

MEDIUM TERM STRATEGY FOR
OFFICIAL DEVELOPMENT ASSISTANCE
2006-2010

INTRODUCTION

1. The Millennium Development Goals (MDGs)

In September 2000 in New York, the international community (147 Heads of State and Government and 189 nations in total) adopted the Millennium Declaration and agreed to work together in order to secure peace, security and to reduce poverty. The Millennium Declaration combines a set of interconnected and mutually reinforcing development goals into a global agenda. These goals, so-called Millennium Development Goals (MDG's) are:

- (a) Eradicate extreme poverty and hunger
- (b) Achieve universal primary education
- (c) Promote gender equality and empower women
- (d) Reduce child mortality
- (e) Improve maternal health
- (f) Combat HIV/AIDS, malaria and other diseases
- (g) Ensure environmental sustainability
- (h) Develop a global partnership for development

Quantitative targets have been set for most of the MDG's to be met by developed countries in a 25-year period (1990-2015) in order to promote human development.

2. Financing for Development

In the International Conference on Financing for Development (ICFD) held in March 2002 in Monterrey, developed countries committed themselves to make concrete efforts towards the target of 0.7% of Gross National Income (GNI) as Official Development Assistance (ODA) for the developing countries and least developed countries. It was a step towards the implementation of the MDG's in the agreed timeframe.

In the same year in Barcelona, the European Union has adopted the decisions of Monterrey and moved a step further, adopting the "Barcelona Commitments", which are:

- (a) Examine the means and timeframe for each EU Member State to reach the UN target of 0,7% Official Development Assistance (ODA) of Gross National Income (GNI), with an intermediary target of 0.39% by 2006, by which time the Member States should reach the target of at least 0.33% of GNI individually.
- (b) Improve aid effectiveness through closer coordination and harmonization, and take concrete steps to this effect before 2004.
- (c) Take measures with regard to untying of aid to Least Developed Countries (LDCs).

The Council of the European Union and the Representatives of the Governments of the Member States had a meeting on 24 May 2005, to discuss the EU contribution toward the attainment the MDGs and ways to accelerate progress and decided that: (a) Member States that have not yet reached a level of 0.51% ODA/GNI will undertake to reach that level by 2010 while the target of 0.7% will be reached by 2015.

(b) Member States which joined the EU after 2002 will strive to increase their ODA/GNI to the level of 0.17% by 2010 and to the level of 0.33% by 2015.

3. Situation in Cyprus as regards Official Development Assistance

During the last decades Cyprus has evolved from an aid recipient to an aid donor country. After the 1974 Turkish invasion, and the dismantling of the Cypriot economy through the occupation by the Turkish forces of almost 40% of the Cypriot territory, the country was confronted with enormous challenges. The governmental effort to cater for the needs of the displaced persons and to facilitate the restitution of the Cypriot production base was aided by technical assistance which was offered by international organizations such as the United Nations, the Commonwealth Fund for Technical Cooperation, as well as by individual countries (Greece, U.S.A., etc) on a bilateral basis.

Today Cyprus is at a point where it can share its accumulated experience and knowledge with less developed countries and may participate to world efforts for the eradication of poverty and diseases and for the upgrading of the living conditions of dispossessed people and of their developmental potential.

It is for this reason that in 1994 the Government for Cyprus launched the “Technical Assistance Scheme for Foreign Countries” aiming at making available the Cypriot know-how and expertise in economic transition and development. The choice of assistance recipients was based not only on their development needs but on the prospects for the fostering of business and other bilateral relations. For the decade 1994-2004 Cyprus offered within the framework of the Scheme 1155 scholarships of a value of £3.5 mln.

Special assistance has also been offered by the Cyprus Government on an ad hoc basis in the form of grants, the undertaking of developmental small scale projects and emergency or humanitarian assistance in the form of shipments of pharmaceuticals, food and clothing.

Assistance has also been offered during the last decade by a number of non-governmental organisations like the Church, the Cyprus Red Cross, the Cypriot Branch of the Medecins du Monde, which have developed cooperation with countries of the region such as the Palestinian Authority, Armenia, Bosnia and Herzegovina and African countries.

4. Trend of Cypriot ODA

The amount of assistance offered by Cyprus per year for the last five years was ranging between €3 mln - €4 mln representing around 0.02%-0.03% of the GNI. This percentage is very low compared to the commitment undertaken by the EU Member

States which prescribes that new Member States will strive to reach a targeted percentage of ODA/GNI 0.17% by the year 2010 and of 0.33% by the year 2015.

5. Harmonisation of Cypriot ODA with EU guidelines

Given the challenges faced by each new Member State emanating from its obligations in the field of development assistance, it became obvious that Cyprus had to reassess the entire framework of its development and humanitarian assistance. The focus of the Cypriot assistance shifted from the Eastern European Countries and the countries of the Commonwealth of Independent States to the more poor countries of Africa as well as to the countries of the European Neighbourhood Policy (Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Syria Tunisia, Ukraine and the Palestinian Authority). Cyprus is also currently setting up an administrative mechanism for the planning, selection, implementation, monitoring and evaluation of development assistance projects, the coordination of national ODA policies with those of the EU, the sensitization of the public opinion as regards external assistance and the systematic training of persons (government and non-government personnel) dealing with technical assistance.

This paper sets out the Medium Term Strategy adopted by the Government of Cyprus. It is structured in three parts:

- In the first part the contemporary policy direction, the targets and the priorities of the Cypriot development assistance both from an end result point of view but also as regards a territorial and sectoral priorities are presented;
- In the second part, the paper identifies the underlying principles of development aid;
- In the third part it puts forth the forms of international cooperation that were or are being forged for the purpose of attaining a more effective and efficient extension of national development aid.

PART I: POLICY DIRECTION, TARGETS AND PRIORITIES OF THE CYPRIOT DEVELOPMENT ASSISTANCE.

I.1. Policy directions

After the accession of the country to the European Union, Cyprus has sought to align its policy directions with those of the European Union. The focus has thus shifted from an emphasis on creating a favourable environment for bilateral business contacts to the promotion of the Millenium Development Goals, with special emphasis on the elimination of poverty and diseases, the upgrading of living standards and the improvement of social conditions.

In addition, the commitment of the country to the preservation of international peace and security and to the promotion of the respect of human rights, democracy and rule of law are also determinants of all decisions that are made.

I.2. Goals

The goals of the Cypriot Development Assistance aim at the most efficient and well targeted extension of assistance for maximisation of the accruing benefits to the recipient countries.

Promotion of sustainable development. At a time when domestic economies are interwoven with the global economic system, it is pertinent for the developed countries to adopt fully inclusive and equitable policies in their external relations as a means to achieving sustainable economic growth.

For this reason the focus of the Cypriot development assistance is to provide recipient countries with the means (be it in human resources, infrastructure or systemic changes), to eventually become self-sufficient in their quest for survival or for the attainment of higher standards of living. For this reason projects promoting the recipients' capacity for self-sustainment are preferable to food aid or money allocations.

Eradication of poverty and diseases. Taking into consideration the international commitment to the first Millenium Development Goal of poverty eradication as well as the recent decisions at the European level for concerted action against HIV/Aids, malaria and tuberculosis, Cyprus has decided to abide by those priorities and to incorporate them into the Cypriot strategy. The focus on these goals will be exhibited at first through participation in multilateral or trilateral programmes and in the longer run through the implementation of projects in the countries concerned.

Use of the Cypriot comparative advantage. Cyprus' recent history of reconstruction of the economy after the 1974 Turkish invasion, has left the country with a very specialised expertise on issues of economic recovery and remobilisation of resources. Also, the highly educated Cypriot workforce and the comparative advantage of the country in the field of services are factors that will be put in use. By concentrating in sectors and issues where the country possesses a clear advantage, efficiency and effectiveness will be maximized. This specialisation also carries the collateral benefit of promoting the use of Cypriot experts or entities such as non-governmental organisations for the delivery of assistance and the implementation of development projects while at the same time it is promoting the creation of a favourable environment for bilateral cooperation with the targeted countries.

I.3. Territorial priorities

Given the limited amount of resources and funds that Cyprus is in a position to offer, it is pertinent to limit the list of recipient countries to enable the concentration of assistance, to avoid the waste of resources and to ensure the effective delivery of assistance. Cypriot assistance will thus be directed to 5 programme countries where Cyprus will undertake to implement more comprehensive schemes of assistance and to 14 project countries where Cypriot aid will be of the form of small scale individual projects.

Programme countries: These countries were selected because they fulfil multiple criteria set by Cyprus, including their political significance to the European Union and the fact that they are countries whose identified needs are such that Cyprus possesses

the means to address. The countries selected are Egypt, Mali, Lesotho, Yemen and the Autonomous Palestinian Authority.

Project Countries: Project countries are those fulfilling one or two of the above mentioned criteria or and the additional criterion of being among the Least Developed Countries (thus addressing the need to direct resources to the most impoverished populations). For the first year of the implementation of the Medium-Term Strategy the countries selected are: Armenia, Bangladesh, Bosnia-Herzegovina, East Timor, Georgia, Gambia, Iran, Kyrgyzstan, Moldova, Pakistan, Sudan, Sri-Lanka, Tatzikistan, Uzbekistan.

I.4. Sectoral priorities

The sectoral priorities of Cypriot development aid are at par with the comparative advantages of the country and are targeted to the achievement to the Millenium Development Goals. They can be divided into three areas:

Infrastructure development: Cypriot governmental services and private firms have experience in road construction, dam and sewage system construction, irrigation systems, solar energy infrastructure, forestry, engineering telecommunications, health infrastructure etc. In the short run government-to-government consultancies could be offered whereas later these areas of expertise could be translated into on-location projects.

Social and services sectors: The Cypriot governmental departments and the non-governmental organisations have experience in health care services, education, tourism-related services, development of human capital, promotion of equal opportunities, etc. These sectors can form the basis for projects to be undertaken in the future in Cyprus or in the recipient countries.

Environment: Harmonisation with the acquis communautaire has brought about a new awareness and new policies for environmental protection, rational land use planning urban planning and housing policy, environmental monitoring, environmental impact assessment, protection of human health especially as regards chemicals, pesticides water protection, atmospheric protection, noise management, etc.

PART II: UNDERLYING PRINCIPLES OF THE CYPRIOT DEVELOPMENT AID

As a result of the harmonisation process but also taking into consideration the need for optimization of benefits, Cyprus adopted the following long-term principles that will be guiding its annual programmes for the years to come:

II.1. Specialisation

In order to avoid a wide dispersion of funds and the targeting of a large number of countries thus increasing the administrative costs and minimizing the effect of the assistance, Cyprus will limit its aid to 5 selected programme countries and to a limited number of sectors.

Some degree of assistance fragmentation is inevitable as regards the scholarships scheme through which scholarships are offered to countries with which Cyprus is bound by bilateral agreements or to countries with which Cyprus has traditional ties. The same holds true for the grants to be offered by the Ministry of Foreign Affairs within the framework of its foreign policies (microgrants). Nonetheless, these amounts will be constituting a small percentage of the Cypriot aid as the volume of assistance will be directed to multilateral or trilateral partnership (with other EU member States) for the implementation of projects in the programme countries.

II.2. Centralisation

The policy making mechanism that has recently been put in place for the Official Development Assistance issues is one that retains a high degree of centralisation in the decision making phase even though it allows for a more decentralized approach in the aid delivery arrangements. The mechanism comprises of a Coordination Body (CB) headed by the Minister of Foreign Affairs and having the Minister of Finance and the Permanent Secretary of the Planning Bureau as members. The CB is responsible for the setting up of targets (quantitative, territorial and sectoral) on the basis of international obligations and national priorities. A second body, headed by the Permanent Secretary of the Ministry of Foreign Affairs (MFA) and comprised of representatives of the Ministries of Finance, Commerce, Industry and Tourism, Agriculture, Natural Resources and Environment, Labour and Social Insurance, Education and Culture and the Planning Bureau, as well as representatives of the civil society, will assume a consultative function to the CB. The Planning Bureau has the administrative and implementation functions for the decisions of the CB while the MFA represents the Republic abroad and is responsible for the publicization of the Cypriot official development assistance policy.

This organisational setup maintains centralisation of the policy making function, always within the limitations of the national budget priorities (the participation of the Minister of Finance in the CB sees to this) but at the same time it takes into account all the input of the governmental and civil society actors who are also going to be called to participate to the implementation phase. The participation of the civil society and other governmental departments also ensures higher decision acceptance and facilitates intra and extra governmental coordination.

II.3. Use of existing aid-delivery mechanisms in the short-run

Given the inexperience of the country in large-scale aid delivery, as well as the limited number of personnel allocated for this task, it is pertinent to make use of the already established delivery mechanisms of multilateral donors such as international organisations, or of civil society groups based in Cyprus but having international experience such as the Red Cross or the Medecins du Monde. Alternatively Cyprus should opt to form alliances with other countries with more experience in development assistance and with established aid delivery networks.

In the long run Cyprus plans to establish its own aid delivery structure which will be set up according to the European guidelines for the selection and implementation of projects using sound and transparent procurement procedures and the project cycle

management methodology.

II.4. Raising public awareness

The Ministry of Foreign Affairs should organise publicity campaigns for the sensitisation of the public to the issue of world solidarity with the poor and dispossessed. The campaigns should promote the international efforts toward the goal of equitable development, but also the current and future national policies. This will prepare the public opinion for the future increases of public spending for this cause.

II.5. Securing stability of aid financing and continuity of policies

Given the international obligations of the Republic but also the national ODA policy guidelines calling for the programme approach that will inevitably yield projects with a life span of more than one year, it is important to ensure the flow of financing. To this effect, and after securing the approval of the Medium-Term Strategy, a more detailed plan should be prepared for the yearly allocations of the period 2006-2010, starting with a full-fledged budget for 2006 and provisional budgets for the consecutive years.

This will ensure the commitment of the Ministry of Finance to financing the medium term policy but it will also ensure the continuity or the completion of the projects selected.

PART III: INTERNATIONAL COOPERATION

III.1. Cooperation within the framework of the European Union

Complementarity, coherence and coordination of action are the underlying principles of European development assistance and all EU Member States have pledged adherence to these principles. Harmonisation with the EU is also sought as regards priorities (sectoral and territorial) as well as in relation to the rules applied for the management of assistance as these are set out in the EU primary and secondary legislation. The participation of Cyprus to the EU decision-making process in the area of development policy is a shared function between the Ministries of Foreign Affairs, Finance and the Planning Bureau.

The EU ODA represents about 60% of the World ODA. This assistance consists of:

- (a) Allocations from the EU budget representing 2% up to 3% of the total EU public expenditure and financing special programmes and projects
- (b) the European Development fund (EDF) which is set up from Member State contributions and is financing programmes in the African and Caribbean countries
- (c) the bilateral assistance offered by Member States to other countries.

Cyprus is making its ODA - related contributions to the EU through its percentage share to the EU budget and through the offer of bilateral assistance. As from 1.1.2008 Cyprus, together with all new Member States, will also be contributing to the EDF.

The cooperation with the EU on ODA issues is expected to yield benefits for the Cypriot ODA effort in as far as information sharing is concerned. It is noted that the EU Commission has financed studies and fact-finding missions in a host of countries and has published a number of country reports and indicative country programmes where the immediate and medium-term priorities of countries in question are analyzed. These reports are an excellent source of information to be used at the project selection phase.

Also complementarity with ongoing EU Member States or EU programmes is a variable that has to be taken into consideration in order to avoid duplication and to maximize the ensuing benefits for the recipients.

III.2. OECD/DAC Committee

Cyprus is not yet a member of the OECD but nonetheless it tries to adhere to OECD recommendations and guidelines referring to ODA.

III.3. United Nations and other multilateral donors

The role of the United Nations in the promotion of global cooperation in the field of development assistance is indisputable. Cyprus will develop cooperation with the UNDP and possibly other UN bodies like UNIDO, FAO, UNFPA, WFP in an effort to use their good services for the delivery of assistance.

At present the contributions of the Government of Cyprus to international organisations are dispersed to a very wide group of organisations. These contributions are in some instances mandatory but in most cases voluntary. One of the tasks that the Coordination Body will be undertaking in the near future is to re-evaluate the list of organisations with a view to redirecting the amounts offered toward a smaller number of organisations, particularly those whose mandate coincides with the national strategy.

CONCLUSION

The proposed five-year strategy as presented in this paper aims at setting the Cypriot Official Development Assistance well on its way for full harmonisation with EU and international policies in this field. Furthermore the strategy aims at taking advantage of the strongest attributes of the Cypriot political, economic and social policies for the benefit of the recipient countries. The delivery of development aid will at first be promoted through existing multilateral or newly established trilateral mechanisms until the time that Cyprus builds up the administrative capacity to undertake this function on its own.