

## **PRE-RELEASE OF FINDINGS FROM THE UPCOMING 2014 OECD REPORT ON THE GLOBAL OUTLOOK ON AID: INCREASED AMBITIONS ARE NEEDED FOR THE POST-2015 FINANCING FRAMEWORK**

The deadline for agreeing a new post-2015 development framework is fast approaching. During the next year, the development community will be designing and putting in place a new set of development goals. The current Millennium Development Goals (MDGs) will be revamped to better meet the needs of a multi-polar world where the poverty and sustainable agendas come together. These Sustainable Development Goals (SDGs) will be supported by a modernised framework of development finance, allowing better tracking of the richer countries' efforts to support countries in need of external assistance.

Donors' contributions to core development programmes at country and regional levels, measured in terms of **country programmable aid (CPA)**, are a critical vehicle in delivering aid commitments in support of the MDGs and SDGs. The Survey on Donors' Forward Spending Plans is designed to help reduce uncertainty about future core aid at the global, regional and national level. It is a unique instrument being the only regular process at the global level that brings together most bilateral and multilateral aid spending plans for the upcoming three years.

**This pre-release of findings of the upcoming OECD report on the Global Outlook on Aid provides an overview of global aid allocations up to 2017.** The OECD report is a key resource for the international community to better assess the prospects for meeting aid commitments, and flag potential gaps in aid provision ahead of time. The 2014 edition of the Survey collected information from all DAC members, the largest twenty-five multilateral agencies and six countries beyond the DAC.<sup>1</sup>

### **As predicted, global country programmable aid bounced back in 2013 and global outlook is projected to be stable**

The increase predicted for 2013 in last year's Survey did, in fact, translate into a rise in global CPA. **Total CPA is estimated at USD 101.8 billion in 2013**, representing an increase of 9% from 2012, the same rate as predicted in 2013.<sup>2</sup> However, the increase was attributable to increased efforts by multilateral agencies and non-DAC countries. While DAC members' CPA rose to USD 64.5 billion - an increase of 1% from 2012 - non-DAC countries doubled their CPA. Together with a surge in multilateral CPA, up 17% from 2012, the three-year decline in global CPA has been halted. This increase has benefited countries of all income categories, with particularly large increases for Egypt and Myanmar, which both received large amounts of development assistance from the United Arab Emirates and Japan, respectively.

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1. Aid providers' indicative spending plans as reported to the Survey can be accessed at <http://stats.oecd.org/Index.aspx?DataSetCode=FSS>. More information about the survey is accessible at <http://www.oecd.org/dac/aid-architecture/>

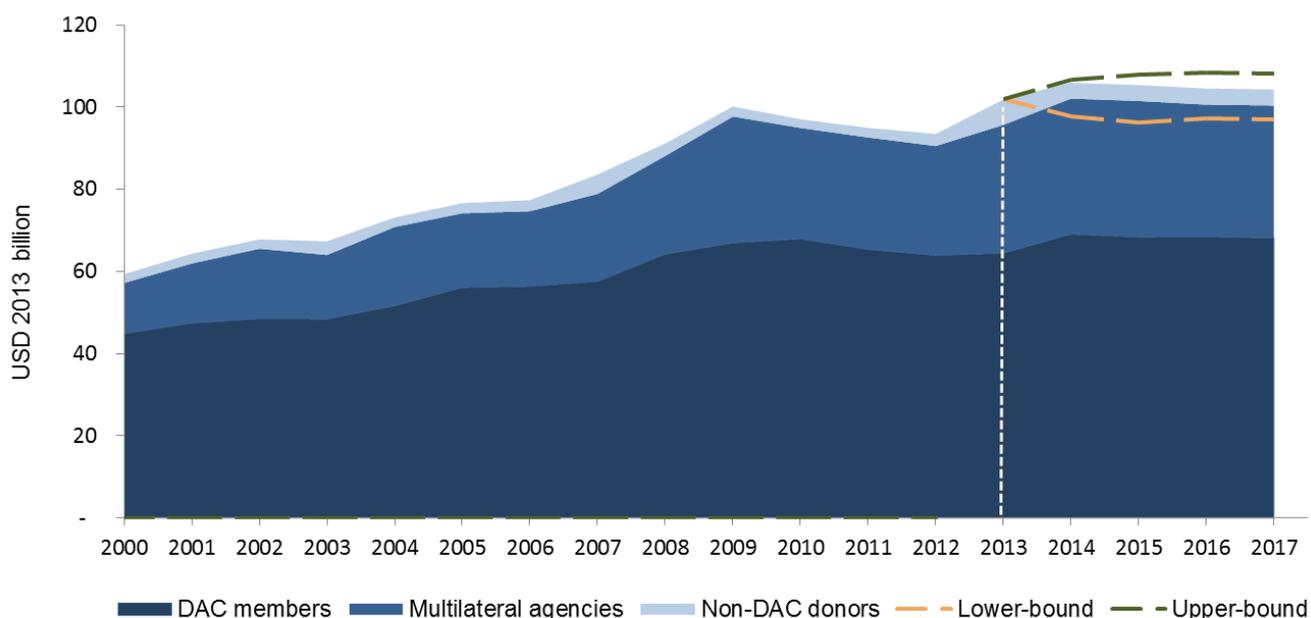
2. See OECD (2013d), Outlook On Aid Survey On Donors' Forward Spending Plans 2013-2016, OECD Publishing, Paris. <http://oecd.org/dac/aid-architecture/OECD%20Outlook%20on%20Aid%202013.pdf>.

**For 2014 CPA is projected to increase by 4% in real terms**, mainly as a result of increases from a few DAC members (e.g. Germany, Italy and New Zealand) and soft loans from multilateral agencies such as the Asian Development Bank (AsDB) and the International Fund for Agricultural Development (IFAD), along with the Global Fund to Fight AIDS, Tuberculosis and Malaria. From 2015 onwards, aid levels are projected to be relatively stable (Figure 1); however, this may just reflect the uncertainty of the current economic environment.

On overall, also taking into account the additional effort in 2014, **global CPA is projected to increase by 2.4% - or USD 2.5 billion in real terms - mainly as a result of DAC members and multilateral agencies contributions up to 2017**. The increase of DAC members and multilateral agencies together represents USD 4.7 billion. This increased contribution will be countered by a reduction of USD 2.3 billion from countries beyond the DAC.

**Aid projections represent the best available information by the time of the Survey**. By nature these may deviate from actual future spending. Deviations may occur as a result of delays in programme implementation, tightening of fiscal policies in donor countries and/or changes in political priorities. Low and high scenarios are illustrated on the graph based on past projections and patterns, a low case would reflect the same level of expenditure cuts as occurred during the crisis between 2009 and 2012, whereas the upper case scenario would reflect the continuation of the recent positive trends.

**Figure 1. Global CPA (2000-17)**



Source: Authors calculations based on data reported to the Survey complemented with Secretariat estimates based on OECD/DAC statistics.

**Regional allocations - aid to Africa projected to decline and half of countries in sub-Saharan will receive less in 2017 than today**

This year’s Survey reveals a **shift in overall regional priorities** for the next three years (Figure 2). While CPA to Africa grew more rapidly than in other regions from 2012 to 2013 (by +13%); projections indicate a slowing of growth for 2014 and a decrease from 2015 onwards. CPA to Asia increased by 10% in 2013 and is projected to continue to grow until 2017. **The largest increases are projected for middle-income Asian countries, such as**

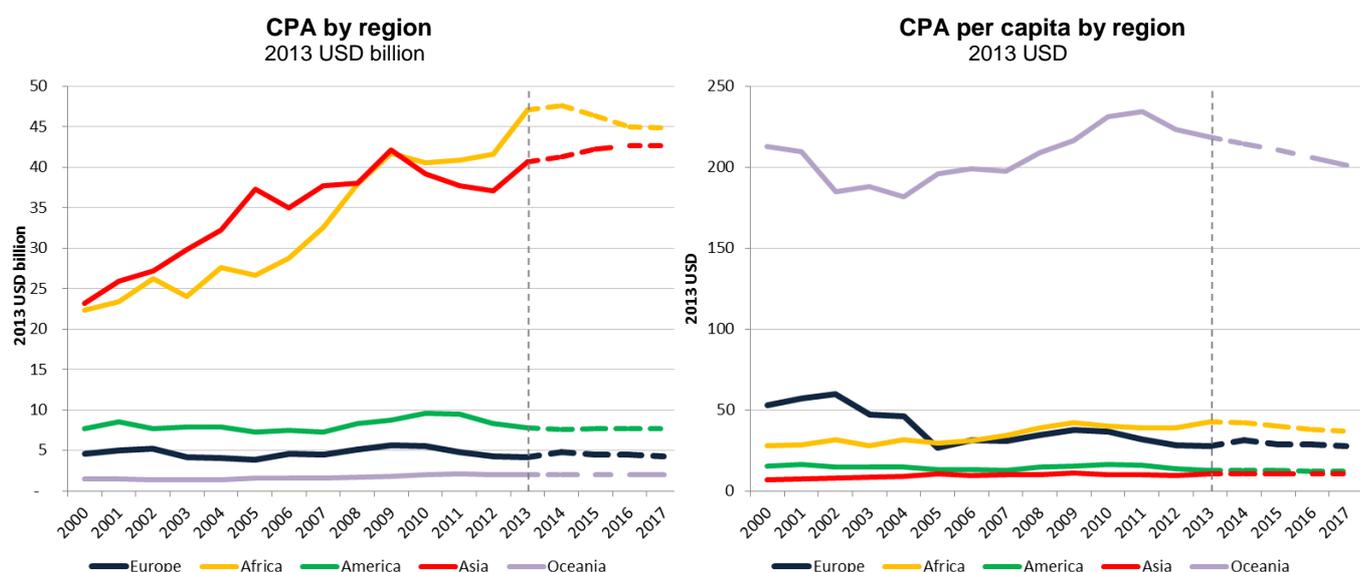
**India, Jordan and Pakistan.** By 2017 overall allocations to Asia are expected to equal those towards Africa.

In the case of Africa, aid is expected to increase for a few countries, in particular for Cameroon, Mali, Morocco, Niger, Nigeria and Tunisia. However, a worrying trend is that **two-thirds of countries in sub-Saharan Africa are projected to receive less aid in 2017 than in 2014.**

CPA to countries in the Americas fell by 7% in 2013, as a result of few large aid providers (e.g. the EU institutions and the United States) reducing their aid. The sharp decrease in 2013 can also be explained by the exceptionally high levels of aid the previous three years, due among others to a few large French loans for infrastructure development in Brazil. Other aid providers, such as Japan and Spain, also drastically reduced their aid in the region and overall. **Projections up to 2017 for the Americas do not look much better, as CPA in this region is expected to continue to fall by an additional 2% in 2014 but to remain relatively flat from 2015 onwards.**

Many ODA eligible countries in Europe are facing the same dilemma as countries in the Americas, with decreases in aid when aid providers reallocate resources elsewhere as a result of countries graduating. Nevertheless, for some countries, one assists to a form of redistribution in CPA allocations among donors. Indeed, over the past few years a number of countries in the Balkans have graduated from the International Development Association (IDA), with the expectation of decreasing aid levels as a consequence.<sup>3</sup> However, overall aid levels have remained rather stable since other aid providers, such as Germany, have increased their support. In 2014 aid levels are projected to rise because of additional aid to Turkey and Ukraine from the EU institutions, France and Germany. Current projections for 2015 and beyond show slightly decreasing aid levels; however, the outlook remains uncertain considering the current crisis in the Ukraine.

**Figure 2. CPA by region and per capita by region (2000-17)**



Source: Authors calculations based on data reported to the Survey complemented with Secretariat estimates based on OECD/DAC statistics. See also annex table for detailed CPA by region.

3. Albania received its last IDA credit and graduated in FY08 (1 July 2007-30 June 2008), Bosnia-Herzegovina in FY14, Montenegro in FY08 and Serbia in FY08. Only Kosovo remains an IDA borrowing country on blend credit terms.

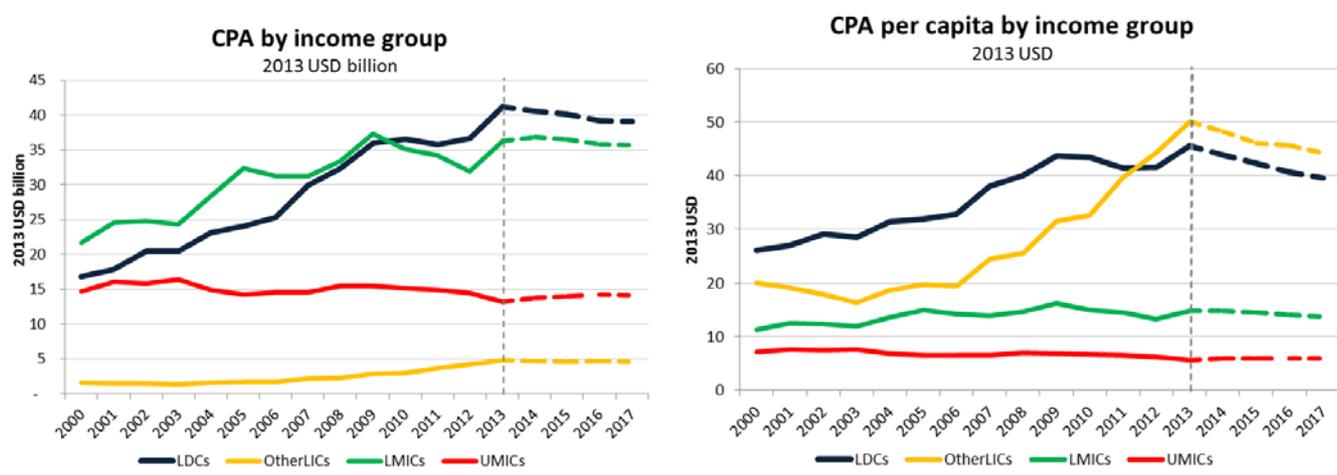
## Outlook remains uncertain for LDCs and other LICs – with worrying trend of continued stagnation or decline in programmed aid

In recent years, CPA to least developed countries (LDCs) and other low income countries (LICs) grew by USD 5.2 billion from 2012 to 2013, a considerable increase in just one year, that came after a period of three years of stagnating aid levels (Figure 3). The 2013 increase was in spite of a significant drop of USD 1.5 billion in aid to Afghanistan. **The majority of the increase can be attributed to aid to a few countries, of which Myanmar is the most striking example with more than USD 3 billion in additional aid from Japan and the multilateral development banks.** The reform agenda in Myanmar has resulted in many donors revising their assistance policy towards the country and being increasingly active in sectors with more financing options. If reform efforts continue, it is likely that Myanmar will remain one of the largest aid recipients over the medium term.

In 2013, CPA also increased significantly in several East African countries, such as Ethiopia, Kenya and Tanzania, but on overall half of the LDCs received less aid in 2013 than in 2012, in particular countries in West and Central Africa.

**In going forward, the Survey confirms the worrying trend of continued stagnation or decline in programmed aid to several LDCs in Africa with large MDG gaps and poverty levels, such as for Burundi, Guinea and Madagascar. CPA to LDCs and other LICs is programmed to decrease by 4% from 2014 to 2017, leaving two thirds of the LDCs with less aid in 2017 than in 2014.** As a consequence of steady population growth, aid per capita is expected to decline at a faster pace. A few exceptions are found in South and South-East Asia, such as for Bangladesh, Cambodia and Nepal, where aid is programmed to continue to increase in the medium term.

Figure 3. CPA by income group and CPA per capita by income group (2000-17)



Source: Authors calculations based on data reported to the Survey complemented with Secretariat estimates based on OECD/DAC statistics.

This projected decrease of aid going to LDCs is all the more worrying as OECD analysis also shows that for many of them the amount of CPA received represents a significant share of government tax revenues and in some cases, even exceeds the amount collected through taxes (e.g. in Afghanistan, Burundi, Liberia, Malawi, Sao Tome and Principe and Solomon Island).

**In contrast, aid to upper middle-income countries (UMICs) is expected to increase throughout the period.** In 2014 aid to UMICs is projected to increase by 4% since additional resources are programmed for Brazil, China, Jordan and Tunisia. It is likely that much of this support will be in the form of soft loans. By 2017 another 3% can be expected to this group of countries, resulting in a total programmed increase to UMICs of 8% by 2017.

The situation is however less favorable in the case of lower middle income countries (LMICs) to which aid is also expected to decline by 3% over the coming years. Aid is for example expected to decline noticeably in Guyana and Cap Verde as well as Iraq and Kosovo in a lesser extent.

The international community of aid providers has the opportunity to act now in order to contribute to help shape an ambitious financing agenda post-2015, in which aid resources will remain a core element. In this respect **it will be important to improve countries' access to external development finance, in which aid resources are an integral part, while leaving no country behind.**

#### Annex table: Estimated CPA by region

(Gross disbursements, 2013 USD billion)

<i>Region</i>	Actual		Planned			
	2012	2013	2014	2015	2016	2017
<b>Europe, total</b>	<b>4.3</b>	<b>4.2</b>	<b>4.8</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>
<b>Africa, total</b>	<b>41.6</b>	<b>47.1</b>	<b>47.6</b>	<b>46.4</b>	<b>45.0</b>	<b>44.8</b>
North Sahara	4.5	6.9	5.2	5.1	5.2	5.2
South Sahara	35.9	38.5	40.9	39.6	38.1	38.0
Africa regional	1.3	1.7	1.5	1.6	1.7	1.7
<b>America, total</b>	<b>8.3</b>	<b>7.8</b>	<b>7.6</b>	<b>7.7</b>	<b>7.7</b>	<b>7.7</b>
North Central America	4.2	4.1	3.7	3.7	3.7	3.7
South America	3.9	3.4	3.6	3.7	3.7	3.7
America regional	0.3	0.3	0.3	0.3	0.3	0.3
<b>Asia, total</b>	<b>37.1</b>	<b>40.7</b>	<b>41.3</b>	<b>42.2</b>	<b>42.6</b>	<b>42.7</b>
Middle East	5.7	6.3	6.6	6.6	6.5	6.5
South Central Asia	19.5	23.0	22.8	23.5	23.9	23.9
Far East Asia	11.5	10.9	11.4	11.6	11.7	11.7
Asia regional	0.4	0.4	0.5	0.5	0.6	0.6
<b>Oceania, total</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>
<b>All developing countries</b>	<b>93.4</b>	<b>101.8</b>	<b>103.4</b>	<b>102.8</b>	<b>101.8</b>	<b>101.6</b>
Unallocated	-	-	2.5	2.6	2.7	2.7
<b>Grand total</b>	<b>93.4</b>	<b>101.8</b>	<b>105.9</b>	<b>105.4</b>	<b>104.5</b>	<b>104.3</b>