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ICELAND AND FOREIGN AID: FROM RECIPIENT TO DONOR

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Introduction

In the General Assembly of the United Nations on 22 September 2017, the Icelandic Minister of Foreign Affairs declared that “[i]n the beginning of the 20th century, Iceland was one the poorest countries in western Europe ... Iceland’s path from rags to riches is a text book example of the power of free trade” (Utanríkisráðuneytið 2017a). To make a long story short, in the 9th century Iceland was settled by Norwegian Vikings, it came under the jurisdiction of the Norwegian King in 1262 and, following the reunion of Norway and Denmark in 1380, Iceland belonged to Denmark. Iceland acquired home rule in 1904 and on 1 December 1918 Iceland became a sovereign state in union with Denmark through a common monarch. Denmark continued to oversee Iceland’s foreign affairs until Denmark was occupied in April 1940 by Germany. The occupation effectively dissolved the union between Iceland and Denmark and in June 1944 Iceland became a republic.

The nature and quality of Iceland’s belonging to Denmark is debated, that is, was it a relationship of mutual dependency between the two countries’ or a colonial relationship power? A beneficial relationship or an exploitative one? (Lucas and Parigoris 2013; Þórhallsson 2012; Karlsson 2008). Whatever the relationship, the situation of the Icelandic population was precarious throughout centuries. During the 18th century, plagues, volcanic eruptions and famine struck the country (Olavius 1964). The Danish Crown initiated actions to improve living conditions that were once again compounded by volcanic eruption, this time Lakagígur in 1783/84 leading to the death of close to one-fifth of the population (Karlsson 2000, 181). The 1703 census estimated that the Icelandic population was around 50,000, while in 1786 it had declined to less than 40,000 inhabitants (Karlsson 2000). One third of all infants born in the period died within the first year of life, placing Iceland as the country with one of the highest infant mortality rates in Europe (G. Gunnarsson 1987, 21). When Iceland got its first constitution from the Danish king in 1874, the country was one of Europe’s poorest countries with 2/3 of the labour force employed in agriculture (Central Bank of Iceland 2008, 17) and with an infant mortality rate of approximately 166 per 1000 live born infants (Statistics Iceland n.d.). Further, in the period from 1870 to 1914, about 15% of the Icelandic population emigrated to America in a search for improved living conditions (Karlsson 2000, 236–38). Harsh weather conditions and the volcanic eruption of Askja in 1875 are the main reasons for this exodus.

The first three decades of the 20th century were times of rapid economic growth. During this time, Icelandic society progressed rapidly, mainly through the mechanization of the fishing fleet, and the traditional rural society began to transform into a modern industrial society (Karlsson 2000). During World War II (WWII) Iceland was occupied by British military forces in May 1940. A year later, after an agreement between the Icelandic and American authorities, US military forces took over the defence of Iceland (Jóhannesson 2004). In the period from 1940 to 1945 economic growth was 38% in Iceland compared to a decline of 25% in war torn Europe (Thorhallsson, Steinsson, and Kristinsson 2018). Obviously, this economic growth rate did not last and after the war, Iceland received considerable preferential treatment and foreign aid until 1976 (G. Á. Gunnarsson 1996; Ingimundarson 1996; Sigurgeirsdóttir 2008; Thorhallsson, Steinsson, and Kristinsson 2018). In 2007, Iceland ranked first on the Human Development Index (UNDP 2007), followed however by an economic collapse of historic proportions one year later (Benediktisdóttir, Danielsson, and Zoega 2011).

The aim of this chapter is to describe and analyse the transformation of Iceland from a net receiver of foreign aid to a donor country. We describe Iceland’s colonial past with emphasis on the support it received to improve the living conditions of its population. Then we describe Iceland as a newly independent state receiving aid through the Marshall Plan to gradually become an active provider of international development aid. To illustrate Iceland’s transformation, we pay particular attention to the support given to Malawi as an example of how Iceland can constructively contribute to improve the daily lives of people in a setting of pervasive poverty.

Ragged nation

While the classification of the relationship between Iceland and Denmark was and still is debated, the plight of the Icelandic population throughout the centuries is not questioned. In the 18th century, Icelandic intellectuals working for the Danish Crown in Copenhagen persuaded the colonial authorities to send missions to Iceland to study the dire situation of the country and to come up with plans of action to improve the precarious living conditions (Olavius 1964, viii).

In 1741, Ludvig Harboe, a Danish pastor, and Jón Þorkelsson Thorcillius, an Icelandic priest, were sent to investigate the standard of education and religion in Iceland and they concluded that only 36% of Icelanders were literate (Karlsson 2000, 171). In 1752–1757, the Icelandic scientists Eggert Ólafsson and Bjarni Pálsson undertook an expedition to Iceland that resulted in several proposals for improvement. Later, in 1762, Bjarni Pálsson became the first *Landlæknir* (Chief Medical Officer/Surgeon General) for Iceland. One of his first initiatives was to recruit a Danish midwife to teach Icelandic traditional birth attendants (TBAs) to improve the care of mothers during pregnancy and delivery (Halldórsdóttir 2016b, 23–28). In the period of 1836–1955, 48 Icelandic women were trained in midwifery in Copenhagen, and all except two returned to Iceland to practice the trade (Halldórsdóttir 2016a). The third Icelandic mission of importance in this period was carried out in 1775–1777 by Ólafur Olavius, an Icelandic scholar. He was sent to study the country's economy and give recommendations on possible interventions to improve the poor economic situation (Olavius 1964, vii–viii). Following these expeditions, Danish trade monopoly was abolished in 1786, and gradual improvement in living conditions for the population can be observed, exemplified for example with higher literacy rates and emerging rudimentary features of what would later become organized healthcare services (G. Gunnarsson 1987, 50).

The colonial missions and foreign tourists who visited Iceland during the 18th and 19th centuries were struck by the poor, unhygienic and inhumane living conditions of the Icelandic population (Ísleifsson 1996, 2011). The images portrayed of Icelanders were however ambiguous; on the one hand, they were presented as idle, filthy and uncivilized drunkards, on the other, as descendants of an ancient and superior Germanic race. In the mid-19th century Icelandic intellectuals, perplexed with these ambiguities and armed with the nationalistic ideology of the time, began arguing for the independence of their country. While blaming Danish colonialism for the demise of Iceland's former glory, they identified with the racial and gendered ideologies of the colonial project and echoed European stereotypes of Africa (Loftsdóttir 2011a). For instance, in 1905 Icelandic students became appalled for being portrayed as colonial savages together with Greenlanders and Africans at the Danish colonial exhibition in Copenhagen.

Road to riches

In 1904, a milestone towards independence was reached with home rule, and the following year the first trawler came to the country and with it a rapid increase in catch rates (Knúttsson and Gestsson 2006). In 1930, an historic 23% of the total work force was employed in the fishing and processing sectors and over 15% in the fishing sector alone, while there was a sharp decline in sales in the 1930s following the Great Depression. The British occupation of Iceland in May 1940 and consequent replacement with US troops came to have huge effect on the development of the small state. During WWII, export of fish to the UK was profitable and foreign exchange rates were favourable. When the war ended in 1945, the economic situation deteriorated and resulted in shortages of goods and the introduction of trade barriers. Yet, as in WWII,

Iceland's geographic location continued to be strategically important for the West during ensuing Cold War politics, and in 1951 USA and Iceland signed a bilateral defence agreement on behalf of NATO for providing a naval air station base in the country for its army (Jóhannesson 2004). At the same time, the USA strengthened Iceland's ties with the Western camp by giving the country a generous share of aid through the Marshall Plan (Ingimundarson 1996). From 1948 to 1953, Iceland received through this Plan economic assistance worth 38.8 million USD from the United States, of which 77% was grant (Kjartansson, Bjarnason, and Jónsson 2017). It was disbursed as budget support implying that the donor country transferred funds to the national budget without earmarking it. According to Thorhallsson, Steinsson and Kristinsson (2018):

Iceland received almost twice as much aid per capita as the second highest recipient, with the Marshall aid accounting for nearly 6 per cent of Iceland's GDP at its peak in 1951. The aid alleviated the effects of the 1948–1952 economic slump, financed 17 per cent of Iceland's imports between 1949 and 1953 (effectively reducing import quotas and rationing in 1950–1951), and enabled capital for investments in the fishing industry, energy sector, and agriculture.

Moreover, in contrast to other European states receiving aid through the Marshall Plan, Iceland mostly disregarded conditions to undergo economic reforms, including elimination of tariffs and depreciation of the currency. In the post-war period, while Europe was getting rid of import tariffs and quotas, Iceland was introducing new ones (Thorhallsson, Steinsson, and Kristinsson 2018). Further, Iceland was the only European country that received subsidised loans from the US in the 1960s through the PL 480, a development aid programme established for poor countries. In the period 1957-1973, Iceland used such loans to buy for example wheat, rice, animal feeds, tobacco, and fruits while the loan's equivalent value was used for construction work, such as hydropower plants and communication infrastructure (Kjartansson, Bjarnason, and Jónsson 2017). In 1969, when markets failed in Nigeria due to the Biafra War, the US bought unsold Icelandic stock fish, an important export product, which the International Committee of the Red Cross distributed in Nigeria. In the 1970s, US aid to Iceland was mostly withdrawn, however the country still enjoyed some economic support from the US, such as “to fund infrastructure, run the Keflavík international airport, maintain the air surveillance system, and operate helicopters at the Base which were crucial for rescue operations at sea” (Thorhallsson, Steinsson, and Kristinsson 2018). In the 1960s Iceland received beneficial loans from the World Bank and until 1976 aid from the UN Development Fund (UNDP), which classified Iceland as a developing country (Sigurgeirsdóttir 2008).

Donorship

In 1964, the movement *Herferð gegn hungri*, an Icelandic branch of FAO's campaign Freedom from Hunger, was established by the Youth Association of Iceland. It became influential in raising funds but also in advocating for the establishment of an Icelandic development aid agency (Loftsdóttir 2011b; Salvarsson 2015a). In 1965, almost 10 million ISK (Icelandic *krónur*, the national currency) were raised through donations that were allocated by FAO in support of fishermen in Madagascar (Salvarsson 2015a). Renown Icelandic personalities and politicians representing all of the political parties joined the effort (Loftsdóttir 2011b). Loftsdóttir calls attention to a press release in 1969 from the Freedom from Hunger campaign in Iceland. There it is emphasised that Icelanders were front-runners within the group of wealthy countries, and should contribute a certain proportion of the state budget to humanitarian assistance on a yearly basis. In newspapers

and other publications, campaigners expressed their sympathy with poverty struck people in far-away countries and emphasised that such aid offered an opportunity for Icelanders to demonstrate their qualities, the same that had given Iceland its independence.

In November 1964, Ólafur Björnsson, an MP for the Independence Party, put forward a proposal for parliamentary resolution requesting the government to consider that Iceland provided aid to low-income countries (Salvarsson 2011). He emphasized the ethical obligation of Icelanders to provide support to those who most needed assistance. In Alþingi (the Icelandic Parliament), Björnsson argued that development aid was not about charity – rather it was about implementing regional development policy at the international level for the benefits of communities and nations (Salvarsson 2015b). Following a proposal from a parliamentary committee, in Act no. 20/1971, the Office for Iceland's Assistance to the Developing Countries was established within the Ministry for Foreign Affairs (Alþingi Íslendinga 1971). The Office requested approximately 25 million ISK for the year 1972 but only 3 million ISK were granted (Loftsdóttir 2011b). In response, Björnsson argued that Iceland's contribution to multilateral institutions was not high enough, that both donors and recipient countries should benefit from the aid given, and that spheres such as trade and culture should be taken into consideration. He emphasised that the Third World countries were many and their voices were gaining force within the UN and its institutions. At times Iceland's interests coincided with theirs rather than those of the superpowers, for example on issues such as on the right to national territorial waters.

In the early years of the Office for Iceland's Assistance to the Developing Countries development funds were mostly used for joint Nordic cooperation projects (Dagbjartsson 1999). The first bilateral project was within the fisheries sector in Kenya in 1978–82 where Iceland provided technical expertise, fishing gear, and other equipment. The Office also provided support and technical assistance to projects to develop cooperatives in Tanzania and Kenya as well as agricultural projects in Tanzania and Mozambique.

With the Parliament's adoption of Act no. 43/1981 (Alþingi Íslendinga 1981), the Office for Iceland's Assistance to the Developing Countries was substituted by the Icelandic International Development Agency (Iceida), and in 2013, Iceland became a formal member of the Development Assistance Committee (DAC) of the OECD (Utanríkisráðuneytið 2017b). In recent years, it has been engaged in bilateral collaboration with mostly three sub-Saharan African countries, Uganda, Mozambique and Malawi. In 2016, following an evaluation of Iceland's development assistance (Guðmundsson 2014), Iceida was merged with the Ministry for Foreign Affairs to become the Directorate of International Development Cooperation (Alþingi 2015), which became at the time a disputed decision (Guðjónsson 2015). Guided by the Sustainable Development Goals 2016–2030, the provision of development aid has now become one of the main pillars of Icelandic foreign policy with the over-all aim to reduce poverty and contribute to the general welfare of populations (Utanríkisráðuneytið 2017b).

According to Act no. 43/1981 (Alþingi Íslendinga 1981), Iceida's assistance should mainly focus on areas where Iceland possessed experience and expertise. Iceland's support primarily focused on projects in the fisheries sector, and the Cape Verde Islands, a former Portuguese colony, was the first country to enter into bilateral development cooperation with Iceida. The government of Cape Verde looked towards the island nation in the North Atlantic and sought Iceland's support to strengthen their fisheries sector which resulted in the bilateral cooperation agreement, while support to the development of the health sector was also being considered (Ólafsson and Gunnlaugsson 1983). This cooperation lasted for almost two decades, or until the end of 1999.

In late 1989, Malawi became a bilateral development partner country, followed by Namibia (1990), Mozambique (1995), and Uganda (2000). In 2004, two countries outside of sub-Saharan Africa, namely Sri Lanka and Nicaragua, were added as partner countries, reflecting Iceland's efforts to become a member of the UN Security Council (Sigurðsson 2003). The fisheries sector was a decisive factor in selecting all the partner countries except for Nicaragua where the cooperation focused on geothermal energy. In the years preceding the Security Council election (which Iceland lost in 2008) contributions for development aid increased significantly in 2005–2008 (Figure 1). This was facilitated by a strong and overpriced national currency (*króna*) in comparison to other currencies in the advent of the 2008 bank collapse (Benediktsdóttir, Danielsson, and Zoega 2011).

Development co-operation became officially identified as a key pillar of Iceland's foreign policy in the 2013-2016 strategy for international development cooperation which, furthermore, confirmed Iceland's commitment to reaching the target of allocating 0.7% of GDP to ODA (Utanríkisráðuneytið 2013). However, despite repeated declarations in Parliament, ever since the 1960s, to adhere to the UN goal of dedicating 0.7% of its GDP to development assistance, it has never materialized and currently there are no plans to fulfil that goal in the near future (Utanríkisráðuneytið 2017b).

Except for a few small-scale projects in the social sector, Iceida primarily provided support to the fisheries sector until the turn of the millennium 2000. Following an evaluation of Iceida's activities (Haralz 1997), the focus started to shift with increased emphasis on social sector development projects. The new emphasis corresponded with general development and changes in international development cooperation and policies at the time. Social development programmes were to play an integral part in the fight against poverty and thus, donor countries encouraged to support social projects/programmes in their partner countries (United Nations 1996). This was later reinforced following an additional evaluation report of Iceida's activities (Ingólfsson and Haralz 2003).

Iceida's first policy goals were elaborated in 1995 while the first long-term strategy paper covered the period 2000–2004 (Þróunarsamvinnustofnun Íslands 2000). The policy articulated in the Strategy has since been the basis of Iceida's programme with focus on education and health, in addition to fisheries, in low-income countries and among the poorest communities. In 2004, this policy was revised when the Agency formulated a comprehensive policy and operating procedures (Þróunarsamvinnustofnun Íslands 2005), taking into account the procedures of other international development agencies, including the elaboration and later adoption of a Code of Conduct (Iceida 2009). Furthermore, strategies were defined for focus areas such as gender equality and the environment, including geothermal energy (Utanríkisráðuneytið 2005) while interest in bilateral cooperation in the geothermal sector goes back further in time (Þróunarsamvinnustofnun Íslands 2000). These thematic foci are based on the view expressed in the policy goals from 1995 – and have been reiterated since – that Iceland should provide assistance primarily in areas where Icelanders have specific knowledge and experience. It is commonly understood that this refers to fisheries and geothermal energy although it has not been explicitly defined.

According to Act. 43/1981, budget management of Iceida's projects was to be carried out by Iceida itself and audited by the Icelandic National Audit Office (Alþingi Íslendinga 1981). The latest law passed on Iceland's development cooperation, Act no. 121/2008, enabled Iceida to apply a new approach in its administration of funds for cooperation (Alþingi Íslendinga 2008). The Act allowed for co-financing of development assistance and disbursement of funds directly into the budget of recipient countries, thereby strengthening recipients' ownership of projects. Concomitantly, systematic efforts have been made to review procedures and practices, and to develop new ways of cooperation. Currently, Iceland's assistance consists largely of providing support to specific districts in its partner countries, an approach that has been developing since 2000 when education and health became key focus areas for Iceida. This approach emphasizes that the management of and

responsibility for the implementation of projects stay in the hands of local partners while Iceida's role became increasingly focused on participation in project preparation, implementation, monitoring and evaluation.

Two international declarations were influential for Iceida's development collaboration in the 21st century, the Millennium Development Goals (MDGs) 2000–2015 (United Nations n.d.) and the Paris Declaration in 2005 (OECD 2005). In the MDGs there was a strong emphasis on the health of mothers and children, as well as infectious diseases of great importance for them, while the Paris Declaration put pressure on donor countries to provide direct budget support, align with national policies, and focus on fewer sectors. Iceland's funding to bilateral development cooperation has been deemed too small for direct budget support, thus the district approach became a feasible alternative. This approach is based on working at the district level in partner countries to improve infrastructure in collaboration with district authorities and local communities. The approach is in line with integrated rural development where synergy between sectors is seen as the key for success and cooperation at the municipal level. Iceland's development cooperation with Malawi serves as a good example for this approach.

Development collaboration with Malawi

Malawi has been one of Iceland's main partner countries in development cooperation since 1989. At the beginning of this partnership, Iceida was involved in technical support to the Southern African Development Community (SADC) office in Malawi through Nordic cooperation. Malawi was at that time responsible for the so-called SADC fisheries focal point. During the first decade of collaboration, almost all projects supported by Iceland were in relation to fisheries research, fishing, and training and education in the fisheries sector with a focus on Lake Malawi.

Malawi is a poor country, ranking 170th out of 188 countries in the 2016 Human Development Index (UNDP 2016). It is landlocked, sharing borders with Tanzania, Mozambique and Zambia, and Lake Malawi accounts for one fifth of the country's total geographic area of 118.486 km² (Iceida 2012). The country is divided into three administrative regions, the North, Central and Southern regions, and is further divided into 28 districts. Following a decentralisation process, initiated in 1998, District Authorities through District Assemblies have been delegated more power of administration and decision making in matters of government provided services, including health, education, water and sanitation, and social services.

Integrated support in the Monkey Bay area

To begin with, most of Iceida's development projects were in the District of Mangochi in the southern region of Malawi, more specifically in the Monkey Bay area within the zone of the Nankumba Traditional Authorities. The District of Mangochi which had in 2009/2010 an estimated population of just over 800,000 is divided into five areas, of which Monkey Bay is one, with an administrative centre in the town of Monkey Bay and strong links to the District Authorities in Mangochi. Monkey Bay is an important fishing area situated on a cape jutting into the southern part of Lake Malawi. Iceida's development support was in the form of direct project support in cooperation with various line ministries with headquarters in Lilongwe, the capital city. From 2000 to 2012, Iceida collaborated with the Government of Malawi on seven development projects in the Monkey Bay area (Iceida 2012),¹ of these, a health sector project is the most extensive one.

¹ All project documents, including internal and external evaluations, are accessible in the Project Document Portal of Iceida (<http://www.iceida.is/iceida-projects/country/3>).

Health

After a feasibility study, conducted in 1999 (Gunnlaugsson 1999), Iceida embarked on collaboration with the Government of Malawi to improve health services in the Monkey Bay health zone area, covering approximately 100 villages and about 138,000 inhabitants (Gunnlaugsson 2011). At the outset of project activities, in addition to a health facility in the town of Monkey Bay, the Malawian government also ran the Nankumba health centre and the Chilonga health dispensary. Government health services are free of charge while three health facilities run by the Christian Health Association of Malawi (CHAM), and the Billy Riordan Memorial Trust Clinic (an Irish NGO) in Cape Maclear apply user-fees.

During the first four years of project implementation (2000–2003) the main emphasis of activities was on the improvement of physical structures of the health centre in Monkey Bay which served as foundational work for what would become the Monkey Bay Community Hospital (MBCH), and upgrading of logistics and communication support within the Monkey Bay health zone (Gunnlaugsson and Einarsdóttir forthcoming). The second phase of the collaboration (2004–2008) built on gained experience and aimed to consolidate what had been achieved during the first four years. Special emphasis was put on the quality of the health services at the MBCH and health centres in the area, outreach activities, and training of traditional birth attendants (TBAs), community based distribution agents (CBDAs) and health surveillance assistants (HSAs). Training of human resources was a key activity and included upgrading in professional career, short courses, and seminars for several categories of staff. Further, physical structures were expanded for the government run services in Monkey Bay and Nankumba, including a surgical theatre and staff houses. In the third and last phase of this collaboration (2009–2011), infrastructures were expanded in Monkey Bay, including a new and spacious maternity ward and laundry facilities. Further, the out-patient (OPD) and the under-five (U5) clinic were expanded and renovated, and four staff houses were built in the town of Monkey Bay in addition to the twelve that had already been constructed and the seven that had been renovated. During this last phase of project activities, the health dispensary in Chilonga was transformed to become the third governmental health centre in the Monkey Bay area with the construction of a new maternity wing, the renovation of three staff houses, and the construction of two new ones.

During the three phases of collaboration, Iceida provided logistical support through ambulance services and provision of motorcycles for out-reach activities (Gunnlaugsson and Einarsdóttir forthcoming). Internal administration and management was also supported as needed and before access to mobile phone technology improved, radio communication equipment was installed for communication between the health centres and the MBCH. Further, throughout the project life cycle, capacity building of staff was given a high priority, including both in- and out-of-country training. Iceida mainly concentrated its support towards governmental structures within the Monkey Bay area, yet, it also facilitated engagement and collaboration with health service providers organized within the CHAM in the Monkey Bay area. This has e.g., resulted in participation in health zone meetings including discussion on the performance of the health care services, as seen in the Health Monitoring and Information System (HMIS), local training, provision of motorcycles and radio communication.

Donabedian (1988) proposed three categories of indicators that conveniently could be used to evaluate health services, that is *structure*, *process*, and *outcome* indicators. The health services in the Monkey Bay area have been evaluated by applying such a lens on its activities (Gunnlaugsson and Einarsdóttir 2009 forthcoming). To sum up, *structural indicators* for the health services improved vastly during project implementation, including for example new and renovated health facilities and out-reach clinic facilities, staff houses, and better transport vehicles (ambulances and motorbikes). In the period from 1999 to 2011, the total costs for project implementation were estimated to be just under 7.5 million USD

(Gunnlaugsson and Einarsdóttir forthcoming). In real terms, the investment during the 13 years of project implementation was approximately 54 USD per capita living in the Monkey Bay area or about 4 USD per capita per year. *Process indicators*, such as attendance figures for out-patient clinics, maternity care and delivery services, immunization, HIV/AIDS clinics and HIV Counselling and Testing (HCT), and community health services, delivered in consultation with traditional community leaders and health committees, showed considerable improvement when compared to the baseline. Further, health staff enjoyed diverse training opportunities both in and out-of-country. Interviews with community members in the Monkey Bay area showed satisfaction with improved services and accessibility. As expected, *outcome indicators* are more difficult and costly to monitor although national data indicate improvement during the era of the Millennium Development Goals 2000–2015. Actually, Malawi was one of few sub-Saharan countries to reach the MDG4 goal on lowered child mortality rates in this respect (Kanyuka et al. 2016).

Other development activities in Malawi

In addition to support to the health sector, Iceida supported a water, sanitation and hygiene (WASH) project in which it was aimed to ensure that water resources were well protected and managed to contribute to an increase in the quality of life of the most vulnerable of the Malawian population. During the project lifetime (2007–2010), 56 new ground water boreholes were drilled, 37 boreholes refurbished/repaired and 2163 improved pit latrines constructed.

Within the education sector Iceida supported two projects. The first project (2001–2010) offered literacy and life-skills training to the rural poor through the REFLECT (Regenerated Freirean Literacy through Empowering Community Techniques) methodology, as well as capacity building among staff and volunteers of the Ministry of Gender, Children and Community Development (MoGCCD). It was a grassroot project with public meetings in each of the villages where literacy instructors were chosen in cooperation with the village authorities and included discussions on development issues. In total, 94 adult literacy circles were established in the area with 1695 female and 160 male participants. The second project gave support to the District Education Office in Mangochi to improve infrastructure, mostly in Monkey Bay (2005–2010). The project included providing school blocks, staff houses for teachers, latrines, administration buildings and furniture, combined with staff training. Ten primary and secondary schools were constructed and equipped with furniture while others were renovated on the basis of two project documents (Iceida 2007).

Three fisheries projects were supported. First, a community-based fisheries project (2005–2009) with the aim to develop boats and gear with capacity to fish deeper waters of Lake Malawi than has been customary. Fishermen living on the coast generally use dugout canoes that can be dangerous in deeper waters and incapable of managing heavy gear. It was estimated that fishing stocks close to shore had been overexploited whereas further out in the Lake they were underexploited. Experiments were made in boat construction, fishing gear tested, and courses organized on the safety for fishermen, and business management in fishing villages. Second, a hydrographic survey project (2001–2004) was to provide sailors and fishermen on Lake Malawi with a tool for safety of navigation and assisting in the production of new nautical charts for Lake Malawi. During the project's lifetime 27 new nautical charts were produced, modern equipment provided, and staff trained. Lastly, a project supporting the Marine Training College in Monkey Bay to develop curriculum for the training of nautical and marine engineering officers, and crews of fishing vessels was operated from 1999 to 2005. It offered training and education for teachers and graduate officers, including a scholarship component and procurement of basic training material.

District-wide development support in Mangochi

On the basis of gained experience in the Monkey Bay area, a four-year partnership agreement for the period from 2012 to 2016 was signed between Iceida, the Ministry of Local Government and Rural Development, and the Mangochi District Council, with the aim of strengthening basic services in the district (Iceida and the Government of Malawi 2012). The programme based support went to four sectors: public health, primary education, water and sanitation, as well as general support to the District Assembly Office. A new agreement was signed in the autumn of 2017 (Iceida and the Government of Malawi 2017). In the new programme document, support to the promotion of job opportunities for women and youth was added to the existing focus areas which remained essentially the same as in the former agreement.

A Country Strategy Paper (CSP) for Malawi was formulated for the 2012–2016 period that has since been the basis of Iceida’s partnership with Malawi (Iceida 2012). The CSP includes a description of and justification for the framework of Iceland’s cooperation with Malawi, later adopted in a Parliamentary Resolution on the Strategy for Iceland’s International Development Cooperation 2013–2016 no. 21/141 (Alþingi Íslendinga 2013). The CSP for Malawi was the first of its kind prepared for Iceland’s development cooperation and awaits revision.

Discussion

In this chapter, we have discussed Iceland’s path from ‘rags to riches’ in the context of development cooperation. We describe the country’s transformation from being a colony, a newly independent state, and recipient of foreign aid to becoming a donor country, with Malawi taken as a case in point. This path illustrates how the formerly poverty struck and later independent country benefited economically from WWII and military collaboration with the US Army. As an active player in Cold War politics, Iceland received the highest Marshall Aid per capita of all countries, and benefited from favourable trade deals, in particular for fish, while access to domestic markets was restricted for import. In the 1960s, the FAO campaign *Freedom from Hunger* reached Iceland, with a youth movement taking part in and promoting engagement with low-income countries mostly newly independent states. Since the early 1970s, the Icelandic state gradually became involved in international development cooperation with structure and policies similar to those practiced within the DAC. The development cooperation with Malawi illustrates that being a small bilateral donor does not exclude now prosperous Iceland from constructive contribution to socio-economic development in a low-income country.

During the age of enlightenment in Europe in the 18th century, concerned Icelanders prompted initiatives that were taken by the Danish Crown to send missions to Iceland to study the situation and propose measures to improve the life of the poverty struck population. As an example, along with other activities, a Danish midwife was recruited in 1761 to improve the care and delivery of pregnant women through education and training of traditional birth attendants (TBAs) (Halldórsdóttir 2016a, 2016b). Maternal and child health were in focus for Iceida’s collaboration in Monkey Bay where the activities in the area gradually developed into a coherent approach to foster socio-economic development through input in different social sectors, such as health, education, and water, sanitation and hygiene. The development collaboration is aligned to national policies at the district level, and as such an appropriate adaptation to the Paris Declaration.

Troubled with the conflicting images of their countrymen portrayed in reports and tourist accounts, Icelandic intellectuals in Copenhagen who argued for their country’s independence from Denmark identified with the colonizers rather than those colonized (Loftsdóttir 2009, 2011a). Yet, after independence Icelandic UN representatives allied with newly independent

states when apt (Valdimarsson 1993; Loftsdóttir 2011b). Iceland became a member of the UN in 1946, and played skilfully in furthering its own cause in a climate of Cold War politics. According to Valdimarsson (1993), in the late 1940s, early 1950s, and early 1970s Iceland supported more radical UN resolutions on apartheid than their neighbouring countries. Valdimarsson (1993, 204–7) describes the first Icelandic UN vote for an anti-apartheid resolution in solidarity with other newly independent countries in the early 1970s. He argues that Iceland's vote aimed to gain support from Third World countries for the extension of national fishing boundaries. While voting for anti-apartheid resolutions when abroad, domestically Iceland was later to approve an embargo on products from South Africa and to establish an anti-apartheid movement aligning with its Nordic neighbours (Einarsdóttir 2016). It is worth noting that Iceland's first vote for an anti-apartheid resolution at the UN was against the interests of the US and coincided with negotiations on NATO membership, agreements on US military bases in Iceland, and assistance under the Marshall Plan.

Iceland's path "from rags to riches" is frequently highlighted when development collaboration is the topic in focus (I. Gunnarsson 2013; Guðfinnsson 2013; Grímsson 2008; Utanríkisráðuneytið 2017a); Iceland made it, thus others can. Evidently Iceland received development assistance along this path to "riches," including budget support through the Marshall Aid, PL-480, UNDP, and beneficial World Bank loans and trade deals while simultaneously applying import tariffs and quotas (G. Á. Gunnarsson 1996; Ingimundarson 1996; Sigurgeirsdóttir 2008; Thorhallsson, Steinsson, and Kristinsson 2018). Iceland even laid the foundation for its own development aid agency when still being recipient of aid. In 2005, facilitated by an economic boom and a strong national currency (Figure 1), Iceland made serious effort to increase ODA, which coincided with its campaign to become elected as a member of the UN Security Council. Intentions to adhere to the UN goal of 0.7% of GDP for development assistance have however always stopped short, with the exception of celebrative intentions, and currently there are few signs Iceland will reach this goal despite resolutions for the contrary from Parliament. The time has never been deemed ripe as Iceland has always prioritised other pressing issues on its agenda at home.

In development cooperation, emphasis is put on achieving rapid results, often at the cost of long-term strategy, and donors hesitate to allocate aid to countries considered to lack merits while these are often those most in need (Einarsdóttir and Gunnlaugsson 2016). After more than a decade of Iceida's involvement within the health sector in Malawi, a poor country, numerous structural and process indicators from Monkey Bay give testimony to the achievement of project aims, claims that have been substantiated by an external evaluation (Chigwedere 2015). While outcome indicators are more difficult to monitor, it is worth noting that Malawi was one of only a few sub-Saharan countries to achieve the MDG4 goal on infant mortality (Kanyuka et al. 2016) and Iceland contributed to that outcome with its modest share contribution.

From an early emphasis on fisheries in development cooperation, including engagement within the fisheries sector on the shores of Lake Malawi since the early 1990s, the focus of Icelandic development aid progressed towards social sector initiatives such as health, water and sanitation, and primary education alongside its fisheries focus, and later expanded to district-wide support in collaboration with Mangochi District Authorities. On the basis of achieved results along the years of development collaboration, Iceland has shown that it can constructively contribute to international development in the era of the new Global Agenda 2030 if due attention is given to the needs of poor communities and local contexts. Thus, in addition to multilateral assistance, Iceland, on the basis of its history and economic strength, can play an important role with partner countries in bilateral collaboration that addresses sector-wide issues of importance in the daily lives of poverty struck communities and people, as currently is the case in Malawi.

Conclusions

Iceland's path from 'rags to riches' permeates discussion on development collaboration within the country and in the international arena. It raises the fundamental question of what low-income countries can learn from the transformation of Iceland from a ragged nation to become one of the world's most prosperous, and now a donor country. This transformation has occurred in different historical contexts from the ones facing low-income countries today. Iceland experienced rapid economic growth in the WWII that was fuelled by its strategic geographic location and military importance during the war and in an era of Cold War politics. This was further stimulated by development assistance through the Marshall Plan, PL 480 and the UNDP that were complemented with beneficial World Bank loans and trade deals that allowed Iceland to export fish while applying quotas and restrictive tariffs on imported goods. Now, as a donor, Iceland focuses its support to countries that rank low on the Human Development Index, and its development assistance should focus on areas that matter most for the general population in partner countries. Furthermore, development cooperation should not be conceptualized as charity but rather, as human rights and an endeavour with ethical implications. There is sufficient evidence that Iceland's support in Monkey Bay has contributed to positive transformation in the area and improved the quality of life for thousands of individuals living in poverty, in particular women and children for whom the support has mattered most.

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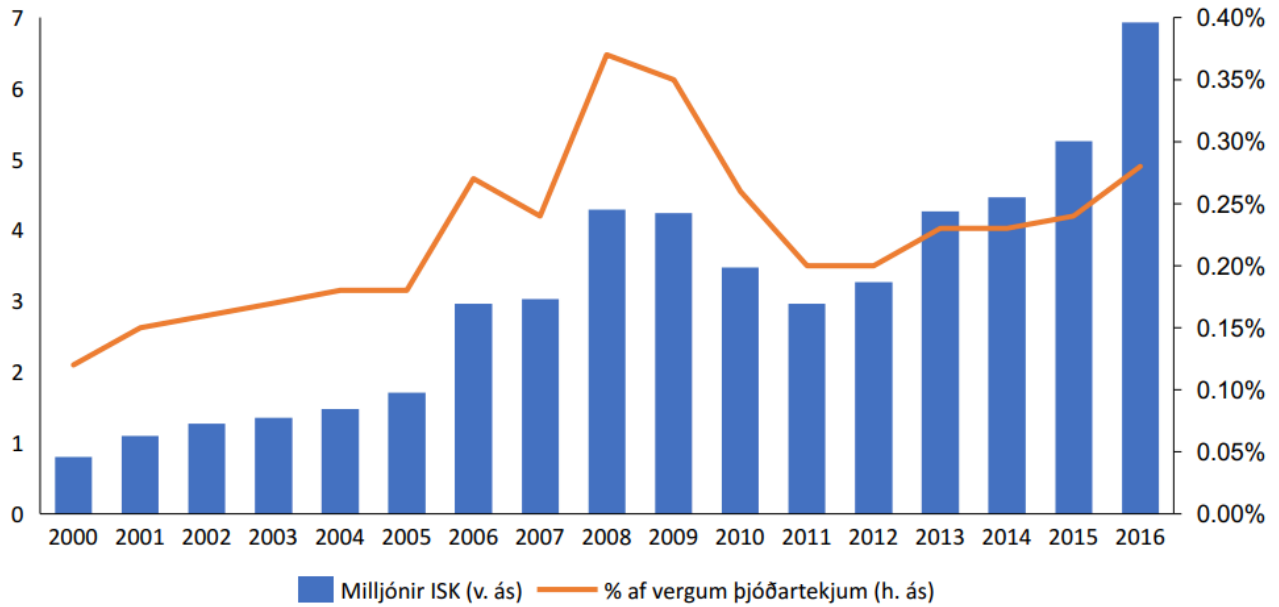
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Legend

Figure 1. Iceland's Official Development Assistance (ODA) in the period 2000-2016. (Utanríkisráðuneytið 2017b).*



*Left axis: billion ISK, right % of GDP.