



**Scaling Up: Aid Fragmentation,
Aid Allocation and Aid Predictability**



**REPORT OF 2008 SURVEY OF AID ALLOCATION POLICIES
AND INDICATIVE FORWARD SPENDING PLANS**

SUMMARY

OECD DEVELOPMENT ASSISTANCE COMMITTEE

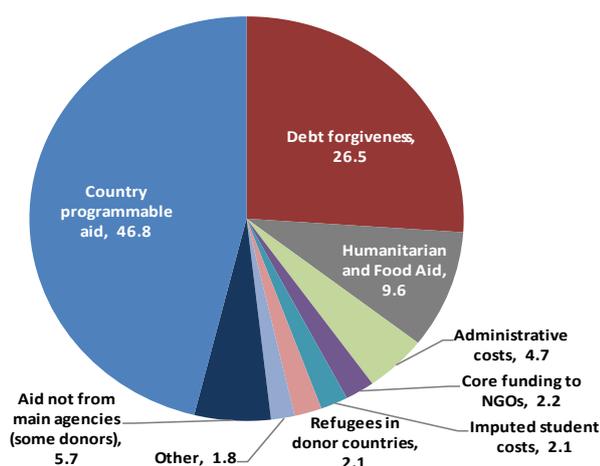
MAY 2008

It is nearly three years since members of the Development Assistance Committee (DAC) announced renewed commitments to increase Official Development Assistance (ODA) to coincide with the Millennium+5 Summit in New York. The DAC Secretariat calculated that, if delivered, these commitments would amount to an additional USD 50 billion of ODA by 2010 (in 2004 dollars).

As part of monitoring the delivery of these commitments, the DAC conducted its first full annual Survey on Aid Allocation Policies and Indicative Forward Spending Plans in late 2007 and early 2008. The Survey helps to identify resource gaps and opportunities for scaling up in individual partner countries. This report is a key stimulus to improving the **medium term predictability of aid**, as called for in the Paris Declaration and by the UN Secretary General's MDG Africa Steering Group. It is intended to inform discussion at major development events in 2008, especially on predictability and division of labour at the Third High Level Forum on Aid Effectiveness (Accra, September) and on ODA financing at the Follow-up International Conference on Financing for Development (Doha, November/ December).

The report uses a new measure of the amount of aid that can be programmed at the country level: **country programmable aid (CPA)**. In 2005 – the baseline year for the Survey – CPA was USD 60 billion. Some USD 47 billion of this was from bilateral donors, equal to 46% of their gross bilateral ODA. The main exclusions are debt relief, humanitarian aid, NGO funding, and administrative, imputed student and in-donor refugee costs. The 33 donors covered by the Survey provided information on forward spending to 2010 that covered 56% of their total CPA. Estimates were made for the balance¹.

Country programmable aid: a pertinent measure
Composition of gross bilateral ODA in 2005 (total USD 102 billion)

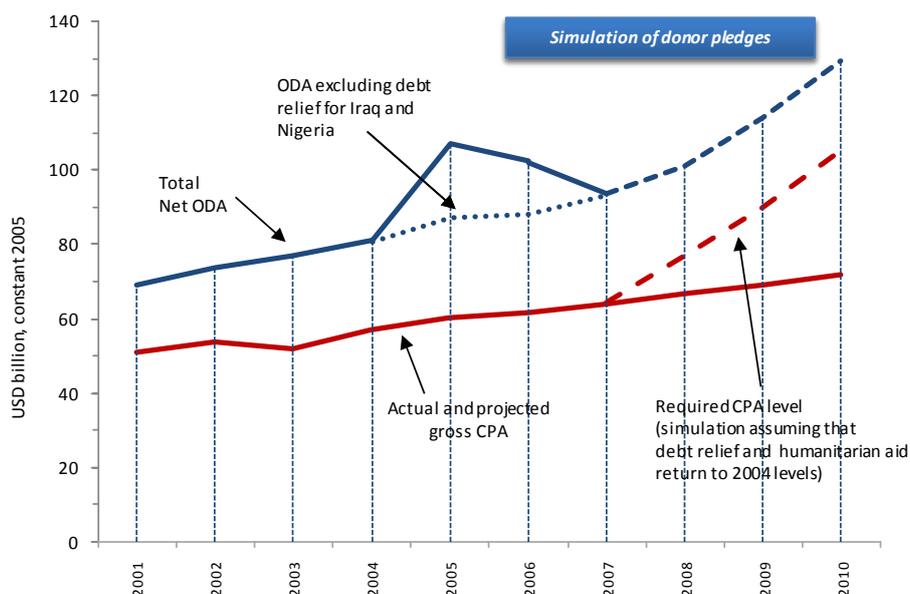


The category *Other* includes: development research in donor country, promotion of development awareness and aid extended by local governments in donor countries.

The first issue of predictability is delivering on **global commitments**. The Survey results show that so far CPA is programmed to increase by 2010 by nearly USD 12 billion over 2005 (on top of the extra USD 5 billion delivered in 2005 compared to 2004). Recent record replenishments of IDA and the African and Asian Development Banks will add around a further USD 4 billion of ODA to this figure in 2010 for deposits of promissory notes. Thus USD 21 billion of the USD 50 billion promised by 2010 is already delivered or in the planning figures. But, 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 below – the difference between donors' forward projections (solid red line) and required CPA level if all donors fulfil their pledges (dotted red line).

¹ Japan was unable to provide estimates covering all its forward spending, but provided provisional data on CPA in 2007 on which the Secretariat based its projections. The United States does not issue or approve global forecasts on projected ODA. The amounts included in this report are Secretariat estimates based on public announcements and projecting past aid flows.

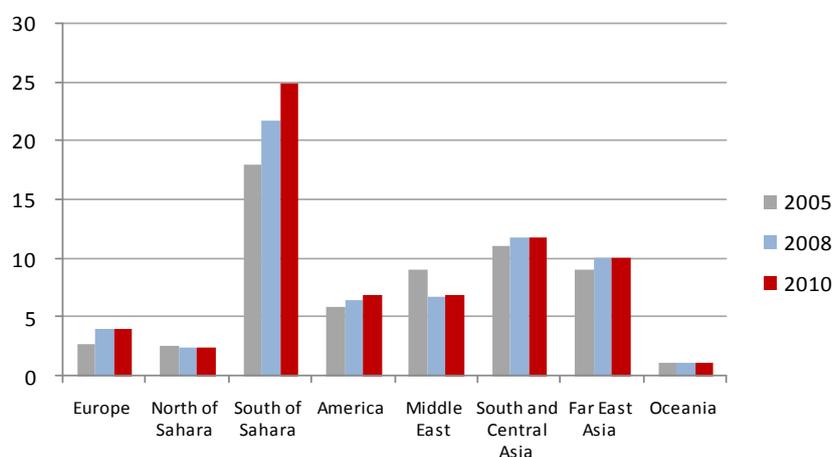
A gap to close: DAC members' total net ODA and gross CPA for 2001 – 2010



Note: Net ODA for 2007-2010 is estimated by the DAC Secretariat.
CPA for 2007-2010 is based on Survey returns and estimates by the DAC Secretariat.

There has been slightly better progress on delivering on promised increases in **aid to Africa**. In 2005 at the EC Council in May and the Gleneagles summit in June, donors made commitments to Africa and sub-Saharan Africa that amounted to an increase of USD 25 billion (in 2004 dollars) in aid to Africa by 2010. At the half way point, net ODA to Africa is estimated to have increased by some USD 7 billion since 2004. The Survey shows a further USD 4 billion programmed for 2008 to 2010, still leaving some USD 14 billion to be programmed, assuming debt relief and humanitarian aid return to 2004 levels.

Scaling up: more projected for sub-Saharan Africa, but well below commitments (Gross CPA disbursements – constant 2005 USD billion)



The second issue is improving **aid predictability at the country level**. This will be achieved primarily in discussions between governments and their development partners. This means providing reliable information on future aid levels whether aid is due to be scaled-up, remain flat, or decrease. As background, the Survey provides a broad indication of trends in future aid levels² for each of 153 partner countries. It shows that 102 countries can expect a real increase in their aid by 2010, 33 of them by USD 100 million or more. In contrast, on current programming figures, supplemented by past trends, 51 countries can expect a decrease in aid by 2010. For some, such as China, Egypt, India and Thailand, this is a continuation of a process of graduating from aid. But aid to eight LDCs and four fragile states is expected to fall by over USD 20 billion. These cases deserve particular attention.

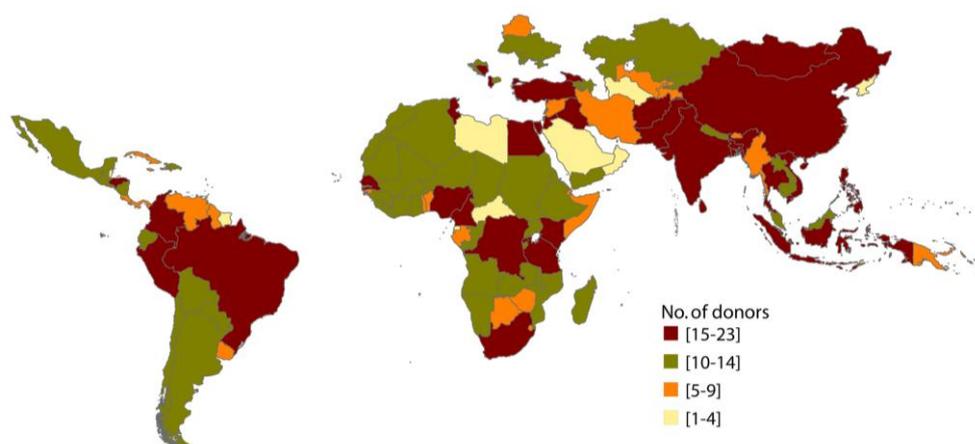
² The data **do not reflect commitments** to future aid levels, **but projected CPA disbursements** for each partner country as reported by DAC members and major multilateral agencies, supplemented by DAC Secretariat estimates.

The Survey is most useful for reviewing **global aid allocations**, a process which necessarily starts in headquarters. It provides information for the first time on the likely outcome of allocation decisions taken individually by 33 bilateral and multilateral donors. Combined with analysis of existing aid allocation patterns contained in *Part I* of the report, the information can help to address the existing **fragmentation of aid** and provide essential information to take forward action on improving the **division of labour** between donors.

In 2005-06, 38 partner countries had 25 or more DAC and multilateral donors. In 24 of these countries, 15 or more donors collectively provided less than 10% of that country's total aid. At the other extreme, 38 countries - mostly small island states - had fewer than 10 donors in total. These results - especially when further analysed by the sectors in which each donor is operating - offer insights into where it might be possible to reduce the number of actors that each partner has to deal with. At the same time, they make it clear that in some countries, usually fragile states, there is a need for more, not fewer, donors in order to improve diversification and scale-up aid without incurring undue transaction costs.

Aid Fragmentation: too many donors contributing too little?

Number of donors together providing just one tenth of a country's aid
(Gross disbursements of CPA, 2005-06)



The number of partners per donor varies greatly. Unsurprisingly, the three largest bilateral donors - US (128 partners), Japan (135) and the EC (144) - top the list. Canada, France, Germany, The Global Fund, UNICEF, UNDP and UNFPA each work in over 100 partners. At the other end of the scale, Greece, Luxembourg, New Zealand, AsDF, AfDF, and IDB each work in fewer than 50 partners, with Portugal (20) having the fewest. Fragmentation is reduced when a donor provides above its average share of global CPA to more of its partners. The IDB, with its regional focus, is above its global share in all its 24 partners. But larger donors, such as the EC, Germany and Spain, achieve an above average share in the majority of their partners. And even where a donor is below its global share in a country, it can still be a major player in a sector within that country, for example Austria in the health sector in Viet Nam.

The Survey reviewed **donor practices on forward planning of aid expenditures**. It showed that while budgets remain annual, as approved by parliament, most donors operate multi-year programming frameworks, which include information on planned expenditure. For DAC bilateral donors, forward planning is generally limited to their priority partner countries. With the exception of the United States, all members have a named group of priority partners and several are in the process of further concentrating their aid. The extent to which information is shared with partner countries varies. Some donors include indications of future funding levels in signed co-operation agreements; others share the information on an informal, non-committal basis; yet others do not share the information or share it only with selected partners or in relation to budget support. Multilateral donors' forward planning data cover all their aid partners. They make use of resource allocation models, based on country needs and performance.

The full *Report of 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans* (www.oecd.org/dac) is organised in four parts. This summary is included as an Overview. Part I examines existing patterns of aid fragmentation and concentration, using maps and a powerful matrix that shows the degree to which 33 donors are operating in 153 partner countries. Part II looks forward to the delivery of commitments on future aid levels in total and where aid is likely to be scaled up or scaled back. Part III summarises donors' country allocation and budgetary procedures and practices and the degree of transparency in sharing forward spending information at the country level, with a compendium showing practice for each donor.