Framework (UNDAF) guidelines.

30. Through the above initiatives to better coordinate and integrate operations and avoid institutional gaps, the UN will significantly improve its ability to play a key role in targeting development assistance to find solutions for refugees, returnees and their communities.

31. Recent years have seen an increasing interest from donor States in de-compartmentalising humanitarian and development aid and in incorporating refugee needs in development aid policies. This development can be attributed, among other factors, to a wish by many donor states to have a ‘whole-of-government’ approach comprising a joint strategic vision shared by different government departments like foreign affairs, justice and home affairs, defense and development cooperation. In this context, pooled financing often serves as an efficient way of creating greater coherence and an integrated policy-making. In addition, it is acknowledged that development assistance has a greater, and sometimes unused, potential to prevent conflicts and refugee outflows.

32. Thus there are a number of recent initiatives aiming at integrating humanitarian and development efforts and funds and targeting development aid to find solutions to refugee problems in refugee as well as return situations (cf. Annex II). Given this trend and donor policies directing aid to countries with good institutions and sound policies guaranteeing a positive impact for ODA (see para 11), “good performers”, including in terms of providing refugees and returnees with durable solutions, will benefit from the additional funds generated by the above initiatives. This has been illustrated in the case of the Zambia Initiative<sup>37</sup>, which has been supported by a number of donors<sup>38</sup> with funds over and above their agreed and budgetted allocations for Zambia.

#### **IV. Elements of a Special Agreement on Targeting of Development Assistance**

33. In light of the foregoing, consideration should be given to the following elements which could usefully form part of a generic special agreement on targeting of development assistance.

##### **Preamble**

- reconfirm States’ obligations towards refugees under the 1951 Refugee Convention, the 1967 Protocol and other refugee law and human rights instruments
- reconfirm States’ commitment to durable solutions and burden-sharing
- place the special agreement on targeting of development assistance in the context of the Millennium Development Goals and poverty reduction
- make the necessary linkages between the special agreement on targeting of development assistance and the Framework for Durable Solutions

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<sup>37</sup> The Zambia Initiative, lead by the Zambian Government, is aimed at addressing the problems of poverty in refugee hosting regions and creating conditions conducive for the refugees to become productive members of their host communities, leading to their social integration, and peace, security and stability in the region

<sup>38</sup> For example Sweden, Denmark, the United States and Japan

Commitments by States:

**Donor Countries**

- to spend a share of development assistance on activities benefiting refugees as well as the hosting community and State in refugee situations (DAR and DLI)
- to spend a share of development aid on durable solutions for returnees and the communities to which they return in post-conflict situations (4Rs)

**Countries of Asylum**

- to implement DAR, including by systematically incorporating durable solutions for refugees and needs of host communities in national development plans and poverty reduction strategies
- to implement, where feasible, DLI in terms of granting refugees a progressively wider range of rights and entitlements which are commensurate with those enjoyed by local citizens

**Countries of Origin**

- to implement the 4Rs, including by systematically incorporating measures conducive to the sustainable return of refugees in national development plans and poverty reduction strategies

**UN and partners**

- to identify potential 4Rs, DAR and DLI programmes and implement them
- to plan, co-ordinate, monitor and evaluate activities subject to the agreement

**All Parties**

- to outline options for funding mechanisms and channels to be applied in specific situations
- to develop a peer review mechanism

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## Annex I

### Millennium Development Goals

#### 1. Eradicate extreme poverty and hunger

*Target for 2015: Halve the proportion of people living on less than a dollar a day and those who suffer from hunger*

#### 2. Achieve universal primary education

*Target for 2015: Ensure that all boys and girls complete primary school*

#### 3. Promote gender equality and empower women

*Targets for 2005 and 2015: Eliminate gender disparities in primary and secondary education preferably by 2005, and at all levels by 2015*

#### 4. Reduce child mortality

*Target for 2015: Reduce by two thirds the mortality rate among children under five*

#### 5. Improve maternal health

*Target for 2015: Reduce by three-quarters the ratio of women dying in childbirth*

#### 6. Combat HIV/AIDS, malaria and other diseases

*Target for 2015: Halt and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases*

#### 7. Ensure environmental sustainability

- *Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources*
- *By 2015, reduce by half the proportion of people without access to safe drinking water*
- *By 2020, achieve significant improvement in the lives of a least 100 million slum dwellers*

#### 8. Develop a global partnership for development

*Targets:*

- *Develop further an open trading and financial system that includes a commitment to good governance, development and poverty reduction – nationally and internationally*

- *Address the least developed countries' special needs, and the special needs of landlocked and small island developing States*
- *Deal comprehensively with developing countries' debt problems*
- *Develop decent and productive work for youth*
- *In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries*
- *In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies*

## **Annex II**

### **List of Donor Initiatives**

#### **The G8 Africa Action Plan**

In response to the NEPAD (New Partnership for African Development) initiative, the G8 States launched the G8 Africa Action Plan<sup>39</sup>, in which they reconfirm their new development assistance commitments announced in Monterrey, declaring that: “Assuming strong African policy commitments, and given recent assistance trends, we believe that in aggregate half or more of our new development assistance could be directed to African nations that govern justly, invest in their own people and promote economic freedom. In that way we will support the objectives of the NEPAD.”<sup>40</sup> The Action Plan strongly promotes peace and security in Africa and expresses a willingness to support post-conflict development, address displacement problems and specifically to support “African countries hosting, assisting and protecting large refugee populations.”<sup>41</sup>

#### **Linking Relief, Rehabilitation and Development (LRRD)**

The European Commission’s Linking Relief Rehabilitation and Development<sup>42</sup> is a conceptual framework under the General Development Framework. The objective of LRRD is to fill the gap between relief and development aid. The European Commission emphasizes the interdependence of humanitarian and development aid, arguing that better relief aid contributes to development and that better development reduces the need for relief aid. The LRRD is built into existing EC development co-operation tools and instruments and has no specific budget line attached to it. Therefore, when applied, it draws funds from the European Development Fund (EDF) or the budget line for Uprooted People in Asia and Latin America. UNHCR has received funds for the return programme in Sri Lanka from the Uprooted People's budget and for the return of Eritrean refugees from the EDF.

#### **Co-operation with Third Countries in the Area of Migration – (B7-667) and Aeneas**

The EC B7-667 budget line is intended to finance preparatory actions in the framework of a partnership with the countries and regions of origin and transit in relation to migration and asylum. The objective is to give financial and technical aid to countries of origin or countries of transit to support their efforts in managing migratory flows, especially within the areas of migration management, international protection and illegal immigration. The budget line finances projects that join national and regional Community co-operation and development strategies and programmes regarding the third countries concerned. In 2003 UNHCR received funds from B7-667 for four projects. In 2004, B7-667 will be incorporated in a new EC budget line - Aeneas.

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<sup>39</sup> G8 Africa Action Plan, June 2002

<sup>40</sup> *ibid*, para 9

<sup>41</sup> *ibid*, para 1.7

<sup>42</sup> Communication from the Commission to the Council and the European Parliament, 2001

### **Peace Building Grant Aid (PBGA)**

PBGA forms part of Japan's Grant Aid System and of Japan's ODA. The fund supports governments of developing countries or international organizations to implement programs for conflict prevention and peace building, including integration and reconciliation programmes in post-conflict countries. Proposed programmes should contribute to the overall peace building efforts of a specific country or region. UNHCR has received funding from the PBGA for "Reintegration Assistance Programme to Angolan Returnees".

### **The Trust Fund for Human Security (HSTF)**

The HSTF likewise forms part of Japan's ODA under the budget for Multilateral Institutions, Only organizations in the UN system may request support from the fund for activities related to the concept of human security. Parameters for the funding of projects include "advancing integrated approaches that preferably involve more than one organization in planning and implementation" and the fund prioritizes "supporting and empowering refugees, internally displaced persons (IDPs), economic migrants and others on the move. Particular attention should be given to the socio-economic impact on the displaced and their host communities".<sup>43</sup> UNHCR's "Imagine Coexistence" in Yugoslavia and Rwanda is an example of a project funded by HSTF.

### **Strategy for Activities in Refugees' Regions of Origin**

In 2003 Denmark adopted a strategy with a separate budget line for activities in refugees' regions of origin.<sup>44</sup> The objective of the strategy is to promote durable solutions for refugees by integrating refugees in development programmes. It aims to promote durable solutions for refugees by integrating them in development programmes through a combination of multilateral and bilateral activities. In the multilateral field, the strategy emphasizes strengthening the link between humanitarian and development agencies within the United Nations family, for example through the 4Rs approach in post-conflict situations and by increasing self-reliance for refugees in refugee situations. Together with UNDP, UNICEF and ILO, UNHCR has presented a 4Rs funding proposal to Denmark on Sri Lanka under this budget line.

### **Transition Budget Line**

In 2002 Norway established the Transition Budget Line aiming at bridging the gap between short-term relief and long-term development aid in post-conflict situations.<sup>45</sup> It is an explicit objective of the Norwegian transition strategy to contribute to the international community's capacity and act in international crisis situations. Thus funds are risk-friendly, allowing Norway to allocate funds for activities in countries with weak government capacity lacking democratic processes. Funds from the transitional budget line are mainly intended for countries which are not recipients of bilateral aid. As from 2004, UNCHR will receive a grant earmarked for 4Rs activities.

### **The Millennium Challenge Account**

In 2004 the United States established the Millennium Challenge Account (MCA) devoted to support "projects in nations that govern justly, invest in their people and encourage economic freedom".<sup>46</sup> Funding for the MCA will increase over three years to USD 5 billion in 2006. In 2004, countries eligible to borrow from the International Development Association (IDA) will be considered. In

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<sup>43</sup> The Trust Fund for Human Security, 2003

<sup>44</sup> 'Naeromraadestrategien' (Strategy for Activities in Refugees' Region of Origin, Danida, 2003

<sup>45</sup> www.norad.no

<sup>46</sup> President George Bush's statement at the Monterrey Conference, 2002

2005, all countries with incomes below USD 1,435 per capita will be considered, and in 2006, all countries with incomes up to USD 2,975 per capita will be eligible. 16 indicators have been chosen to identify better performing countries and to assess national performance relative to governing justly, investing in people, and encouraging economic freedom.

### **The Post-Conflict Fund**

The World Bank's Post-Conflict Fund (PCF) was set up in 1997 and aims at supporting countries in transition from conflict to sustainable peace and economic development. The PCF is to position the Bank through constructive engagement in countries where normal instruments cannot be used or may not be appropriate. PCF grants place a premium on: i) innovative approaches to conflict and development; ii) partnerships with donors, the UN system and NGOs; iii) appropriate exit strategies and iv) scope for using grants to leverage additional funding and thus enhance impact. Grants can range from 25,000 USD to 1 million USD, which can be exceeded for multi-year programmes. The PCF is currently harmonizing work programmes with the LICUS Trust Fund (see below).<sup>47</sup>

### **Licus Trust Fund**

In 2004, the World Bank has created a \$25 million Trust Fund to help stimulate policy reforms and establish delivery of social services in the world's poorest countries, where traditional aid approaches have failed but continued international support is crucial. The Trust Fund will target those LICUS (Low Income Countries under Stress<sup>48</sup>) countries that are not eligible to receive International Development Association (IDA) funding due to their arrears with the Bank. The Trust Fund will be financed by transferring funds from the Bank's surplus and will operate until the end of 2007. It will be administered by the International Development Association (IDA), drawing on the approval system, documentation and procedures of the existing Post Conflict Fund.

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<sup>47</sup> The Role of the World Bank in Conflict and Development: An Evolving Agenda, the World Bank, 2004

<sup>48</sup> Low Income Countries Under Stress are characterized by very weak institutions and governance, and constitute the most difficult environments in which to use aid effectively