

## Chapter 3

# How Predictable Is Aid?

*The international aid community places increasing emphasis on the role of developing countries in managing and allocating the aid they receive. However, these countries' efforts are often frustrated by the unpredictability of aid – donors do not always reveal their spending plans early enough, or they fail to stick to them. The new Survey of Aid Allocation Policies and Indicative Forward Spending Plans by the OECD-DAC seeks to reduce some of the uncertainty by asking donors to indicate their future plans, offering a perspective on future aid flows that will help to identify gaps and opportunities in individual developing countries. The Survey tracks overall trends in aid since 2005, combining them with donors' planning figures to project aid to 2010; it also looks at these projections in detail, by regions and individual partner countries. This chapter summarises the Survey's key conclusions. It also presents the Survey's findings on aid allocation and budgetary procedures in donor countries.*

## Introduction

The Paris Declaration on Aid Effectiveness promotes a leading role for developing countries in determining how development aid is allocated and used. However, it is often difficult to translate that concept into reality because developing countries cannot always rely on predictable aid. In many cases, donors do not communicate their aid plans early enough for developing countries to factor them into their medium and long-term planning. And even when donors do make commitments far in advance, they do not always live up to them.

These issues are recognised in the Paris Declaration, which makes increased aid predictability a key target (progress on meeting this target is reported on in Chapter 4). The question of aid predictability is addressed head-on by the first DAC Survey of Aid Allocation Policies and Indicative Forward Spending Plans<sup>1</sup> among the donor countries that are members of the OECD's Development Assistance Committee, as well as major multilateral donors. The results of the Survey provide a global perspective on future aid flows, spotlighting the prospects for meeting aid commitments and helping to identify gaps in aid provision.

This chapter covers the findings of the Survey with regard to forward spending, highlights of which include the following:

- Declines in net official development assistance mean that aid volume targets for 2010 are now slipping further out of sight.
- With debt relief set to decline, other forms of aid will need to rise substantially if the targets are to be met.
- A number of states in situations of conflict or fragility face decreases of more than USD 20 million in country programmable aid (CPA) assistance by 2010, which could harm their chances of recovery.

### **What's in this chapter?**

This chapter looks at the following topics:

- **The DAC Survey:** A short description of what forward spending the Survey sets out to measure and its coverage.
- **Is aid increasing?** A look at overall aid flows for the period 2005 to 2010.
- **Are targets being met?** A look at whether aid targets globally and for Africa are on track, and likely aid trajectories to 2010.
- **Planning and budgeting:** The Survey's results on donor countries' allocation and budgetary procedures for development assistance are presented at the end of this chapter.

## The DAC Survey of Indicative Forward Spending Plans

As part of the process of monitoring the delivery of aid commitments, the OECD's Development Assistance Committee (DAC) conducted its first full annual Survey of Aid Allocation Policies and Indicative Forward Spending Plans in late 2007 and early 2008. As stated above, the Survey offers a perspective on future aid flows, which will help to identify resource gaps and opportunities in individual partner countries for "scaling up" – the process not only of increasing aid, but ensuring it goes to where it is needed (see Glossary). The results of the Survey were, for example, a key OECD-DAC contribution to the UN Secretary-General's MDG Africa Initiative thematic group on Aid Predictability.<sup>2</sup>

The aim of improving the medium-term predictability of aid, a target in the Paris Declaration, was reaffirmed in the Accra Agenda for Action (agreed at the Third High Level Forum on Aid Effectiveness in Accra, September 2008). "In the Paris Declaration", it noted, "we agreed that greater predictability in the provision of aid flows is needed to enable developing countries to effectively plan and manage their development programmes over the short and medium term. As a matter of priority, we will take the following actions to improve the predictability of aid:

- a) Developing countries will strengthen budget planning processes for managing domestic and external resources and will improve the linkages between expenditures and results over the medium term.
- b) Beginning now, donors will provide full and timely information on annual commitments and actual disbursements so that developing countries are in a position to accurately record all aid flows in their budget estimates and their accounting systems.
- c) Beginning now, donors will provide developing countries with regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations that developing countries can integrate in their medium-term planning and macroeconomic frameworks. Donors will address any constraints to providing such information.
- d) Developing countries and donors will work together at the international level on ways of further improving the medium-term predictability of aid, including by developing tools to measure it."<sup>3</sup>

This major step toward improving transparency and predictability of aid flows directly supports broadened country ownership of their own development agendas. The annual surveys of forward spending plans will provide key information in support of these actions.

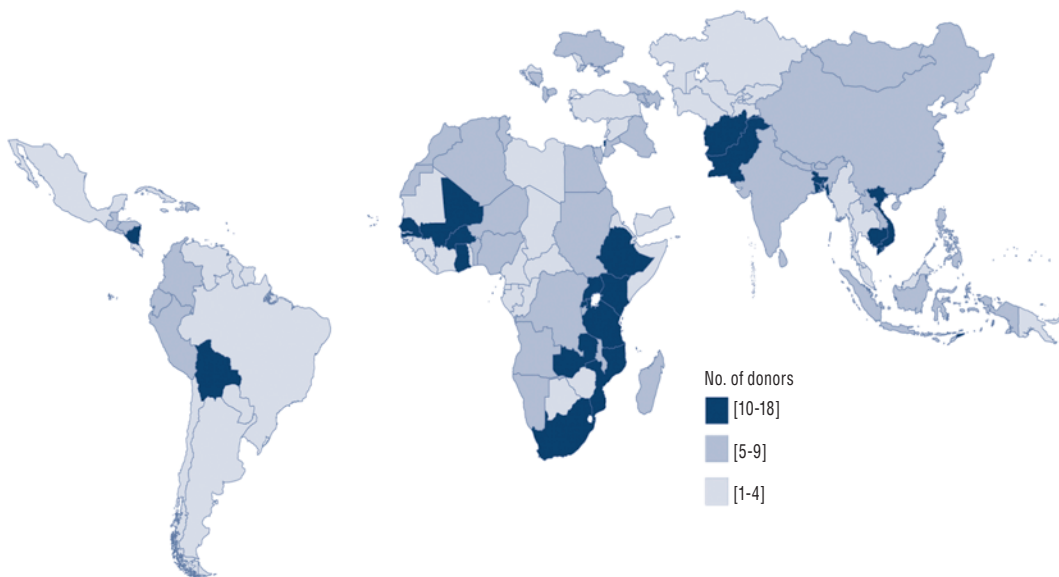
### **What does the Survey cover?**

The Survey collects data on planned expenditure in country programmable aid, or CPA, which represents that part of official development assistance (ODA) that developing countries are free to allocate, or programme, to address their development priorities (for a fuller description, see the box under Figure 3.4). Because ODA also includes debt relief and humanitarian aid, which can rise or fall dramatically in response to events such as natural disasters, CPA cannot be used to project total ODA trends. It is, however, a useful measure to monitor the resource flows needed to accelerate progress towards the United Nations' Millennium Development Goals.

The Survey coverage was good. Of the 33 donors surveyed, 27 responded with forward estimates that account for 56% of CPA from the 33 donors and 47% of total bilateral aid. Two

bilateral and four multilateral donors were not able to provide any data for this Survey, but are now considering how they could participate in future surveys.<sup>4</sup> Of the donors that provided forward estimates, 17 provided data that covered their whole programme or all countries served by their main agencies. Ten bilateral donors provided data covering their major and/or priority partners, with coverage ranging from 50% to 92%, and/or provided truncated series (i.e. series that ended in 2008 or 2009, as the remaining years were beyond their programming cycle). Thus, the Survey data for countries that are a priority for many DAC donors (Figure 3.1) are the most reliable; for many non-priority countries they are projections. Multilateral donors provided forward planning data for all their aid partners. As administrative policies on providing information to improve aid predictability are updated in line with the Accra Agenda, it is expected that coverage will improve in subsequent annual surveys.

Figure 3.1. Donors' priority partner countries



Source: OECD, *Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans*, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

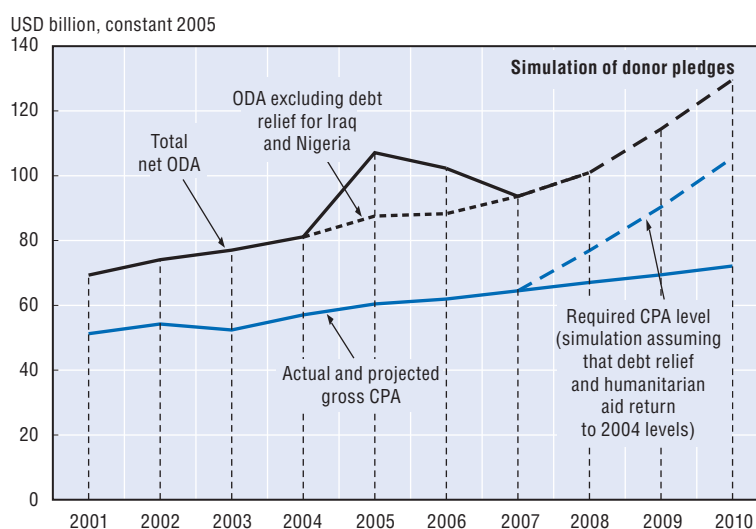
These forward data for CPA are conservative estimates. They are based on spending plans that are already in donors' financial planning figures. In some cases, money is still to be allocated to countries or regions from the overall planning figure for ODA, especially in the later years, and for some donors the CPA figures cover only the main aid agencies. The planning figures themselves may also be conservative at this stage. On the other hand, for donors that did not provide any forward estimates, or that provided incomplete forward spending data, the Secretariat completed the series to 2010 by applying recent trend rates of change in CPA for each donor/partner combination. This could be optimistic in some cases (see footnote 3).

## Meeting the targets for ODA in 2010: How much scaling up is there?

### **Aggregate performance of all donors**

Figure 3.2 shows the recent trends and future projections in net ODA globally. Net ODA increased from USD 69 billion in 2001 to USD 107 billion in 2005. However, there was a

Figure 3.2. **Global: DAC members' net ODA and country programmable aid for 2001-10**



StatLink  <http://dx.doi.org/10.1787/520046363027>

Note: Net ODA for 2008-10 is estimated by the DAC Secretariat. CPA for 2007-10 is based on Survey returns and estimates by the DAC Secretariat.

Source: OECD, Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

*Of the promised increases, amounting to USD 50 billion in total ODA by 2010, some USD 30 billion remains to be programmed (assuming that debt relief and humanitarian assistance will be at their long-term average level in 2010).*

slight decline in net ODA (-4%) in 2006, followed by a steeper percentage decline in 2007 (-8.5%) as a result of the exceptional debt relief to Iraq and Nigeria in 2005 and 2006 starting to pass out of the figures. As a result, the path to delivering the 2010 promises of DAC member countries to increase their net ODA is getting steeper (the upper dotted line shows the Secretariat simulation of global net ODA).

As debt relief is expected to decline over the next few years, the annual increases in other forms of aid, especially of CPA, will have to be substantial if there is to be a realistic prospect of meeting the 2010 targets through planned and manageable increases. The Survey results (lower solid line) indicate, for all donors combined, a programmed increase of CPA from USD 60 billion in 2005 to reach only some USD 72 billion in 2010.

Of the promised increases, amounting to an extra USD 50 billion in total ODA by 2010 compared to 2004, USD 5 billion (of which USD 4 billion was to Iraq and Afghanistan) was delivered in 2005. Compared to the 2005 baseline, a further USD 11.7 billion is programmed into donors' forward spending plans by country and region for 2010. In addition, the recent record donor pledges to the IDA 15, AfDF-11 and AsDF X replenishments will mean an increase of around USD 4 billion for funds paid into IDA, and the African and Asian Bank Funds in 2010, compared with 2005.<sup>5</sup>

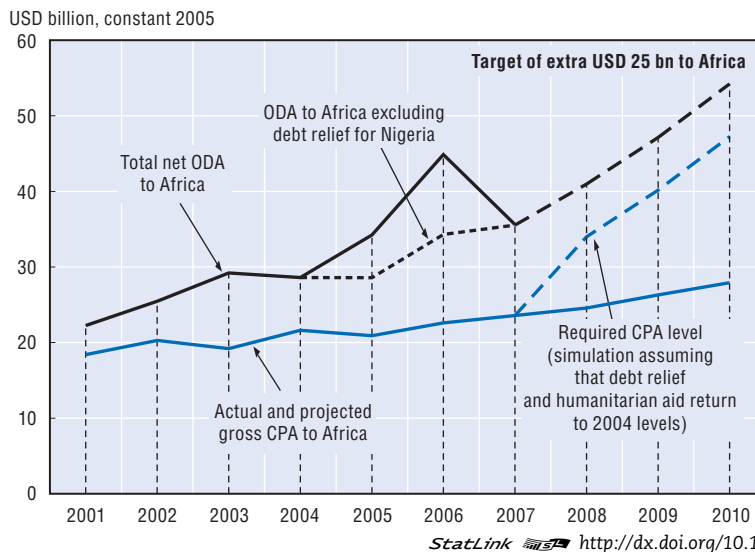
How big is the funding gap? Added together, these figures suggest that only about USD 21 billion extra has been delivered or already programmed into members' forward spending plans for 2010 by country, region and institution. Assuming that debt relief and

humanitarian aid return to 2004 levels by 2010, this leaves nearly USD 30 billion in 2004 dollars – about USD 34 billion in 2007 dollars – still to be programmed into donor budgets if the commitments for aid levels in 2010 are to be fully met. This possible funding gap is illustrated in Figure 3.2: the difference between donors' forward projections (lower solid line) and required CPA level if all donors fulfil their pledges (lower dotted line). The likely outcome will be somewhere in between the two lines.

### Aid to Africa

The funding gap is especially large in the case of Africa; Figure 3.3 depicts recent trends and future projections in net ODA to Africa. In 2005, at the EC Council in May and the Gleneagles summit in June, donors made commitments for additional aid to Africa and sub-Saharan Africa that amounted to an increase of USD 25 billion (in 2004 dollars) by 2010. Net ODA to Africa increased from USD 22 billion in 2001 to USD 29 billion in 2004. In 2005 and 2006, there was a significant increase for Africa, but most of this was accounted for by exceptional debt relief to Nigeria – nearly a quarter of the total net ODA to Africa in 2006. Net ODA to Africa in 2007 was USD 34 billion (in 2004 dollars), representing an increase so far of some 5% per annum at the half-way point of the Gleneagles commitment. Progress now needs to accelerate to over 17% per annum if the USD 25 billion increase is to be achieved, as indicated by the uppermost dotted line in Figure 3.3.

Figure 3.3. **Africa: DAC members' net ODA and country programmable aid for 2001-10**



Note: Net ODA for 2008-10 is estimated by the DAC Secretariat. CPA for 2007-10 is based on Survey returns and estimates by the DAC Secretariat.

Source: OECD, *Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans*, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

But the increase required in CPA is likely to be much steeper. On the assumption that debt relief and humanitarian aid return to their 2004 historical levels, most of the additional USD 25 billion will need to be provided as CPA, starting in 2008. Since CPA increased by only USD 2 billion from 2004 to 2007, this is indicated by a sharp rise in the lower dotted line in Figure 3.3.

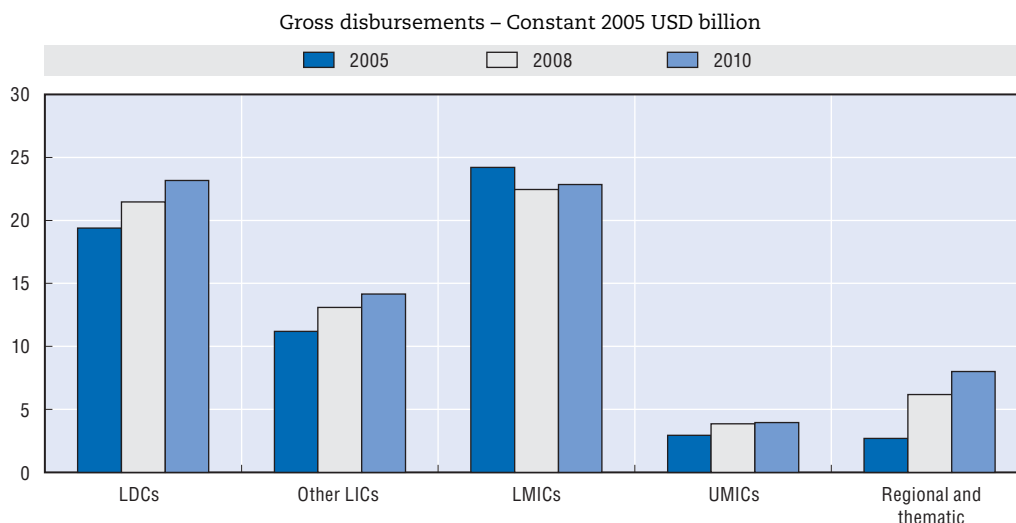
## Where will aid be scaled up?

### Scaling up by income group

CPA to least developed countries and other low-income countries is programmed to increase in total by USD 6.7 billion between 2005 and 2010.

Changing priorities and circumstances mean that aid flows from donors may switch from one country, or group of countries, to another. Looking at countries in terms of their relative development, Figure 3.4 shows a programmed increase in CPA of about USD 3.8 billion between 2005 and 2010 for least-developed countries (LDCs) and nearly USD 3 billion for other low-income countries (other LICs). However, as shown in the last bar, there is some USD 8 billion in 2010 that has not yet been programmed by country, but allocated *en bloc* to themes or regions. It can be assumed that much of this aid will be allocated to LDCs and other LICs nearer the time.

Figure 3.4. **Estimated country programmable aid by income group for 2005 and 2010**



StatLink  <http://dx.doi.org/10.1787/520065771041>

Source: OECD, Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

### Projections, not predictions

The data shown as “planned” CPA in 2008, 2009 and 2010 are DAC Secretariat estimates. They are a mix of amounts already in donors’ financial planning figures and projections calculated by applying recent trend rates of change in CPA country-by-country. They are thus indicative estimates of possible increases or decreases in aid to any particular country, region or income group. They are not firm commitments to scale-up or decrease aid by the amounts shown. For this reason, and in order to respect confidentiality, only total estimates per partner country are given. Individual planning figures between one donor and one partner are not shown, as these are an issue for discussion by countries with their donors collectively and bilaterally.

The estimates for CPA to middle-income countries in 2008 and 2010 are considered less reliable, as these countries are generally not among donors' priority partners. Aid to lower middle-income countries (LMICs) is programmed to fall by USD 1.3 billion from its 2005-level by 2010, mainly due to a projected USD 2.5 billion decrease in aid to Iraq. For the upper middle-income countries (UMICs), the Survey results suggest an increase of about USD 1 billion, which includes increases that are programmed for countries in the Mediterranean region.


### Scaling up by region

*The results show scaling up in all regions, except North Africa and the Middle East. An increase of nearly 40% over the 2005 level is programmed for sub-Saharan Africa and an increase of nearly 50% for Europe, mainly allocated to the EU accession countries.*

There will also be changes in terms of geographical regions, as shown in Table 3.1 and Figure 3.5, which present the Survey results by region for all donors combined. It shows that the absolute change in CPA between 2005 and 2010 is largest for Africa, followed by Europe, America and Oceania. CPA to Asia is projected to remain nearly constant, reflecting a decrease of about USD 2 billion to the Middle East (fall in projected aid to Iraq) offset by

Table 3.1. **Estimated country programmable aid by region**

Region	Gross disbursements					Change 2010 over 2005
	Baseline 2005	Actual 2006	Planned			
			2008	2009	2010	
Constant 2005 USD million						%
<b>Europe, total</b>	<b>2 730</b>	<b>3 341</b>	<b>3 990</b>	<b>3 940</b>	<b>4 008</b>	<b>47</b>
<b>Africa, total</b>	<b>20 903</b>	<b>22 608</b>	<b>24 585</b>	<b>26 299</b>	<b>27 930</b>	<b>34</b>
North of Sahara, total	2 595	2 685	2 445	2 442	2 486	-4
South of Sahara, total	18 021	19 579	21 730	23 406	24 947	38
Africa regional/multi-country	288	344	410	452	497	73
<b>America, total</b>	<b>5 940</b>	<b>6 241</b>	<b>6 483</b>	<b>6 562</b>	<b>6 879</b>	<b>16</b>
North and Central, total	2 752	2 723	2 913	2 904	3 051	11
South, total	2 901	3 155	3 253	3 307	3 430	18
America, regional/multi-country	286	363	318	351	399	39
<b>Asia, total</b>	<b>29 769</b>	<b>28 621</b>	<b>29 241</b>	<b>29 084</b>	<b>29 278</b>	<b>-2</b>
Middle East, total	9 134	6 690	6 824	6 842	6 878	-25
South and Central Asia, total	11 163	11 374	11 878	11 867	11 858	6
Far East Asia, total	9 140	10 059	10 122	9 937	10 091	10
Asia, regional/multi-country	332	499	417	437	450	36
<b>Oceania, total</b>	<b>1 107</b>	<b>1 170</b>	<b>1 090</b>	<b>1 136</b>	<b>1 136</b>	<b>3</b>
<b>All developing countries</b>	<b>60 448</b>	<b>61 981</b>	<b>65 389</b>	<b>67 022</b>	<b>69 231</b>	<b>15</b>
<b>Thematic aid to be programmed</b>	<b>-</b>	<b>-</b>	<b>1 707</b>	<b>2 393</b>	<b>2 916</b>	<b>..</b>
<b>Grand total</b>	<b>60 448</b>	<b>61 981</b>	<b>67 096</b>	<b>69 415</b>	<b>72 147</b>	<b>19</b>

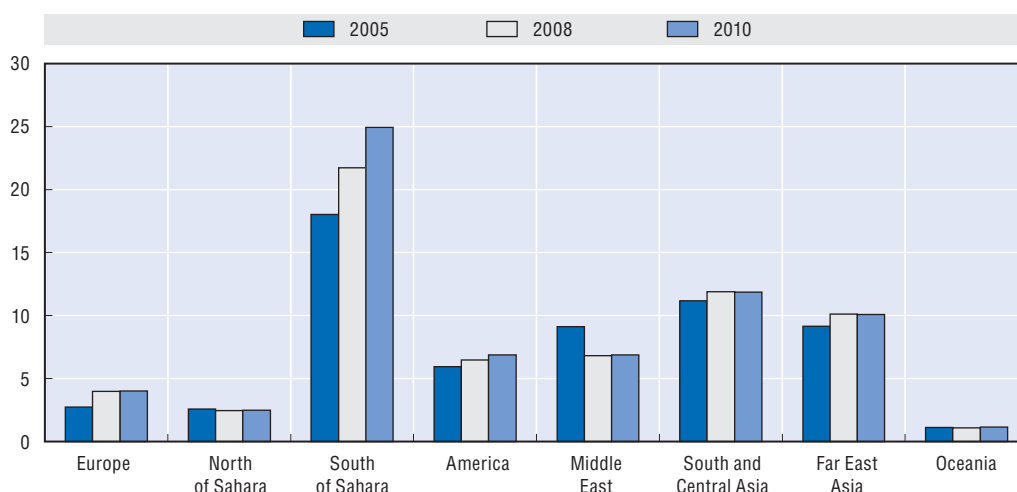
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Source: OECD, Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).



Figure 3.5. **Estimated country programmable aid by region**

Gross disbursements – Constant 2005 USD billion

StatLink  <http://dx.doi.org/10.1787/520075581737>

Source: OECD, Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

an increase to South Central and Far East Asia. The increase in CPA for Africa is mainly due to the projected increase for sub-Saharan Africa of 38%, whereas there is a minor decrease for Northern Africa of about 4%.

### Scaling up by country


*Donors have programmed scaling up of aid in 102 partner countries totalling USD 10.3 billion. Over half the programmed increase is allocated to countries in Africa, followed by countries in Asia.*

The Survey data for individual developing countries indicate that scaling up has been planned in two-thirds of them between 2005 and 2010. The Survey suggests an increase in CPA of about USD 10.3 billion in 102 countries, of which 39 are in Africa, with an increase of some USD 6.1 billion. Many of the countries with the largest increases in CPA are priority partners for several DAC members' aid and thus reflect scaling up firmly rooted in donors' country strategies. Table 3.2 lists – by size of absolute increase – the 33 countries for which an increase in CPA above USD 100 million is programmed (19 of these countries are in Africa and 10 in Asia).

Table 3.2 also provides a measure of countries' aid dependency by comparing the ratio of CPA to GNI. The table shows that for 14 of these 33 countries, aid dependency is expected to decrease or remain constant over the period 2005 to 2010. This shows the scope for even faster scaling up in these countries without them becoming more aid dependent than now. On the other hand, aid dependency in Burundi and Liberia would exceed 30% of GNI based on these figures. The final column shows the amount of CPA per capita as another measure of aid dependency for comparison with some MDG costing estimates.

**Table 3.2. Scaling up already programmed: Increase above USD 100 million**  
 Ranking by absolute increase (countries with increasing aid dependency are highlighted) – Gross disbursements

Partner	CPA baseline 2005	CPA planned 2010	Increase 2005 to 2010	CPA/GNI		CPA per capita 2010 <sup>2</sup>
	Constant 2005 USD million			2005 <sup>1</sup>	2010 <sup>1</sup>	
			Index: 2005 = 100	%		Constant 2005 USD
Viet Nam <sup>4</sup>	1 952	2 703	138	3.8	3.6	30
Kenya <sup>4</sup>	630	1 373	218	3.3	5.7	36
Tanzania <sup>4</sup>	1 423	2 085	147	11.5	11.7	49
Ethiopia <sup>4</sup>	1 094	1 617	148	9.6	9.2	21
Indonesia	1 625	2 146	132	0.6	0.6	9
Sudan <sup>3, 4</sup>	469	970	207	1.8	2.2	24
Nigeria <sup>4</sup>	760	1 137	150	0.9	0.9	7
Turkey	615	948	154	0.2	0.2	12
Pakistan <sup>4</sup>	1 520	1 834	121	1.4	1.2	11
Cameroon	258	547	212	1.6	2.7	30
Colombia	594	878	148	0.5	0.6	18
Ghana <sup>4</sup>	967	1 244	129	9.2	8.5	51
Nepal <sup>4</sup>	372	649	174	4.9	7.2	22
Serbia	450	692	154	1.9	2.2	86
Congo, Dem. Rep. <sup>3, 4</sup>	890	1 123	126	13.2	10.9	17
Uganda <sup>4</sup>	980	1 208	123	11.4	10.3	37
Côte d'Ivoire <sup>3, 4</sup>	86	312	364	0.6	1.8	16
Armenia	97	265	274	2.0	3.3	81
Philippines	1 004	1 172	117	0.9	0.8	13
Mozambique <sup>4</sup>	1 212	1 373	113	18.9	15.1	63
Malawi <sup>4</sup>	501	661	132	24.7	23.0	46
Malaysia	205	361	176	0.2	0.2	13
Mali <sup>4</sup>	631	781	124	12.4	12.3	52
Somalia <sup>3</sup>	59	209	351	..	..	23
Namibia	110	256	232	1.8	3.3	115
Liberia <sup>3, 4</sup>	95	238	251	22.8	35.7	65
Rwanda <sup>4</sup>	500	643	129	23.6	23.0	64
Burundi <sup>3, 4</sup>	193	317	164	24.9	31.6	37
Lebanon	110	231	211	0.5	1.0	53
Afghanistan <sup>3</sup>	2 405	2 525	105	32.8	22.9	..
Palestinian Adm. Areas	619	738	119	14.0	..	182
Croatia	104	215	207	0.3	0.5	45
Zambia <sup>4</sup>	768	875	114	11.3	9.6	68

StatLink  <http://dx.doi.org/10.1787/522252548883>

1. GNI source: *Development Co-operation Report 2006*. GNI forecast based on IMF projected growth rates (*World Economic Outlook* database).
2. Population source: *Development Co-operation Report 2006*. Population is assumed to grow at 2% per annum.
3. State in situation of conflict or fragility (i.e. low-income countries scoring 3.2 and below on the World Bank's Country Policy and Institutional Assessment, or CPIA).
4. GNI/capita in 2005 below USD 1 000.

Source: OECD, *Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans*, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

### Planned decreases in CPA with a focus on countries of special concern

The Survey suggests decreases in CPA programming to 51 countries, of which 12 are in situations of conflict or fragility.

The Survey suggests programmed decreases in CPA to 51 countries between 2005 and 2010, mainly in Africa and Asia. The single largest projected decrease in volume is for

Iraq, with a fall of USD 2.5 billion. Countries like China, Egypt, India and Thailand can also each expect aid in 2010 to be more than USD 200 million below the 2005 level, reflecting a continuation of an observed recent shift in ODA allocation. Table 3.3 shows the countries with a programmed decrease of above USD 20 million by size of absolute decrease. Of these 21 countries, 8 are LDCs, 9 LMICs and only 2 UMICs. This suggests no particular reallocation of aid towards the poorer countries. Aside from the special case of Iraq, four of the 21 countries in the table are states in situations of conflict or fragility, where these programmed decreases could adversely affect their recovery. These cases deserve particular co-ordinated attention when reviewing the implications of the Survey results on future aid allocations.

**Table 3.3. Programmed decrease in country programmable aid above USD 20 million**  
Ranking by absolute decrease – Gross disbursements

Partner	CPA baseline 2005	CPA planned 2010	Decrease 2005 to 2010	CPA/GNI		CPA per capita 2010 <sup>2</sup>
	Constant 2005 USD million			2005 <sup>1</sup>	2010 <sup>1</sup>	
			Index: 2005 = 100	%		Constant 2005 USD
Iraq <sup>3</sup>	7 286	4 784	66	..	..	..
Thailand	778	325	42	0.5	0.1	5
China	2 378	1 993	84	0.1	0.1	1
Egypt	1 114	838	75	1.2	0.7	10
India <sup>4</sup>	3 142	2 925	93	0.4	0.2	2
Sri Lanka	844	714	85	3.6	2.3	33
Brazil	329	246	75	0.0	0.0	1
Bosnia-Herzegovina	439	359	82	4.2	2.7	85
Senegal <sup>4</sup>	560	489	87	6.9	4.8	38
Madagascar <sup>4</sup>	576	520	90	11.6	7.5	25
Jordan	548	496	90	4.2	2.8	82
Eritrea <sup>3,4</sup>	171	127	74	17.7	12.0	26
Honduras	431	388	90	5.4	3.8	49
Chad <sup>3,4</sup>	233	195	84	4.8	3.7	18
Cape Verde	119	85	72	12.3	6.0	152
Timor-Leste <sup>3,4</sup>	176	145	82	25.3	17.3	130
Grenada	33	3	10	7.7	0.7	29
Tajikistan <sup>4</sup>	167	140	84	7.5	4.6	19
Chile	73	49	66	0.1	0.0	3
Guinea <sup>3,4</sup>	150	127	85	4.6	3.2	13
Bhutan	81	60	73	10.0	4.4	85

StatLink  <http://dx.doi.org/10.1787/522276744875>

1. GNI source: *Development Co-operation Report 2006*. GNI forecast based on IMF projected growth rates (World Economic Outlook database).
2. Population source: *Development Co-operation Report 2006*. Population is assumed to grow at 2% per annum.
3. State in situation of conflict or fragility (i.e. low-income countries scoring 3.2 and below on the World Bank's Country Policy and Institutional Assessment, or CPIA).
4. GNI/capita in 2005 below USD 1 000.

Source: OECD, *Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans*, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

## Donor countries' allocation and budgetary procedures

As part of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans, the DAC Secretariat carried out a desk study in 2007 on donors' country allocation and budgetary procedures, based on public information available in DAC documents and donors' Internet sites. It produced for each donor – DAC members and selected multilateral organisations – a one-page text including a description of the donor's overall budget

framework for development co-operation, arrangements for forward planning of aid expenditures at the operational level and notes on the availability of forward information. Donors verified the accuracy of the information and, where necessary, provided amendments. The complete information – as validated by 23 DAC members, the World Bank (IDA), the African Development Fund, the Asian Development Fund, the Inter-American Development Bank, UNICEF, UNDP, UNFPA, The Global Fund to fight AIDS, Tuberculosis and Malaria and the Global Environment Facility – is compiled in the *Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans*.<sup>6</sup> A summary of the findings follows.


## Summary of donor development assistance practices

### Overall budget framework for development co-operation

All DAC bilateral donors work with annual budgets. In general, these budgets are approved by parliament one to three months before the beginning of the financial year. Table 3.4 shows the month in which the government's proposal becomes publicly available; for most DAC members, this is between September and November, as their financial year corresponds to the calendar year.

Table 3.4. **Development co-operation budget time frames**

Budget proposal submitted to parliament	Donor	Financial year starting
August	Denmark	} January
September	France, Finland, Germany, Italy, Netherlands, Sweden	
October	Belgium, Luxembourg, Norway, Spain, Switzerland	
November	Austria, Greece, Ireland, Portugal	
January	Japan	April
February	Canada	April
	United States	October
March	United Kingdom	April
May	Australia, New Zealand	July

StatLink  <http://dx.doi.org/10.1787/522323548068>

Source: OECD, *Report of the 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans*, May 2008, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).

Nonetheless, while budgets are annual, budgetary planning is multi-year. In at least half of DAC member countries, the budget proposal includes a forward looking, three-to-four-year indicative spending plan or expenditure scenario. These scenarios are generally presented to the parliament for information. While in some cases the parliament (e.g. Switzerland) endorses a multi-year budget framework, the endorsement does not guarantee the availability of funds in later years. Payments can be authorised only from the approved annual budgets. The same applies to members that have set a target for their ODA/GNI ratio: the budget proposal links ODA to GNI forecasts, but funding is subject to approval by the parliament year by year.

The budget proposal outlines the government's policy priorities with regard to sectors, themes and recipients of aid, as well as the shares of bilateral and multilateral ODA. For recipients, priorities are generally expressed in terms of regional focus (for example, "priority given to Africa"), listing priority partner countries and, in some cases, specifying allocations to these.

Most members have an integrated budget for development co-operation. Once the budget is adopted by parliament, resources are allocated to the spending authorities (government departments, aid agencies or embassies). Canada, the Netherlands and the United States have a funding envelope covering all international assistance (ODA and non-ODA activities).<sup>7</sup>

Multilateral agencies' budget frameworks, on the other hand, are multi-year (as regards core funding<sup>8</sup>). The European Community's ODA instruments stretch over six to seven years and the multi-year financial frameworks of the largest UN funds and programmes – UNDP, UNICEF and UNFPA – over four years.<sup>9</sup> The policy and allocation priorities of multilateral development banks and global funds are set during the replenishment negotiations that take place every three to four years.

### **Planning at the operational level: Donor countries**

Planning and programming at the operational level are realised through country strategies, indicative co-operation programmes or similar instruments. Donors elaborate multi-year strategies for their major partner countries, and in some cases regions; typically, they cover a period of three to five years. These strategies provide a framework for the donor's involvement in the country, analysing needs, setting out the rationale for the interventions, and outlining the operations (sectors and modalities). For some donors the elaboration of multi-year country strategies is an internal process between headquarters and the donors' embassies; for others, the strategy is the product of bilateral consultations with the partner countries.

The approach of the United States differs from that of other DAC members in that each US government agency has its individual approach to planning, agreeing and implementing its assistance in consultation with the partner country.

Most donors' country strategies provide forward information on planned annual expenditure. The extent to which the information is shared with partner countries varies from one donor to another. Some include indications of future funding levels in co-operation agreements signed with partner countries; while others share such information on an informal, non-committal basis; some do not share the information or share it only with selected partners or in relation to budget support. The Accra Agenda for Action (AAA) commits donors to addressing constraints to providing such information.

Donors' forward planning practices also differ with regard to the periodicity of updating the indicative financial plans. Some donors update their multi-year financial plans every year, and could therefore provide forward information three to four years in advance on a regular basis. Other donors update plans following a schedule of bilateral consultations with the partner countries, and could therefore provide forward information one to four years in advance, depending on the dates of the consultations. Such policies, as well as less-than-annual schedules, will need to be amended if donors are to deliver on their commitment in the AAA to "... provide developing countries with regular and timely information on their rolling three to five-year forward expenditure and/or implementation plans."

Multi-year country strategies are commonly supplemented by annual country plans, laying out financial allocations on a yearly basis and including information on projects and programmes to be implemented during each year. For a few donors, annual planning involves calls for project proposals that could be funded through the development co-operation budget.

### **Planning at the operational level: Multilateral agencies**

Multilateral agencies generally determine resource allocations using a resource allocation model, based on country needs (measured principally by GNI per capita) and performance.<sup>10</sup> The development banks formulate their grants and concessional lending programmes with the help of country performance rating (CPR) systems, consisting of assessments of country policy, institutions and portfolio performance. The Global Environment Facility (GEF) applies such a model to two-thirds of its allocable resources, with one-third allocated on a project-by-project basis. The Global Fund operates on a responsive basis: initial funding is awarded based on the quality of project proposals received from countries, but continued and renewed funding depends on proven results and achieved targets.

UNDP, UNICEF and UNFPA also allocate core resources to country programmes using resource allocation models. The models are based on development indicators relevant to each agency's mandate, as well as other criteria, such as priority regions and/or income groups, defined by the agencies' executive boards. Core resources are also used to cover programme support costs in the agencies' headquarters. Operational planning at the country level takes place within the United Nations Development Assistance Framework (UNDAF). The UNDAF is based on the partner country's development priorities and defines how the UN agencies will support these through various projects and programmes over a five-year period. Analytical work for UNDAF is either government-led or based on the UN's Common Country Assessments (CCA); the UNDAF cycles are aligned, whenever possible, with national planning frameworks. The UNDAF is inclusive of all UN agencies that are members of the UN Development Group (UNDG). As a result, agencies (funds, programmes and specialised agencies) are involved in the joint programming process even if they have no core-funded country programmes. Note also that the UNDAF covers both core and non-core funded activities, including those for which funding has not been secured.

### **Concluding remarks**

Chapters 2 and 3 of this publication provide key information and analysis in support of the implementation of commitments set out in the Paris Declaration and the AAA to improve the division of labour among donors, as well as the medium-term predictability of aid.

The chapters introduce a new measure of the amount of aid that can be programmed at the country level: country programmable aid (CPA). This sub-set of total ODA makes the DAC's longstanding data much more pertinent at the country level. It also represents the portion of aid for which donors can provide estimates of their future spending plans, country-by-country.

A major value of the analysis is that it permits a global review of the aid allocations. For the first time, it provides information on the likely outcome of allocation decisions taken individually by 33 bilateral and multilateral donors. Combined with analysis of existing aid allocation patterns (Chapter 2), this information can help to address the existing fragmentation of aid by providing essential information to support action on improving the in-country and cross-country division of labour among donors, as called for in the AAA.

Predictability is another major issue addressed. The first issue of predictability is delivering on global commitments. This chapter reveals that some USD 21 billion of the

USD 50 billion promised by 2010 is already delivered or in the planning figures. But this leaves nearly USD 30 billion (in 2004 dollars) still to be programmed into donor budgets if the commitments for aid levels in 2010 are to be fully met. The Survey also shows that a further USD 14 billion needs to be programmed for Africa to achieve the USD 25 billion increase pledged at Gleneagles in 2005.

Improving aid predictability at the country level means providing reliable information on future aid. The Survey provides a broad indication of trends in future aid levels for each of the 153 partner countries. It shows that 102 countries can expect a real increase in their aid by 2010; for 33 of them, the increase will amount to USD 100 million or more. But aid to eight LDCs and four fragile states is expected to fall by over USD 20 million. These cases deserve particular attention.

The Survey also reviewed donor practices on forward planning of aid expenditures. It showed that while budgets remain annual, as approved by parliaments, most donors operate within multi-year programming frameworks, which include longer-term planned expenditure. The extent to which information on this planning is shared with partner countries, however, varies. Some donors include indications of future funding levels in signed co-operation agreements, while others share the information on an informal, non-committal basis; some do not share the information at all.

The AAA calls for this to change, committing all donors to share forward spending information on a rolling 3-5 year basis. By providing a guide to existing practice, the Survey information offers a starting point for implementing this profound change in the way aid is planned and provided. The end result – making sure aid reaches those most in need in a sustainable way – will help to produce real results in the form of improved lives for millions of people.

## Notes

1. OECD (2009), *Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability*, Better Aid, OECD, Paris, forthcoming, [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).
2. "Achieving the Millennium Development Goals in Africa" ([www.mdgafrica.org/achieving\\_mdg.html](http://www.mdgafrica.org/achieving_mdg.html)).
3. Accra Agenda for Action, paragraph 26.
4. Programmable Aid estimates for each partner in the baseline year 2005 and for each year from 2008 to 2010.
5. These funds will count as ODA in 2010 when promissory notes are deposited with the International Financial Institutions. The IFIs will be making commitments to future spending in countries based on these increased inflows from 2009 to 2012. Such firm commitments will help partner countries to plan for spending this additional funding in subsequent years. However, due to the financing sequence (replenishment -> promissory notes -> commitments -> expenditure), much of the scaled-up expenditure will reach countries only after 2010. Subsequent annual DAC surveys of forward spending plans will ask for information on planned flows from member countries to the IFIs, to complement the information on planned future expenditure in countries by the IFIs.
6. See Annex III.1 at [www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup).
7. The Netherlands has a separate ODA target within this envelope.
8. Multilateral agencies' operational activities in developing countries are funded from the agencies' regular (core) resources and from other (non-core) resources. Only allocations of core resources are discussed here. Non-core resources, which include bilateral donors' earmarked contributions to specific projects and programmes, are covered in bilateral aid budgets/allocations.

9. UN funds and programmes obtain their core resources through donors' voluntary contributions. The core-funded operational activities of UNCTAD, UN-Habitat, UNAIDS, UNEP and UNODC are on a much smaller scale and were not examined in the Survey. UNWFP, UNHCR and UNRWA were not covered, as their activities do not fall under the definition of country programmable aid (which excludes food aid and humanitarian aid). UN specialised agencies use core resources (obtained through assessed contributions) for field programme activities only to a limited extent.
10. Only two DAC members (Netherlands and the United Kingdom) mention use of a resource allocation model to help decision taking on their allocations.





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