

# GETTING CLOSER TO THE CORE - MEASURING COUNTRY PROGRAMMABLE AID

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## What's the issue?

A long debate over “real” versus “phantom” aid... The headline measure of spending by industrialised country governments in favour of developing countries has long been Official Development Assistance, or ODA. This captures grants and concessional loans made to developing countries and multilateral development institutions for development purposes. Bilateral outflows cover a broad range of expenditures, including several items which are challenged by advocacy groups. For example debt relief, imputed student costs, aid administration and technical co-operation, while scored at face value as ODA within Development Assistance Committee (DAC) guidelines, may not represent actual transfers of funds to recipient countries. Various attempts have been made by NGOs and researchers to strip out these and other items from ODA to derive a more meaningful, “real aid”<sup>1</sup> measure.

...overlaid with an increasing focus on transparency and predictability. Major parts of ODA are neither fully transparent to, nor manageable by, recipient countries. These elements are too volatile or unknown locally, sometimes even to local donor offices; some do not entail any cross-border flows. The Accra Agenda for Action and various aid transparency initiatives have sharply raised expectations for improvements on this front.

In 2007, building on earlier analyses on core development aid, the DAC introduced a new concept, “country programmable aid” (CPA), to provide a better estimate of the volume of resources transferred to developing countries. CPA is the portion of aid that each donor (bilateral or multilateral) can programme for each recipient country. CPA is a subset of ODA outflows. It takes as a starting point data on gross ODA disbursements by recipient but excludes spending which is: (1) inherently unpredictable (such as humanitarian aid and debt relief); or (2) entails no flows to the recipient country (administration, student costs, development awareness and research and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to international NGOs, aid through secondary agencies, ODA equity investments and aid which is not

allocable by country). Finally, (4), CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions. CPA, in short, tracks the portion of aid on which recipient countries have, or could have, a significant say and for which donors should be accountable for delivering “as programmed”. CPA outflows from multilaterals to recipient countries are measured directly in this definition.

Overall, for DAC members CPA is roughly a little over a half of their gross bilateral ODA. CPA has been rising over the period 2005-08 at a rate of 4%, in line with gross ODA excluding the volatile debt and humanitarian spends. Other non-CPA categories, such as administrative costs, have risen slightly, but this is in most cases due to better reporting rather than underlying expansion of spending.

## How useful and significant is the CPA definition?

It's not perfect. CPA measures aid from the donors' perspective: still included is technical co-operation<sup>2</sup>, which in many cases does not follow recipients' procedures. Costs for expatriate experts are often claimed by civil society organisations to be an inefficient use of scarce donor resources and to pose indirect costs for counterparts. Likewise CPA allows for project-specific donor contracts with NGOs: these contracts often escape host government scrutiny. It could also be argued that relief on previously serviced debt should be counted back in, as it generates predictable cross-border benefits. In fragile states there may be a case for adapting the CPA definition to include humanitarian assistance, given that this represents a large part of the total aid package to these countries for long periods. Finally, further work is required to improve the comparability of bilateral and multilateral shares of CPA.

CPA provides a low-cost basis for transparent forward planning by recipients and donors as required by the Accra Agenda for Action and already surveyed by OECD<sup>3</sup> - although confidentiality requirements by a few still reduce their in-country usefulness to decision makers. Moreover, actual performance by donors can be compared to previously stated intentions and hence improve accountability.

It helps aid transparency. CPA captures well the main cross-border aid flows to recipient countries and has been tested against country-level information and found to provide a good approximation of the overall flows expected to appear in country aid information systems<sup>4</sup>.

It is useful for analysing concentration across and within countries and agencies. We can more readily identify from a country perspective which donors are active and where they are important in terms of aid volume. For example, half of all DAC aid relationships now collectively disburse less than 5% of CPA: a striking figure to prompt rationalisation, with specific details available by country and donor agency<sup>5</sup>.

It is a useful way of comparing in-country financial impact across donors. The huge variance (low of 10%, high of 81% in 2008) in the CPA share of donors' bilateral ODA deserves

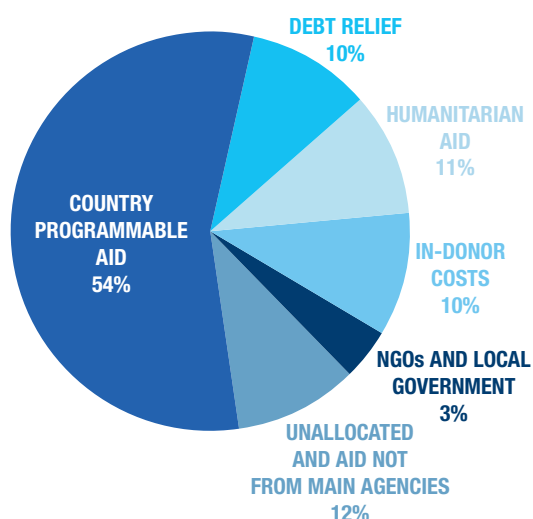
to be more widely discussed. The policy principle is that CPA should benchmark the intensity and coherence of donor effort at country level.

## What more can be done? (Issues for discussion)

The quality of reporting should be a high priority for DAC donors as well as for voluntary non-DAC participants. Data on CPA are derived from donors' standard statistical reporting; the quality of analyses on CPA reflects the quality of the reporting. At this point compilation of CPA data is still late and laborious - yet these are the most useful statistics on aid at the country level. The new DAC typology of aid to be implemented from 2011 is expected to ease the compilation of CPA as it will provide a more precise indication of the type of aid provided. Donors, including those providing data to the DAC on a voluntary basis, are invited to make full reporting a priority. Donors not yet reporting to the DAC are encouraged to start doing so as to improve the usefulness of CPA data series for all. Improved reporting and increased participation are crucial for better information for both historical and forward spending plans.

Address perceived limitations, such as "technical assistance" at reported value. The new typology should result in improved statistics on technical assistance, though reporting of expenditure on donor experts remains optional. Other adjustments to CPA, e.g. adding back humanitarian assistance or subsets of debt relief for alternative policy contexts, are relatively straightforward. All such limitations should be debated and addressed, as CPA is a practical measure that is in place to promote "real aid".

COMPOSITION OF GROSS BILATERAL ODA 2008 USD 116BN



## Further reading

1. ActionAid International, 2005, Real Aid - Making Technical Assistance work.
2. 2005 OECD Development Co-operation Report, Chapter 5 - Technical Co-operation.
3. 2009 DAC Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2009-2011 and 2010 edition forthcoming.
4. OECD/DGF (Rudolphe Petras), 2009, Comparative Study of Data Reported to the OECD Creditor Reporting System (CRS) and to the Aid Management Platform (AMP).
5. 2009 OECD Report on Division of Labour: Addressing fragmentation and concentration of aid across countries.

The facts and analyses in this document have been verified by the OECD Development Co-operation Directorate. However, the opinions and arguments expressed do not necessarily reflect the official views of the Organisation or of the governments of its member countries.