

Mapping the global partnership for development



Official Development Assistance (ODA) template

Global context

Aid flows to developing countries remained relatively flat during the 1990s but started to increase from 2000. Provisional figures from the OECD DAC put ODA at \$103.9bn in 2006, up from \$53.7bn in 2000, but down by 5.1% from 2005 (in constant 2005 dollars). While debt relief has comprised a significant component of aid flows in recent years – especially in 2005 – aid is projected to continue to rise if recent political commitments by donors are met. The Millennium Declaration called on industrialized countries “to grant more generous development assistance, especially to countries that are genuinely making an effort to apply their resources to poverty reduction”¹. This was reaffirmed at the 2002 Monterrey Conference on Financing for Development and the World Summit on Sustainable Development when world leaders pledged to “make concrete efforts towards the target of 0.7 per cent” of their GNP as aid, and also called on recipient and donor countries as well as international institutions to make aid more effective^{2,3}. At their 2002 Summit, the G8 leaders stated that “no country genuinely committed to poverty reduction, good governance and economic reform will be denied the chance to achieve the Millennium Development Goals through lack of finance”. And in 2005, G8 summit leaders agreed to increase aid to developing countries by \$50bn a year by 2010, of which at least \$25bn a year will go to Africa. In addition to increasing ODA, the 2005 Paris Declaration formalized the actions that donor countries would take to improve the effectiveness of aid, emphasizing national ownership of development priorities, harmonization and alignment of donor activities, predictable and untied aid, programme based approaches, improved procurement and financial management systems, and results oriented frameworks⁴.

Pathways to development

Official development assistance plays an essential role in complementing domestic sources of financing and foreign investment. Aid can be used to invest directly in health and education systems, agriculture and food security, infrastructure, or in improving the environment in which the private sector can increase productivity and deliver decent employment. Efforts to improve the effectiveness of aid are a key part of improving its impact on development outcomes. Developing country recipients can only make long term investments – over and above what they can normally finance through domestic resources – if aid commitments are predictably delivered. The flexibility of aid is also important. Aid that is tied to the procurement of donor goods and services undermines its effectiveness, whereas aid provided in a harmonized way in support of government priorities improves its effectiveness. Donors have traditionally provided aid to recipients in a number of different ways – directly to the national budget, through sectoral

¹ The UN Millennium Declaration, 2000: <http://www.un.org/millennium/declaration/ares552e.htm>

² Monterrey Consensus, 2002: <http://www.un.org/esa/ffd/>

³ The World Summit on Sustainable Development Johannesburg Plan of Implementation, 2002: http://www.un.org/esa/sustdev/documents/WSSD_POI_PD/English/WSSD_PlanImpl.pdf

⁴ The Paris Declaration, 2005: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

programmes, through state level and local programmes, or through project based approaches. Aid given in smaller amounts in support of projects may have important catalytic effects but can also have higher transactions costs. By contrast, aid given through the national budget can help to build capacity within national budgetary processes to allocate resources against national priorities. Some critics have argued that aid has sometimes been given to support the analyses and objectives of the donor rather than the recipients. Over the last decade a consensus has developed on the best ways to provide aid, to improve its effectiveness in reducing poverty and reduce transaction costs for recipients.

The narrative on aid will attempt to highlight issues related to both aid quantity and effectiveness – on predictability, flexibility and donor harmonization. In the country context section it will attempt to address some qualitative aspects of the recipient-donor relationship such as the implications for domestic governance and accountability structures, the political economy of the aid relationship, and the gender impacts of aid.

Components of the model	Proxy indicators and data sources
<p><u>External Policies and Actions</u></p> <p>Donor aid disbursements ▲ (Global data) and ▼ (Local data)</p> <p>Aid allocation ▲</p> <p>Donor actions to improve the effectiveness of ODA:</p> <ul style="list-style-type: none"> - Programmable aid ▲ ▼ - Predictability ▼ 	<ul style="list-style-type: none"> • Estimates of the MDG financing gap after ODA, minus the potential for additional domestic resource mobilization (DRM)⁵ <p><i>Data sources: OECD / DAC; PRS and National Development Strategy financing estimates; UN Millennium Project costings; Ministry of Finance estimates of DRM</i></p> <ul style="list-style-type: none"> • Aid per capita ranking, compared with: <ul style="list-style-type: none"> - GNI per capita ranking - HDI ranking <p><i>Data sources: OECD / DAC; World Bank country GNI pc rankings; UNDP HDI rankings</i></p> <ul style="list-style-type: none"> • Proportion of aid that is ‘programmable’ (assumed as budget or sector support) <p><i>Data sources: OECD / DAC; Ministry of Finance estimates</i></p> <ul style="list-style-type: none"> • Projections of predictable aid over the following 3-year period; also as a proportion of the MDG financing gap⁶ • Proportion of donors that deliver their budget and sector support aid in the first quarter of the financial year; and proportion of those aid flows delivered in Q1

⁵ Can be calculated if there has been a needs assessment exercise, or if the PRS or NDS is MDG-based and is costed.

⁶ This is an elaboration of indicator 7 under the Paris Declaration

<p>- Tied aid ▲</p> <p>- Joint missions ▲▼</p> <p>- Reduced conditionality ▲▼</p>	<p><i>Data sources: Interviews with Ministry of Finance officials and donor representatives</i></p> <ul style="list-style-type: none"> • Proportion of bilateral ODA that is untied⁷ <p><i>Data source: OECD / DAC</i></p> <ul style="list-style-type: none"> • Proportion of (a) field missions and/or (b) country analytic work, including diagnostic reviews, that are joint <p><i>Data source: OECD / DAC</i></p> <ul style="list-style-type: none"> • Information on bilateral and multilateral conditionality where available <p><i>Data sources: Interviews with Ministry of Finance Officials and donor representatives</i></p>
<p><u>Key flows</u></p> <p>Aid in US\$ ▲</p>	<ul style="list-style-type: none"> • Total ODA • ODA as a % of GNI • ODA per capita • Aid per sector <p><i>Data source: OECD / DAC</i></p>
<p><u>Country Context (of relevance to aid)</u></p> <p>Poverty and inequality ▲▼</p> <p>Aid dependency ▲▼</p> <p>The existence of a national development strategy or PRS ▲▼</p>	<ul style="list-style-type: none"> • Proportion of population below \$1 (PPP) per day • Poverty gap ratio • Share of poorest quintile in national consumption <p><i>Data sources: UN Statistics Department, national poverty studies and household surveys</i></p> <ul style="list-style-type: none"> • Aid as a % of government expenditure <p><i>Data sources: OECD / DAC, national budget</i></p> <ul style="list-style-type: none"> • Proportion of aid flows to the government sector reported on the partner's national budget⁸

⁷ For the DAC donors this equates to indicator 8 under the Paris Declaration

⁸ This is indicator 3 under the Paris Declaration, intended to capture whether aid flows are aligned on national priorities as identified in the national development strategy.

<p>Capacity within the government to allocate and use aid effectively ▲▼</p> <p>Government policies on the actions of donors ▼</p>	<p><i>Data sources: National sources, World Bank PRSP site</i></p> <ul style="list-style-type: none"> • Proportion of donors and aid flows in country X channeled through a PFM system which either (a) adheres to broadly accepted good practices or (b) is subject to a reform programme to achieve these⁹ ** • Proportion of donors and aid flows in country X channeled through the partner country procurement system which either (a) adheres to broadly accepted good practices or (b) is subject to a reform programme to achieve these¹⁰ ** • Number of parallel project implementation units (PIUs) per country¹¹ <p><i>Data sources: OECD / DAC, national Aid and Information Management System (AIMS)</i></p> <ul style="list-style-type: none"> • The existence of guidelines for donors providing parameters for their activities <p><i>Data sources: Donor coordination units in Ministries of Finance or Planning</i></p>
<p><u>Impacts</u></p> <p>Economic growth ▲</p> <p>Facilitated foreign investment ▲</p> <p>Tax take ▲▼</p> <p>Employment ▲▼</p> <p>Greater government spending ▲</p>	<ul style="list-style-type: none"> • Total GNI growth <p><i>Data sources: World Bank World Development Indicators (WDI), UNCTAD Statistics</i></p> <ul style="list-style-type: none"> • FDI inflows, total and per capita <p><i>Data sources: WDI, UNCTAD, IMF</i></p> <ul style="list-style-type: none"> • Government revenues as a % of GNI <p><i>Data sources: WDI, IMF, Ministry of Finance</i></p> <ul style="list-style-type: none"> • Employment rate / # of jobs created <p><i>Data sources: WDI, ILO, Ministry of Labour</i></p> <ul style="list-style-type: none"> • Programmable aid as a % of total aid <p><i>Data source: OECD / DAC</i></p>

⁹ Indicator 5a under the Paris Declaration, measuring the use of national Public Financial Management systems

¹⁰ Indicator 5b under the Paris Declaration, measuring the use of country procurement systems

¹¹ Indicator 6 under the Paris Declaration, measuring the commitment of donors to strengthening government capacity by avoiding parallel implementation systems

<p>Dutch disease ▲</p> <p>Poverty headcount rates ▲ ▼ - by gender</p>	<ul style="list-style-type: none">• Dutch disease – real e/r appreciation <i>Data source: IMF</i>• GNI per capita growth - by gender <i>Data sources: WDI, UN Statistics, National Household Surveys</i>
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